

Agenda Report

April 27, 2015

TO: Honorable Mayor and City Council

FROM: Office of the City Manager

SUBJECT: ECONOMIC DEVELOPMENT STRATEGIC PLAN AND ECONOMIC DEVELOPMENT TASK FORCE REPORT UPDATE

RECOMMENDATION:

This report provides an update regarding staff efforts to advance the recommendations of the 2012 Economic Development Strategic Plan and the 2012 Economic Development Task Force Report. This is for information only, no Council action is required.

BACKGROUND:

In February of 2012, City staff completed the Economic Development Strategic Plan (EDSP) which summarized economic conditions within Pasadena and offered a range of goals and objectives to guide future work plans. Within a month after the EDSP's completion, the City Manager convened an Economic Development Task Force (EDTF) consisting of an impressive range of Pasadena employers and residents with significant business experience. During the spring and summer months of 2012, the Task Force reviewed the EDSP and created a supplemental report that refined goals and developed more specific implementation strategies. The final report offered four primary goals specifically related to: job creation; strengthening the appeal of Pasadena's commercial retail districts; taking specific steps to promote Pasadena as a technology cluster; and increasing collaboration to support tourism. The EDTF report also included various themes, including the need to: (1) build on Pasadena's innovation strengths; (2) support the quality of life that attracts skilled labor; (3) acknowledge the vital importance of businesses to the Pasadena community; (4) recognize the need to boost PUSD progress; and (5) include the needs of youth and lower income residents in any comprehensive economic effort.

During the subsequent 12 months, City Staff worked to implement the short term actions identified in the EDTF report and presented progress to the Task Force in October of 2013. Later, progress reports were provided to the City Council's Economic Development and Technology Committee. These updates benefited from

both improvements in the local economy and meaningful progress on many of the Task Force priorities. This report provides a brief highlight of the continued activities associated with the EDTF strategies. The strategies are listed by general subject matter and are in the same order as the original report. The numbering in this report and the original report does not represent any priority order.

Job Creation Strategies:

1. ***Celebrate the recruitment and expansion of companies, particularly those in key sectors like finance, engineering, medicine and technology.*** Over the last two years, the City, Chamber of Commerce, Innovate Pasadena and other local partners have worked to generate positive business stories. Post-recession, the effort to broadcast good news has been an important element in bolstering confidence in the local economy while aspiring to encourage additional investments and new jobs. As an example, the effort to recruit ADP's software group into Pasadena included several outreach activities with the City and several local business representatives. A welcoming comment toward ADP was also included in the Mayor's State of the City address. City staff has worked with several growing companies (OpenX, Spokeo, Materia..) to bring attention to their success. However, the broader community-wide effort to celebrate business achievements could be improved and will continue to be an area of focus.
2. ***Pursue opportunities for foreign investment, particularly from Pacific Rim countries.*** Southern California continues to benefit from a wide range of Pacific Rim investment. This is particularly strong in the San Gabriel Valley with commercial and residential real estate values increasing as a result. Federal programs that link immigration and investment (EB-5) have been utilized for local projects (such as the Dusit Hotel and One Green retail project), and are being considered for other proposed Pasadena improvements like the UA theater (Angel's School Supply) renovation on Colorado Blvd. Economic Development staff also worked with a promoter to bring the SoCal Innovation Forum to Pasadena. The event is organized to help bridge Chinese capital with innovation startups in Southern California. This represents an important effort to facilitate cooperation between entrepreneurs, investors and incubators from both the U.S. and China.
3. ***Build a culture of sharing leads and business contacts and jointly market Pasadena's business strengths.*** The City, Chamber of Commerce, Business District leadership, Innovate Pasadena, along with PCOC and RBOC representatives have strengthened joint efforts that include introductory meetings for business leads and coordinated follow-up. Efforts are made on a regular basis to share information, solicit ideas and secure positive relationships between these stakeholders and local business leaders. A recent example is Privlo, a financial services company that started in West Los Angeles. As they were considering options for a new location, they met with Economic Development staff and members of Innovate Pasadena to understand local skilled labor resources in the finance sector. Ultimately the

group moved into Pasadena, joined the Chamber of Commerce and has continued to add jobs to their new Pasadena headquarters location.

