



CITY OF MARTINEZ

**CITY COUNCIL AGENDA
July 11, 2012**

TO: Mayor and City Council
FROM: Philip Vince, City Manager
SUBJECT: Formation of Economic Development Corporation
DATE: July 5, 2012

RECOMMENDATION:

1. Explore the concept of establishing an Economic Development Corporation (EDC), which is a public/private community partnership consisting of a Board of Directors representing the entire Martinez community.
2. Conduct outreach to achieve community support and identify seed funding for the EDC.

BACKGROUND:

The Council Economic Development Committee (CEDC), at its meeting of June 10, 2012, requested that staff update the entire Council on the concept of the Downtown Retrofit and revitalization Program (the "Program"). This request followed a discussion of the status of negotiations with lenders who are prepared to finance buildings requiring seismic retrofit. That discussion led the Committee to a new understanding of the complexity of the issues to be addressed in developing a public/private financing program from the perspective of lenders, property owners, tenants, as well as the perspective of the City.

The Downtown Retrofit and Revitalization Program evolved from a series of recommendations introduced in the past three years, which include:

1. Endorsing the concept of combining building rehabilitation and business revitalization programs in a context of overall economic restructuring of the Downtown;
2. Committing to the preservation of existing buildings, where possible; and
3. Directing staff to pursue rehabilitation financing through private lenders and consider (in concept) the establishment of programs providing for Architectural Design Services, Pre-Development loans, Façade Loans, Rehabilitation funding and the Rental Rate Assurance Program.

Program costs proposed in the Downtown Revitalization and Retrofit Program represent an investment, rather than a expenditure. Funds could be borrowed from one of several sources and repayment could be accomplished in six (6) years or stretched over a longer period.

Mandated Unreinforced Masonry (URM) Ordinance

The City's Seismic Ordinance was adopted on July 20, 2009. A total of 22 privately-owned unreinforced masonry buildings are currently affected by the Ordinance. At the time the Ordinance was adopted, Council directed staff to work with owners to try to address financing issues associated with the work required. This effort evolved in the Downtown Retrofit and Revitalization Program as presented herein.

The Seismic Safety Ordinance, as it related to unreinforced masonry buildings (URMs), mandates a six year program and schedule for the completion of the work. Within two years of the issuance of a "Notice and Order to Perform Structural Analysis," owners must obtain a structural analysis, decide to retrofit or demolish and submit plans for either retrofit or demolition. A building or demolition permit must be obtained within one year of submitting plans, work must commence within six (6) months of receiving a permit and the work must be completed within two (2) years of receiving a permit. The maximum time from the date of the Notice and Order is six (6) years.

The URMs were posted between July and mid-August 2009. Therefore, under the Ordinance as it currently stands, plans for the retrofit or demolition of the URMs are due as of July 2015. Five building have been retrofitted to date. Two URM workshops have been held with property owners, and a number indicated they will proceed to retrofit if below-market-rate financing is put in place which validates the concerns expressed at the time the Ordinance was adopted regarding the need for financial assistance.

Upgrading and Retaining Businesses

In addition to fixing buildings, revitalization requires a major focus on upgrading businesses in those buildings. One effort of the work to date on the Business Revitalization component of the Program has been on building linkages with the business community. The goal of this activity is to educate the community about the process of retrofit revitalization while programs are put in place to accomplish those. This focus has taken the form of building partnerships with downtown constituents, working with them to improve the marketing and promotion of downtown, and in working with various groups to provide the special events and cultural activities identified in the Downtown Specific Plan.

The weekly Farmers Market is now operating on Thursday and Sunday in Downtown. It is estimated it draws a large number of visitors to Downtown. Further, community liaison activities include staff participation in "Main Street." Staff also participates in several other organizations which have interests in the downtown and work to promote downtown and/or sponsor special events and activities in downtown, such as the Willows Theater, Martinez Arts Association, the Martinez Historical Society and the Chamber of Commerce.

A second focus of the work of the Revitalization component of the Program has been on Business Retention. The community liaison work identified above has allowed staff to establish a management and technical assistance linkage with both the East Bay Business Council and the East Bay Small Business Development Corporation. Further staff is asking whether the Martinez Chamber of Commerce is interested in developing a seminar series for downtown businesses on topics, such as merchandising, inventory control, window displays, etc.

Market Potential Downtown

A third focus of Revitalization activity has been to develop the data base necessary to undertake an analysis of the market potential of Downtown. The concept here is that the supply/demand dynamics of a shopping district must be understood in order to identify what can be added to complement and support the district. The market analysis will also be a necessary component of the Retrofit Program as well, as lenders will require it to assess the riskiness of their investments.

To date, base data for a land use/tenant/building inventory of Downtown is being collected through a joint effort of Consultants and the City and will be used to create a database from which the market potential of Downtown can be analyzed. Data processing has begun, as has the

detailed analysis of trends in overall Downtown sales activity and sales productivity by retail sector is needed to further market Downtown. The market potential analysis must be budgeted and authorized by Council in the coming year.

