



STAFF REPORT

3/25/2025

AGENDA ITEM

**TO: HONORABLE MAYOR
AND MEMBERS OF THE CITY COUNCIL**

**FROM: CARLO TOMAINO
CITY MANAGER**

SUBJECT: OPPORTUNITY STUDY AREAS ECONOMIC STUDY FINDINGS

Summary:

Earlier this year, the City Council authorized staff to issue a Request for Proposals to select a qualified professional planning firm to undertake a comprehensive economic and land use study for three areas of the community, known as Opportunity Study Areas. Broadly defined, the purpose of the study is to assess future land use opportunities that will allow the City to grow economically, create jobs, and diversify the City's tax basis for several years. After a comprehensive and competitive process, the City Council awarded a contract to PlaceWorks, to prepare an economic and land use analysis associated with the Opportunity Study Area Project.

PlaceWorks will present an update on its progress to the City Council, providing key insights into the economic analysis and preliminary findings. This presentation will offer an opportunity for the City Council and the community to learn more about potential land use strategies that support economic growth and long-term sustainability in Signal Hill. Using the economic study as a basis, staff is requesting additional policy direction from the City Council regarding the next phases in the project which would include developing overlay zones, creating new development standards, exploring opportunities for infrastructure improvements, and initiating a selection process to undertake the required environmental studies to facilitate future development.

Strategic Plan Goal(s):

Goal No. 1 Financial Stability: Ensure the City's long-term financial stability and resilience.

Goal No. 3 Economic & Downtown Development: Improve the local economy, support local businesses, and create a vibrant downtown core.

Goal No. 4 Infrastructure: Maintain and Improve the City's physical infrastructure, waste system, and recreational spaces.

Recommendations:

1. Receive a presentation from Placeworks summarizing the key findings of the Economic Study for the Opportunity Study Areas project.
2. Provide general direction to staff to advance the development of Overlay Zones, including updates to development standards within the Opportunity Study Areas.
3. Provide direction to staff regarding the solicitation of development proposals for a City-owned property located at the intersection of Spring Street and Atlantic Avenue.
4. Provide direction to staff regarding initiating a feasibility study to explore the potential implementation of financing tools to fund infrastructure improvements with the Opportunity Study Areas.
5. Authorize staff to issue a Request for Proposals for environmental studies related to the Opportunity Study Areas.

Fiscal Impact:

The fiscal impact associated with the recommended action includes ongoing consultant work associated with the development of overlay zones and development standards for the Opportunity Study Areas. In addition, staff is requesting the City Council authorize the issuance of a Request for Proposals to conduct environmental studies related to the Opportunity Study Area. Staff estimates the cost of these environmental studies to be approximately \$500,000 and would include this funding as part of the proposed Fiscal Year 2025-2026 Operating Budget.

Background:

One of the City's key strategic goals is revenue diversification. The City's current revenue portfolio relies on sales tax, which is provided through a healthy balance of various sales tax producing businesses. The City historically relied on tax increment financing to incentivize redevelopment; many of the City's shopping centers, auto dealerships, and residential developments are a testament to the vitality of redevelopment as an economic development tool. Using tax increment financing, redevelopment agencies could leverage future property tax value to enter public-private partnerships to induce development. Notwithstanding the dissolution of redevelopment, the City's goal remains to secure additional financial security by leveraging its land use authority to allow for new development that will increase property values, create jobs, and provide new revenue opportunities. Staff proposed to the City Council a project, known as the Opportunity Study Area (OSA) to achieve its desired economic and financial goals.

As part of the City's ongoing effort to encourage strategic economic development and realize the community's long-term vision, the City has initiated an economic and land use study for three designated Opportunity Study Areas. The purpose of this study is to evaluate market conditions, development potential, and land use alternatives that would foster appropriate and feasible investment in these areas. The study will serve as the foundation for identifying desired land uses and crafting zoning tools to facilitate well-planned development that aligns with community goals and economic realities.

