3.0 REVITALIZATION APPROACH / ECONOMIC OPPORTUNITIES



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Economic development is the cornerstone of the General Plan's vision for the Specific Plan area. The goal is to economically revitalize the area and attract private investment by capitalizing on its existing qualities and inherent strengths. Existing strengths include proximity to vital commercial, retail, office and residential clusters inside and outside Pasadena, accessibility to local arterials as well as the regional freeway network, existing workforce, and existing physical resources. Strategic public investments, such as a public improvement effort or a catalytic development project, have the potential to improve the image of the area and attract additional private investment. The success of the Specific Plan vision will ultimately depend upon the implementation of economic measures designed to capture the area's full potential among private sector developers.

3.1 General Overview of Economic Trends and Conditions in Northwest Pasadena

Economic trends and conditions in Los Angeles County basin and the Tri-Cities (Glendale, Burbank, and Pasadena) provide the regional context for the economic condition of the Specific Plan area. At the local level, the prosperity in the Specific Plan is strongly tied to the economic conditions and development of the Northwest community, which is also tied to the regional economy. Assessment of the overall condition of the Northwest community has been conducted as part of the Northwest Pasadena Community Plan update (2000 – 2005) which is presently nearing completion.

The primary focus of the 2000–2005 Northwest Community Plan is economic development. To bring economic vitality to the area, the Community Plan recommends focusing on job creation and training, business retention and expansion, coupled with continued attention to maintaining neighborhoods, providing affordable housing opportunities, and improving the existing housing stock. Specifically, the Northwest Community Plan sets goals, objectives, and activities to "aggressively build on the positive aspects of its existing economic base, and develop a unique niche in the Northwest not generally addressed by any other community within the city." In addition, the Community Plan calls for a "meaningful and substantial investment into the infrastructure, amenities, public service including education, businesses and households of the community."

In pursuing economic growth, the Northwest Community Plan recommends focusing on economic sectors that are strong and growing in the Southern California region, such as high technology, foreign trade, professional services (telecommunications, data processing, and automated processes), tourism and entertainment. More locally, the Plan identifies the major employment sectors for the San Gabriel Valley to be services (business, engineering and management), retail trade, and manufacturing. In addition to complementing these trends, the Plan recommends that economic development strategies focus on sectors that match the employment skills, physical assets and resources of the Northwest Community.



3.2 Economic Conditions in the Specific Plan Area

An economic market study prepared for both the Northwest Pasadena Community Plan and the Fair Oaks/Orange Grove Specific Plan analyzed regional and local economic conditions, broad economic trends, labor force, economic base and economic potential for future development of the Northwest Community. The following summary provides major findings focused on the Specific Plan area.

3.2.1 Commercial Retail

The Specific Plan area primarily serves a neighborhood retail function. Businesses within the corridor have historically provided shopping and professional services targeted to the needs of area residents. However, residents are presently also meeting many of their shopping needs outside of the Specific Plan area.

Generally, based on observation of stores within the market area and from similar areas, it is estimated that existing stores average between \$150 and \$200 per square foot in retail sales each year. To bring a new store to the area, higher retail sales would be needed in order to balance the costs of land, labor and capital investment.

Estimates of retail expenditures in the area (within one mile of the Fair Oaks and Yale Street intersection) suggest that approximately 40 percent (\$80 million) of the total potential (\$202 million annually) would remain in the neighborhood. Among the businesses capturing from 10 to 40 percent of the total expenditures are retail businesses such as hardware, lumber and garden stores; eating and drinking places; gasoline service stations; drugstores; apparel/accessory stores and general merchandise. This presents an opportunity for other types of businesses to look for the unmet demand and capture a greater share of the total market.

The market study indicates that the Specific Plan area could support between 400,000 and 520,000 square feet of retail stores. Given the current existing retail square footage, this suggests that the market is already served by sufficient retail space. Although the North Fair Oaks and Orange Grove corridors are surrounded generally by lower household earnings compared to citywide levels, the changing neighborhood profile may improve the "disposable income" potential to purchase goods and services. In turn, the surrounding residents will potentially support local commercial retail. Additionally, the Northwest Community Plan points to growing population density nearby and proximity to Downtown Pasadena as positive indicators for potential demand.

