

# Our Prosperous Community

---

## GOAL

Attract and retain high value, high-wage jobs within the creative sector, diversify the local economy, promote and support local businesses, and build the City's fiscal capacity to create and sustain public amenities and services, while maintaining South Pasadena's small-town character and quality of life.

## INTRODUCTION

This chapter provides a roadmap to guide the City's decision making on local economic policies and programs. The chapter is organized in four sections: 1) Market Context, 2) Fiscal Context, 3) Planning Implications, and 4) Policies and Actions.

The first section, market context, provides a summary of South Pasadena's market positioning based on the findings of a market analysis prepared between February and April 2017, and presented at a community charrette held in April 2017. The second section is a high-level summary of South Pasadena's most recent budget and highlights the City's major revenue sources and recent fiscal trends. The third section lays out the planning implications that must be considered when devising a holistic economic development strategy, namely the intersection of market demand, financial feasibility of new real estate development, the City's fiscal sustainability, and community character and vision. The fourth and final section provides a comprehensive set of policies and concrete actions for the City to implement its economic development vision. While unique conditions and circumstances may result in the City pursuing only some policies and actions and not all, together they are intended to provide a strategic and sustainable approach to the City's economic development.

### 1. Market Context

South Pasadena is located on the western edge of the San Gabriel Valley, adjoining the cities of Alhambra, Pasadena, San Marino and the northeastern tip of the City of Los Angeles. It is connected to job centers like Downtown Los Angeles and Pasadena, as well as the northern San Gabriel Valley and East Los Angeles, by the Metro Gold Line light-rail transit line, and is regionally accessible by vehicle via the State Route 110 Freeway.

The City's population of approximately 26,000 has higher levels of educational attainment and earns higher incomes than the rest of Los Angeles County as a whole. The majority of residents work in health care, education, and professional service sectors, and commute outside of the City for work, primarily to Downtown Los Angeles, Pasadena, Burbank, and Glendale.

The City's development character is predominantly low- and mid-rise residential, with neighborhood-serving retail uses and small office buildings generally located along its main corridors: Mission Street, Fair Oaks Avenue, and Huntington Drive. There is limited

available vacant or underutilized land throughout the City, and the strategic development of the few existing opportunity sites can support a modest amount of new growth to help achieve the City's goals of supporting local businesses, making targeted public infrastructure investments, bolstering its tax base, and fostering a walkable environment.

## **Residential**

South Pasadena's housing stock, which includes 11,050 units, is made up of a nearly equal amount of single- and multi-family units, and slightly more residents rent than own. The City has added only 300 housing units since 2000, and the vast majority of housing units in the City were built prior to 1980, including a number of officially and unofficially designated historic homes. Owners tend to live in the oldest and newest homes, while renters mostly live in units built in the middle of the past century.

The City's housing market is strong, particularly with respect to home sale prices and rents, which are high largely due to continued regional demand for housing and constrained housing supply both in the region and particularly in the City. Multifamily homes in South Pasadena are currently selling for slightly higher prices than those in surrounding competitive areas, while the City's single-family homes are selling at prices well above homes in surrounding areas. Multifamily rental units in South Pasadena generally achieve the same per square foot rents and are occupied at the same rate as surrounding areas. However, average asking rents for larger multifamily units are higher than those in surrounding areas, indicating a demand premium for these larger family units. Additionally, South Pasadena is home to Mission Meridian Village, a nationally recognized best practice for transit-oriented development built in 2005 adjacent to the City's Metro Gold Line station, and consists of a mix of condominiums, townhomes, and single-family houses.

The reputation and quality of the South Pasadena Unified School District is a key driver of demand for housing in the City, in addition to transit access and proximity to job centers like Downtown Los Angeles and Pasadena, quality housing stock, a desirable small-town character, and a variety of well-kept parks and open spaces. Based on the Southern California Association of Government's household growth projections for the surrounding competitive areas, and estimated resident turnover in those areas, South Pasadena's market can support 1,200 to 2,000 new multifamily units (approximately 200-500 for-sale units, and 1,000-1,500 rental units) over the next 20 years.

## **Office**

South Pasadena has a small share of the office space within the Pasadena/Arcadia/Monrovia submarket, and most Class A offices are located within established office clusters with proximate freeway access, such as Burbank, Glendale, and Pasadena. With that said, South Pasadena contains a disproportionate share of creative office space within its submarket, which is primarily located in the Ostrich Farm District.