At the November 12, 2024, meeting, the City Council awarded a professional services agreement to Placeworks to assist staff with the OSA project. Each opportunity study area consists of properties with heavy and light manufacturing, industrial flex, office buildings, vacant properties, and minimally developed parcels with expansive storage yards. Staff identified the OSAs based on their potential for redevelopment and economic growth over the next several years. The goals of the proposed study are to assess the City's development potential through an economic analysis and update the City's zoning ordinance to create opportunities to attract new development. The City Council unanimously approved the contract and Placeworks began work on the underlying economic assumptions, gathering stakeholder feedback, and working with staff to implement the project schedule.

Analysis:

The OSA project has two primary initial components. The first phase of the OSA project is to prepare a market-based economic study to identify opportunities for growth based on the current and prospective development environment. The underlying economic study includes regional market data regarding sales tax for numerous types of retail, hotel occupancy data, residential demand, and other important drivers such as economic demographics that correlate to potential demand for specific development types. Over the past few months, Placeworks worked alongside staff to prepare the attached economic study that will form the basis for potential future zoning code amendments to facilitate development in Signal Hill. As part of this report, staff will summarize the economic study, provide key policy consideration for the City Council, and discuss the next phase of the OSA Project.

Economic Analysis:

The City is at a key stage in its long-term development strategy, with the Economic Analysis for the Opportunity Study Areas serving as a foundation for shaping future land use policies and zoning decisions. The economic study examines the market feasibility of various potential land uses within the OSAs, including housing, retail, hotel, office, and industrial development, and provides critical insights into how these areas could transition into a modern, economically vibrant district. The summary below discusses each distinct land use separately, provides insights into the current development environment, and draws conclusions regarding the viability of each land use based on current market data.

Housing as a Catalyst for Redevelopment

The Economic Analysis highlights housing development as a catalyst for economic growth and the successful revitalization of underutilized properties. The study confirms strong regional demand for additional housing, particularly given rising housing costs, limited inventory, and ongoing state mandates for increased housing production. Encouraging residential development within the OSAs aligns with the City's long-term vision of fostering a walkable, mixed-use environment that supports retail, commercial, and public spaces.

Market Feasibility and Developer Interest

Market research, including interviews with 11 developers, indicates strong interest in residential development in Signal Hill, particularly in for-sale townhomes as the most financially feasible option

in the current economic climate. Developers cited the City's prime location, strong regional job market, and desirable small-town character compared to surrounding cities as key factors driving interest in new housing projects. However, high construction costs and interest rates currently present challenges for large-scale apartment or condominium projects, meaning the initial phase of residential development in the OSAs is more likely to consist of attached townhomes or small-lot single-family residences.

Despite these near-term constraints, the long-term market potential for rental housing remains strong. The region's high demand for rental housing, combined with growing interest in urban living and mixed-use environments, suggests that future economic conditions may support higher-density apartment or condominium developments. As a result, the City could tailor its development standards to accommodate a gradual shift toward mixed-use and multifamily residential development as market conditions evolve.

Economic and Community Benefits of Housing Growth

Encouraging new housing development within the OSAs offers multiple economic and community benefits. Housing serves as a foundational element of a walkable urban district, providing the population base necessary to support retail businesses, restaurants, and services. Without a critical mass of residents living within walking distance of commercial areas, it would be challenging to attract high-quality retail tenants or establish a vibrant Central Business District (CBD).

Additionally, housing development generates long-term revenue for the City, including property taxes and sales tax from resident spending. Housing also reduces reliance on commuter-driven retail by increasing local consumer spending within the City and promotes sustainability and smart growth principles by locating housing near employment centers and transit corridors. Given these benefits, the City Council may wish to consider zoning and policy updates to encourage well-designed residential projects that enhance the character of Signal Hill while meeting evolving market demands.

Key Planning Principles for Housing Development

To maximize the potential of new housing development in the OSAs, the City Council may wish to evaluate several key considerations:

- **Density and Land Use Flexibility:** Should the City consider increasing allowable residential densities in certain areas to encourage mixed-use development and maximize land efficiency?
- **Integration with the Central Business District (CBD):** How can new housing be strategically located to complement retail and commercial growth, ensuring a balanced mix of uses?
- **Urban Design and Infrastructure Needs:** What infrastructure improvements or public amenities (such as open spaces, transit accessibility, and pedestrian-friendly streetscapes) will be needed to support a modern residential district?
- **Phased Development Approach:** Should the City encourage a phased approach, allowing for initial townhome development while preserving the potential for higher-density housing as

market conditions improve?

