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City Sees Uptick In Business As Sales Increase

However, Loss Of Redevelopment Agency Would Have 'Major Impact'

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The small 2.2-square-mile City of Signal Hill is starting to see business turn around after being hit hard by the recession and dealing with structural deficits in the last two years. But the city now faces a new challenge: the loss of redevelopment.

Just as interested developers are breathing life into stagnant projects and real estate markets, retail centers and automotive dealerships are slowly bouncing back, city planners anticipate Gov. Jerry Brown's proposal to eliminate redevelopment agencies (RDAs) by July is going to have a devastating effect on the city's economic vitality.

Once known as "porcupine hill" as an unincorporated patch of oil derricks, first drilled 90 years ago, Signal Hill has since relied heavily on redevelopment funds to transform the area into an independent city that now boasts 11,000 residents. The funds, derived from a portion of residential property taxes, have mostly gone toward acquiring and cleaning up old abandoned oil wells to make the city's vast vacant land marketable to private developers in a 840-acre redevelopment area that covers two-thirds of the city's surface.

In fact, the city's redevelopment agency has a budget of \$13.4 million, which is comparable to the city's own \$17.4 million budget as one of the city's most substantial economic drivers to date, attracting new sales tax revenue-generating businesses that, over the years, have created more than 2,350 new permanent jobs, according to city staff.

A positive trend in sales tax revenue has continued since last year with new tenants such as a Ross Dress for Less, a Fresh & Easy Market and a new Nissan auto dealership, along with a new residential development and proposed In-N-Out Burger in the works. But many city officials foresee financial implications from the loss of redevelopment that remains the city's main source of economic incentives.

"I think there's a lot of positives on the horizon and we're starting to realize that," said Signal Hill Mayor Edward Wilson. "However . . . elimination of redevelopment has a major impact on the city and what we do. Redevelopment is the only economic engine that cities have in which to create jobs or to enhance opportunities for business."

From Oil Fields To Redevelopment

Part of the problem is that much of the vacant land remaining in Signal Hill is contaminated by a total of 2,800 active and inactive oil wells, left from the hey-day of the oil boom in the 1920s and 1930s. A majority (more than 2,000), however, are abandoned, but the parcels, in some cases, come with thousands of owners since



A bronze statue by Cindy Jackson, titled "Tribute to the Roughnecks," was erected in 2006 to pay tribute to the men who worked the oil fields of Signal Hill. June 25 will mark the 90th anniversary of the discovery of oil on Signal Hill. (Photograph by the Business Journal's Thomas McConville)

prospectors came from far and wide to invest in the hill during the hunt for black gold. Many of these owners are either deceased or no longer in existence and so it takes numerous land acquisitions and consolidations of the wells for anything to move forward, city officials said.

Elise McCaleb, the city's RDA and economic development manager, said the city has acquired a total of 37 acres at a cost of \$17 million since the agency was established in 1974. In all, the agency, which



A new three-acre, energy-efficient police station and emergency operations facility is currently under construction at 2745 Walnut Ave. The new facilities were funded by an \$18 million bond through the Signal Hill Redevelopment Agency. (Rendering provided by the City of Signal Hill; photograph by the Business Journal's Thomas McConville)



expires in 2027, has invested \$15 million in environmental cleanup, soil remediation pipeline removals, oil well re-abandonment and operating vapor recovery systems, while investing \$10 million in infrastructure, streets, water mains and other upgrades. “The RDA needs to exist so we can clean the property up and make it viable for private sector development,” McCaleb said.

Redevelopment also funded a bond for the city’s \$18 million new, three-acre police station and emergency operations facility, which is already under construction at 2745 Walnut Ave. The RDA is poised to invest another \$11.3 million in bonds for the new Signal Hill Library. With 20 percent of the tax increment set aside for housing, the agency has also invested \$32.8 million in affordable housing, building 231 affordable housing units that are now homes for residents.

Over the past several years and during an aggressive acquisition program in 2008, the RDA has acquired property on Spring Street across the street from the Gateway Center, where the agency had to clean up some 42 wells on the site, costs ranging from \$5.8 to \$11.8 million. “That’s not a cost the private

sector wants to bare,” McCaleb said. It costs roughly anywhere from \$100,000 to \$550,000 to abandon an oil well. The city has already abandoned or re-abandoned close to 92 wells through RDA funds.

While the state’s proposal wouldn’t be able to take away funds already obligated, the loss of future funding for business attraction, she said, wouldn’t be available. The city projects an immediate reduction of \$800,000 to the city’s budget and a loss of \$1.5 to \$2 million by 2013, if RDA were eliminated.

