



CITY COUNCIL AGENDA REPORT

MEETING DATE: July 15, 2008

ITEM NUMBER:

SUBJECT: ECONOMIC DEVELOPMENT STRATEGY

DATE: JULY 10, 2008

FROM: CITY MANAGER'S OFFICE

PRESENTATION BY: ALLAN L. ROEDER, CITY MANAGER

FOR FURTHER INFORMATION CONTACT: Allan L. Roeder, City Manager (714) 754-5328

RECOMMENDATION:

It is recommended that the City Council review and provide any additional direction on the existing Economic Development Strategy.

BACKGROUND:

At the City Council Study Session on July 8, 2008, Council Member Foley requested that staff place the issue of the City's Economic Development Strategy on the July 15, 2008 City Council Agenda. This report was developed to provide the information requested by the Council Member.

The City's current Economic Development Strategy was developed in May of 2000 through the creation and adoption of Council Policy 500-12. A copy of Council Policy 500-12 is included with this staff report as Attachment 1. The Policy includes background information on how the Policy was developed in response to requests for "development incentives" by property owners, business owners and developers. The justification used for the requests for development incentives was that the particular business was going to better Costa Mesa and therefore, the City should be willing to offer a special rebate or other financial inducements in return. Council Policy 500-12 was developed to provide a consistent position and message on these requests.

ANALYSIS:

The Economic Development Strategy includes many policy statements that define how the City will interact and treat property owners and the business community. For example, the City will welcome and treat all businesses equitably. In addition, the City pledges to communicate effectively, provide accurate information and process information quickly. The Policy promotes the many positive aspects the City of Costa Mesa has to offer developers, property owners and business owners including:

1. High-quality services
2. Low taxes

3. Fair and reasonable fees
4. No utility taxes
5. No license fees except for a modest business license fee
6. Short and thorough processing and review time periods
7. Knowledgeable, efficient and friendly staff and
8. A dynamic and diverse community

The Policy also clearly states what the City will not provide, which includes:

1. No property tax rebates
2. No tax refunds
3. No "free" land
4. No preferential treatment
5. No waiver of fees
6. No use of public funds for private purposes

Finally, the Policy has a long list of incentives for why businesses should locate in Costa Mesa including the lowest Transient Occupancy Tax in Orange County at 6%, \$200 maximum annual business license, strong and active Chamber of Commerce, etc.

The City is also very fortunate to have the Costa Mesa Chamber of Commerce and the South Coast Metro Alliance that provide directed support to the business community through various programs and services. These services include business referrals, networking, business retention, educational and coaching support, free publicity, and advocacy for business interests and other services.

Positive indicators of economic health for Costa Mesa are the very low commercial/office vacancy rate of 5%; a diversity of land uses with 48% residential use, 14% commercial use, 14% industrial use, and 24% for public and semi-public uses; the number of successful restaurants and shopping areas. The labor market in Costa Mesa is also diverse with 28% of the jobs in the service industry, 27% in the trade industry, 12% manufacturing, 9% finance, insurance and real estate, 9% government, 6% self employed, 5% construction, 3% transportation and public utilities, etc.

City staff has been brainstorming and exploring other strategies and steps that the City Council could consider to help local businesses during this difficult economic time. Attachment 2 is a draft of this list of concepts that seek to provide business incentives or regulatory reductions to local businesses. These concepts have not been refined and include items that simply may not be practical for the City. Direction on the development of these concepts included (a) the concepts must be of a nature that they can be quickly implemented if they are to have any immediate, beneficial economic impact; (2) the concepts cannot simply shift costs between businesses or from businesses to taxpayers (or visa versa) or add expenses incurred by the City and (3) the concepts must be consistent with existing policy directives (e.g. the City's General Plan, Master Plan of Arterial Highways, Master Plan of Parks & Recreation, etc.). The ideas include reducing parking restrictions, relaxing requirements for signage, reduce or deferral of fees, allow businesses additional flexibility to hold street fairs and sidewalk sales, develop a "Shop Costa Mesa" campaign, and other ideas. These ideas are preliminary and are only provided at this time as concepts that need additional discussion and refinement at the staff level with input from the Chamber of Commerce before they can be constructively discussed by the City Council and community.

ALTERNATIVES CONSIDERED:

There were no alternatives considered for this report.

FISCAL REVIEW

There is no fiscal impact associated with this report.

LEGAL REVIEW:

There is no legal review associated with this report.

