City of Huntington Park

Economic Development Plan

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Economic Development Plan

City of Huntington Park

Introduction

This Economic Development Plan has been prepared to aid the City of Huntington Park to shepherd its resources to the productive economic development endeavors in the community. It presents background information on the community including long-standing strengths of the marketplace, a market study indicating demand for additional retail and industrial development in Huntington Park over the next five years, goals for retention of small and growing retail and industrial businesses, an assessment of existing economic development programs and how such programs are applicable to meeting strategic planning goals, a cost estimate for redevelopment of three separate economic development opportunity sites to accommodate future growth and/or business expansion, and an implementation strategy for the next five years.

With a 2003 population of 64,000 residents[1] and a $21 million 2003-04 General Fund budget, Huntington Park relies heavily on economic development in the forms of expanding new businesses, increasing tax revenues, and increasing wages to fund its operations and maintain its residents' quality of life.

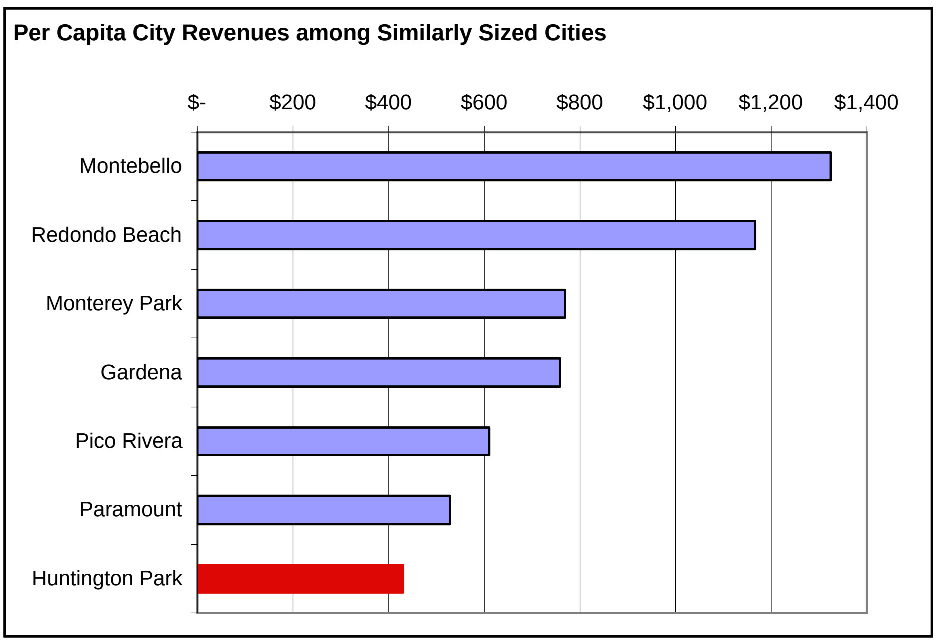
Using monies from local taxes and other revenues, cities are generally responsible for providing public safety (police, fire, and code enforcement), public works, planning and community development, recreational, and other local services to their residents. Relative to other Los Angeles County communities with similar populations, Huntington Park has traditionally had to provide the same level of services with significantly lower revenues. The table below summarizes 2000-01 annual revenues from several cities with a population near Huntington Park, based on annual reports filed with the State Controller:

[1] Source: State Department of Finance January 1, 2003 estimate.

Figure 1: Total City Revenues (2000-01)
Huntington Park and Similarly Sized LA County Cities

City	Population (June '01)	Total City Revenues	Per Capita Revenues
Montebello	64,158	$ 84,943,169	$ 1,324
Redondo Beach	64,658	75,430,175	1,167
Monterey Park	62,181	47,822,713	769
Gardena	59,615	45,198,895	758
Pico Rivera	65,651	40,025,591	610
Paramount	57,115	30,195,765	529
Huntington Park	**63,588**	**27,328,101**	**430**
Maywood	29,120	8,676,733	298
Bell	37,968	18,606,298	490
Bell Gardens	45,632	24,857,092	545
Commerce	13,033	51,497,258	3,951

Source: State Controller's Office



As shown in the table above, Huntington Park's total municipal revenues are not only significantly lower than other jurisdictions in the County of similar population size, but also lower than most nearby cities, with the exception of the City of Maywood.