The Strategy can then be compiled, matched with technical data from the market analysis and the building/tenant/ profiles, to serve as the marketing package the City and brokerage community needs to attract new businesses to Downtown Martinez. Staff work to date on this effort includes introducing a partnership with “Main street” and the Chamber of Commerce, formalizing the Strategy as an intended work product of both organizations next fiscal year and educating concerned Downtown constituents on a one-on-one basis about the process of creating a Community-Based Marketing Strategy (CBMS).

DISCUSSION

There are three key principles which underlie the Downtown Retrofit and Revitalization Program and help put the activities undertaken in perspective.

Firstly, the Program requires proactive City support. The long term success of retrofit/rehabilitation of downtown buildings is predicated on revitalizing the business environment in downtown Martinez. It is the experience of the hundreds of cities participating in the National Main Street program that along with building rehabilitation, there must be a concomitant skills improvement and revitalization effort for the tenants of the existing commercial base. Building rehabilitation costs will translate into higher rents, thus businesses will have to operate more profitably. The concerns regarding stabilization of existing tenants are even more pronounced in Martinez because of the additional rental expense which will occur because of mandatory seismic retrofit.

Externally, the complexity of the Program mandates that the many players involved in Downtown be educated about the revitalization process, their role, the City’s role, what the long-term picture is, and what, if any, disruption there will be to Downtown in the short-term. It is extremely important to create linkages with the varied community constituents and to have their support and active, informed participation.

Internally, the Program requires extensive interaction with multiple City departments/divisions including Planning, Building Inspection, Public Works, and public information. The scope of internal planning for the processing of the retrofit/rehabilitation of the 22 , or more, old, deteriorated, individual buildings, owned by non-developers, in a truncated time period, while many are occupied by operating businesses, is very different than that with is needed to process, say, new commercial buildings. It has, and will, require excellent communication among property owners, tenants, architects, engineers and development-related staff.

Secondly, the Program’s basic mission is to overcome obstacles to taking the initial risk. Investment of time, expertise, and money is needed to change a downtown which has been deteriorating for forty years. No one wants to be the first or only participant in such a venture, so it falls to the public sector to jump-start investment. The downtown property owners have responded positively to the time invested by City staff in one-on-one meetings, community meetings and loan program development by their verbal commitments to proceed with retrofit and rehabilitation.

Nevertheless, few of the property owners are sophisticated developers who hire architects, structural engineers, contractors. Many of the owners are retirees. Most will require considerable assistance from the City and consultants to work through the process. Similarly, many of the business owners are sole proprietors with a six-day per week work schedule. To capture their interest in revitalization, staff has to find ways to reach out to them. Technical assistance on-site is most useful to people working 60-80 hours per week.

The visibility of City staff in the downtown, working with both owners and tenants, and preparing for major revitalization activities, such as designing and implementing a flex space program, is evidence the lending community and property owners need to support their interest in making a financial commitment to Downtown. Both are concerned that the City must continue to respond proactively and maintain commitment to the Program, as well as adhere to the goals and guidelines of the Specific plan for Downtown.

The programs and advocacy of the Retrofit and Revitalization Program is the City's contribution to overcoming the obstacles to investment faced by property owners, businesses and the lending community.

Thirdly, Martinez is a leader for retrofit and revitalization programs. Martinez is leading the way with the Downtown Retrofit and Revitalization Program. According to a Seismic Safety Commission report, the majority of California cities complied with SB 547 by submitting to the State a list of seismically unsafe buildings. SB547, the URM Law, however, did not mandate the retrofit of buildings or provide a framework for funding such work, with the consequence that a very significant number of the identified buildings have not in fact been retrofitted.

This can be an indication of several things: 1) that there is tremendous confusion at the local level about the process; 2) that innovative funding strategies have not yet been found in most places; 3) that the threat of Unreinforced Masonry (URM) buildings to the public's safety has not been emphasized enough.

A recent study by the Association of Bay Area Governments on Seismic Preparedness concludes that accomplishing retrofit is an issue of resolving the economic feasibility of investing substantial amounts of money into (mainly) properties with relatively low rental income. The Martinez Program attempts to resolve precisely that dilemma by working with lending community, property owners, and existing tenants.

The bottom line is that the millions of investment dollars (\$7.0 M estimated) are required to accomplish retrofit and revitalization. While it is unlikely that local government can provide the necessary funding, the public sector can help by developing the appropriate partnerships with the financial and technical assistance community to provide the resources necessary to accomplish the goal of providing for the safety of its citizens. The process is not easy. Flexibility is the key and there may very well be setbacks. The outcome, however, is that with a minimal investment of public dollars, Martinez should reach its goal of ensuring public safety and having a thriving downtown.

