

**City of Culver City, California
Agenda Item Report**

Meeting Date: 03/22/10		Item Number: <u>A-1</u>	
REDEVELOPMENT AGENCY BOARD AGENDA ITEM: Authorization to Modify Provisions of the Fee Incentive Program.			
Contact Person/Dept.: Kriss Casanova		Phone Number: 310.253.5769	
Fiscal Impact: Yes ☒ No ☐		General Fund: Yes ☐ No ☒	
Public Hearing: ☐		Action Item: ☐ Attachments: ☒	
Commission Action Required: Yes ☐ No ☒		Date: _____	
Public Notification: (E-Mail) Meetings and Agendas – Redevelopment Agency (03/17/10), The Culver City Chamber of Commerce (03/17/10).			
Department Approval: Sol Blumenfeld (03/16/10)		Agency General Counsel Approval: Murray Kane: (03/09/10)	
Chief Financial Officer Approval: Mark Scott (by N. Kimball) (03/17/10)		Executive Director Approval: Mark Scott (03/17/10)	

RECOMMENDATION:

Staff recommends that the Culver City Redevelopment Agency Board (the “Board”) authorize modifications to the Fee Incentive Program (the “Program”).

BACKGROUND:

Businesses play an influential role in the economic success of the City by increasing the tax base, improving the quality of life, and revitalizing economically challenged areas. Since its inception, the Agency has actively worked to retain and attract preferred businesses that create a diverse economy, generate quality job opportunities, market Culver City and provide an economic benefit to the City. To retain and attract preferred businesses, the Agency has used a variety of financial incentives that include tax increment rebates, low interest loans, fee reimbursements, and commercial rehabilitation grants.

In 1993 the Agency formalized fee reimbursements through the Program. The Program initially focused on downtown and east Washington Boulevard, and was later expanded to include all properties within the Redevelopment Project Area. The purpose of the Program is to reimburse business owners for their costs of City permit fees and Los Angeles County Health Department permit fees. The Program includes small businesses, offices and/or preferred pedestrian generating businesses; non-profit entities are excluded¹. Typical fee reimbursements have ranged from \$10,000 - \$15,000 depending on the total valuation of the work that was completed.

The Program can be used to attract, retain and enhance businesses, improve the City’s economic base and improve the appearance of buildings within the City.

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Successful businesses in attractive business districts generate additional tax dollars, employment opportunities, caché and notoriety.

DISCUSSION:

Staff believes the Program's guidelines are too general and is recommending the following revisions:

1. Revise list of "preferred" businesses.

- *Specify Target Areas for Restaurants* - For the past several years, the Program has primarily been marketed to prospective downtown tenants, where key leasing activity in the City has taken place. The Program mostly assisted restaurants with costly permit fees (e.g., sewer impact fees). Staff recommends that the Program be revised to exclude restaurants in the Commercial Downtown Zone where an abundance of restaurants currently exist, and instead incentivize restaurant uses in underserved commercial areas such as West Washington Blvd., East Washington Blvd., and Sepulveda Blvd. Higher quality restaurants in underserved areas may also help the Agency attract other unique tenants within that area.
- *Art Galleries* – Many of the art galleries located on East Washington Boulevard (the "Art District") occupy buildings that have not been seismically retrofitted for assembly purposes. Staff proposes that the Program allow existing or new art galleries to apply for fee incentive monies to assist with seismic retrofits.
- *Revise the list of Preferred Uses* - Staff recommends that the businesses listed below be better defined:
 - Industrial & Manufacturing uses should be encouraged when they satisfy goals outlined elsewhere in this report.
 - Outdoor Dining technically is not a business, but a component of a restaurant use and will be encouraged in specific target areas;
 - Neighborhood-Oriented Service uses such as beauty salons, barber shops, pharmacies and dry cleaners are important, but staff does not believe they need to be incentivized;
 - Commercial and professional businesses or offices should be encouraged when they satisfy goals outlined elsewhere in this report.
- *Eliminate reference to "small" businesses* – Staff recommends that reference to small businesses be eliminated so that businesses that fulfill the Agency goal of creating quality job opportunities are able to take advantage of the Program.

2. Promote the following uses and activities through the Program.

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- *Incentivize the “creative community”* – Staff recommends using the incentive to promote a Culver City community in which talented and creative people want to live, work and play. The creative class includes "creative professionals" such as: scientists, engineers, innovators, artists, designers, writers, musicians, art production studios, photography studios, film and recording studios, post production studios and other similar uses, computer, internet, graphic, architectural, interior design and other similar design studios. Using fee reimbursements to attract the “creative class” may also facilitate synergy between the Program and promotion of City events (such as past City events IndieCade and Mercedes Benz Fashion week). Others to assist may include craft, artisanal and design services.
 - *Retail Uses and Point of Sale Uses* – Adding retail and point of sale uses to the Program in order to encourage sales tax generating businesses to locate in Culver City. This incentive will allow the Agency to be more proactive in attracting retail stores and sales tax generating businesses.
 - *Building Revitalization* – Applicants participating in the Program should make a substantial investment in the property with noticeable building improvements with environmentally efficient design.
 - *Business Expansion* – The Program should also be used to help encourage existing businesses to expand.
3. Economic Development Incentives may be combined with other Agency Incentives. Staff recommends that the Program may be used in conjunction with the Façade Matching Grant Program, the Gap Closer Program or with any other financial assistance from the Redevelopment Agency if applicable as approved by the Executive Director.
4. Create a Process to Approve Eligible Participants. The Program is currently informally organized. Staff recommends establishing an approval process by which applicants are authorized to participate in the Program and funds are allocated prior to project construction.

Information about the Program would be available on the City's Business webpage, provided to businesses inquiring about Agency incentives and to businesses that the Agency is trying to attract. To confirm eligibility, applicants would need to complete and submit an application. The application includes project information, proposed improvements, City benefits, and a set of proposed plans.

Approved businesses must promote the Program's goals and objectives. Applications will be approved for businesses but no agreement is signed between the two parties. Depending upon the scope of the project, a licensed

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general contractor may be required. Photographic documentation of the completed project, copies of final permits, approved plans and paid permit invoices would be submitted after project completion to receive reimbursement.

FISCAL ANALYSIS:

Approximately \$100,000 in funds were appropriated for fiscal year 2009-10 in account 55090200.618400 (Rehabilitation Grants – Fee Incentive). However, these fees have been reduced to \$50,000 with a budget transfer to help fund the approved Tenant Improvement Loan at the former Crest House restaurant. Staff plans to promote the Program in the upcoming year once modifications have been made and new funds have been allocated for FY 2010-11.

MOTION:

That the Redevelopment Agency:

Authorize modifications to the Fee Incentive Program.

NOTES:

¹ Over the past several years, the Program has assisted approximately 75-100 businesses (5-10 per year). The Program information sheet states that the Agency will reimburse up to \$15,000 in permit fees for small, preferred businesses that are located in a redevelopment project area and generate Culver City business taxes. The Program is marketed on a limited basis due to the limited amount of funds (\$100,000 annually).