Huntington Park is regarded as a regional shopping destination (because a significant amount of taxable sales are from nonresidents) and maintains a strong industrial sector. Despite these strengths, the City is far behind comparably sized communities in terms of

City operating revenues to provide quality services and safety to residents. All cities must provide public safety, recreation, and other essential services; without revenues comparable to other communities, Huntington Park faces an acute struggle each year in serving the community. Narrowing this revenue disparity is critical if the City is to have sufficient resources to meet the needs of its residents and businesses, and is the primary reason why Huntington Park continues to pursue economic development.

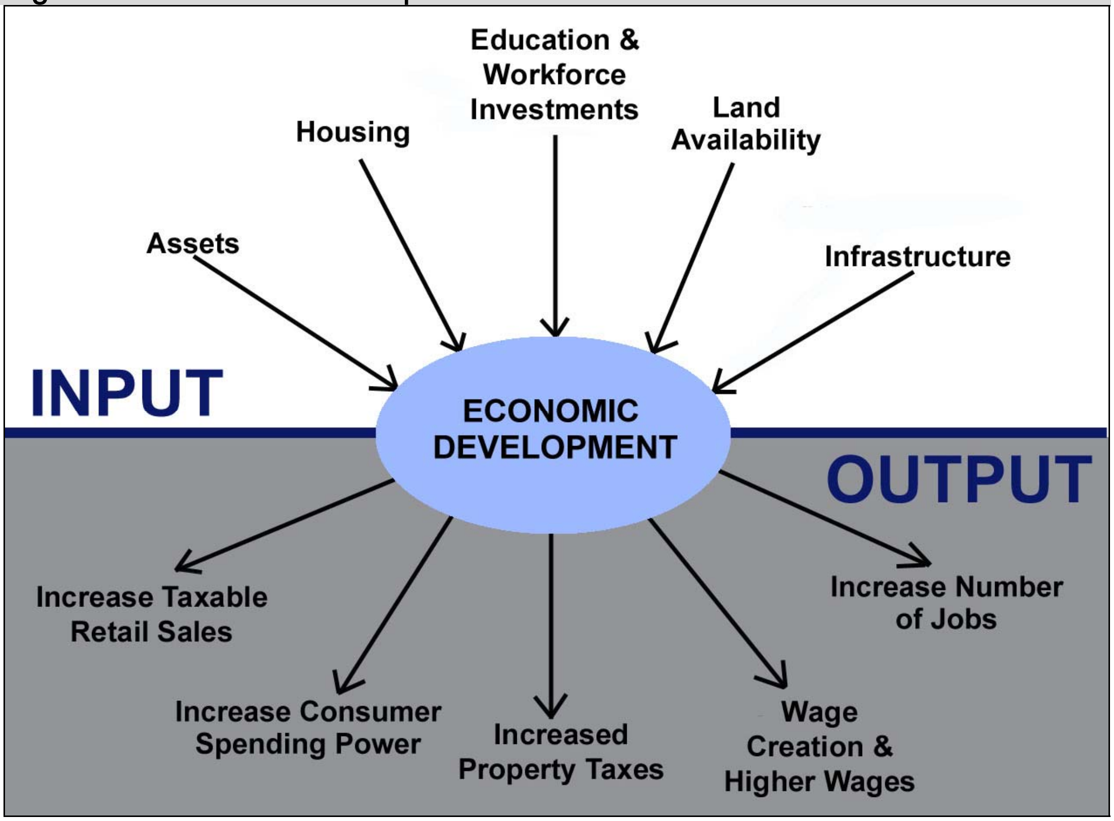
What is Economic Development?

According to the California Association for Local Economic Development economic development is defined as "an investment program designed to leverage private sector capital in such a way as to induce actions that have a positive effect on the levels of: business activity, employment, income distribution, and the fiscal solvency of the community."

For Huntington Park, this means leveraging land, housing supply, transportation, and other assets to generate economic growth in the form of increased property and sales tax revenues, wage creation, new jobs, and increasing consumer spending. All of these efforts must promote better quality of life for residents while considering the City's commitment to environmental responsibility.