CONCLUSION:

The City has an Economic Development Strategy that was adopted in May of 2000. At the request of Council Member Foley, City staff has provided this report and the City Council is asked to review and provide any additional direction on the Strategy.



ALLAN L. ROEDER
City Manager

/th:cg

DISTRIBUTION: Tom Hatch, Assistant City Manager

- ATTACHMENTS: 1 Current Economic Development Strategy
2 List of possible business incentives/regulatory reductions

CITY OF COSTA MESA, CALIFORNIA

COUNCIL POLICY

SUBJECT	POLICY NUMBER	EFFECTIVE DATE	PAGE
ECONOMIC DEVELOPMENT STRATEGY	500-12	5/15/2000	1 of 3

BACKGROUND

The City Council and City staff are frequently asked for "development incentives" by property owners, business owners, and developers. The justification for such requests is that the business is going to better Costa Mesa; therefore, the City should be willing to offer a special rebate or other financial inducements in return. In order to explicate the City's position on such requests, this policy sets forth a detailed Economic Development Strategy. The Economic Development Strategy identifies those professional services the City offers that are advantageous to the developer, property and business owner. Furthermore, the Economic Development Strategy specifies those items and requests that the City will not provide.

POLICY

1. Welcome all businesses to the City.
2. Treat all businesses equitably under the same policies and codes.
3. Provide City information pertaining to property proposed for development or redevelopment (zoning code, applicable Municipal Code sections, current fee rate schedule, processing information, business license information, and other pertinent information).
4. Exhibit "A" of Policy 500-12 is to be used as:
 - a. a reference by City staff; and
 - b. as hand-out to clarify the City's position on development practices, in conjunction with Exhibit "B," the City's "Business Location Incentives."
5. Encourage property owners, business owners, and developers to review all information thoroughly.
6. Emphasize the many long-term, solid relationships the City maintains with various businesses that range from the "Mom and Pop" shops to the large-scale retailer or industrial firm.

EXHIBIT "A"

Economic Development Strategy (POLICY 500-12)

Costa Mesa welcomes you and values you as a growing part of our community. We are a vibrant, multi-faceted, family-oriented community, with a prominent business base and within easy access to major freeways, John Wayne Airport, the Pacific Ocean, and other major attractions. The City of Costa Mesa has had numerous positive and long-term relationships with property owners, business owners, and developers. These include: C.J. Segerstrom & Sons, Balboa Instruments, Griswold Industries, Sakioka Farms, Filenet, Apria Health Care, Costa Mesa Tourism Council, Taco Mesa, Plums Catering & Café, Diedrich Coffee, Los Angeles Times-Orange County, Experian Information Systems, the Automobile Club of Southern California, and many other businesses of all types and sizes.

The Economic Development Strategy promotes the many positive aspects the City of Costa Mesa has to offer developers, property owners and business owners:

1. High quality services
2. Low taxes
3. Fair and reasonable fees
4. No utility taxes
5. No license fees (other than City business licenses)
6. Shorter but thorough processing and review time periods
7. Knowledgeable, efficient, and friendly staff
8. A dynamic and diverse community

While the City embraces effective and beneficial associations with developers, property owners and business owners, the City does not provide special economic treatment to anyone. Doing so only dilutes the City's relationships with other businesses and surrounding communities. The City's Economic Development Strategy specifies the following to developers, property owners and business owners:

1. No property tax rebates
2. No tax refunds
3. No "free" land
4. No preferential treatment
5. No waiver of fees
6. No use of public funds for private purposes

The attached "Business Location Incentives" provides all businesses with additional information on the advantages of locating in Costa Mesa.

Thank you for choosing to be a part of Costa Mesa!

CITY OF COSTA MESA

BUSINESS LOCATION INCENTIVES

- No Utility User Taxes
- 6% Transient Occupancy Tax (lowest in Orange County)
- \$200 maximum annual Business License fee
- Active Business Retention Strategy
- Ombudsman for local business issues
- Business Assistance "Hotline" - (714) 754-5613
- Comprehensive Business Assistance Guide
- Locational Information for new businesses
- Strong, active Chamber of Commerce - (714) 885-9090
- Consolidated, One-Stop Building Permit Plan Check Services
- Simplified Zoning Code and Sign Ordinance
- Active Tourism and Promotion Council