City Manager Ken Farfsing said the city has been having meetings with Senator Alan Lowenthal and Assemblymember Bonnie Lowenthal in addition to fighting the proposal in Sacramento (Senator Lowenthal announced late last week that he supports the governor’s recommendation to do away with redevelopment agencies.) He said the city might have to set up a new oil abandonment authority through the state. “I’ve been cautioning the city council and anybody that will listen that we really need to focus in on what the impacts are going to be of the elimination of redevelopment of in Signal Hill,” Farfsing said. “I’ll have no money to do clean ups or the re-abandonment of oil wells.”

Sales Tax Revenues And Salaries

Dealing with additional economic uncertainties, the city has taken steps to continue to provide critical services through strategic planning and a “conservative” budget approach, Mayor Wilson said.

The city has not had any layoffs or furloughs in the last two years, he said, mainly due to the city putting in place an “economic uncertainty reserve” fund, which now totals \$2.8 million and was created in anticipation of a car dealership leaving and an overshadowing structural deficit. “What we decided to do was look at having the city budget be reduced by 3 percent each year over three years, to get back into shape,” Wilson said. So far, the city’s at a 6 percent overall reduction, which has cut up to \$900,000 out of the budget.

However, the recession only compounded the issue. A 17 to 18 percent decline in sales tax revenue from 2007 to today has set the city’s budget back considerably, Farfsing said. But, there have been positive strides made. The most recent sales tax revenue report from HdL Companies showed second quarter sales were about 5.4 percent higher than the same quarter the prior year, with actual sales up 3.4 percent.



Jose Sanchez, center, store manager of the Home Depot at 2450 Cherry Ave. in Signal Hill, is seen here with employees, from left, Rob Woolley, James Ward, Bob Barrentine, Diana Cadena and Kevin Carey. The city is also home to retailers such as Costco, Office Depot, Best Buy, Target, Petco, Fresh & Easy and a second Home Depot at Spring Street and Atlantic Avenue. (Photograph by the Business Journal's Thomas McConville)

“The city experienced a strong sales quarter for new motor vehicle dealers, office supplies/furniture, petroleum products/equipment, business services and several categories of general consumer goods,” according to the HdL report. “The gains were partially offset by a decline in sales from contractor supplies and auto leases.”

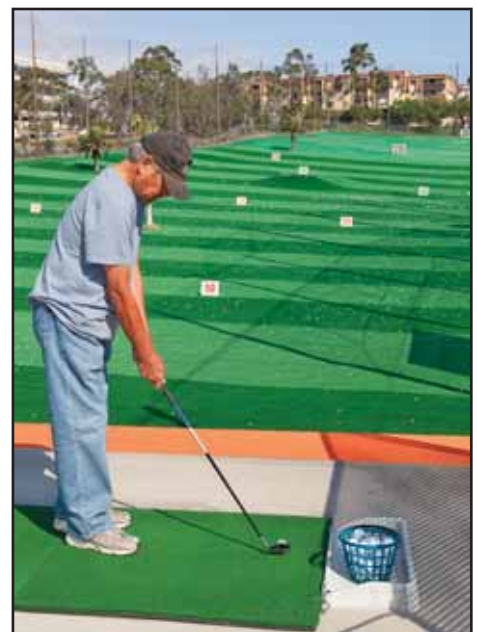
Still, Farfsing said most cities are only budgeting a 2 to 3 percent increase in sales tax revenues for 2011 over last year. He added it could take Signal Hill five years to return to what sales were before the recession.

“We’ve been seeing a gradual improvement in the overall sales tax numbers, but we dropped so far,” he said.

The city has also instituted a hiring freeze so when employees leave those positions aren’t refilled. For instance, after the city’s building inspector and planning director retired last year, those positions were frozen and the city is now using a part-time contractor to do building inspections, Farfsing said. “When I came on board in 1996, the city had 102 full time employees,” he said. “We’re currently bud-

geted at 107 but we have 103 . . . The police officers have grown while other city departments have shrunken in size . . . We try to find efficiencies [and] prioritize, whatever we can do to save money.”

Farfsing said other than for police officers, employee salaries have been frozen since 2009, the last time the city council got a pay raise. But the city council did impose a labor agreement last year on both the police officers and all city employees, and management agreed, to a 3 percent salary reduction.