- **Incentives for Housing Development:** What policies or incentives (i.e., expedited permitting, impact fee reductions, or public-private partnerships) could facilitate residential investment while ensuring high-quality design and community benefits?

Conclusion: Residential Development

The Economic Analysis underscores that housing development in the OSAs is essential for the City's long-term economic sustainability and the success of its redevelopment vision. While the short-term focus will likely be on for-sale townhomes, the City should remain proactive in planning for future rental and mixed-use housing opportunities to accommodate evolving market conditions.

Retail Market Potential and Development Considerations

Retail development plays a crucial role in the economic growth and long-term viability of the Opportunity Study Areas. The Economic Analysis indicates that Signal Hill has significant opportunities to expand its retail sector, particularly in targeted industries that align with shifting consumer preferences and regional spending patterns. The study highlights that while traditional retail faces challenges due to e-commerce and evolving shopping behaviors, there remains strong demand for experience-driven and convenience-based retail, particularly within walkable, mixed-use environments.

Retail Demand and Market Gaps

The economic study identifies retail leakage (i.e., where residents spend money outside of Signal Hill due to a lack of local options) as a major opportunity for capturing unmet demand. The analysis shows significant gaps in key retail categories, including:

- Furniture and Home Furnishings - Potential demand for up to 140,000 square feet
- Clothing and Accessories - Potential demand for 102,000 square feet
- Bars and Drinking Places - Potential demand for 12,000 square feet

By strategically positioning new retail developments in high-traffic areas, the City can recapture a portion of this lost spending and enhance its local tax revenue base. While demand for additional retail space exists, the study notes that not all retail categories are viable. The restaurant market, for example, appears highly saturated, with limited potential for additional full-service dining unless it is strategically integrated into a destination retail environment.

Strategic Retail Placement and the Role of the Central Business District (CBD)

A concentrated and well-designed retail district is critical for attracting quality tenants and creating a sense of place. The economic study recommends focusing on retail development within the Central Business District (CBD) to:

- Create a vibrant, experience-oriented destination that draws visitors from surrounding areas.

- Encourage mixed-use development, where retail coexists with residential, and office uses to enhance foot traffic and spending.
- Differentiate Signal Hill's retail offerings from neighboring communities, ensuring long-term competitiveness.

Retail success is increasingly experience-driven, with modern consumers seeking lifestyle, entertainment, and social interaction rather than simply shopping. The City should consider incentivizing businesses that align with these trends, such as:

- Boutique and specialty retail stores that cater to niche markets.
- Fitness, wellness, and personal services which provide experiences rather than traditional retail goods.
- Cafés, wine bars, and breweries that offer social and entertainment elements.
- Artisan markets or maker spaces that highlight local products and craftsmanship.

Focusing on walkability, placemaking, and design standards within the CBD will be essential to attracting high-quality retailers and competing with regional shopping destinations.

Challenges and Considerations for Retail Development

While the market for experience-oriented retail remains strong, new retail development must overcome several challenges, including:

1. **Changing Retail Landscape:** Many national retailers continue to downsize or pivot toward e-commerce, making it essential for the City to prioritize retail formats that are resistant to online competition.
2. **Retail Over-Saturation in Neighboring Cities:** Nearby areas, including Long Beach and Lakewood feature established retail centers, requiring the City to differentiate itself through unique offerings.
3. **Financial Viability:** Given rising construction costs and interest rates, the City may need to explore public-private partnerships or incentive programs to encourage high-quality retail investment.

Policy Considerations

To maximize retail success in the OSAs, the City Council may wish to consider the following:

- **Retail Zoning and Land Use Strategies:** Should retail be exclusively concentrated in the CBD, or should certain retail uses be distributed throughout the OSAs to support emerging neighborhoods?