The graphic below summarizes the inputs and outputs associated with economic development.

Figure 2: Economic Development Model



SWOT Analysis

To better develop specific economic development goals, City staff and its economic development consultant Rosenow Spevacek Group, Inc. (RSG) developed a matrix of the strengths, weaknesses, opportunities and threats for Huntington Park. The "SWOT" matrix is consistent with independent market perspective that Huntington Park is a viable location for retail and industrial business, but is ripe for evolution to meet the diverse consumer and employment needs of residents and the region.

The SWOT matrix is intended to present the factors that distinguish Huntington Park from other communities, and is therefore not comprehensive of all strengths, weaknesses, opportunities, and threats.

Figure 3: Strengths Weaknesses Opportunities and Threats (SWOT) Matrix Huntington Park Economic Development

Strengths	Weaknesses
High population density (4.1 per household) Strong Latino-oriented retail sales niche Redevelopment, Enterprise Zone, and BID available Regionally recognized retail destination along Pacific Boulevard; a genuine downtown atmosphere with heavy foot traffic and transit oriented development Net importer of taxable sales, especially among automotive, apparel, home furnishings, building materials, and restaurants	Existing land use character (incompatible uses, undersized parcels, older facilities) Future development requires costly and time consuming assembly of parcels to form developable scale sites No redevelopment funds available to provide financial subsidies to projects No direct freeway access or large sites, coupled with relatively high land values and market retail lease rates, to easily attract national large format retailers
Opportunities	**Threats**
Pent-up demand for 625,000 square feet of industrial development in market area 300,000 to 700,000 square feet of retail demand in Huntington Park over next five years Market area relatively underrepresented by large format retailers, but Home Depot and Staples openings confirm that these retailers are moving into established areas Theater/retail project (aka El Paseo de Huntington Park) along eastern side of Pacific Avenue	Vernon, Southgate and Commerce, considered to be better quality industrial areas, offer comparable incentives to Huntington Park City regarded as a start up and incubator industrial location, and lacks the real estate inventory needed to accommodate growing local businesses, who are forced to move out of Huntington Park Second and third generation Latino households tending to prefer national large format retailers versus those catering to first generation Latinos in Huntington Park National/state economic conditions and fiscal policies that affect local jurisdictions

This Plan has been formulated to capitalize on the opportunities and strengths presently in Huntington Park, while addressing the weaknesses and threats that constrain progress. Specific strategies are incorporated into this Plan include promoting development of new retail and industrial uses, establishing a broader business retention program to retain successful businesses, and altering the marketing campaign to provide the real estate and business community with facts about lower crime rates. The success of this Plan will be largely determined by the availability of funds to commit to these endeavors, and the commitment of the City Council to pursue these projects.

Economic Development Plan Goals

Based on the SWOT analysis, RSG has developed the following list of economic development goals to guide the City's decision-making processes. These goals should be considered as development proposals come forward, or other economic development programs. Because economic development is a process that is constantly responding to local and regional conditions, these goals should be updated concurrent with the SWOT analysis.

Goal 1: Accommodate National Large Format Retailer Demand

The market study concludes that approximately 300,000 to 700,000 square feet of shopping center demand may exist in the five-mile market area by the year 2007. National credit retailers like Wal-Mart and Target have begun pushes into smaller markets like Huntington Park in southern California, and in some cases, place stores within 3 miles of each other. The question is not if these retail centers will be developed in the market area, but where. While Huntington Park lacks sites that are immediately developable, it has important strategic advantages that retailers like, such as high population densities and existing strong retail destinations.

The City should capitalize on local strengths by seeking out opportunities to redevelop obsolete commercial and industrial areas into contemporary shopping centers featuring large format retailers. As demand for national discount retailers remains strong in the Huntington Park market area, the City should try to accommodate this demand within its City limits. According to retail representatives and local brokers, emphasis should be placed on assembling a minimum of 15 acres for this demand within the next five years. To achieve this objective in light of the City's strategic weaknesses and threats, the City and private sector will need to involve multiple financial resources and tools to offset the costs of land assembly.

