



CHAPTER 3: ECONOMIC DEVELOPMENT ELEMENT

Arcadia General Plan

Introduction

The City is home to a diverse population, a vibrant economy, a regional shopping mall, and a world-class thoroughbred racetrack. The City has taken pride in developing a positive climate for economic development and a business-friendly environment. Our priority is to build a strong and prosperous local economy that is accessible to local residents and responsive to local needs, and contains a balance of regional-serving businesses that attracts additional regional income.

The Land Use and Community Design Element establishes the land use mix and design objectives that will shape the distribution and appearance of new development in Arcadia. This Economic Development Element is intricately tied to the goals and policies of the Land Use and Community Design Element to maintain and enhance the fiscal health of the local economy, and to support uses that provide high-quality jobs, generate tax revenues, and diversify Arcadia's tax base.

Achieving Our Vision

The City recognizes that land use and other policies must continue to maintain and encourage a diverse and entrepreneurial local economy to help the community thrive. Arcadia is a business-friendly city that puts a priority on a sustainable local economy that responds to local needs and creates opportunities for regional-serving businesses that attract spending by consumers throughout the region.

The primary economic development issue Arcadia faces is the maintenance and enhancement of its tax base. The City provides many public services, from high-quality recreation and library facilities and programs, to well-maintained parks and roads, to fully equipped and staffed Fire and Police Departments. Historically, significant revenues from Santa Anita Park, the shopping mall, and other long-standing retail establishments have helped fund local programs. However, economic conditions and business practices have significantly impacted tax revenue generated from retail businesses, and racetrack revenues have decreased with changes in off-track betting laws and a decline in the horse racing industry generally.

The prosperity and diversity of businesses in Arcadia is paramount. The City will focus retention and expansion efforts on businesses that aid the City through the provision of high-quality jobs and tax revenue benefits. The following Guiding Principles demonstrate Arcadia's commitment to a diversified local economy that will continue to fund the services and programs that Arcadian's appreciate.

- **Balanced Growth and Development**

The General Plan establishes a balance and mix of land uses that promote economic growth and maintain a high quality of life for Arcadia residents. Our development decisions reflect Smart Growth principles and strategies that move us toward enhanced mobility, more efficient use of resources and infrastructure, and healthier lifestyles.

- **City Services**

The high quality services the City provides are a source of civic pride and bring us together as a community. We adjust service needs in response to demographic changes, and we take actions to provide funding to support these services.

- **Economic Health**

A healthy economy requires a diversified employment and fiscal base. Our priority is to create a resilient and thriving local economy, accessible to local residents and responsive to local needs, with a balance of regional-serving businesses that attract additional regional income. We are business friendly.

Scope of this Element

The Economic Development Element is an optional element. However, Arcadia, like many cities in California, recognizes that long-range planning must include an economic component to further articulate how land use policy will work to build and sustain the local economy. This element sets policy direction focused on:

- Reinvigorating and reinventing the Downtown area, including the area near the planned Gold Line light rail station to create new opportunities for businesses and residential development
- Enhancing the Baldwin Avenue and Live Oak Avenue corridors
- Allowing for complementary new uses on the Santa Anita Park property that provide community benefit
- Maintaining sites for industrial businesses
- Supporting commercial uses that attract regional visitors and spending, and that embrace diverse cultures and business interests
- Encouraging medical-related uses that complement the services of Methodist Hospital
- Using redevelopment activities and resources to help achieve the City's economic development objectives and support small businesses.



Local Conditions

Arcadia occupies a strong economic position within its market area (defined as a three- to five-mile area surrounding the City), and the residential population has the following characteristics which are attractive to retailers and businesses looking for quality workers:

- High per capita and household income levels, with a significant share of households earning over \$100,000 annually
- High education levels, with over 40 percent of residents having a college degree or higher

The largest employer in Arcadia is the service industry, such as personal services, health services, and education services. The service sector accounts for over 50 percent of jobs in Arcadia, with the two largest employers being health and business services.

Retail

With regard to the retail sector, the presence of a large, attractive regional mall with a mix of moderate to high-end retailers, restaurants, and entertainment businesses has allowed Arcadia to benefit from consumer spending even during rough economic times. Major retail sectors report very high per capita sales and a significant retail surplus (sales in excess of what the local population would be expected to generate). Brokers identify a relatively healthy retail base in Arcadia into the future, given the very positive reputation of local shopping destinations.