- **Retail Attraction and Business Recruitment:** Should the City adopt a proactive business attraction strategy, including outreach to retailers that align with market demand?
- **Incentives for Experience-Based Retail:** Should the City consider incentives or partnerships to encourage development of retail spaces that prioritize experiences, dining, and entertainment?
- **Design Standards and Public Spaces:** How can the City ensure that new retail developments include pedestrian-friendly design, public gathering spaces, and high-quality aesthetics?

Conclusion: Retail Development

Retail development within the OSAs presents a major opportunity for economic growth, increased tax revenue, and enhanced community vibrancy. By focusing on experience-based retail, strategically concentrating development in the CBD, and supporting mixed-use environments, the City can establish itself as a regional destination while ensuring long-term economic sustainability. The City Council's approach to zoning, business attraction, and retail incentives will play a critical role in shaping the future retail landscape of Signal Hill, ensuring that new commercial development aligns with both market realities and community goals.

Hotel Development Opportunities

The Economic Analysis indicates that Signal Hill could support an upper midscale or upscale hotel, given the strong regional demand for lodging and the consistent occupancy rates exceeding 70% at existing hotels in the area. A new hotel could serve a range of visitors, including business travelers, families, and event attendees, capitalizing on the City's proximity to Long Beach Airport, regional employment hubs, and major freeways.

While the demand for additional hotel accommodations exists, several factors influence feasibility and development timing. The current economic climate, including high construction costs and rising interest rates, poses challenges for new hotel projects, making it increasingly difficult for developers to secure financing. Additionally, competition from the well-established hospitality market in Long Beach requires that any new hotel in Signal Hill offer a unique value proposition and strategic location to attract guests.

To maximize economic benefits, a well-positioned hotel should be located in an area that offers strong visibility, walkability, and access to local amenities. The study identifies the Central Business District and major arterials such as Willow Street or Cherry Avenue as potential locations that could support hospitality development. A hotel within the Central Business District would enhance the City's vision of a dynamic, experience-oriented district, providing lodging options for visitors while increasing foot traffic for local businesses, retail, and dining establishments.

Given the financial challenges associated with new hotel construction, many cities have successfully utilized incentive programs to attract hotel developers and facilitate project feasibility, including the following:

- **Transient Occupancy Tax (TOT) revenue sharing agreements,** which allow a portion of the tax revenue collected from hotel guests to be reinvested into the project for a specified period.

- Land lease reductions, particularly if City-owned property is available for hotel development, to reduce upfront investment costs.
- Expedited entitlements and development fee reductions to streamline the approval process and enhance project viability.
- Public-private partnerships (P3s) that involve direct collaboration between the City and hotel operators to ensure a successful investment strategy.

Beyond its economic benefits, a hotel in Signal Hill would contribute to the City's long-term economic sustainability, generating new Transient Occupancy Tax revenue, increasing local sales tax from visitor spending, and creating new jobs in the hospitality and service sectors. A hotel would also strengthen the City's identity as a destination for business and leisure travelers, complementing the broader efforts to transform the OSAs into a thriving mixed-use district.

Conclusion: Hotel Development Opportunities

The City Council may wish to consider whether to actively recruit hotel developers, explore targeted incentives, and align zoning regulations to support hotel investment. By positioning hospitality as a strategic economic driver, Signal Hill can enhance its fiscal health while providing much-needed lodging options for visitors and business travelers alike.

Office and Industrial Market Trends

The office market in Los Angeles County and the broader Southern California region has undergone a fundamental shift due to the rise of remote and hybrid work models. The Economic Analysis highlights that office vacancies have reached 23.9% in Los Angeles County, reflecting reduced demand for traditional office spaces. Many companies continue to downsize their office footprints or shift to more flexible leasing arrangements, leading to a decline in large-scale office development across the region.

Given these market realities, new office construction in Signal Hill is unlikely in the near term. However, there may be opportunities for specialized office uses, such as medical offices, co-working spaces, and research and development facilities, which continue to show resilience despite broader market trends. The City's proximity to major healthcare and education institutions, such as Long Beach Memorial Hospital and California State University, Long Beach, may create demand for small-scale medical or professional office spaces.

