



# **Redlands Economic Development Action Plan 2012**

## **Acknowledgements**

### **City Council**

- Mayor Peter Aguilar
- Mayor Pro Tem Paul Foster
- Council Member Jon Harrison
- Council Member Jerry Bean
- Council Member Bob Gardner

### **Economic Development Subcommittee**

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## **Mission Statement**

*“The City of Redlands will encourage an economic environment where business and employment are created, attracted and retained. We will foster an environment that will ensure that the community’s wealth and income grow and that the city has received a return on its investment of time and capital that enlarges the tax base as well as all other city revenues to the greatest overall benefit of the citizens.”*

## **Purpose of the Redlands Economic Development Action Plan (REDAP)**

Consistent with the Mission Statement, the REDAP is a living document that establishes the direction for the City of Redlands long-term economic development with a short-term action plan. This Plan will introduce provisions that will deliberately intervene in the normal economic growth cycle to influence the direction of private sector investment toward opportunities that can lead to sustained economic growth.

This plan is not intended to address the City of Redland’s fiscal solvency. This is a stand-alone document and it is not part of a larger comprehensive plan, which could include other economic development matters such as housing, utilities, transportation, agriculture, cultural resources, land uses and relationships with other jurisdiction.

The City of Redlands has the opportunity to pursue a program of vigorous economic growth for the community. The City and surrounding area possess a number of assets which can provide the foundation of an economic development initiative resulting in the increase of jobs, investment and economic vitality. The REDAP will identify current business activity and existing conditions, limitations, and strengths. This information is then utilized to develop action items that will enact business retention, expansion, and attraction efforts.

The REDAP utilized a myriad of sources, including the Redlands Economic Development Strategy, Redlands RDA archival data, Business Analyst Online, International Council of Shopping Centers, CALED, the San Bernardino County Vision, etc. The information was then synthesized based upon market segment sectors, leakage, etc. to create action items that are based upon the existing market area and potential growth.

## **Baseline Assessment**

### Leakage

In retail, leakage occurs when members of a community spend money outside the community, or when money spent in the community from the outside is no longer spent in the community. Business Analyst Online was used to create retail market profile reports. These profiles captured the local market trade area for each industry market segment.

The following is a list of notable conditions in the City of Redlands.

The 2010 top retail leakage categories in Redlands by percentage are:

1. Direct Selling Establishments (A nonstore-retailing establishment that solicits orders and distributes its products direct to consumers)
2. Clothing Stores
3. Jewelry, Luggage, and Leather Goods Stores
4. Other Motor Vehicle Dealers (Motorcycle, RV's etc.)
5. Gasoline Stations

The 2010 top retail leakage categories in Redlands by dollar amount are:

1. Gasoline Stations (\$35,822,065)
2. Other General Merchandise Stores (\$15,837,846) (Not department stores)
3. Clothing Stores (\$12,009,482)
4. Direct Selling Establishments (\$5,230,157)
5. Other Motor Vehicle Dealers (\$5,056,683)

The 2010 top retail leakage areas within the Redlands trade area (Redlands, Mentone, Highland, Loma Linda, Yucaipa) by percentage are:

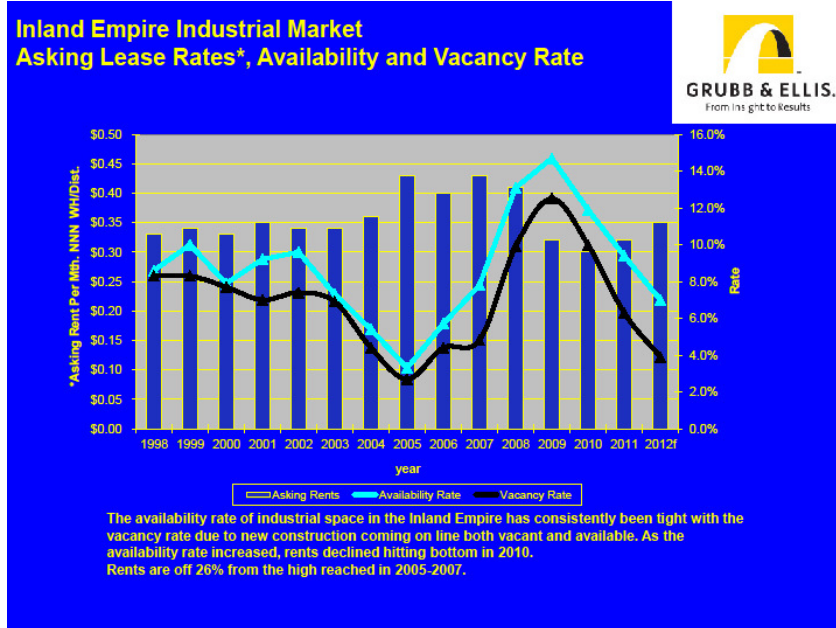
1. Clothing Stores
2. Shoe Stores
3. Other Motor Vehicle Dealers
4. Jewelry, Luggage, and Leather Goods Stores
5. Direct Selling Establishments

The 2010 top retail leakage areas within the Redlands trade area (Redlands, Mentone, Highland, Loma Linda, Yucaipa) by dollar amount are:

1. Gasoline Stations (\$82,760,077)
2. Automobile Dealers (\$53,320,149)
3. Other General Merchandise Stores (\$50,571,270)
4. Clothing Stores (\$46,033,642)
5. Other Motor Vehicle Dealers (\$19,075,519)

Vacancy Rates

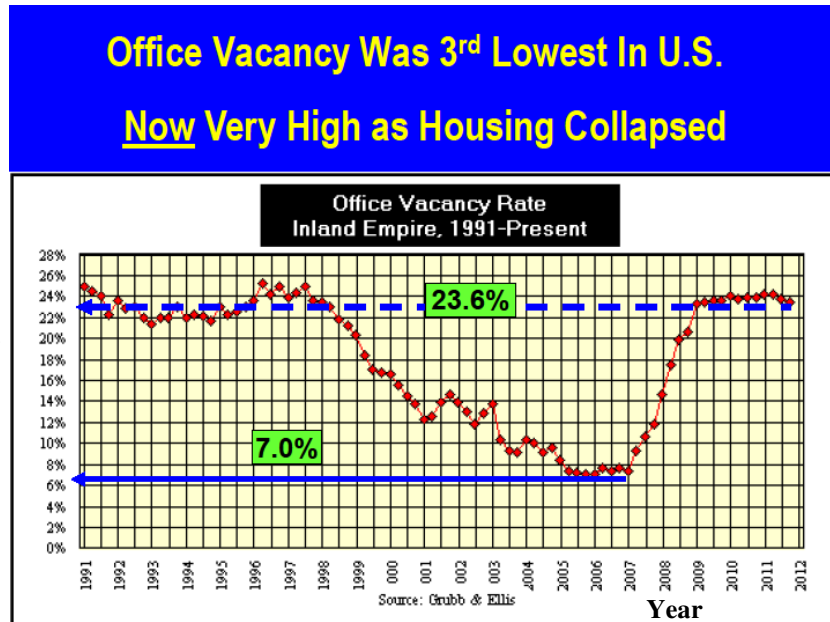
Industrial Market



Source – Grubb & Ellis

The industrial market vacancy rate is projected to be 4% in 2012 in the Inland Empire. However, lease rates are off 26% from the high reached in 2005-2007.

Office Market



Source – Grubb & Ellis

The office vacancy rates in the Inland Empire have increased from 7% in 2006 to 23.6% currently.

