

Focus On Signal Hill: 'The Little City That Could, And Did'

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The City of Signal Hill has transformed from an oil town, once dotted with wells, to a city with residential, commercial and industrial development built atop the liquid commodity. Over the years, city leaders have worked with the business and residential communities to integrate the three different sectors – alongside oil production – for a more balanced economy that relies on various revenue sources.

“We really worked hard in 1990 through the first development beginning in 1999 to tell people, ‘You can clean up oil. You can coexist with oil,’” Councilmember Larry Forester says. “That’s where we’ve really shined. We’ve proven you can coexist with a well next door.”

However, a shaky national economy, coupled with California’s approximately \$17 billion deficit, has impacted local economies, leading to decreased development and budget cuts in cities statewide. The real estate turmoil and mounting economic uncertainty also affected Signal Hill, where residential development and overall retail sales are on the decline. But city officials and business owners remain optimistic about “the little city that could, and did” – a mantra coined by Forester years ago.

“I’ve been on the council for 16 years, and this is one of our more challenging budgets,” Mayor Michael Noll says. “We have [about] 16 different reserve accounts, and this year we were very conservative on our budget predictions. [We] adopted a \$33.2 million operating and capital improvement budget in June.”

“The budget highlight is our \$25.8 million capital improvement program for this next year – that’s a pretty good size for a small city,” he adds. “This is one of the largest capital improvement programs in the history of our city.”

Signal Hill’s conservative fiscal practices have kept it out of the red, unlike the City of Long Beach, which faces a nearly \$17 million deficit. Conservative sales predictions, five-year forecasts and city staff reductions over the past 10 years have helped city leaders streamline costs and prepare for more difficult economic times. The city once had 210 employees, Noll says, while today that number has been cut nearly in half through attrition.

“We didn’t lay off any people, but we certainly saved a lot of money,” he explains. “With the benefits [city employees] make, it gets very expensive.”

“We looked at ways we could still have efficiency, but privatize on certain items. We have a head supervisor [who] oversees all the privatization programs [for] City Hall, community centers, parks, medians and street repairs,” Noll adds. “We’re running the city more like a business, versus some of the cities that are having major problems.”

According to Noll, the city’s Economic Uncertainty Reserve Fund was set up specifically for times such as these, but the state’s looming deficit could impact the city too – Proposition 1A allows the state to borrow from local municipalities with interest. Noll says the council is waiting to find out if, and when, this would impact Signal Hill.

The Business Community

Signal Hill development is composed of about 39 percent industrial, 35 percent residential, 21 commercial and five percent public/open space. Moreover, sales tax accounts for 67 percent of the city’s revenue, with the city’s share of the roughly \$1.3 billion in annual sales totaling about one percent, or \$13 million. New big-box retailers and auto dealerships have accounted for a boost in revenue over the years, but sales have fallen recently.

“We’re actually doing better than most communities, but clearly, we’re seeing a little bit of a drop,” Deputy City Manager Charlie Honeycutt says. “Our car sales are down, [and] people aren’t doing home improvements, so we’re seeing a slight dip in sales.”



THE CITY OF SIGNAL HILL POLICE FACILITY

WMM Associates

Plans for a new 22,000-square-foot police department at 27th Street and Walnut Avenue are underway. Construction for the roughly \$16 million project is expected to begin in early 2009. The city is in the process of acquiring the land, which was divided into more than 3,000 shares decades ago, through eminent domain. (Rendering courtesy of WMM Associates)

Dealerships at the Signal Hill Auto Center carry models from BMW, Buick/Pontiac/GMC, Chrysler/Jeep, Dodge, Honda, Hyundai, Mercedes-Benz and Nissan. Meanwhile, plans are underway for a CarMax dealership that would include a 10,500-square-foot showroom, 10 service bays and more than 360 parking spaces on six acres. With the company's large advertising budget, many local dealerships welcome the competition.

"They're huge advertisers, and they will bring business to the center," says Ron Charron, co-owner of Boulevard Buick/Pontiac/GMC. "We're anxious for them [to arrive]."