Potential Strategies for Office Market Adaptation

To respond to changing market conditions, the City may consider strategies such as:

- Encouraging adaptive reuse of existing office buildings, allowing flexibility for conversion into other uses, such as mixed-use residential or creative office spaces.
- Supporting medical office and specialized office uses, which may be more viable in the current

market than traditional corporate office space.

- Exploring co-working or incubator spaces to attract small businesses, start-ups, and independent professionals seeking flexible office environments.

Industrial Market Strength and Development Potential

Unlike the office sector, industrial real estate remains one of the strongest-performing segments in Signal Hill and throughout Southern California. The Economic Analysis reports an industrial vacancy rate of approximately 5.4%, demonstrating continued demand for logistics, warehousing, light manufacturing, and last-mile distribution facilities. This demand is driven by e-commerce growth, supply chain adjustments, and the need for strategically located distribution centers near major freeways and ports.

Existing industrial properties within the City continue to be highly utilized, and many property owners show little interest in selling or redeveloping their sites. As a result, industrial transitions in the OSAs may occur gradually, particularly in areas with long-term land leases, active oil operations, or stable industrial tenants. However, the City has an opportunity to explore ways to modernize industrial areas and integrate new, cleaner industries that align with evolving economic trends.

Industrial Redevelopment Considerations

While industrial uses remain strong, certain industrial areas may be candidates for long-term transition into mixed-use developments. The City Council may wish to consider:

- Balancing industrial retention with future redevelopment, ensuring that existing industrial businesses continue to thrive while identifying strategic sites for potential mixed-use projects.
- Encouraging modern, sustainable industrial development, incorporating green building standards and clean technologies.
- Exploring zoning modifications that allow for hybrid industrial-commercial uses, such as tech-flex spaces, research and development (R&D) hubs, or advanced manufacturing facilities that blend office, showroom, and light industrial functions.

Policy Considerations

Given these market trends, the City Council may consider the following questions as it plans for the future of office and industrial development in the OSAs:

- Should the City adjust zoning regulations to allow for more flexible uses within underutilized office spaces, such as residential, creative office, or co-working environments?
- How can the City support existing industrial businesses while identifying opportunities for gradual transitions to new uses where appropriate?

- Are there opportunities to modernize industrial development standards to encourage high-value, clean industrial uses that align with the City's broader economic vision?
- Should the City take a proactive approach to attracting medical office, technology, or life sciences tenants, which may have stronger long-term demand?

Conclusion: Office and Industrial Development

The Economic Analysis highlights divergent market conditions for office and industrial development in Signal Hill. While new office development remains uncertain, the City has an opportunity to adapt existing office spaces to align with emerging workplace trends. Meanwhile, industrial uses continue to thrive, though long-term redevelopment strategies should be carefully evaluated to ensure that future growth balances economic sustainability with evolving land use needs. By taking a strategic approach to office and industrial planning, the City could position itself to support thriving businesses, attract new investment, and ensure the long-term success of the Opportunity Study Areas.

Economic Analysis Conclusion

The Economic Analysis provides a data-driven framework to guide future land use decisions within the City. As the City continues to evolve, these OSAs present a unique opportunity to attract new investment, diversify the local economy, and create a more dynamic, mixed-use environment. The findings emphasize the strong potential for residential development, particularly for-sale townhomes in the short term, which will help drive demand for retail, hospitality, and public amenities. While challenges exist in the broader economic landscape such as high construction costs, shifting retail dynamics, and the evolving nature of office spaces, the analysis underscores that strategic planning and targeted policy adjustments can position the City for long-term economic success.

A critical theme throughout the analysis is the importance of fostering a walkable, experience-driven Central Business District. Concentrating retail, hospitality, and entertainment uses in the Central Business District would allow Signal Hill to establish a regional destination that complements, rather than competes with, neighboring cities. Encouraging experience-oriented retail, including boutique shops, dining establishments, and lifestyle services, would ensure that new commercial spaces remain viable in an increasingly digital economy. Additionally, while hotel development faces financing challenges, a well-positioned upper midscale or upscale hotel could strengthen the City's economic base by capturing visitor spending, increasing Transient Occupancy Tax revenue, and providing accommodations for business travelers and tourists.