Retail market sectors that are not well represented in Arcadia include building materials and home furnishings and appliances, due largely to the fact that major players have already established themselves in nearby communities. Additionally, Arcadia lacks large sites suitable for large-scale retailers, with the exception of the former quarry site on Lower Azusa Road (designated Commercial/Light Industrial).

Office

Historically, Arcadia has not been a strong location for professional offices. Spaces typically have served smaller, more localized users, and businesses seeking Class A-type space have found suitable buildings in Pasadena and Glendale. Demand projections for office space indicate potential support for a moderate amount of office space through 2025. Arcadia's disadvantage is that rents are marginal for new construction, particularly Class A office space. However, growth in the healthcare industry and development incentives provided by the *Downtown Overlay* (1.0 FAR) are seen as avenues for strengthening the local office market over the long term. Specifically, the strength of Methodist Hospital and the concentration of health services in the City of Arcadia provide market support for medical office uses.

Industrial

Land prices, population densities, and the cost of doing business have pushed traditional industrial development out of the San Gabriel Valley, with much of it relocating to the Inland Empire. As a result, industrial sites in the Valley have converted to other uses. Despite this trend, Arcadia does retain a successful industrial business area off of Peck Road between Clark Street and Randolph Street. Additionally, industrial jobs represent good employment for skilled local workers, and quasi-industrial uses support local needs. Arcadia will continue to respond by applying the *Industrial* and *Commercial/Light Industrial* designation on properties that are well located for these purposes near I-605, and retaining pockets of industrial land to support uses such as auto repair and small manufacturing operations.

Economic Development Strategies

The Land Use and Community Design Element defines focus areas where the City will concentrate efforts to effect positive change, including economic development activity for long-term community benefit. Particular economic development initiatives and policies to be pursued are described below.

Santa Anita Park

A major component of Arcadia's commercial activity has been visitor-serving uses surrounding the Santa Anita Park horse racing venue. The restaurants, service stations, and retail shops that were positioned to serve the needs of race track patrons have felt the effects of lower attendance at Santa Anita Park due to diminished public interest in horse racing and an increase in off-track betting. Reduced patronage at Santa Anita Park has decreased the City's share of race track revenues, resulting in a substantial decrease in General Fund resources. In the early 2000s, the race track owner began to explore new sources of property revenue, with a focus on developing the track's vast parking lots with commercial uses.

While the City remains fully committed to supporting horse racing at Santa Anita Park, the property is too valuable to Arcadia not to address the possibility of some alternative future use—for a portion or all of the property—should horse racing not prove viable. As discussed in the Land Use and Community Development Element, any future use on any part of the race track property must represent unique, quality, highly visible, and income-generating uses that respond to the performance criteria set forth in the Land Use and Community Design Element.

Diversified Commercial and Industrial Base

The City recognizes the importance of a diverse local economy that can sustain the rise and fall of economic cycles and trends. As of 2010, Santa Anita Park and taxes generated from sales at the Santa Anita shopping mall and a major auto dealership represented the largest tax revenue sources for Arcadia. The shopping center expansion in 2009 added an outdoor promenade, and the City supports the center owner's initiatives to keep the facility modern and responsive to shifting consumer needs. Similarly, auto dealerships are welcome economic partners. However, over-reliance on businesses which are highly susceptible to consumer spending patterns could compromise the City's ability to stabilize revenue sources. For example, during the 2007-2010 economic recession, which deeply affected consumer spending, Arcadia had to substantially cut discretionary spending and freeze hiring to balance its budget.

To diversify revenue sources and the tax base, City actions will include allowing complementary commercial and other revenue-generating uses on portions of the race track property, encouraging new businesses along commercial corridors and in Downtown, and encouraging establishment of businesses symbiotic to Methodist Hospital. Medical supply sales could be one business area that the City can target for outreach.

One of the biggest potential revenue sources is new development on the Lower Azusa Road reclamation property. The City will carefully evaluate land use proposals to achieve revenue and jobs-generation goals. For example, warehousing alone is not a desirable use. The site, or portions of it, could be an ideal location for a unique regional-serving commercial retail center or a mix of uses that includes productive light industrial enterprises.

Unique Districts

In addition to the regional shopping center, Arcadia has unique and distinct commercial districts in Downtown, along First Avenue, and along the Baldwin Avenue corridor between Huntington Drive and Duarte Road. The City's overall economic development strategy includes continuing to promote and encourage the different functions these districts serve. Downtown, as described in the Land Use and Community Design Element, combines a transit-oriented mix of uses around the Gold Line Station, with small-scale shops and restaurants fronting Huntington Drive and offices and smaller commercial establishments encouraged north of Santa Clare Avenue.