4. ***Forge partnerships with employers, educators, and youth service providers to integrate core academic programs, career technical curriculum, and work based learning opportunities.*** Pasadena City College, Pasadena USD and the Foothill Workforce Investment Board offer technical training programs with the goal to prepare students for employment and upgrading job skills. A Pasadena City College led coalition of regional institutions has recently secured grants related to career pathways and the AB86 adult education consortium. These same stakeholders, along with the City and local business representatives are jointly pursuing a Department of Labor grant that will support 300+ apprenticeships.
5. ***Identify on-ramps and skill building resources to integrate lower-income residents, and at-risk youth with job opportunities.*** The local Workforce Investment Board actively develops training programs to target unemployed and underemployed individuals. Working with Pasadena Unified students, At-risk Youth and Foster Youth, this program provides work readiness and skill development classes. With over 40 employers participating, the WIB staff pair local youth with paid internships allowing them to develop their experience while working part-time. A wide range of Pasadena area non-profits have programs oriented to at risk youth. Improved unemployment rates have helped in recent months, but additional coordination between service providers will help the effort progress further.
6. ***Ensure sufficient development capacity in the General Plan, Specific Plans, and zoning for job-producing uses such as light industrial, office and educational/institutional.*** The Draft General Plan Update and its associated Draft Environmental Impact Report have been completed and have gone through review by the community and City commissions. It is anticipated that the City Council will adopt the new General Plan by the end of Summer 2015. Once the General Plan Update is adopted, then the Eight Specific Plans and the Zoning Ordinance will go through comprehensive updates based upon the principles of form based codes so that the Specific Plans and Zoning are in alignment with the new General Plan. Together, these plans will expand mixed use and research and development uses as well as include allowances for moderate increases in non-residential (office, retail, institutional) land uses over next 20 years.
7. ***Guide investments to strategic growth sites.*** In early 2013, several sites were identified by staff as credible opportunity sites that could play a catalyst role to bring new vitality to certain commercial areas. This analysis of different sites was presented to the Edtech Committee. Sites included the Lincoln Post Office, Lincoln Lumber Block, corners of Green & Holliston, the Avon Facility, corners of Colorado and Sierra Madre Villa, and parcels abutting Fillmore Street and Raymond Avenue. In each case, staff has reached out to property representatives to understand ownership interests

and gauge opportunities. Since that time there have been a few new prospects. For example, initial investigations looking at the Southwest corner of the Convention Center block have identified opportunities that would bring new hotel rooms and other physical improvements to further support event operations. The new owners of the Sheraton have expressed interest in exploring options in the near future. Property ownership, economic, and other shifting realities will continue to warrant the monitoring of various sites to review new investment opportunities and evaluate appropriate levels of City involvement.

8. ***Provide infrastructure support and leverage utility resources.*** The ED Task Force asked the City to consider ways to leverage local broadband resources along with electric and water utilities to support targeted job producers. Since that time, the Department of Information Technology has completed a comprehensive review of municipal fiber and has made recommendations to the City Manager that includes limited commercial expansion of the system. The first application of this fiber partnership occurred with the Rising Realty acquisition of three buildings in Old Pasadena. The collaboration included an upgrade of fiber service to an underserved city block which helped to secure Cross Campus and other tech tenants leasing space in the complex.

Utility incentives in other communities have also been reviewed by Water and Power staff which prepared a specific set of recommendations that is ready for Council consideration. In general, the new proposal utilizes the list of NAICS codes recently approved by Council as part of the business license 'Introductory Rate' incentive, and would allow either a discount associated with infrastructure upgrade costs, or a short term reduced power rate. More information will be presented to the Municipal Services Committee within the next two months.

9. ***Provide clear, predictable, timely and efficient permitting practices.*** From a permitting perspective, there is continued work from the Pasadena Development Review Study (Matrix Report). The City's Interdepartmental Review Team (IRT) is meeting regularly to complete the two-year work program that was developed by the team. There are 24 tasks that must be completed by August 2016. To date, approximately 40% of the work program has been completed. These include improvements such as providing hand held devices for field-based inspectors, providing automatic notifications to staff and managers on past due plan checks, preparing regular reports on the review times for plan checks and certain planning applications, preparing new and updated handouts for applicants, routing certain applications electronically amongst departments and more. Beyond the work of the IRT, additional changes have also been made within the Planning and Community Development Department to address permitting efficiencies including creating new internal review procedures for both Zoning Administration and Design and Historic Preservation entitlement applications. These improvements have resulted in a decrease in the amount of time that it takes for an applicant

to go through both discretionary Planning entitlement review as well and Building and Safety plan check.