The economic analysis also highlights divergent trends in the office and industrial markets, which require a balanced approach to future land use planning. While traditional office space is in decline, there may be opportunities for medical office, co-working, or research and development facilities that align with market demand. Meanwhile, industrial uses remain strong, with low vacancy rates and continued demand for logistics, warehousing, and advanced manufacturing. The City should explore ways to modernize industrial areas while identifying sites that could transition to mixed-use development over time, ensuring economic stability while allowing for gradual evolution.

Moving forward, the City Council will play a crucial role in shaping zoning regulations, incentive

programs, and infrastructure investments that align with the findings of this study. Questions surrounding density allowances, business attraction strategies, and public-private partnerships will need to be carefully considered to maximize economic growth while preserving the City's unique identity. Flexibility in land use policies will be essential to accommodate shifting market conditions, ensuring that development decisions remain adaptive, forward-thinking, and responsive to community needs.

Ultimately, the Opportunity Study Areas provide for economic growth, sustainability, and community-oriented development. By leveraging market opportunities in housing, retail, hospitality, and industrial innovation, the City can create an economy that benefits residents, businesses, and visitors. Thoughtful planning and strategic policy implementation will ensure that the City remains an attractive destination for investment while fostering a high quality of life for generations to come.

Overlay Zone and Development Standards

One of the key implementation steps will be the creation of overlay zones and corresponding development standards tailored to each Opportunity Study Area. An overlay zone is a zoning tool applied in addition to existing zoning districts to establish specialized regulations that guide future development in a targeted way without changing or eliminating the existing underlying zoning unless specifically desired and approved. Importantly, overlay zones do not affect existing, legally established land uses or businesses, nor do overlay zones require current property owners to redevelop their properties. Property owners may continue to use and maintain their property in accordance with existing zoning regulations. The purpose of the overlay is to provide an additional layer of opportunity for those property owners and potential developers who may wish to pursue new development or redevelopment consistent with the City's updated vision for these areas.

The process of drafting overlay zones and development standards will involve translating the findings and recommendations of the economic study into clear, actionable regulations. These may include updated use lists, modified density and intensity standards, tailored design guidelines, and context-sensitive development requirements. The goal is to create a flexible yet predictable regulatory framework that provides both developers and the community with a clear understanding of what types of development are appropriate and encouraged within each Opportunity Study Area. The development of these tools will be coordinated with public outreach and stakeholder engagement to ensure that community input is reflected in the final product. Ultimately, the overlay zones and standards will be brought forward for Planning Commission and City Council consideration and adoption during the last three months of this year.

Potential Financing Tools to Address Infrastructure Deficiencies

As part of the long-term planning for the Opportunity Study Areas, the City recognizes that public infrastructure improvements such as missing sidewalks, storm drains, pedestrian connections, and other vital facilities will be critical to support new development and enhance the quality of life for residents and businesses. However, given limited City resources, it is important to explore alternative funding mechanisms that could help finance these improvements without placing the full burden on the City's General Fund. Several financing tools are available under state and federal law that could be potentially utilized to help fund infrastructure improvements in targeted areas.

Community Facilities Districts (CFDs) are a flexible financing tool that allows a local government to create a special district where property owners agree to levy an additional property tax assessment to pay for public improvements and services that benefit the district. Cities can establish CFDs to fund a wide range of infrastructure, including streets, sidewalks, stormwater systems, parks, and utilities. For the Opportunity Study Areas, the City could form CFDs in coordination with willing property owners and developers to fund necessary infrastructure improvements that directly serve and enhance their properties. An example of this tool in practice is the City of Anaheim's use of CFDs to fund infrastructure improvements in the Platinum Triangle area, which has supported significant mixed-use and residential development through targeted public investments funded by district participants.