Given South Pasadena's relative lack of freeway access and very large developable parcels, it is not likely to compete with the established office clusters, or become a significant employment center. However, it could capture residents that work in smaller professional service firms that currently commute outside of the City, as well as home-

grown entrepreneurs, particularly in the areas of art, design, and entertainment. As such, the City's market can support 185,000 to 370,000 square feet of new office floor area over the next two decades, the majority of which is likely to be in the 'creative office' format, which generally offers large, open and flexible spaces.

## **Retail**

Retail uses in South Pasadena are small-scale and neighborhood-oriented, while regionally serving retail is located within areas with more proximate freeway access, such as Glendale, Pasadena, and Arcadia, as well as clusters of big box and auto-related retail in Alhambra to the south of the City. Mission Street is the City's historic 'Main Street,' with many small storefront businesses oriented around the South Pasadena Metro Gold Line station promoting walkability. Fair Oaks Avenue and Huntington Drive are wider streets and are more auto-oriented, containing larger format retail uses, including a number of neighborhood serving shopping centers anchored by grocery stores. Recent retail development over the past decade has been predominantly ground-floor space within transit-oriented mixed-use buildings with multifamily units on the floors above, primarily on or near Mission Street and close to the Metro Gold Line station.

Taxable sales per capita within the City have been nearly half of the County's over the past five years, suggesting that many of South Pasadena's residents travel outside of the City to shop. Moreover, the lack of a significant daytime population in the Downtown area is a significant challenge to sustaining a critical mass of retail and dining establishments. To capture the retail sales that are currently "leaking" out of the City, as well as to attract shoppers from outside of the City, the main shopping corridors should be strategically positioned to create a unique retail experience. As illustrated in a 2010 retail market study prepared for the City by Allan D. Kotin Associates and CBRE Strategic Consulting (the "Kotin Report"), the unique opportunities for creating a shopping destination in South Pasadena involve building on the nascent décor, home and office furnishing, and design business cluster, and targeting high-quality, independent and small-chain restaurants. These kinds of retail businesses tend to draw shoppers from a wide geographical area, and proximate food and beverage establishments play a key supporting role by creating an active and cohesive pedestrian environment that helps to keep shoppers in the City for longer. Additionally, South Pasadena has the potential to strengthen its retail base by building on the brand value of one of the most successful farmers' markets in the San Gabriel Valley located on Mission Street on Thursdays.

These opportunities differ by the kinds of corridors found in South Pasadena: Mission Street is transit-oriented, with relatively small parcels and fragmented ownership, and is positioned to accommodate small retailers, while Fair Oaks Avenue and Huntington Drive are wider streets that are currently more auto-oriented, with a number of large land holdings geared towards larger format retail and commercial activity in a mixed-use setting. Based on current and projected future retail spending and sales, South Pasadena's market can support 175,000 to 260,000 square feet of new retail over the next 20 years.

## **2. Fiscal Context**

According to the City's most recent Comprehensive Annual Financial Report (CAFR), General Fund revenues total approximately \$26.5 million, of which nearly \$20 million are attributable to tax revenues, which is generally in line with other similarly sized Southern California cities. Over half of the City's tax revenues currently come from property taxes, which total \$10.1 million. Due to Proposition 13, property tax growth in California cities is limited to two percent each year, and assessed values only change when a property is sold or there is new construction on that given property. The next largest revenue source is the City's utility tax, totaling \$3.4 million and accounting for 17 percent of all tax revenues. However, utility tax revenues have declined since 2010 due to water and energy conservation efforts, decreasing demand for landline telephone services, and the use of alternative energy sources, according to the City. Motor Vehicle in Lieu Fees (MVLFF) are the third largest revenue source, totaling \$2.5 million and representing 13 percent of the City's tax revenues. MVLFF has generally increased with the City's overall General Fund revenues. Sales taxes are the fourth largest tax revenue source, accounting for \$2.4 million and 12 percent of the City's tax revenues. Notably, sales tax revenues have increased at an annual rate of six and a half percent since 2010, which is the highest growth rate among the City's largest revenue sources over that timeframe.

The City is currently committed to funding a number of capital projects, and has an estimated backlog of \$60 million in city-wide infrastructure repairs. In addition, like most California municipalities, City pension obligations will continue to expand, further burdening the City's fiscal capacity. These commitments limit the City's capacity to fund any other major capital improvements in the near future. This chapter of the General Plan, in addition to the Downtown Specific Plan, present opportunities and strategies for the City to improve its fiscal position.