Other Baseline Indicators

<b>Redlands Disposable Income (\$)</b>			
	<u>2010 Per Capita Income</u>	<u>2010 Median Household Income</u>	<u>2010 Average Household Income</u>
California	27845	60992	82070
So California	25848	59488	78578
Redlands	27915	58325	75485

**Top Redlands & Surrounding Employers<sup>1</sup>**

<u>Company</u>	<u>Business</u>	<u># of Employees</u>	<u>Community</u>
Loma Linda University & Medical Center	Education/Health Care	11,582	Loma Linda, CA
Environmental Systems Research Institute, Inc.	GIS Software Publishing	1,900	Redlands, CA
Redlands Unified School District	K-12 Education	1,843	Redlands, CA
Jerry L. Pettis Memorial VA Hosp.	Veteran Health Care	1,660	Loma Linda, CA
US Postal Service	Mail Processing	1,400	Redlands, CA
Redlands Community Hospital	Health Care	1,250	Redlands, CA
Verizon	Telecommunications	1,240	Redlands, CA
University of Redlands	Education	547	Redlands, CA
Wal-Mart	Retail	420	Redlands, CA
La-Z-Boy West	Furniture Mfg.	391	Redlands, CA

<sup>1</sup> Information from the Redlands Chamber of Commerce

## **Assets and Disadvantages**

### Assets

- Market trade location (HWY 10 and 210 access)
- Universities and Medical facilities in and immediately around the City
- ESRI
- Rail and developable properties around the rail corridor
- Vacant and underdeveloped properties
- Traditional downtown layout (unique historic core)
- Established warehouse area
- Approved Economic Development Plan
- Empty Mall
- Addition of dedicated Economic Development Manager

### Disadvantages

- Current economic climate (12.7 percent unemployment <sup>2</sup>)
- Dissolution of the Redevelopment Agency
  - Staff time consumed with Successor Agency actions)
- Labor Market
- Small lots
  - Limited parking
  - Reduced opportunities for residential development
  - High cost for redevelopment
- High development costs
  - Limitations due to Measure U
- Lack of real estate involvement
- Scarcity of revenue

## **Business Activity**

### Recent Business Activity

Since July 1, 2011, the following new retail businesses have located in Redlands:

- Kiddough's Bakery – Retail Bakery
- The Dreg's – Wine Store
- Redland's Cigar – Tobacco/Retail
- Padres Pizza – Restaurant
- Don's Bikes – Retail
- A la Minute Creamery – Retail Ice Cream
- Muffin Top Bakery - Retail Baked Goods
- Ritual Brewery – Retail/Wholesale
- Donkey Punch Brewery – Retail/Wholesale

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<sup>2</sup> San Bernardino Sun 4/20/2012 – Inland Empire



In 2011 the following distribution facilities located in Redlands:

- Performance Team Freight Systems at 2200 Palmetto
- Burlington Coat Factory Distribution Center at 2290 Palmetto
- Mattel 9425 Nevada St.

Other business activities include:

- Installed security cameras downtown
- Funded the RDA beautification/graffiti eradication program
- Landscaping improvements on State Street (Orange Avenue to Redlands Boulevard)
- Layne Christenson (water well drilling company) relocated to Park Avenue
- Promenade Sites at Pearl and Eureka submitting permits to be demolished.

#### 2011 Economic Development Plan Activity

The City has also implemented the following items directly related to the 2011 Economic Development Plan Actions:

- Meet with Majestic Realty and Tom Bell Chevy regarding development of the Redlands Auto Plaza
- Engage real estate consulting firm Kosmont & Associates to prepare plans for development of the Redlands Mall
- Work with 3/50 and Chamber to target local merchants
- Work with the County EDA on business expansion opportunities
- Continue to process Wal-Mart application
- Meet with planning agencies to discuss potential rail stops at ESRI, downtown, and University of Redlands

#### **Economic Development Action Plan**

The framework for the economic development action plan is based on the following three goals:

##### **1. Create and retain quality jobs**

The Workforce Development page of the Ford Foundation's website defines good jobs as "those that pay sustainable wages and offer career advancements, allowing workers to accumulate financial assets".

Creating and retaining quality jobs provides the following economic benefits:

- Quality jobs allow residents of the City to raise their standard of living and accumulate assets.
- Lowering unemployment benefits the business community as it increases disposable income, which then leads to increased consumer spending.

- In turn, quality jobs also improve the tax base as an increase in spending on housing, goods, and services leads to increased sales and property tax.
- Reducing unemployment improves the housing market as unemployment is a key factor to residents losing their homes through foreclosure.
- Creating jobs locally reduces vehicle miles traveled (VMT), helping the City meet its obligations under AB 375, and also reduces congestion and improves air quality.