SUMMARY OF BUSINESS INCENTIVES/REGULATORY REDUCTIONS

A list has been compiled of potential business incentive ideas as well as regulatory reductions in order to assist local businesses in the upcoming months. The following is a compilation of these rough ideas that were generated from throughout the City organization. At this point, these ideas have not had a full legal review or been discussed with the Chamber of Commerce or other community groups. The list is divided into those ideas that would be in place for a longer term or shorter term. The ideas include:

Long – Term Ideas

1. Zoning Code- permanently reduce business parking requirements to stimulate expansion of existing businesses and promote the growth and attraction of new businesses. Reduce restaurant requirement down from 10 spaces per 1,000 s.f. to 8 per 1,000 s.f.
2. Street Fair/Market- allow street merchant fairs/markets, etc. by closing a public street once quarterly on a Saturday to promote Costa Mesa. Idea- close West 19th Street between Pomona and Placentia? Tustin has an annual Chili Cook-off street fair and closes El Camino Real. Their 2007 chili cook-off attracted 200 booths/entrants and 20,000 visitors over a two day weekend to the down town businesses.
3. Boarding/Surf Industry Street Fair- Close Monrovia on a Saturday and allow a boarding/surf industry street fair, etc. similar to retail street fair on W. 19th.
4. Use Senior Citizens Center Parking lot as an alternative “Street Fair” venue.
5. Allow shopping center “kiosks” without requiring additional parking spaces or to replace those spaces taken by kiosks.
6. Allow businesses to hang street banners around their location. This could even be done to promote a larger group like the Harbor Boulevard of Cars or it could be a generic "Shop Costa Mesa" campaign. The City could promote a business of the month or week on our cable channel and through the Community Report. We could ask the Fairgrounds to promote local businesses on their electronic billboard. There was a good article in the Register Life Section this week on local growers and producers of food from potato chips to salsa. The message - local is better and fresher.
7. Coordinate with Professional organizations to bring their annual conferences and training seminars to Costa Mesa not only to assist the hotel industry but all the auxiliary businesses that would provide goods and services for these events.
8. Generate a campaign that would highlight the safety of the local business districts in Costa Mesa.
9. Add additional directional signage specifically to business districts throughout the City.

Short – Term Ideas

10. Promote more “sidewalk” sales in Costa Mesa by geographic name; i.e. “Harbor Blvd. Sidewalk Sale on President’s Weekend” aka: “Spend Your Benjamin Day!”.... Not actually allow merchandise on public sidewalks but allow front parking lots to be filled with tent vending, etc.
11. Real Estate Signs- temporarily allow real estate open house signs in the public right-of-way on Wednesdays in addition to weekends during the currently depressed market.
12. Allow businesses to advertise on the City website. Perhaps have a portal to spotlight 10 businesses per month.
13. Possibly coordinate/facilitate a purchasing seminar with local businesses to help establish communication/cooperation in referring potential clients to goods/services in Costa Mesa.
14. Zoning Code - Temporarily waive requirement for any additional parking when restaurants provide for outdoor dining.
15. Sign Code- temporarily relax prohibition on portable A-frame type temporary signs on weekends, if not placed on public property (i.e.: City sidewalks).
16. Sign Code- temporarily allow an increase in the percentage of window signage.
17. Extend banner permit display period for allowable on-site banners. If our City website can support it, create a "Support Costa Mesa Businesses!" graphic on it. When one clicks on the graphic it will open up to display City business flyers. This would be a special exemption by the City for a limited time as determined by the City to allow City businesses to post jpeg, word or pdf flyers on special sales, a discount or events. Limit one per business at any one time.
18. Fee Waiver/Suspension Items:
 - Business License- two or three month “Business License Holiday” like City of Anaheim.
 - BRIP- offer a spring “Business Remodeling and Improvement Program” for waiver of building permit fees for maintenance and repairs like roofing, HVAC replacements, tenant improvements, and plumbing fixtures.
 - Conditional Use Permits- temporarily waive conditional use permit fees for amending use permits for minor changes in business operations.
 - Have a 'new business month' with no (or reduced) fees for new business licenses. It might generate some new businesses in the City that might not otherwise have come in for a license and/or started up here. The program would be similar to the RRIP program that the Building Dept does every year.
 - Explore fee deferrals for Park Development and Traffic Impact Fees.
 - Temporarily suspend or reduce the fees to businesses for the following City services or permits: Sidewalk/Parking Lot Sale permit; Fire Clearance inspection; High-rise inspection; and Uniform Fire Code permit.