## **3. Planning Implications**

While there is relatively strong demand for residential, office, and retail uses within South Pasadena, the actual amount and scale of development that can occur is limited by the amount of available land, financial feasibility of new development, fiscal priorities, and the level of acceptable density aligned with community character and vision.

For residential uses, the scale and character of new development that is possible based on available opportunities differs by area. Whereas, smaller mixed-use infill development is appropriate for Mission Street, Fair Oaks Avenue and Huntington Drive can accommodate larger buildings via redevelopment of suburban format retail centers and large surface parking lots. In general, new residential development, particularly multifamily, is important to bolster the City's tax base, supporting new and existing retail by providing customers, promoting an active urban character, and can potentially help to mitigate traffic impact by locating new development near transit.

Office uses will likely involve both new development, as well as the adaptive reuse of underutilized buildings and spaces. However, the financial feasibility of office development will require creative approaches to parking and design. As with encouraging residential growth, increasing employment within the City bolsters local

restaurants and retail by providing a greater customer base, and particularly generates daytime shopping and dining activity.

Finally, as the City's sales tax revenues are an increasingly important revenue source, enhancing the retail tax base is key to fiscal sustainability. Historically, retail growth in the City has been "organic," and has occurred without a concerted effort to attract and grow particular kinds of retail businesses. However, a targeted retail strategy that focuses on creating a specialty shopping and dining destination can fully leverage the distinct market opportunity to form a retail cluster focused on "high-design" and local "flavor." Ultimately, this will likely involve a mix of small, independent retailers and national credit retailers that together provide a holistic array of products and services to the local market, and help ensure fiscal stability. Additionally, the growth of office and residential uses will be key to increasing the daytime population that is key to support a strong retail environment.

Overall, achieving a balanced mix of uses will best position the City to achieve urban vitality and fiscal sustainability. Locating employment, residents, and shopping and dining opportunities in close proximity will have a synergistic effect on each other, promoting economic dynamism and walkability. However, as residential uses command a premium compared to retail and office uses in the City, the including of residential uses in new development may be integral to making mixed-use developments financially feasible.

## **POLICIES AND ACTIONS**

### ***1. Attract and retain high value, high-wage jobs within the creative sector, and diversify the local economy***

Diversifying the City's economy by attracting well-paying creative sector jobs will support the City's long-term economic sustainability by bolstering its employment, resident and consumer base. Additionally, promoting synergies between retail businesses, creative office uses, and infill residential will help support a coherent, and well-functioning local economy.

#### **o P.1.1 Promote the establishment of a creative industry cluster in the City**

The definition of 'creative businesses' is fairly broad, from technology companies to film and music production to artists. However, co-locating certain users can form synergies that help to make an overall well-functioning business ecosystem. Additionally, this policy should be linked with the City's retail strategy to attract art and design oriented businesses. For example, an architecture firm, interior design company, and furniture retailer all serve different functions, but have a symbiotic relationship are more productive when located near each other, and leverage shared resources and social networks.

- A.1.1a Build on existing presence of arts, cultural and entertainment clusters, and attract small- and medium-scale production/post-production studios (i.e. sound, film, and TV), architecture, graphic design, industrial design and multi-media firms,

the likes of which some residents currently commute out of the City for.

- A1.1b Brand and market South Pasadena as a hub of creative businesses
  - A1.1c Engage with real estate brokers, landlords, property owners and developers to communicate South Pasadena's value proposition to the creative sector and encourage marketing to creative business sector tenants
  - A 1.1d Attract creative professional organizations related to the arts, media, design or architecture, ( ) to locate in the City to serve as professional network hubs and destinations
- **P.1.2 Focus employment-generating development primarily within the Ostrich Farm District, and as part of infill development in the Mission and Fair Oaks districts.**

The Ostrich Farm District is already home to creative offices, and is therefore a natural area for expansion. New infill office development on Mission Street and Fair Oaks can leverage the City's transit connectivity, and provide a daytime shopping population to support surrounding retail businesses and restaurants.