Shopping and Dining Strategies

1. ***Work with brokers and property representatives to fill vacant space with high-quality retailers.*** Throughout the year, staff monitors storefront vacancies in Pasadena in order to understand issues, and as appropriate, help the ownership team with marketing the space. These consultations often reveal a layering of challenges that contributes to the vacancy. These issues often include; the need for new building improvements that owners are unwilling to make, changes in retail operator preferences, lack of parking, or disagreements between property owners. Overall, Pasadena's retail vacancy rate is lower than most communities, but the overall sales have been flat when compared to nearby retail destinations. Recent storefront upgrades worth noting include Lincoln cafe, Lavender & Honey, Tesla Motors, and the Starbucks on North Lake Avenue. In each of these are examples where economic development staff worked to attract investment and facilitate store openings.
2. ***Intensify "Shop Local," ethnic retail and young professional retail marketing efforts.*** The City and Chamber of Commerce partner each year with a short term "Shop Local" campaign during the Holiday Season. Merchants along local serving retail streets and businesses within regional serving shopping districts are becoming increasingly savvy to the spending habits of various southern California ethnic groups. 85 Degrees and Au79 are examples of staff taking proactive steps to attract new food and beverage options into the area. To help this effort, Economic Development Staff works with a data tracking consultant to identify psychographic consumer facts and trends in the Pasadena trade area. This information is shared with property brokers and potential retailers. A recent supplement to this report noted that less than 25% of VISA transactions/sales in Pasadena come from Pasadena residents. This highlights the reliance that our local merchants have on customers who live outside Pasadena.
3. ***Launch new technology and social media applications, to attract shoppers and visitors.*** Staff has surveyed the vast field of social media options and has drafted and tested marketing that relies heavily on the existing platforms such as Facebook, Instagram, Twitter, and the blogosphere. Downtown business district reps, the CVB, City staff, and an interesting mix of local advocates are populating various sites with modest success. Furthermore, staff has engaged the services of a local media consultant in an effort to develop a series of campaigns that will frame the deployment of the messaging for younger, mobile device savvy consumer targets.

4. ***Promote greater coordination of private and publicly-owned parking to efficiently use existing spaces and create new parking resources where needed.*** An unfortunate byproduct of an active commercial district manifests itself in strained parking. In order to test options, a new collaboration is in the planning stages to explore possibilities in the Playhouse District. In this case, a new technology solution is being evaluated that can push parking availability information to the user, making information on underutilized parking spaces in private commercial facilities available over a private network of monthly users. If successful, this model can be implemented in other districts and potentially for transient parking.
5. ***Develop parking policies that provide flexibility to businesses hoping to occupy historic buildings and/or vacant commercial space.*** Council recently adopted a limited parking credit program on South Lake Avenue, which allows new businesses to reference the pool of parking for zoning entitlements. This has helped instigate new investment in vacant retail space. A second tool, the Variance for Historic Resources, has been utilized for unique instances and has facilitated some new business such as the BJ's restaurant on Colorado Boulevard. This tool can leverage improvements to historic buildings, while accommodating adaptive reuse through a change in land use, relieving the tenant from having to supply new parking.

Innovation Strategies:

1. ***Collaborate with leaders in Pasadena's innovation ecosystem to support spin-off activities that foster a local culture of entrepreneurship.*** Shortly after the EDTF report was complete, City staff worked with Mike Giardello (Chair of Entrecto and Vice Chair of the EDTF) and Andy Wilson (Pasadena advocate/entrepreneur) to initiate Innovate Pasadena. This organization was specifically created to support a vibrant ecosystem of technology and design innovation in the greater Pasadena area. Innovate Pasadena was formally launched on June 27, 2013 and has developed a range of supportive activities for tech entrepreneurs and employees. The City supports IP, the Pasadena BioScience Collaborative, and continues to seek opportunities to sponsor events that help draw attention to our local technology ecosystem.
2. ***Market Pasadena as an innovation center with growing opportunities for venture capitalists and other service providers.*** Event sponsorships, a new promotional video, Los Angeles Business Journal ads and a monthly IP newsletter represent efforts to advance this economic development strategy. The Design Accelerator is a new collaborative effort that includes the Art Center, Caltech and Idealab as partners. The intent of this entity is to help design driven start-ups with business and financial support. Currently located in Idealab, this endeavor will also need a permanent home, and has been considered as a potential co-tenant in larger Pasadena innovation center. Overall, engaging venture capitalists with the hope of them locating in Pasadena remains an elusive goal with local tech companies still traveling to

the Silicon Valley to raise money. With continued start-up success in the Pasadena area, the hope is that increased Venture Capital attention to local activities will follow.

3. ***Preserve and protect the amount of space allocated for R&D use.***

Overall, the light industrial pocket in east Pasadena that exists along Walnut Street and Foothill Boulevard will be protected from other land uses through General Plan policies, while areas along Lincoln and South Raymond will see decreases in light industrial uses as residential development will be permitted to expand. Retail, housing, and other higher rent land use options permitted by zoning will continue to put pressure on certain types of research space. Dry and/or software focused research activities that can be conducted in an office building have a healthy range of options in Pasadena. Other groups that need wet lab space or larger flexible work space have a very limited set of building alternatives to choose from. Within the last year, a large design/prototyping business and a large aerospace company that wanted a Pasadena location, could not find large flexible R&D space and settled for locations in Burbank and Long Beach.

