



STAFF REPORT

11/12/2024

AGENDA ITEM

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

**FROM: CARLO TOMAINO
CITY MANAGER**

SUBJECT: PROFESSIONAL SERVICES AGREEMENT WITH PLACEWORKS TO PREPARE AN ECONOMIC ANALYSIS AND LAND USE STUDY FOR OPPORTUNITY STUDY AREAS

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, staff recommends the City Council award a contract to PlaceWorks, which will be responsible for the preparation of the study. The City Council will consider authorizing the City Manager to execute a Professional Services Agreement with PlaceWorks to provide professional services for the preparation of an economic and land use analysis associated with the Opportunity Study Area Project, for a not-to-exceed amount of \$300,000.

Strategic Plan Goal(s):

- Goal No. 1 Financial Stability: Ensure the City's long-term financial stability and resilience.
- Goal No. 3 Economic 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.

Recommendation:

Authorize the City Manager to enter into a Professional Services Agreement with PlaceWorks, for a total not-to-exceed amount of \$300,000.

Fiscal Impact:

The City's adopted Fiscal Year 2024-25 Operating Budget includes sufficient funds in the Contract Services line account (Account No. 100-47-5400). The term for the proposed professional service agreement is for one year with an option to extend for an additional year; the proposed contract not-to-exceed amount is \$300,000.

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. In terms of development opportunity, 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 through revenue diversification by allowing for new development types including hotels, entertainment, advanced technology manufacturing, and other land uses. In today's post-redevelopment environment, cities must leverage their land use authority to create an environment that is attractive to new market developments that increase property values, create jobs, and provide new revenue opportunities.

At the March 26, 2024, meeting, the City Council approved the release of a Request for Proposal for a City-initiated economic and land use study. 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 circulation of a Request for Proposals to identify qualified professional planning firms that would undertake the City's requested analysis of three Opportunity Study Area (OSA) sites. The OSAs consist primarily of areas 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 OSAs include older underdeveloped industrial properties that no longer attract strong interest in redevelopment, in particular smaller lots that may require consolidation to be economically viable projects.

The proposed OSA project would result in a market-based economic study that will identify opportunities for growth based on the current and prospective development environment. The economic study will inform a land use study that could result in the new overlay zones or specific plans that will facilitate future development in Signal Hill. The planning documents, including updates to the City's zoning and development standards, would create certainty for future development and signal to the market that Signal Hill is ready for growth. Creating a consistent vision that addresses changes, especially in challenging development areas, would accelerate development of undeveloped or underdeveloped properties. While the physical development process is likely to take several years, this study will proactively identify the appropriate balance between the community's vision and development standards that align with the current market.

Analysis:

The OSA is a complex analysis of the City's economic market potential that will require a careful evaluation of future land uses to enhance the local economy. For this project, the City is looking for a highly experienced professional planning firm with expertise in developing and updating land use plans that take into consideration the unique market potential of the City. In developing criteria to select a qualified firm, staff specifically sought firms with demonstrated experience in economic development, land use planning, and environmental work. Staff's goal was to identify several firms with a high level of expertise to support the City's OSA Project and develop a plan that fits the needs and desires of our community.

Selection Process

The City received sixteen proposals in response to the RFP. Given the high level of interest in the project, staff took additional time to consider carefully and review the merits of each proposal. Staff formed a Selection Committee comprised of the City Manager, Director of Community Development, Director of Public Works, Planning Manager, Assistant to the City Manager/Economic Development Manager, and Associate Planner. The Selection Committee ultimately interviewed six firms to assess their professional experience preparing complex economic analysis models as well as drafting zoning code amendments and updating development standards. Following the initial interviews, staff invited four firms to a second round of interviews and engaged in further discussions regarding experience and to ensure the selected firm met the City's expectations for this project.

PlaceWorks Qualifications and Experience

After concluding the process, the Selection Committee determined that PlaceWorks is the firm best qualified to undertake the overall process as outlined in RFP. PlaceWorks is a highly regarded and well-respected firm with extensive experience working with communities to prepare economic studies and develop land use plans. For this project, PlaceWorks proposed a project team comprised of senior representatives with extensive experience working on large-scale projects. The PlaceWorks team includes Karen Gulley, Managing Principal and Suzanne Schwab (AICP), a seasoned planner who will serve as the Project Manager. Steve Gunnells is the company's Chief Economist, and he will develop the economic tools necessary to evaluate each OSA's economic potential. The PlaceWorks team is further supported by staff at various levels and subconsultants, including Fuscoe Engineering and P11 to assist with engineering and real estate marketing efforts respectively as outlined in the proposal (Attachment A).

As mentioned, PlaceWorks has worked on a variety of projects designed to encourage new economic development opportunities. Example projects include the Chapman Corridor Revitalization Plan in Placentia, the Fairview Developmental Center Specific Plan and Environmental Impact Report in Costa Mesa, the Southeast Long Beach Specific Plan, the Eastvale 2040 General Plan, and the Hive Live and One Metro development projects in Costa Mesa, among many other projects. Overall, PlaceWorks has an extensive record of delivering high quality development plans and implementing development projects. In addition, PlaceWorks is well connected to the development community and its partnership with the City will elevate the OSA project profile and serve to bring Signal Hill new potential development opportunities in the coming years.