- A.1.2a In the Parking and Circulation element of the General Plan, consider policies that leverage locational strengths to reduce cost of new infill development. These should include innovative parking strategies such as districtwide parking management, elimination of parking minimums in target areas, decoupling parking requirements from development sites, and creating shared parking resources among proximate properties and/or public facilities.
- A.1.2b Support the renovation and adaptive reuse of existing buildings by educating property developers and property owners on financing mechanisms such as the Property Assessed Clean Energy (PACE) program and historic preservation tax credits.
- A.1.2c Locate residential and employment in a mixed-use setting proximate to retail

## **2. Promote and support local businesses**

One of South Pasadena's defining qualities is its small-town character, which is a product of its historic development scale and form, as well as the kinds of businesses that locate in the City, which tend to be small, independently-owned operations. 'Authentic' places and businesses are a critical success factor for creating a successful retail environment, as e-commerce retailers and more homogenous retail offerings have competitive price and convenience advantages. Helping small businesses thrive will aid in maintaining the City's unique character, improving quality of life, and driving economic development; doing so can involve a range of approaches, from direct assistance to individual businesses to devising a strategy for businesses to help identify and expand their markets to branding and market South Pasadena as a place to shop and dine, which can benefit a wide range of the City's businesses.

- **P.2.1 Create capacity within City government and a single point of contact for economic development**

Currently, there are no clearly designated economic development functions within City government, or a single point of contact for economic development, limiting the ability for strategic planning and implementation of projects and programs to support the City's long-term fiscal and economic health. Local business groups such as the Chamber of Commerce have historically played a role in providing some economic development functions, like technical assistance for small businesses. Prioritizing some of the City's limited resources towards creating economic development capacity within City government in the near-term can result in significant benefits to the City over the long-term by enabling the coordination of real estate and economic development projects to maximize fiscal returns and public benefit.

A2.1a In the near term continue to proactively engage with the Chamber of Commerce to augment the City's economic development capacity.

- A.2.1b Explore the potential for creating an economic development office or contracted economic development specialist over the mid-term to lead discussions and negotiations with private developers, assist projects through the development approval process, lead disposition of City-owned land and other resources, and implement a business attraction program

- **P.2.2 Develop a business assistance program targeted towards small and independent retail businesses (based on targeted clusters – food and beverage; art and design; furniture).**

The City has a burgeoning art, design, and furniture retail cluster, which has occurred organically due to relatively affordable retail rents, locational advantages, and access to an affluent population. Additionally, a few restaurants exist in unique spaces, creating attractive dining experiences and contributing to the City's quirky charm. However, start-up costs can be cost prohibitive for small businesses, and the regulatory approval process can be unclear and burdensome. For small and independent retail businesses to proliferate in the City, they will likely need financial and technical assistance.

- A.2.2a Create a set-aside fund for business assistance by using existing (i.e. sales taxes) or new revenue sources (i.e. parking revenues, per Policy.3.4)
- A.2.2b Support a retail landlord and broker market awareness program and establish a shared vision for the types of businesses desired
- A.2.2c Encourage partnerships between property owners or managers, and small business tenants, who often seek low rents until their business operations are established and stable

○ **P.2.4 Invest in public improvements**

Investing in improvements to the public realm improves quality of life for local residents and can also be an economic development tool by making an area more desirable to visit and shop, as well as stimulating developer interest. Specifically, these improvements, should promote a vital urban environment that allows for multimodal accessibility, including bicycle lanes and routes, and prioritize walkability by enabling retail activities to spill onto sidewalks and plazas and creating programmable spaces. While these investments can be costly upfront, they can deliver significant public returns by increasing economic activity and property values, thereby generating increased tax revenues.

- A.2.4a Make infrastructure and public realm improvements such as larger sidewalks to accommodate outdoor seating, pedestrian and cyclist amenities, and streetscaping to create walkable, safe, and attractive shopping, dining, and recreational areas. These should be prioritized for the mixed-use corridors along Mission Street, Fair Oaks Avenue, and Huntington Drive.

### **3. Build the City's Fiscal Capacity to Create and Sustain Public Amenities and Services**

Understanding that South Pasadena is a largely built-out City, opportunities to increase the local tax base will rely on the strategic development of a few select sites and expanding South Pasadena's shopping and dining offer to residents, workers, and visitors. Additionally, the City can use creative value capture tools to leverage new private development to help fund public investments.

- **P.3.1 Foster a targeted amount of new growth within the Ostrich Farm district, Huntington corridor, Mission Street, and Fair Oaks Avenue to support the City's tax base**

In order to make any significant impact on the City's tax base, the City will need to grow its population and employment to increase property, sales, utility, and business license tax revenues, as well as attract visitors and residents alike to spend more on local businesses. Promoting growth will allow the City to manage increasing capital and operating costs, and continue to provide a high-quality level of services to its citizens and businesses. There are four key areas that have appropriate lot sizes and infrastructure necessary to support new growth: the Ostrich Farm District, Huntington Drive, Mission Street, and Fair Oaks Avenue.