## **2. Increase the tax base**

- A strong tax base allows the City to provide its residents the services they expect.
- Young, productive workers are attracted to communities with nice amenities (i.e. clean streets, nice parks, shopping centers, and a thriving downtown) and there is a wealth of literature that shows that the presence of a strong, skilled workforce has replaced a low-cost business environment as the number one concern of expanding and relocating companies.<sup>3</sup>
- Three general strategies will be employed to increase the tax base:
  1. Attract more visitors and commerce to the City to increase sales at existing businesses
  2. Attract new businesses to the City or grow new businesses (economic gardening)
  3. Improve the overall economic condition of the City and lower the unemployment rate, which increases property values.

## **3. Leverage our assets**

Leveraging assets relates to the following:

- Pursue grants and other funding opportunities to leverage the city's limited funds and replace the loss of redevelopment tax increment.
- Leverage the city's business and industry sector assets.
- Leverage the city's land and infrastructure assets (such as the Redlands Airport).
- Leverage the city's business partners (such as ESRI and the Chamber of Commerce)

On the federal level the best source for grant funds for economic development is the Economic Development Agency (EDA) within the Department of Labor. Grant awards are made on a competitive basis and the EDA places an emphasis on collaborative efforts among multiple jurisdictions.

The City must target its limited resources to enhance its land, labor, capital and entrepreneurship. Funding is limited, thus wherever possible incentives should be derived from new revenues that are generated by the businesses themselves. These revenues can be from sales taxes, property taxes, or proceeds from property transactions.

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<sup>3</sup> *Creating Quality Jobs – Transforming the Economic Development Landscape*, International Economic Development Council, March 2010

## **Primary Targets**

Consistent with the economic development framework, the City of Redlands will concentrate its efforts on the development of the following projects:

- 1) Redlands Auto Plaza
  - a. Funding
  - b. Annexation
  - c. Entitlement requirements
- 2) Redlands Mall
  - a. Monetization of City-owned parking lot
- 3) Promenade
  - a. Extend development entitlements for downtown Promenade development
- 4) ESRI
  - a. Expedite approvals
  - b. Continue with monthly standing meeting
  - c. Attend ESRI partner conference to recruit business opportunities
- 5) Warehouse/Distribution development
  - a. Emphasize point of sale opportunities
- 6) Biomedical
  - a. Work with County EDA on development of a tech park support center

## **Business Retention and Expansion Strategies**

Consistent with the economic development framework, the following strategies will be implemented in fiscal year 2012/2013 to support and grow existing businesses:

- Maintain touch point annually with the top twenty (20) employers/tax generators in the City
- Send out postcards to local businesses (\$500)
- Develop a standing meeting with health care providers to coordinate development activities
- Develop a marketing/branding campaign for visitors and conference attendees (GIS/ESRI users)
- Work with 3/50 and the Chamber of Commerce to market the shop local campaign
- Increase code enforcement activity especially along gateway corridors
- Develop a multi-year infrastructure replacement program with a focus on areas needed to eliminate blight

## **Business Attraction Strategies**

### Business Recruitment

Based upon the above-listed leakage analysis coupled with businesses currently proposing to expand the following are examples of businesses that the City can attract within the local trade area:

- Walgreens (looking to add new inland empire locations)
- Volkswagen (currently looking for sites for new dealerships)

Business Attraction Strategies

Consistent with the economic development framework, the following strategies will be implemented in fiscal year 2012/13 to attract new businesses to the City:

- o Reinstate and maintain real estate web page
- o Establish presence at local trade shows
- o Develop marketing/branding material
- o Develop point of sale campaign

Business Attraction Planning Incentives

Following is a list of potential planning incentives the Council may wish to consider to support the business attraction strategies:

- o Reduce development impact fees or delay fee payment until project completion for projects that meet economic development goals
- o Eliminate the 35 height limit and increase the density bonus for development downtown
- o Develop Transient Oriented Development (TOD) guidelines for housing
- o Develop new flexible guidelines and code requirements to encourage expansion of breweries and food trucks

**Downtown Enhancements**

The City Council disestablished the Parking and Business Improvement Area B (PBIA), commonly referred to as the Downtown Redlands Business Association (DRBA). On February 21, 2012, the City Council approved the fiscal year 2012-2013 budget for the expansion and enhanced level of services for the implementation and continuation of downtown goals and initiatives for the enhanced downtown area that includes: I-10 to the north, Olive Avenue to the south, Texas Street to the west, and Redlands Boulevard to the east.

To obtain feedback on the downtown goals and initiatives, Mayor Pro Tem Paul Foster organized two focus groups of local merchants to garner additional ideas to retain local businesses, attract new businesses to the City and create a more vibrant downtown for residents and visitors. The following matrix lists additional downtown enhancements that were identified by the merchants:

<b>Maintenance</b>	<b>Infrastructure</b>	<b>Improvements</b>
Enhanced street sweeping Enhanced landscaping/tree trimming/weed abatement Landscape freeway exit ramps Screens in front of construction/bad landscaping Curbs painted More trash cans	Enhanced lighting (LEDs) Tree up lighting Paint underpasses	Wayfinding/Directional Signs Welcome Signs Monuments Kiosks Banners (public and private use) State Street tree enclosures Bike Racks Public Art

Quality of Life staff has implemented enhanced maintenance in the downtown area, including street sweeping four times a week and has made a number of landscaping and maintenance improvements throughout the downtown and has coordinated with Cal-Trans to clean up Cal-Trans right-of-way along the 10 freeway.

The Municipal Engineering and Utilities Department has obtained a grant to replace downtown light fixtures with LED lights which will increase visibility at night and create a more welcoming environment. LED tree uplighting will also be installed along State Street.

Proposed downtown improvements, including additional signage, banners and monuments are being included in the FY12-13 Capital Improvement Program and Operating Budgets for Council consideration. Maintenance of the additional improvements would be funded through Market Night revenue.

### **Proposed New Programs to Spur Economic Development**

With the elimination of redevelopment, the city must focus on other programs and tools to spur economic development. Following is a list of potential programs that the Council may wish to consider implementing to further the goals and objectives of the REDAP:

Hotel Tourism Marketing District – Coordinate with the Inland Empire Tourism Council for the development of a tourism marketing district whereby hotels agree to assess themselves an annual fee to create a fund to market and promote the Inland Empire as a tourism destination. Similar programs have been adopted in Los Angeles and San Diego.

Enterprise Zone – Petition the County of San Bernardino to become a member of the San Bernardino Valley Enterprise Zone (SBVEZ). Enterprise Zones (EZs) provide business owners with hiring tax credits and other incentives for expanding in or relocating to the EZ. The SBVEZ covers 25,700 acres in the cities of Colton and San Bernardino and the Inland Valley Development Authority. There is an effort to expand the zone by an allowable 15% (3,855 acres). Due to limits on eligible space, the current participants may only add about 3,000 acres, leaving 855 acres that the City of Redlands could potentially pursue.

Receivership Program for Abandoned Homes – Engage court appointed receivers to temporarily take over bank-owned homes that have been non-responsive to code enforcement violations. Receivers have the power to manage the homes, pay for code required repairs, and then reposition and sell them to recover costs, including city incurred staff and attorney costs. Improvement and resale of the neglected properties can have significant positive effects on the City's neighborhoods and property values.

GRID Alternatives – Send mailers to participants of the redevelopment agency's first time homebuyer program advising them that they potentially qualify for the Single-Family Affordable Solar Homes Program that offers incentives on PV solar systems to qualifying low-income homeowners in the Southern California Edison service territory. The letter would direct the homeowners to GRID Alternatives, a non-profit that assists homeowners in applying for the program.