4. ***Examine incentives to promote the creation of flexible commercial and light industrial space that can accommodate creative and technical uses.*** The City has partnered with a range of private groups to promote creative space like Cross Campus, Innov8 America, and the BioScience Collaborative. These for profit and non-profit entities provide important resources in the Pasadena tech environment. However, the recent sunset of the Enterprise Zone program included the discontinuation of the local incentives that were designed to encourage development of new flexible commercial space. Recent modifications to the business license tax for certain start-ups along with possible utility incentives may help lure small tenants to Pasadena. However, the price of Pasadena real estate is working against the creation of new, inexpensive flexible space. The reuse of the Avon facility represents a highly significant future opportunity for the type of R&D use the City would like to retain and attract.

5. ***Foster a more constructive culture among agencies that review facility improvements and equipment upgrades.*** Businesses often convey concerns with the layers of government review in California. There are discussions underway to understand opportunities for improvement while maintaining the appropriate level of review.

Visitor Strategies:

1. ***Encourage development of more convention-quality hotel rooms.*** Over the past three years since the completion of the EDTF report, several new hotel proposals have been submitted to the City. Two new hotel projects are currently under construction, including the Marriot Residence Inn with 144 new rooms and the Dusit2 which completed over 100 rooms in the Historic Constance Hotel building will add more hotel rooms in the next phase. Major

hotel flags such as Kimpton, Hyatt Place, and Hilton, are among the new proposals going through the entitlement process. This activity will significantly boost Pasadena's ability to set aside rooms for the larger conventions that need guaranteed rooms for their participants.

2. ***Coordinate efforts to host conventions and trade events aimed at Pasadena's key sectors like finance, engineering, medicine, technology, and design.*** The Pasadena Convention Center staff has been actively working with local institutions and businesses to pursue new events for Pasadena. Recent events have included the Advanced Automotive Battery Convention and the California Educational Technology Professionals Association Convention. Future events include large conventions related to 3D printing and the Great Minds in Science Technology Engineering and Math event. While the addition of hotel rooms will certainly help with negotiations for new corporate event business, regional competition remains stiff.
3. ***Leverage media coverage to reinforce Pasadena's reputation.*** As previously mentioned, social media continues to grow in influence. Twitter, Instagram, and other platforms that share stories and images are powerful tools. The City's PIO office, CVB, IP, Business Districts, and institutions are becoming more active and regularly build off each other's posts. There is a growing need to take advantage of related opportunities given the increasing sophistication of agencies that promote competing visitor and shopping destinations. With the Rose Parade, Rose Bowl events, JPL launch/landing activities, and Caltech discoveries bringing broad attention to Pasadena, more collaboration can be pursued in a joint effort to promote investment in the Pasadena Community.
4. ***Develop joint marketing communications program with key stakeholder groups.*** Since the EDTF report, Economic Development staff presented the findings to a group of Pasadena's visitor industry stakeholders including the Visitor's Bureau, and representatives for local hotels, museums, business districts and the Rose Bowl. There are continued (quarterly) efforts by the PCOC to coordinate visitor related activities within Pasadena and to stay abreast of regional opportunities. A single joint marketing strategy is still elusive, due to both the cost and the persistent interest of stakeholders to market themselves more specifically to their consumer base.

In summary, improvements in the national economy along with the focused efforts by the City and its stakeholders have helped advance many of the strategies found within the EDTF report. However, additional work to further advance the goals and strategies is certainly needed. Economic changes, market forces, and the realities of fierce competition will create unexpected challenges for the City. This will require adjustments to work plans. For example, facilitating entitlement actions that allowed lease modifications between Rusnak and the Norton Simon Museum and working

with Avon to extend their employment and sales tax base represents positive steps taken by the City in response to new situations.

Pasadena's municipal revenues and local quality of life depend greatly on the success of local commerce and our resident's ability to secure income. Along with the evolving set of budgetary and public policy priorities, staff intends to continue implementation of the EDTF recommendations and monitor economic changes that influence local resources and jobs. Regular updates will continue to be provided to the Council's Edtech Committee.

FISCAL IMPACT:

The information provided in this report is for information only.

Respectfully submitted,



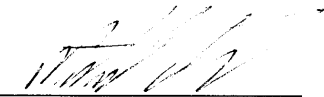
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