First Avenue will continue to provide places for neighborhood-oriented goods, dining, and services establishments, with an emphasis on a pedestrian orientation.

Baldwin Avenue shops and restaurants attract people from throughout the region seeking Asian specialty goods and dining experiences. This focus responds to a desired and desirable niche, and the City supports the clustering of businesses that satisfy this market demand.

Redevelopment

While most areas in Arcadia function well physically and financially, some areas need an extra push to spur economic growth and revitalization. Redevelopment is a tool that is used in Arcadia and many cities in California to spur economic activity and investment in urbanized areas that have experienced economic decline. Because of economic incentives, redevelopment is one of the most effective and sometimes the only way to reinvigorate older neighborhoods and districts. Figure ED-1 shows the redevelopment project area boundary for Arcadia's Central Redevelopment Project Area.

Redevelopment is a process created by the State of California to assist local governments in eliminating blight and revitalizing designated project areas. Redevelopment provides communities with the ability to obtain funding to make infrastructure improvements, acquire property, and otherwise bring about desired development, reconstruction, and rehabilitation. A portion of redevelopment funds must also be used to promote affordable housing opportunities in the community. The ability to fund economic development activities can aid in encouraging private businesses to do the same.

The California Health and Safety Code provides the basis for redevelopment activities (starting at Section 33000, also known as the Community Redevelopment Law). Section 33037 states that the basic goal of redevelopment is the removal of blight. Blight is a term used to describe a variety of physical and economic conditions, some of which may not fit the public's general perception of blight. Examples of physical blight include buildings that are deteriorating, aging, or poorly maintained. Blight may also describe buildings that are in good condition but need design or configuration improvements to meet current business needs. Inadequate streets, sewers, and other infrastructure are other

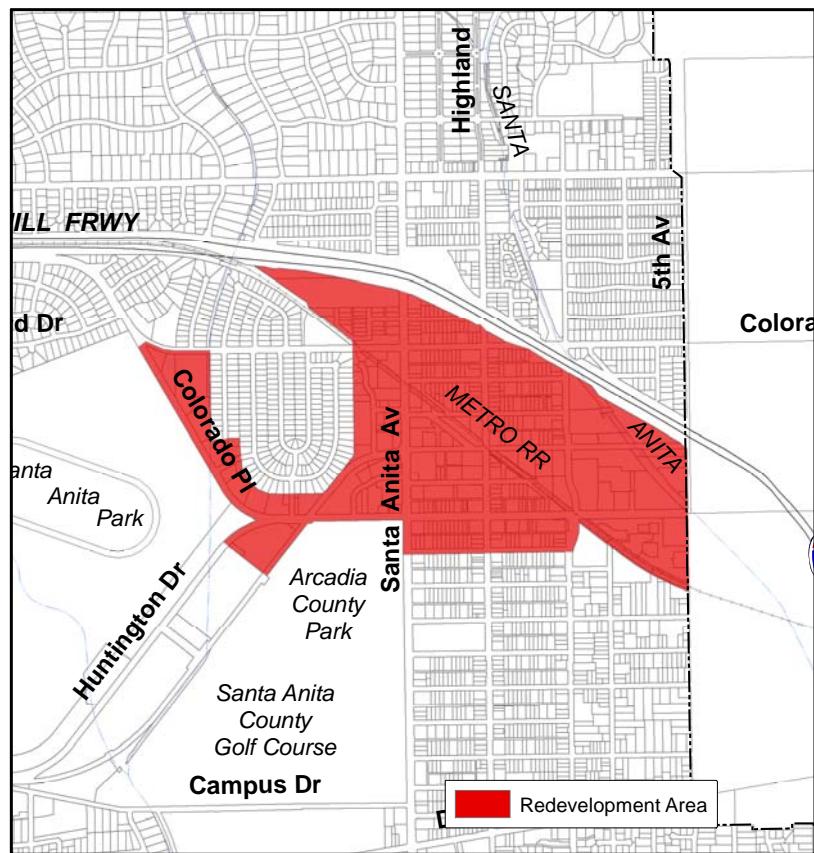


FIGURE ED-1: CENTRAL REDEVELOPMENT PROJECT AREA

examples of blight. Economic blight can be characterized by vacant buildings or land, high tenant turnover rates, residential overcrowding, or the inability to attract or retain businesses in a particular area.