3.2.2 Commercial Office

The economic market study for the Specific Plan area concluded that market conditions in the area could support office and "flex" space. Given the



continuing regional demand, the Specific Plan area could capitalize on demand in this sector if the appropriate sites and financial circumstances could be created. Opportunities for the commercial office market are currently limited by physical constraints (available space, parcel size/depth, topography) and economic constraints (cost, marketability). The future for this market in the Plan area depends on opportunities for parcel assemblage and public assistance to make the projects economically feasible.

3.2.3 Industrial

Industrial development has not been strong in the Specific Plan area over the past 20 to 30 years due to a number of constraints (i.e. variable topography, parcelization, shallow lot depth, land cost, and low return on investment.) The area's proximity to important regional commercial and real estate markets suggests a potential to improve its demand. Therefore, the Specific Plan recommends providing for zoning that allows for light industrial and technology related uses in the area.

3.2.4 Conclusion - "Building on our Strengths" and Overcoming Impediments

While commercial real estate conditions throughout the region are strong, the Specific Plan area has been unable to attract new development due to an imbalance between rental potential and project cost. Small lots, fine parcelization, and irregular topography tend to increase the time, risk and direct costs of site acquisition. Existing site improvements such as buildings which need to be removed or substantially remodeled to accommodate new tenants or uses also increase land cost and limit economic feasibility. Furthermore, it is difficult for investors to acquire sites within the study area capable of supporting development of a sufficient scale to make the project economically feasible. Sites available for assemblage are limited.

In order to capitalize on the potential demand for new development in the Specific Plan area, public intervention and assistance will be required in the near term. To attract new development within the Specific Plan area, favorable conditions can be created by:

- Identifying parcels for potential assemblage to create sufficient land area for development projects, and providing public assistance in land acquisition.
- Utilizing the Pasadena Enterprise Zone economic incentives to attract new businesses, start-up, and other small businesses. The financial incentives could include low interest rate loans, loan guarantees, tax reimbursement, and utility rate discounts. Some incentives already exist; the next step is to package them into user-friendly programs that are easy to understand, and highlight benefits to business people through focused effort on the part of the Enterprise Zone Office.
- Formulating and implementing a marketing effort to build on the Specific Plan area's strengths. The Business Development section of the



Housing and Development Divisions and the Pasadena Chamber of Commerce could partner on the marketing strategy to set the stage for a business district for the Fair Oaks/Orange Grove area.

 Providing flexibility in certain zoning development standards in light of site constraints.

In addition to these interventions, adoption of the Specific Plan is intended to help improve the economic development potential in the area. The Specific Plan provides land use regulations, development standards and guidelines to improve the quality of private and public development. The land use recommendations will help to bring a level of consistency to the existing complex and heterogeneous land use patterns. Additionally, streetscape improvements and enhancement to public spaces, coupled with implementation of private development standards and design guidelines will enhance the image of the area, making it more attractive for new development. In the near term, strategic public investment in a catalytic development project in a noticeable location could also be used as a means of capturing the attention and imagination of the development community.

3.3 Housing Demand

In 2001, the housing demand has remained strong throughout the Los Angeles County region as construction had fallen short of demand further pushing down vacancies. Sale prices increased, though moderated by the slowing pace of rent increases.

Housing is less sensitive than commercial or industrial uses to the physical constraints of land parcels. Thus, housing is one of the most feasible land uses for the corridor, notwithstanding some physical and economic constraints. The primary limiting factor for housing construction within the corridor is economic, i.e. the costs of assembling, engineering, and construction, and the low level of profit margins.

The Specific Plan supports the provision of housing in the area by maintaining the residentially zoned areas north of Washington and creating opportunities for multi-family housing and mixed-use development at the nodes in District 1 and throughout District 3. The purpose of enhancing mixed-use and multi-family housing is to sustain and enhance the "livable" quality of the corridor and at the same time position it for the future. In addition to responding to latent regional demand for housing, additional housing and population within the Specific Plan area could potentially support the area businesses, by increasing demand for goods and services.