Goal 2: Retain Local Businesses in Huntington Park

According to local brokers and field observations by RSG, the lack of decent contemporary industrial space forces existing industrial businesses to move out of Huntington Park once they become successful enough to require more space and/or amenities. As a result, Vernon, Commerce, Southgate and other cities have reaped the benefits of Huntington Park's small business successes. Older, obsolete facilities in Huntington Park may be reoccupied by additional startups in the short term, but over the long run, will have a narrowing appeal to new businesses. These physical limitations translate into lower property values and lease rates, which can be as much as half that of surrounding communities (for example, $0.20 to $0.25 per square foot versus $0.45). Signs of narrowing market acceptance are evident in the industrial areas southeast of the intersection of Slauson Avenue and Alameda Street, where a number of 50-year-old buildings remain vacant for months.

Also at risk are the City's major retail tenants that have traditionally generated a large amount of City General Fund revenues, such as Nick Alexander BMW, Smart and Final. Huntington Park must not lose sight of the need to accommodate these users' needs for expansion and newer facilities. As much as possible new retail developments should complement rather than compete with these current retailers.

Competition from new national retailers in Huntington Park could be particularly challenging for small local businesses. Huntington Park's historic retail strength comes from small businesses in downtown, as well as others along Florence Avenue, Gage Avenue, and Slauson Avenue. Smaller retailers cannot generally compete with large national chains on pricing because of their limited purchasing ability. Thus, small retailers will need attention in order to remain viable in the future. The City should work with the business community on physical improvements to compliment the design and urban infrastructure that would be available at newer retail developments. Also, the City should encourage the Chamber of Commerce and other business organizations to emphasize customer service to encourage continued patronage at small businesses.

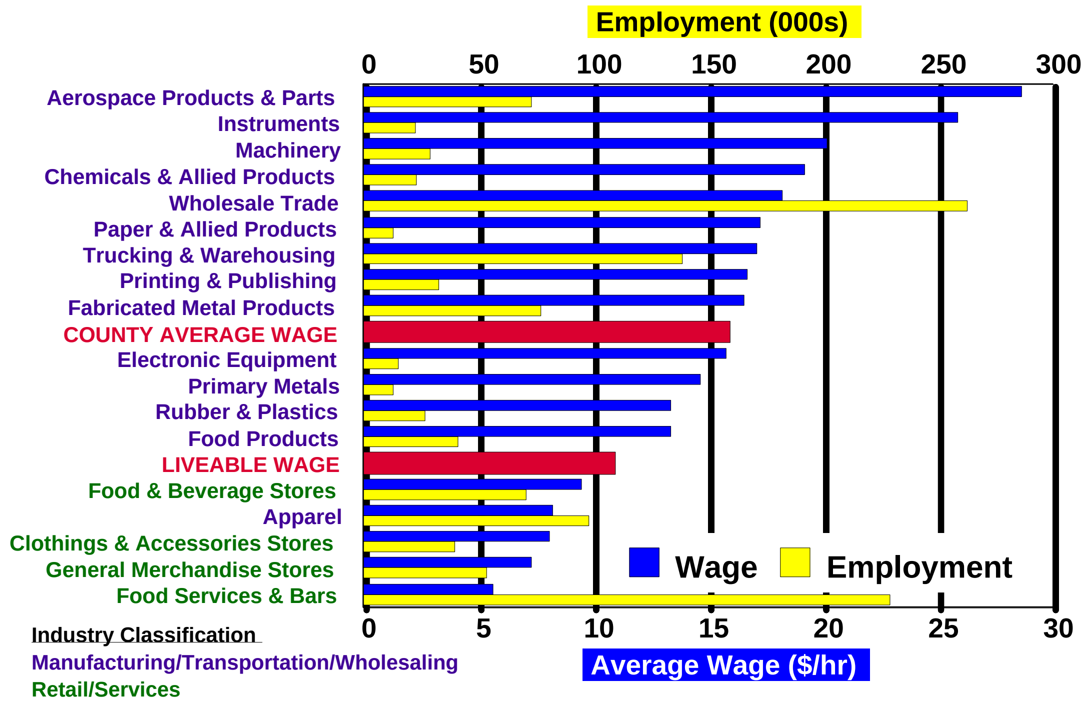
Thus, with implementation of Goal 1, the City should be determined to retain as many local businesses in the Huntington Park as possible, and be prepared to facilitate the development of a small scale (5-10 acres) industrial park project. The park should feature amenities comparable to those at recent successful industrial developments in along Bickett Street and Wilson Avenue. It is RSG's opinion that the current land use mix of the industrial areas immediately east of Alameda Street, between Gage and Slauson Avenues, offer the best opportunities for infill industrial redevelopment.