Charron says that the "GMC Employee Discount for Everyone" promotion boosted overall declining sales at his dealership. While many still shop for four-cylinder cars because of high gas prices, families with more than one child still look for roomier vehicles and SUVs, he says.

"The gas is not the issue," he explains. "If they've got three or four kids, you can't fit them in a smaller car – you need a larger vehicle. [Whether] gas is \$3.50 or \$4 [a gallon], it doesn't change the size of your family."

"Right now, it's the financing that has stopped," Charron adds. "It's like real estate. They want a bigger down payment, or they want [the] debt-to-income ratio much lower. That's what's killing us."

People hesitant to buy a new car could opt to repair their car to save money. Russell's European Service, which has served the city for the past 25 years, specializes in Volvo and Saab repair. "Maybe because we're specialists, we stay pretty busy here," owner Russell Knowles says. "They're economical cars, so that makes them pretty attractive to people – it's always been a good thing. I guess we're at the right place at the right time."

Knowles' success could also be due to what he calls a "good business climate" in Signal Hill. "Long Beach [wasn't] very favorable toward auto repair [shops], and they welcomed you up here," he says.

Allied Refrigeration Inc. also relocated from the neighboring city, where it had operated since 1934. The company quickly grew and moved to Signal Hill 36 years later, landing at the site of the historic Hancock Oil Fire. Allied distributes wholesale heating/cooling parts, supplies and equipment. Warm summers and record-high temperatures have kept business steady.

"Business has been great," CEO Robert Nichols Jr. says. "Last year was the hottest summer there had been in decades. This year we have humidity, which makes it uncomfortable. Anytime there is heat and humidity, equipment tends [to break]."

But not all business owners in the service sector are faring so well. Declining home sales and new construction, along with fewer home renovations, have created an overall slowdown in most home improvement sectors.

"This past year, most of my customers have been repeat customers or referrals," says Sharon Butterfield, owner of California Hardwood Floors Inc. "There hasn't been as much new business – that's been different. And that's just due to less business overall."

The company also refinishes hardwood floors, which Butterfield says, "keeps me going even through the slower times."

Homeowners also appear to be hesitant to complete improvements such as plumbing repairs and upgrades. Pete's Plumbing, a family-owned business, has serviced the community for more than 35 years.



A 28,000-square-foot development by B.J.H. Leasing Inc. at 2445 Palm Dr. recently completed. The industrial facility includes nine suites, 14-foot loading doors, 18-foot interior clearance, skylights and 46 parking spaces. Howard CDM oversaw construction, and Withee Malcom Architects designed the facility. (Photograph by the Business Journal's Thomas McConville)

Pete's operated in Lakewood and Long Beach before moving to Signal Hill in 2004, but the past year has been one of its slowest.

"The past few months have been really rough on our entire industry," says President Patty Hillis. "Two of our competitors went out of business, as a matter of fact. [In] May and June, [business] really slumped for us, and I haven't really ever seen that in 25 years."

"We were able to rely on our repeat customers – our steady customer base – to get us through that period of time," she adds. "People are now starting to spend a little bit more money on their homes, whereas before, if they could fix it themselves, they would fix it. They certainly weren't going out and doing remodels."

Oil Business Booming

If ever there was a time to be in the oil business, now is it. As oil prices soar to record highs, domestic oil companies are pursuing new wells, repairing abandoned wells and buying the latest technology to increase production.

"Signal Hill is the most prolific oil field in the world – more oil per square foot has been taken out of here than anywhere else," says Craig Barto, president of Signal Hill Petroleum Inc. "It's a very unique structure, and there's a lot of oil [in the ground]. With today's technology, major improvements and with the price being higher, the economics are very much there to tap in and produce it."

The company began as a residential and commercial real estate developer and started in the oil business after acquiring several oil wells. Barton says that it recently took delivery of "the cleanest drilling rig, as far as we know, in the world."