Forecasts for the Specific Plan area suggest that the demand for housing will be moderate, given existing development conditions. However, over the next 10 years, the Specific Plan area could support the 550 units projected, once parcelization, variable topography, and other limiting factors are mitigated over time.



3.4 Employment

The Specific Plan area does not currently contain significant employment generators for the City of Pasadena or the immediate community. The larger existing business facilities, including the US Postal Service and the convalescent facilities, as well as the few industrial employers, tend to draw employees from outside the community. The other business facilities in the area tend to be older and smaller, and designed either for low-intensity industrial uses or neighborhood retail.

The Specific Plan provides zoning areas, especially in the Robinson Park District and Renaissance Commercial District that can accommodate employment-generating uses. According to economic analyses, there is potential to capitalize on existing demand for these uses if physical constraints can be addressed. With public assistance and continuing regional demand, there is potential for additional employment-generating uses in the Specific Plan area.

3.5 Revitalization Approach - Laying the Foundation - "Starting with the Community"

The approach to improve the future of the Specific Plan area will draw upon perceived economic shortcomings of the area and turn them into "economic opportunities."

Professor Edward Blakely defines the essential ingredients for local economic development in his book entitled <u>Planning Local Economic Development</u>. He confirms that local economic development is the process in which local governments or community-based (neighborhood) organizations engage to stimulate or maintain business activity and/or employment A regional/local economic development approach seeks to:

- Strengthen the competitive position of regions and localities within regions by developing the potential of otherwise underutilized human and natural resource potential
- Realize opportunities for indigenous economic growth by recognizing the opportunities available for locally produced products and services
- Improve employment levels and long-term career options for local residents
- Increase the participation of disadvantaged and minority groups in the local economy
- Improve the physical environment as a necessary component of improving the climate for business development and of enhancing the quality of life of residents

The Specific Plan area would benefit from this economic development approach because the area is surrounded by a strong regional market and is in a City which enjoys a prominent geographic and economic position within the Los Angeles basin.



To stimulate local employment opportunities, the Northwest Pasadena Community Plan identifies the areas such as tourism directly linked to the Rose Bowl, aerospace industry linked to Jet Propulsion Laboratory, childcare, and the home improvement industry as some of the prime opportunities for indigenous economic growth.

Additionally, untapped human resource potential identified in the Northwest Pasadena Community Plan is an important source to consider within the context of local economic development. There are currently private and public ventures in the Specific Plan area aimed at developing human resource potential and improving employment levels and long term career options. While targeting the Northwest area, these programs are open to all residents in the community.

- The City's Human Services, Recreation, & Neighborhoods Department, Career Services Division Foothill Private Industry Council (JTPA) in cooperation with the Pasadena-Foothill Branch of the Los Angeles Urban League opened a One-Stop Career Services Center in Northwest Pasadena. Both entities are dedicated to secure equal, social and economic development opportunities for African Americans and other minorities through programs of advocacy, employment, training, education cultural diversity, and economic development.
- The Community Arms Network Neighborhood Center (located within the Community Arms Housing development on East Orange Grove Boulevard) will offer a Housing and Urban Development Department (HUD)-assisted job training program for youth and adults in the housing complex. A major goal of the center is to become a Microsoft certification station.
- Foothill Vocational Workshop: Increased participation of disadvantaged groups in the local economy will be achieved through expansion of Foothill Vocational Workshop. Foothill Vocational Opportunities Inc. has been a force within the community for many years. Founded in 1965, its mission is to maximize the personal and economic potential of creating meaningful individuals bv developmentally disabled Foothill Vocational Workshop is employment opportunities. modernizing and expanding its facility with new classrooms, a counseling center and staff offices. Jobs for Northwest Pasadena residents will be expanded. Foothill is the largest private employer in Northwest Pasadena - contributing to the area's overall economic revitalization.