Enhanced Infrastructure Financing Districts (EIFDs) are another tool authorized under California law that enable cities and other public agencies to capture a portion of future property tax increment (growth in property tax revenue) generated within a defined district to pay for infrastructure improvements. Unlike redevelopment agencies of the past, EIFDs do not require the use of eminent domain or the taking of property and are formed with public input and approval. The City can use EIFDs to finance a broad range of projects, including transportation, water, sewer, and parks. A successful example of an EIFD is the City of La Verne, which established an EIFD to fund infrastructure improvements near a future Gold Line light rail station, supporting transit-oriented development. Similarly, National City utilized an EIFD to improve infrastructure in support of its downtown revitalization efforts, showing that this tool is increasingly being used by smaller cities to address infrastructure needs linked to economic development.

Federal Opportunity Zones provide another potential resource for stimulating private investment in designated economically distressed areas. While Signal Hill's Opportunity Study Areas need to be located within a federally designated Opportunity Zone to leverage this tool, if applicable, this tool could offer significant tax incentives to private investors who invest in property, businesses, and development projects within these areas. The City of Los Angeles, for example, has actively promoted its Opportunity Zones to attract private investment in underserved communities, pairing these incentives with city-led infrastructure planning to ensure that growth benefits both investors and residents. By creating favorable conditions for private investment, Opportunity Zone incentives could be used to attract capital for mixed-use projects and new businesses, which in turn could help fund or justify adjacent infrastructure improvements. Additionally, public-private partnerships could be explored to coordinate between investors and the City to ensure that private development is paired with the needed public infrastructure upgrades.

Applying Financing Tools to the Study Areas

Each of these financing mechanisms could be evaluated as part of the next phase of planning for the Opportunity Study Areas. For example, the City could consider conducting a feasibility study to assess the potential revenue that could be generated by a CFD or EIFD and to identify the specific infrastructure improvements that could be funded. These tools could be layered with other grant programs or private investment to create a comprehensive funding strategy. Public engagement with property owners, developers, and community stakeholders will be essential to determine interest in forming a district and to ensure that any proposed financing mechanism aligns with the community's vision and economic realities.

By leveraging creative financing tools such as CFDs, EIFDs, and Opportunity Zones, where applicable, the City could position the Opportunity Study Areas for long-term success. These tools would help ensure that new development is supported by modern infrastructure, without placing undue strain on existing City resources. Staff would request the City Council's direction to explore these additional programs and return to the City Council with recommendations as part of a future OSA project update later this year.

Next Steps:

With the completion of the economic and land use study, the City now has a comprehensive analysis that identifies viable development opportunities and key economic drivers for each of the Opportunity Study Areas. This study provides a critical foundation to inform the City's next steps to implement policies and zoning regulations that support the City's long-term revitalization and economic growth. Moving forward, staff is seeking the City Council's direction to initiate updates to the City's Zoning Code, including the development of new overlay zones and corresponding development standards that reflect the recommendations of the economic study. These updates will help establish a clear regulatory framework that encourages desired development while preserving community character.

A focus area for future development is the City-owned property on the corner of Spring Street and Atlantic Street. This is a key development area with the potential to house multiple uses and attract development that could potentially help the City implement various economic goals. As part of this project, staff is requesting the City Council's direction to draft a request to solicit development proposals for the site. Staff would evaluate the development proposals and recommend a preferred development team to the City Council. The process is analogous to the one the City recently used to find a development partner for the Walnut and Orange Bluff workforce housing sites.

In addition, staff recommends beginning work to explore infrastructure financing program options, including Community Facilities Districts (CFDs), Enhanced Infrastructure Financing Districts (EIFDs), and other tools as appropriate, to address identified deficiencies in public improvements such as sidewalks, storm drains, and pedestrian connections. Staff will work with stakeholders to assess the feasibility of these tools and identify the most effective strategies to fund infrastructure improvements that support future development within the Opportunity Study Areas.

As part of the next budget cycle, staff will also propose dedicated funding in the Fiscal Year 2025-2026 budget to prepare the environmental review documents required to adopt the overlay zone updates. These environmental documents will be essential to ensure compliance with the California Environmental Quality Act (CEQA) and to facilitate a streamlined process for future development consistent with the new zoning framework.

Reviewed for Fiscal Impact:

Siamlu Cox

Attachment:

A. Opportunity Study Areas: Economic Study