- A.3.1a Allow developments to apply for parking and building envelope flexibilities on key corridors to support financially feasible projects through a ministerial process with a set menu of concessions, and/or in return for public benefits
- A.3.1b Encourage redevelopment of large single use retail sites along Fair Oaks Avenue to include a mix of uses, appropriate development intensity and an active street front.
- A.3.1c Promote infill development on vacant and underutilized sites (such as surface parking lots), particularly on main corridors in the Downtown area, that currently detract from the City's pedestrian environment by breaking with retail frontages and provide no or little street activation, and do not fully capitalize on the City's fiscal opportunity.
- A.3.1d Ensure that new development is not a fiscal burden to the City by requiring proponents of new developments to provide fiscal impact analyses, which are then independently

peer reviewed at the proponent's expense, to inform entitlement decision making.

- **P.3.2 Strengthen and grow the City's retail offerings**

The range of the types of retail offered in the City can be key to driving visitors, and a variety of retail offerings can attract different users who help to create an overall more dynamic retail environment, as well as increasing sales tax revenues. Per the 2010 Kotin Report and HR&A's market analysis, South Pasadena residents often shop outside of the City (or "leak"), suggesting that there is an opportunity for residents' shopping needs to be met by providing new retail within the City. Additionally, Fair Oaks Avenue, as well as Huntington Drive, are highly trafficked vehicular corridors that present opportunities for leveraging visibility, access, and the volume of people that pass through them daily. As detailed in the Downtown Specific Plan, Mission Street and Fair Oaks Avenue are the shopping and dining core of the City, and should be the focus of the City's retail strategy, which should be centered on creating a destination for visitors and residents alike to shop, eat, and recreate with a wide array of retail offerings. A.3.2a Create a retail and restaurant destination by attracting specialty stores and unique food and beverage places through targeted branding and engagement with desired businesses

- A.3.2b Seek a mix of national credit retailers and independent businesses that can both meet the City's retail needs and adhere to quality design standards to seamlessly fit into a walkable urban environment
- A3.2c Build on the City's cultural organizations to generate foot traffic on main corridors through regular programming, events, and branding

- **P.3.3 Achieve community benefits in tandem with new development**

As the City has limited fiscal resources and available land, it should use the few development opportunities strategically, and ensure that each new development supports public objectives and yields financial and/or public realm benefits.

- A.3.3a Establish a prioritized menu of public benefits, which can potentially include parks and open space, public realm improvements, sustainable building practices, affordable housing, and public parking
- A.3.3b Explore mechanisms to fund public improvements with each new development (ex. Incentive zoning, development impact and public art fees, development agreements, etc.)

- **P.3.4 Adopt creative parking strategies Downtown and utilize public parking as a revenue source**

Parking is a key challenge that must be addressed when planning for shopping districts, and is also a fiscal opportunity for the City. Revenues earned from parking can serve to bolster the City's General Fund, or be used to achieve specific objectives like providing a business support fund.

- A.3.4a Allow public paid access to City-owned surface parking lots during nights and weekends (or other times when not in use by City facilities)
- A.3.4b Explore metered on-street parking on shopping streets
- A.3.4c Consider reducing or eliminating on-site parking requirements on shopping streets to foster financial feasibility for developers and businesses, and establish a resident and employee Preferential Parking District to balance parking needs of businesses with nearby residents
- A.3.4d Create a set-aside fund for new parking revenues to be used for economic development initiatives, including infrastructure investments and business support

- **P.3.5 Encourage a diversity of housing types to promote mixed-use districts and leverage transit access**

Opportunities for residential development throughout South Pasadena are limited, and are mostly available in its main districts: Mission Street, Fair Oaks

Avenue, Huntington Drive, and Ostrich Farm. Increasing the amount and array of housing options in these districts will be key to fostering walkable, mixed-use areas, and to supporting the City's fiscal health.

- A.3.5a Support higher-intensity and high-quality multifamily development near the Gold Line Station, close to retail activity.
- A.3.5b Support the development of moderate density residential, such as townhomes and small multifamily buildings, as a buffer between predominantly single-family areas and higher-intensity mixed-use areas.