The Arcadia Redevelopment Agency was established in 1968, and its sole project area, the Downtown Arcadia Central Redevelopment project area, was adopted in 1973. The Agency uses a process called tax increment financing to carry out its goals. When an area is designated as a redevelopment area by the City Council, the property within the boundaries of the project area has a certain total property tax value. If this total assessed valuation increases due to redevelopment effort, most of the taxes that are derived from the increase go to the Redevelopment Agency. These "tax increments" can be used only in the same redevelopment project area where they were generated, except for residential projects that benefit low-and moderate income households.

The Central Redevelopment Plan terminates in 2017 and has a debt limit of \$200 million. Redevelopment law allows agencies that have bonded debt (outstanding bond issues) to continue to collect tax increment for 10 years after the expiration of the project to pay off that debt. As a result, the City can collect tax increment in the Central Redevelopment Project Area until January 25, 2027. The Agency's eminent domain power is limited to non-residential properties. The power of eminent domain within the project area for private to private projects was eliminated through the voter approved Measure B, which passed in 2007.

Since 1974 the Agency has assisted in the development of six hotels, 19 office buildings, four restaurants, two retail buildings, and 60 units of affordable housing. Almost the entire east end of the project area (east of the railroad tracks to Fifth Avenue, I-210 to the railroad tracks) has been redeveloped with Agency assistance. Huntington Drive from Fifth Avenue to Santa Clara Street and First Avenue from Wheeler Avenue to California Street have been reconstructed and revitalized with new landscaping, signage, street furniture, lighting, and water system and roadway improvements, including the facades of 28 buildings. Seven private hazardous waste sites were cleaned up with Agency financial assistance. A 54-unit 100 percent affordable senior housing project opened in September, 2004 on Live Oak Avenue, and a six-unit affordable housing unit ownership project was approved on Alta Street in 2008. The Agency invested \$1.8 million in the Heritage Park project and \$1.2 million in the Alta Street project.

Property tax increment increased from \$300,000 in fiscal year 1975 to \$4,331,000 in fiscal year 2008-2009. Hotels in the City produced over \$2.37 million in transit occupancy taxes to the City in 2008-2009. Since the first hotel opened in 1983, collectively the City has received almost \$23 million from the six Agency-assisted hotels. The Agency built and donated to the City the \$3 million Public Works Service Center at 11800 Goldring Road. It contributed \$4 million to the new Police facility, \$100,000 to the Gilb Historical Museum, resurfaced four City parking lots, and contributed \$800,000 to the new Fire Headquarters building that opened in 2008. The Agency worked with Rusnak Mercedes Benz to facilitate its expansion,

purchasing and rehabilitating two adjacent properties. Many of the traffic signals in Downtown have been improved with redevelopment funds. New sidewalks were installed on Colorado Place, and safety lights were installed under the Huntington Drive Bridge at Second Avenue. Over 1,400 new full-time and 2,000 part-time jobs have been created because of Agency-assisted projects. The image and reputation of both the City and of the Downtown Project Area have been significantly improved.

The City is interested in extending the project area and establishing new monies for this important economic development tool. As a result, the City will continue to monitor the bond market to assess opportunities to re-issue bonds.

The Economic Development Division coordinates and administers incentive programs and services for the business community. In particular, the Redevelopment Division provides funding and technical assistance through a façade improvement program, small business assistance, and general property maintenance. The City also works with the Arcadia Chamber of Commerce to actively promote business opportunities and events within the City.

Goals and Policies

The City of Arcadia has taken pride in developing a positive climate for economic development, and establishes the following goals and policies to promote vitality, retain existing business, and attract new businesses. The City of Arcadia has implemented programs and guidelines designed not only to make Arcadia better place to live, but also a better place to do business.

GOAL ED-1:

A mix of land uses and development incentives that work to retain existing business and attract new enterprises that generate tax revenues and high-quality jobs

Policy ED-1.1:

Work to maintain horse racing as a viable business on the Santa Anita Park property. However, should the property owner look to transition all or a portion of the property to non-racing uses, require the owner/developer to demonstrate, through verifiable economic analysis, that any new, alternative use or uses generate jobs and tax revenues consistent with City objectives for economic growth and diversification.

Policy ED-1.2:

Support a continued strong presence of automobile dealerships as part of the local

economic mix, but avoid over-reliance on such businesses as sales tax generators.

Policy ED-1.3: Explore the attraction of new retail sectors, such as medical supply, home furnishings and appliances, and building materials to help diversify the City's economic base.

Policy ED-1.4: Support and pursue re-use of the Lower Azusa Road Reclamation Area as a regional-serving commercial retail center or similar development that generates jobs and revenues. Discourage uses at this location, such as stand-alone warehousing and logistics, that provide limited fiscal benefit.