The 3.2-acre Hilltop Park provides breathtaking views of the coast, the Port of Long Beach and, on a clear day, Downtown Los Angeles. The city has seven community parks featuring walking trails, sports facilities, picnic shelters and more. At right, Majestic Golf Land, located at 2550 Orange Ave. is open from 7 a.m. to 9 p.m. every day in Signal Hill, providing a driving range and putting green. For information, call 562/989-1876. (Photograph by the Business Journal's Thomas McConville)



Herb Gardner, president of City Ventures' homebuilding division, seen here at the sales and construction offices of the new Signal Hill Collection residential development, now under construction at Pacific Coast Highway and Orizaba Avenue. The project includes 54 three-story townhomes – all electric, solar-powered – with two and three-bedroom floorplans and two-and-a-half baths, ranging from 1,399 to 1,667 square feet. Prices are estimated from the mid-\$300,000s. For more information, visit www.cityventures.com. (Rendering by City Ventures; photograph by the Business Journal's Thomas McConville)

The reduction was broken out into two ways. One percent of it was put into the city's retiree full medical plan, or an invested account that would eventually make payments for those benefits on its own, and the other 2 percent went to pay for the increase benefit rates that have been imposed by CalPERS (Public Employee Retirement System) rates, after the pension fund, which is invested in the stock market, took a dive prior to the beginning of 2007 and the start of the recession. The PERS board has since been increasing rates as a way to have employers pay more into their contributions.

Many public and private agencies in California have already begun negotiating with unions to have employees start paying more toward their retirement funds. Currently, it's about a 50/50 split between labor groups, such as the Signal Hill Police Officers Association and Signal Hill Employees Association, and the city for contributions. The city also has negotiated employee groups move to one-year contracts.

New Developments

What could be a boost, however, is that a few new developments have gotten off the ground after many projects in the pipeline have yet to move forward due to the still volatile market.

One such new development, expected to bring notice to the city's hillside communities, is a residential project now called "Signal Hill Collection," which recently

broke ground after being on hold for close to five years. City Ventures, a local up-and-coming homebuilder, started in 2009 by Mark Buckland, former president of The Olson Company, and real estate expert and entrepreneur Craig Atkins, took over the project last year after acquiring the land from the prior owner that had plans to name it "PacificWalk."

The new developer plans to build the three-story community of 54 energy-efficient townhomes at the intersection of Pacific Coast Highway and Orizaba Avenue. The development is expected to be the largest single neighborhood of LEED Gold homes with solar panels in California and the first-ever in the Long Beach area. It's also the only residential project moving forward in Signal Hill since the Aragon project of 81 townhomes nearby is on hold because developer MBK Homes is still waiting for the market to improve.

Herb Gardner, president of City Ventures' homebuilding division, said City Ventures has adapted plans that would be more marketable in today's time and homeowners should be moving in as soon as September. Some of the builder's strategies to outpace competitors in today's aggressive real estate climate include using a virtual home model without having to pay to build one on site, having energy-efficient features already built into the sale of each home, and featuring the name of such "desirable cities" prominently in the each

development's name, Gardner said.

"A lot of builders [ask buyers] to pay extra to add certain things to make a certain level of green, but we've made it part of our building process," he said. "It's not something we do that's something different, it's just something we do . . . The homes are solar powered and it's part of the price, so we do not charge extra, it's standard. Eventually, everyone will be this way, but we're ahead of the game."

Advantages of being a new company, Gardner said, are that the developer doesn't have much in the way of accumulated assets, held-up projects or homes under warranty. "We were able to start with fresh unencumbered capital, and then deploy it with people that have the experience enough to do it," he said. "Because we're a small organization we don't have any of the large overhead that just gets passed on to the consumer. We are attempting to do it with a new marketing strategy."

Scott Charney, the Signal Hill's new community development director, said city planners have had numerous discussions with developers interested in pursuing projects but it remains to be seen whether or not some of those translate into new projects. He added that the city is lucky that not many developments were stopped midstream due to the economic lull. "We haven't experienced some of the situations like some places," he said.

Construction of the new Signal Hill



Elise McCaleb, Signal Hill's Redevelopment Agency and economic development manager, is seen here at City Hall. (Photograph by the Business Journal's Thomas McConville)

police station, which has been on hold for about 10 years, is now moving forward and remains on schedule, said Charlie Honeycutt, Signal Hill's deputy city manager. The reason for the replacement was that the building was too small and too old, he said. The police department is scheduled to formally move into the facility sometime in 2012. In the meantime, police are operating at the current station.

He also mentioned the city's moving forward with the \$6 million project to widen Cherry Avenue to alleviate backed up traffic, to Pacific Coast Highway. The plan has been progressing since the late 1980s and should be finishing up next year after acquisition of land allows for final construction at 19th Street and Cherry Avenue, Honeycutt said.