Summary of Proposed OSA Project Workplan

As outlined in the proposal, PlaceWorks will undertake a variety of tasks in support of the City's OSA project. First, PlaceWorks will prepare an economic analysis of each OSA that will evaluate the overall market potential for retail, hotel, light industrial, office, and potential resident uses. The economic study will include a gap and market segmentation analysis to identify target types of retail businesses and activities that future land use planning could accommodate to capitalize on the synergy between business growth as well as existing and future housing in Signal Hill. The City's location provides ideal access to goods movement given Signal Hill's proximity to the freeways and the Port of Long Beach, and to a broad retail and hotel market that includes Long Beach, the Los Angeles area, and Orange County. The City is also an ideal location to attract advanced manufacturing and technology jobs as well as housing opportunities. The economic analysis will greatly inform the City's efforts to design an updated land use plan that meets current market conditions and opportunities.

PlaceWorks will also conduct community outreach, specifically stakeholder interviews with the Chamber of Commerce, property owners, potential developers, and the broader business community to craft development standards that correspond to the needs of the community. This phase of the process is important to ensure our residents, business community, and potential developers have a collective voice in the process. Requesting this feedback early in the process will more comprehensively align the economic study with the practical considerations associated with development. For example, it is important for the City's development standards to align with proforma analyses that developers prepare when conducting due diligence. In Signal Hill, key financial considerations include addressing idle, abandoned, and active oil wells in addition to environmental remediation; this potential impediment to development can be overcome by creating flexible development standards that create an attractive development environment.

Importantly, PlaceWorks will also assess the City's public infrastructure within each OSA. The consultant will work with Public Works to review Geographical Information System (GIS) data related to storm drain, water, and sewer utility systems that support each OSA. PlaceWorks will prepare water and sewer demand estimates for existing and proposed land uses. PlaceWorks will also prepare an implementation plan to identify cost-sharing mechanisms to ensure developers contribute a proportionate share of the public infrastructure costs to future projects and recommend additional funding strategies (e.g., Community Facilities District and/or Enhanced Infrastructure Financing District) to provide a funding and financing mechanism to improve infrastructure within each OSA corresponding to the type of land use and intensity of development.

PlaceWorks will prepare a financial feasibility model that will evaluate the impacts of alternative land use mixes and development standards on the financial feasibility for future developers. The financial feasibility model will be based on industry-standard market and return assumptions, insights from interviews with developers and other stakeholders, market-rate rents and sales values, and standard construction cost indexes. PlaceWorks will use the financial feasibility model to inform the final land use plan and recommended standards to ensure the final project attracts investments and new development. The financial feasibility model will further assess the impact of requiring public realm improvements or other community benefits. The financial feasibility model focuses on the feasibility implications for developers; PlaceWorks will also prepare a fiscal analysis model to evaluate the potential costs to the City of providing public facilities and services compared to municipal revenue that would be generated.

PlaceWorks will lead the effort to evaluate the current land use plan and zoning. Informed by the market and infrastructure studies as well as adjacent existing uses, PlaceWorks will refine the project boundaries, develop new land use designations as appropriate, recommend and identify potential locations suitable for the creation of the downtown area, create up to two land use scenarios and one preferred plan for each opportunity area, and test the scenarios for financial feasibility as noted above. As part of this task, PlaceWorks will also explore zoning tools that would be best suited to help the City achieve its goals to lay the groundwork for the development of an overlay district or specific plan. PlaceWorks will also coordinate these efforts with the City's General Plan consultant, MIG.

Another step in the development of the OSAs is the preparation of an environmental document to facilitate future development. PlaceWorks will evaluate and recommend an approach that would enable the City to capitalize on other related work, specifically updates to the City's Land Use and Mobility Elements to develop and update the environmental document. PlaceWorks' assessment will serve as the basis for a comprehensive future environmental impact report that will support the related efforts to update the City's General Plan.

As noted above, there are various land use, economic, environmental, and community considerations associated with each OSA. Each OSA is different, and the underlying economic assumptions and development opportunities will vary for each area. Given the dynamics associated with such a large-scale project, it is likely the boundaries of the OSA may evolve with further study and result in an overlay zone or potentially a specific plan. Regardless of whether the City Council decides to approve an overlay or other zoning mechanism, PlaceWorks will establish flexible development standards and regulations that will not create nonconformance issues. PlaceWorks will create the first draft of the Development Standards to support the land use plans and explore area-specific solutions to address the unique conditions near oil pumps and adjacent uses such as the cemetery and recycling center. This element of the OSA workplan would result in the adoption of land use plans that correspond to the associated zoning based on and informed by all other elements of this project.

Lastly, PlaceWorks would develop creative and engaging real estate-centric logos and branding packages. Placeworks will create an inspiring name drawing from the community engagement process. The logo and branding guide may include a combination of symbols, text, colors, graphics, or photos. PlaceWorks will work with City staff to identify iconic images that represent the opportunity areas such as the Atlantic and Spring area and other opportunity sites. PlaceWorks also retained a subcontractor (P11) to assist with direct marketing of the opportunity sites to the development community. The City would explore this future task further once the new zoning and incentives are in place.

Recommendation:

As noted, the City spent the last several months undertaking a comprehensive and iterative assessment of its needs to select a consultant that will develop a plan to incentivize future development opportunities. The process included developing an RFP with elements that will work together to support the City's economic development efforts. The Selection Committee spent time carefully considering and reviewing each proposal to determine which firms could help the City accomplish its goals. Each firm went through a highly competitive process and the Selection

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Committee concluded that PlaceWorks is best positioned to work as a partner with the City on the OSA Project.

Staff recommends the City Council authorize the City Manager to execute a Professional Services Agreement with PlaceWorks to provide professional services for the preparation of an economic and land use analysis associated with the Opportunity Study Area Project, for a not-to-exceed amount of \$300,000.

Reviewed for Fiscal Impact:

Sharon del Rosario

Attachments:

- A. PlaceWorks Proposal
- B. Professional Services Agreement with PlaceWorks