"Every barrel that we produce here is a barrel that we're not importing," he adds. "Many of those barrels are imported from countries that, unfortunately, do not like the U.S. We keep those dollars here, we keep the jobs here and we're excited to be a part of that."

Projects On The Horizon

The city's largest project is an estimated \$16 million police station currently in the planning phase. According to Honeycutt, plans are 60 percent complete and construction is anticipated to begin in early 2009.

“The existing police station was built in the 1960s, and at that time, it housed a staff of about 25 people and served a community [of] about 4,600 residents,” he says. “We now have over 11,000 residents, and we have a lot of businesses in town like the Signal Hill Auto Center, two Home Depot [stores], Costco, Target and Best Buy. We’ve had tremendous growth . . . and that’s taxed our police department.”

Plans for the 22,000-square-foot police headquarters include updated technology and streamlined operation facilities. Honeycutt says that the new location on the corner of 27th Street and Walnut Avenue (formerly “The Green”) is more centrally located.

It has been a challenge for the city to acquire the land because, in the 1920s, a landowner sold land shares bought by oil speculators and people hoping to strike it rich. Today, about 3,000 people own portions of the lot – many who have since died.

“You have to go out and do your best to find everyone who owns the property. We’ve been able to find 250. . . . If we can find the owners, we’ll try to settle on a price with them,” Honeycutt says, noting that the city is in the process of condemning the land and acquiring it through eminent domain.

Signal Hill and Long Beach redevelopment agencies are collaborating on a Cherry Avenue widening project at 19th Street, where traffic bottlenecks as it merges from four lanes to two. Many residents have complained about drivers taking shortcuts through neighborhoods and speeding down residential streets to avoid the traffic. The project is estimated to be \$6 million – paid, in part, through federal grants.

“This is probably the third phase of improvements that we’ve done, probably over the last 15 years, to improve the traffic flow through that intersection,” Honeycutt says, noting that the city is in the process of acquiring additional right-of-way property to widen the street.

According to City Manager Ken Farfsing, Signal Hill Disposal is planning a 62,000-square-foot enclosed waste-transfer station at California Avenue and Patterson Street. The recycling facility would incorporate “green” design and accommodate Signal Hill Disposal trucks, private haulers and the public.

“We’re in the planning entitlement phase, which includes preparing the environmental documents,” Farfsing says. “We have a consultant that we’ve hired . . . [to] prepare and analyze all the environmental impacts and come up with mitigation measures to deal with [those] impacts.”

Signal Hill will soon welcome a Fresh & Easy market on Cherry Avenue and Crescent Heights Street. The market will be approximately 21,000 square feet, including loading docks and storage. Signal Hill Petroleum owns the land and plans to develop a commercial shopping center.

“We heard about Fresh & Easy and their concept,” Barto says. “The city was very excited for this use – they asked us to court them and go after them.”

Signal Hill Petroleum is also working on what it calls “Town Center North,” which would include a Bank of America, a car wash and a fast food restaurant.



City leaders have worked hard over the years to bring key retail into the relatively small community and incorporate a balance of residential, commercial and industrial development. Big-box retailers include Costco, Home Depot, Best Buy, Circuit City and Target. Plans for a Fresh & Easy are slated for next year and will provide an additional grocery option for local residents. Sales tax accounts for nearly 67 percent of the city’s revenue. (Photograph by the Business Journal’s Thomas McConville)

Residential development, however, “has pretty much come to a standstill,” Honeycutt says. “We’re in the process of trying to acquire a property for our next affordable housing project located on the corner of Hill Street. . . . We’re looking to build 60 units similar to our Las Brisas development.” ■



Boulevard Buick/Pontiac/GMC (pictured) is one of eight dealerships that make up the Signal Hill Auto Center. The center will soon welcome a CarMax dealership, specializing in used car sales, early next year. Car sales have dipped since the economic downturn, but potential car buyers can expect to save money with special promotions and packages that many dealerships currently offer. (Photograph by the Business Journal’s Thomas McConville)