Construction began this year at the 68,000-square-foot EDCO Recycling and Solid Waste Transfer Station as well, at 2755 California Ave. However, the project got caught in December rains and had to shut down, and should start back up again soon. Farfsing said the project is expected to be a modern facility and provides a lot of benefits to the community such as haz-

ardous waste drop off. The disposal company also negotiated a rate freeze with the city so that the facility pays a host fee for every ton of refuse that comes into the building, giving the city revenue equivalent to a car dealership, Farfsing said. "To me it's an asset for our community to have," he said.

Another major commercial project moving forward this year includes an In-N-Out Burger drive-thru coming to 799 E. Spring St. on a parcel of land owned by Home Depot, joining the Signal Hill Gateway Center that has a Jack in the Box, Petco, Dollar Tree and

Ross. Charney said the company expects to break ground soon and open by the end of the year.

Debra Russell, development director for Signal Hill Petroleum (SHP), said the company is cooperating with the city and the developer to maintain oil easements and make sure there's enough access for the project. She added that SHP still has two available retail pad sites at the Gateway Center. "We're definitely looking for more retailers to go there and that's a work in progress as well," she said.

At on the corner of Spring Street and California Avenue there's about 7,500 square feet of building space, which could be divided into smaller tenants or one big tenant, she said. A Starbucks had planned to go there, but later pulled out due to the economy, Russell said.

Automobile Industry

The city's auto industry remains the second most profitable industry in Signal Hill, below office supplies/furniture sales. The recession, however, brought a steep decline in purchases of high-ticket items.

Auto sales tax revenue alone in Signal

Hill dropped anywhere from 30 to 50 percent in 2008, causing franchises, car manufacturers and dealerships to go out of business or forced to relocate. However, auto dealers now have made changes in management, finished remodels and are rolling out new vehicles, gearing up for more the spring sales season. "I think the dealers are starting to see a bit of sales activity and they're happy, obviously, about that," Farfsing said.

After a dealership known as Schai'er's Nissan, located on Spring Street, closed last year, Hooman Nissani, owner of the Toyota dealership at the Long Beach Traffic Circle, purchased the dealer and has been in full operation ever since with sales, service and body shop departments.

Nissani said sales are now doing better than he expected since opening. He is currently looking to bring in a new franchise at the nearby three-acre site that currently holds used cars. "Things are going far better than what we expected," he said. "We feel very good about the rest of the year."

Some of the changes Nissani brought to the dealership include offering a loan-a-car to customers for any service that takes longer than two hours, permitting full coverage auto insurance and car washes. Nissani added that February is already 15 percent higher than the previous month, and expects more to come. "We should have some pretty big sales, so we should hopefully blow away last year's numbers," he said.

Boulevard Buick/GMC, which has been in business for 50 years, located at 2800 Cherry Ave., broke ground in February for its interior and exterior remodel that upgrades the facility that was built in 1992, bringing in new designs such as a free-standing entry portal made of aluminum panels. It's also utilizing the empty lot left by Long Beach Chrysler Jeep dealership in 2009 with used cars. In addition, Boulevard's Collision Center moved in from a location in Long Beach north of the 405 Freeway. The facility now provides body repair and painting services for all makes and models. The city's RDA helped with a \$700,000 loan.

Ron Charron, COO of Boulevard Automotive Group, said, while the Pontiac



Signal Hill's Auto Center is the second most profitable industry in the city and has seen an increase in sales recently, gearing up for the spring season. Above is the BMW dealership at the corner of Spring Street and Cherry Avenue. (Photograph by the Business Journal's Thomas McConville)

brand officially closed down last year, Buick sales have picked up the difference. He said for the last six months, every month has been better than the previous one. "Our industry is probably one of the first to test the market and customers are coming out, especially in California," he said. We need transportation and many times we need two vehicles per family."

Additionally, Boulevard Buick purchased the Coast Cadillac dealership on Willow Street and Redondo Avenue last year, as well. "So we believe at that time and still today believe that the economy is coming back and we also believe that General Motors is coming back," Charron said.

Bob Davis, president of Glenn E. Thomas Dodge Chrysler Jeep, said the dealership was up about 30 percent in 2010 compared to 2009, with the increase expected to continue this year. Additionally, the Chrysler Group recently announced the dealership would be granted a FIAT franchise to sell the popular and fuel-efficient Fiat 500. "We have a lot of new products coming out," Davis said. "The economy's getting better and it's helping us."

Meanwhile, Mercedes-Benz of Long

Beach recently celebrated the dealership's grand re-opening in January, now offering state-of-the-art facilities with a new showroom and modern design to attract customers.