## **Financing Tools for Economic Development Projects**

Below is a list of financing tools that are available to finance economic development projects in the City:

CDBG – The Economic Development Loan Program provides loans from \$25,000 to \$150,000 for property acquisition, equipment, fixtures, and working capital. Zero interest, deferred and forgivable in exchange for a five-year property or equipment lien, otherwise repayable with interest. If used for construction or rehabilitation, prevailing wage requirements will apply.

HUD 108 Loans – The Section 108 Guaranteed Loan program provides an opportunity for the City to borrow up to five-times its current CDBG award, which currently would be approximately two million dollars. Section 108 Guaranteed Loans provide long term, below-market interest rates with flexible terms. A Section 108 Guaranteed Loan is typically used for larger, capital-intensive projects such as commercial or industrial development, public facilities or multi-family housing rehabilitation that cannot be financed from our annual CDBG award.

Industrial Development Bonds – Through a partnership with the California Industrial Development Financing Advisory Commission, the city can issue Industrial Development Bonds (IDBs) to provide manufacturing and processing companies low-cost, low-interest financing for capital expenditures. Eligible capital expenditures include the acquisition of land, building construction, building renovation and the purchase of machinery and equipment.

California Infrastructure and Economic Development Bank (I-Bank) - The mission of the I-Bank is to finance public infrastructure and private development that promote economic development, revitalize communities and enhance quality of life for Californians. The I-Bank issues revenue bonds, makes loans and provides credit enhancements for a wide variety of infrastructure and economic development projects and other government purposes.

California Property Assessed Clean Energy (PACE) Program – The California PACE program provides a mechanism for property owners in the City to finance the purchase and installation of energy efficient, distributed renewable energy and water conservation improvements on their properties with no up-front cost. Under the California PACE program, a property owner may voluntarily commit to the recording of an assessment lien on his/her property which shall be repaid over time on the annual County property tax bill as an assessment line item. In many cases, the savings realized from the energy improvements far exceed payment obligations required for the financing.

EB5 – The EB-5 visa program was created in 1990 through the passage of the Immigration and Nationality Act in 1990. Each fiscal year, the United States Citizenship and Immigration Services sets aside 10,000 visas for eligible foreign nationals who invest in a new commercial enterprise that will benefit the U.S. economy and create at least 10 full-time jobs. Investment minimums are set at a \$1,000,000, or \$500,000 for projects located in a designated Targeted Employment Area. EB-5 funding is a low cost source of financing for public & private projects which can easily be combined with other forms of project equity and debt.

## **Staffing**

The majority of the economic development efforts are currently conducted by the Economic Development Manager. However, 60% of the Economic Development Manager's time is dedicated to Successor Agency administration and only 40% to economic development. Planners and the CDBG administrator are currently also assisting the Economic Development Manager and Development Services Director with economic development efforts. Staffing is needed to generate marketing information, make contact with and maintain contact with businesses, establish relationships with the local real estate brokers, attend the various conferences.

The minimum staffing level should be at least one Economic Development Manager, two project managers and one administrative staff member. These staff members should be supplemented by consulting staff.

## **Marketing**

Critical functions in Redlands' economic development efforts are maintaining businesses in the City and directing new business to the City. The development of material that is individually targeted to those businesses looking to establish or remain within the City is a key to successful business retention and attraction efforts. More important is delivering businesses those services and programs promised. Thus the City of Redlands will need to update (and in some cases create) and maintain its database system, memberships and attendance at the various conferences, market material, conference booth, etc.

## **Budget**

The annual staffing cost is approximately \$310,000. This does not include costs for consultants. A minimum of \$50,000 will be needed for technical assistance in various areas such as economic development, appraisals, etc. General business attraction efforts should start at \$1,000,000 million and be adjusted in accordance with the individual deals. Attendance at ICSC in Las Vegas is approximately \$10,000 (does not include booth development cost), marketing materials (material only) is approximately \$20,000, an additional \$20,000 for advertisements in local and regional magazine and \$600 for ICSC memberships. The total budget is approximately \$1.41 Million. This budget does not include the cost for office space, furniture & supplies, or any overhead cost. A separate budget for the Economic Development Division will be included in the FY2012-2013 budget for the Development Services Department.