Policy ED-1.5: Support incubator businesses in the greater Downtown area.

Policy ED-1.6: Encourage and facilitate the development of new commercial office space to provide opportunities to recruit small- and mid-sized businesses and to retain firms needing expansion space.

Policy ED-1.7: Facilitate development of office space and light industrial buildings that are attractive to the healthcare and medical support services industries.

Policy ED-1.8: Improve infrastructure and public facilities in targeted areas where necessary to support economic development.

Policy ED-1.9: Tailor regulations to respond to market changes, maximize revenue, and maintain the appropriate business mix.

Policy ED-1.10: Develop and implement effective business retention and business attraction programs designed to preserve and enhance Arcadia's economic base. Include as part of the overall strategy collaboration with local businesses and other representatives and development and implementation of an Economic Development Strategic Marketing Plan.

Policy ED-1.11: Continue to participate in the Housing Urban Development - Community Development Block Grant program to provide home improvement program assistance, ADA Accessible

Assistance, and other programs for affordable housing population.

GOAL ED-2:

Re-creation of Downtown as the social and symbolic “Heart of the City”

Policy ED-2.1:

Work proactively to eliminate physical and business deterioration within the Downtown area.

Policy ED-2.2:

Use redevelopment and other funding sources to make public realm improvements throughout the Downtown area, as defined in the Land Use and Community Design Element, including enhanced landscaping, public walkways, coordinated signage, lighting, and street furniture.

Policy ED-2.3:

Adjust parking standards for Downtown to allow for shared parking arrangements, use of public parking lots and structures, and reduced parking requirements.

Policy ED-2.4:

Facilitate coordinated marketing for Downtown businesses and residences.

GOAL ED-3:

A strong commercial and industrial economic base

Policy ED-3.1:

Work with businesses, business organizations, and landowners within commercial districts outside of Downtown to facilitate revitalization of these areas and ensure ongoing high levels of property maintenance.

Policy ED-3.2:

Promote the commercial reuse of key vacant commercial properties within the City through a program of active solicitation of prospective users, particularly in those retail sectors for which the City is underserved and currently experiencing leakage of sales tax dollars, and through the provision of appropriate development incentives.

Policy ED-3.3:

Improve infrastructure and public facilities in industrial areas where necessary to support economic development.

GOAL ED-4:

Continued revitalization of public infrastructure and private properties within the redevelopment project area

Policy ED-4.1:

Use the City's redevelopment authority to create opportunities for businesses to establish in Arcadia and bring high-skill and professional jobs and new revenue sources into the community.

Policy ED-4.2:

Use redevelopment tax increment revenues to finance façade and urban design improvements, including improvements to signage, lighting, circulation, parking, and other consumer amenities.

Policy ED-4.3:

Use housing set-aside monies to leverage additional funds from other public and private resources to develop affordable housing and ensure that housing set-asides benefit a mix of income levels.

Policy ED-4.4:

Use tax increment revenues to encourage the expansion of key businesses.

Policy ED-4.5:

Use Redevelopment Agency funds, when necessary, to stimulate private investment in the Downtown, including ongoing programs for property maintenance and marketing.

Policy ED-4.6:

Support and encourage redevelopment opportunities such as community revitalization programs and redevelopment plans focused on policies for high-quality development in the project area, and use Redevelopment Agency funds as a means of achieving transit-supportive development surrounding the Metro Gold Line station.

Policy ED-4.7:

Adjust development standards as needed to ensure that parking and zoning regulations enhance redevelopment opportunities and do not preclude project feasibility.

GOAL ED-5:

A public image of Arcadia that promotes and reinforces the City's special qualities and resources as a means of attracting businesses and economic opportunities

Policy ED-5.1:

Ensure the availability of resources required to develop and distribute high-quality marketing materials for use by staff, Chamber of Commerce, commercial real estate brokers, and local businesses, as well as to create a City staff position in community relations to promote and publicize Arcadia as a good place to work and develop a business.

Policy ED-5.2:

Promote and encourage civic services, community activities, and cultural amenities that enhance the City's image and the local quality of life.

Policy ED-5.3:

Keep current on the economic conditions in Arcadia in comparison to other viable locations to ascertain Arcadia's advantages.

Policy ED-5.4:

Work with the business community, including organizations such as the Chamber of Commerce and Board of Realtors, to generate innovative ideas and strategies that will ensure the City's continued economic viability and to implement marketing programs that identify economic opportunities in the City.

Policy ED-5.5:

Establish a marketing and branding strategy to unify Baldwin Avenue and Live Oak Avenue as unique shopping and dining destinations.

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