CONCLUSION

The Retrofit and Revitalization Program has reached an important milestone in terms of accomplishing the mission set by Council. Importantly, the retrofit effort has been advanced by significant progress in the formation of a consortium of private lenders to fund retrofit and

rehabilitation work on downtown buildings. Preliminary expressions of interest have been received. Lender interest has been made with the clear understanding that the City has put in place the necessary strategies to jump-start revitalization and will continue to provide the support

services and activities initiated with the implementation of the Downtown Retrofit and Revitalization Program. The key question facing the program now is funding to keep these strategies in place in future years.

The program is facing a substantial funding shortfall. Funding for the Program cannot be viewed in isolation. Instead, it must be considered in the context of the City's next two year operating budget process. By taking this approach, Council will be able to assess the Program in light of other City needs and determine a course of action.

FISCAL IMPACT:

Staff will return to present Council with various funding options to launch the CBMS and retrofit/revitalization programs. A certain level of funding must be allocated to pay for administrative costs for administering these programs for one year and provides initial funds for the various loan programs and other elements. This level of funding, however, does not meet all of the financial requirements of the program as currently planned.

ACTION:

Motion to direct staff:

- A. to return with a formal proposal detailing the steps needed to establish an Economic Development Corporation; and
- B. to explore necessary seed funding

Attachment:

Power Point Presentation to Economic Development Committee (June 10, 2012)

Martinez Matters

- Community participated in a series of General Plan workshops and tours designed to "refresh" the vision for Martinez
- Identified the choices, trade-offs, priorities and strategic actions required to achieve and maintain prosperity for business, housing and resources in the 21st century
- Vision: Create places where people want to be and revitalize economic prosperity

Martinez Matters

- City of Martinez is investing in the community:
 - Recent street paving, Marina Vista streetscape, Rankin swimming pool
 - Waterfront Park, Old Train Station, Park Improvements, tree lighting, traffic signals
 - Free Downtown Wi-Fi Network, Charging Stations for Electric Vehicles

How Improvements Were Funded

- Federal Stimulus, American Recovery and Reinvestment Act
- Transportation for Livable Community Grant
- Community Development Block Grant
- Gas Tax
- Proposition 1B and Proposition 42
- Measure C, Measure H, Measure J

Martinez Needs Your Help

- Participate in forming the Martinez EDC
- Create public/private Board of Directors with representatives from the:
 - **Concerned Citizens**
 - **Property Owners**
 - **Business Owners**
 - **City Staff**
 - **Main Street**
 - **Chamber of Commerce**

How It Works

- EDC Board of Directors decides what is possible with input from the Community / City
- Creates agenda for economic development
- If needed, recommends projects for City Council review and approval

How It Works

- EDC establishes and assists with financial mechanisms to fund the project through:
 - **Specialized Lender Programs:**
 - Lender Pool of Banks**
 - SBA 504 Loans**
 - Loan to Lender Programs**
 - **Grants**
 - **Charitable Gifts**
 - **Fundraising events**

Establish an EDC

"Economic Development Corporation"

California Government Code Section 13997.2

- ✓ *Local nonprofit public-private organization*
- ✓ *The lead agency for the planning and implementation of a wide range of programs and strategies without eminent domain or tax increment powers*
- ✓ *Attracts, retains, and expands businesses, utilizing small business lending and other financial tools*

Why An EDC ?

- It is independent and represents all of Martinez as a whole community, not specific areas
- It can use both public and private funds for infrastructure, commercial and industrial loans, and finance a wide variety of community projects such as:
 - Business improvement, power grid, parking structure, lighting, playground, streetscape, Marina, flood control, etc.

Why An EDC ?

- Functions through public / private Board of Directors
- An EDC is independent from the City gov't, but can partner with the City
- Community decides what is possible
- Interacts with all elements of the City to ensure projects and schedules are in best interest of business and the entire community

Funding the EDC

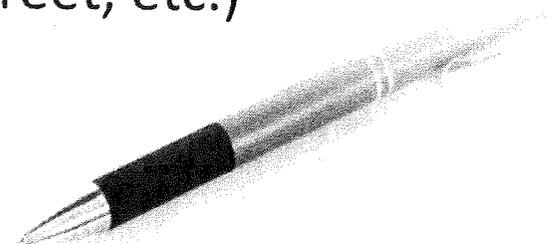
- An EDC also receives and utilizes funds from a broad variety of public and private sources
 - Company/Corporate Partners/Sponsors
 - Project/program administration
 - Application fees & over-rides on loans
 - Grants from public/private sources
 - Continuing public subsidies based upon administering/operating City based programs or projects
- **Once operational, the EDC can become self-sufficient**



Next Steps ...

1. Establish public / private community partnership and Board of Directors representing **entire** community of Martinez

- Concerned Citizens
- Business and Property Owners
- Community leaders
- Local business organizations (Chamber, Main Street, etc.)
- City Council



Next Steps . . .

2. Obtain “seed” funding to establish the EDC
3. Form the EDC:
 - File with Secretary of State
 - Apply for non-profit tax status
 - Hire staff
4. Develop and implement programs with professional and community participation
5. And then