Oil Industry

Although oil prices remained stagnant for most of last year, Kevin Laney, vice president of rig operations for Signal Hill Petroleum, said prices began to rise during the latter half of last year, which has been a good sign for the oil industry. "There are really not too many indicators that would say it's going to go the other way in the near term," he said. "So from our business perspective, it's going to be pretty optimistic with regards to the next year or so."

He also said there remains a potential for more jobs this year, after the drop-off in the price of crude oil hit the industry significantly in 2008, causing the company to tighten its belt. SHP currently has about 90 employees. "We have since done more hiring and have grown probably pretty close to back to the point where we were in 2008," he said.

Last year was the first in the last five that the company has seen an increase in oil pro-

duction, ramping up by the end of the year. SHP operates large fields in both Signal Hill and Long Beach, covering about 1,000 acres, operating approximately 190 active wells and 70 active injectors, scattered between the two cities. Increased oil production also brings needed revenue to the cities since SHP pays barrel taxes from each producing well, with more than one million barrels of oil per year, shipping to the nearby Paramount Petroleum refinery.

Retail And Restaurants

While the recession took its toll on some retail establishments over the last few years, forcing either consolidation or closure, some new and existing retailers in Signal Hill are bringing some relief for job seekers as sales pick up.

Home Depot, which has two locations in Signal Hill, recently announced it is currently seeking 2,000 seasonal, part-time associates in the Greater Los Angeles area, as it prepares for its busiest selling season. The company is hiring and training new associates until the end of March, ahead of the annual Spring Black Friday, ramping up for its rollout of new promotions.

"It's a great job opportunity," said



Oil pumping stations are located throughout the City of Signal Hill as the city and developers have worked around the oil wells, developing homes and commercial businesses. (Photograph by the Business Journal's Thomas McConville)

Kathryn Gallagher, Home Depot spokesperson. "A lot of them are temporary, part-time seasonal, but based on the needs of the store, there's an opportunity for those jobs to become permanent."

Although residential construction continues to lag, the home improvement retail giant recently reported sales of \$15.1 billion for the fourth quarter of 2010, a slight 3.8 increase compared to the same quarter of 2009. Company officials expect sales to be up approximately 2.5 percent for the year.

Scott Jones, owner of City Mex Grill in the shopping center at Willow Street and Cherry Avenue, said sales overall are still down compared to two years ago, but last year was actually flat compared to the prior year. However, some local restaurant own-

ers saw sales drop even further. He said it's good that catering continues to pick up again. "Our catering business has actually picked up probably from companies starting to buy meals again," Jones said.

Real Estate Markets

After the real estate mortgage meltdown caused home prices to drop significantly in the local area, there are still a few high-priced homes that remain on the market, said Richard Daskam, a real estate agent and partner of Keller Williams Realty in Los Alamitos.

In Signal Hill, the highest priced home closed at \$850,000, which is "still down from where we were at the height of the market, but still a pretty strong sale," he said. The highest sale for condominiums

was at \$525,000, which is down from the \$900,000 range at the height of the market, he said.

Two new residential developments – The Signal Hill Collection and the competing Aubry at Alamitos Ridge by Lennar Homes, at Redondo Avenue and View Ridge Drive – are expected to draw more buyers to the Signal Hill market, Daskam said. "I think it's going to help bring a lot more publicity to the area and for existing home sales as well," he said.

As the economy still struggles to recover, however, there should continue to be more foreclosures hitting the market this year, Daskam added. Making things worse, some homeowners trying to re-modify their loans are being forced into delinquency before banks are able to discuss the modification. From December to January, foreclosures in Signal Hill jumped almost 10 basis points, with interest rates also creeping upward, according to RealtyTrac.com.

On the commercial side, Patrick O'Healy of Signal Hill-based O'Healy Commercial Real Estate, said the demand for industrial space, in the last few months, has skyrocketed. "Since Christmas, the market has really heated up and I'm negotiating several offers to purchase right now," he said.

Sales transactions of industrial space have also started to pick up after the last two years of mostly lease transactions. Just in the last two months, O'Healy said he's already had seven leases and one sale. The vacancy rate for Signal Hill is a little over 4 percent, he said. "The market is really picked up; it seems like more sellers are ready to put their properties on the market," he said.

Jeff Coburn, real estate broker for Lee & Associates, said the office market has also seen some improved activity in the last few months. The property owner of the Town Center office park at 2501 and 2525 Cherry Ave. has seen more demand for space in the fourth quarter of last year and into first quarter of this year, he said. "Just from our activity and talking to a lot of office brokers, 2011 is starting off very active," Coburn said. ■