Goal 3: Promote Industrial Development

Comprising 45% of Huntington Park's workforce[2], strong and growing industrial sectors are critical to the long-term sustainability of the quality of life and local economy. While industrial businesses typically do not generate the greatest amount of direct revenues to a city's general fund, these businesses have much higher average wages and indirectly support local suppliers and services, particularly among industries historically stronger in Huntington Park, such as warehousing, machinery, printing/publishing, rubber and plastic, and wholesale trade. The table below summarizes wages and employment among various industries, according to a report from the Los Angeles Economic Development Corporation (LAEDC) in August 2000.

[2] Source: Sustainable Communities Plan for Huntington Park, Gateway Cities Partnership, Inc., pp. 76

Figure 4: Retail vs. Industrial Wage and Employment Comparison
Los Angeles County (August 2000)



A study prepared by the LAEDC in August 2000 looked at the opportunities to stimulate more economic growth in underutilized areas including Huntington Park. The study concluded that while City revenues could be as much as three times higher for a regional serving retail project as compared to a business park, the number of jobs created and wages would be substantially higher if business park projects are developed.

Figure 5: Economic Impact of Business Park vs. Retail Development Huntington Park (August 2000)

Scenario Analyzed	Baseline	New Industrial	Retail
Description	18 Acre Site Low-Wage Mfg. --Apparel --Furniture Foreign Competition Single-story Buildings	18 Acre Site High-Value Mfg. Capital Intensive (excl. Hi-Tech) Some 2-story Buildings $12-20/hr. jobs	18 Acre Site Anchor Stores Discount Stores Restaurants Specialty shops
Jobs Created	2,263	1,885	624
Annual Wages	$60 Million	$67 Million	$12 Million
New Tax Revenues	---	$220,000	$690,000

Source: LAEDC Competitive Industrial Sites Study: A Move-up Strategy for LA County - An LAEDC Public Policy Initiative for Smart Growth, August 2000

In the long run, creation and retention of high paying jobs in the community can have a significant benefit to the City, as many residents would enjoy higher living standards. Thus, implementation of Goals 1 (Retain Local Businesses) and 2 (Accommodate National Large Format Retailer Demand) needs to be done in context of balancing the City's historic strength in manufacturing, service, and other industrial sectors. Redevelopment of Huntington Park needs to protect these sectors.

Market Study

RSG engaged Robert Charles Lesser & Co. LLC (RCLCo) to prepare a real estate market study to identify future demand for retail and industrial development in Huntington Park. RCLCo's market study, which is presented in this section, entails the following analytical steps:

1) Site analysis of the locations envisioned for development/revitalization;

2) Assessment of the competitive environment and planned and proposed competition;

3) Projections of demand which requires a regional analysis of growth trends (County level) and allocation to the subject submarket;

4) "Capture" of this subregional demand by the City based on accepted absorption capabilities for new development projects ranging from 5% to 10%; and

5) Preparation of market recommendations in terms of product type (general description), achievable rent levels, estimated improved land values (based on broker discussions), absorption, and market entry.

Note: Throughout this section of this Plan, RCLCo refers to exhibits contained in their April 2003 Industrial and Retail Market Analysis. Due to its length, these exhibits are under separate cover with the City's Community Development Department office. Please refer to these exhibits for more information.

Methodology and Key Conclusions

The overriding conclusion of the market analysis is that market support exists to support new industrial and retail development in the City of Huntington Park. Although the City is mature in the sense that little or no vacant land remains unimproved, development opportunities nevertheless exist for new industrial and retail development.

New industrial development responds to growing regional demand for industrial space, which potentially could be accommodated in Huntington Park, provided that improved land would be available at market prices. New retail development in the form of large format discount/value retailers exists, as the national trend toward this form of development heretofore has bypassed built-out, lower-income communities, such as Huntington Park. As the large format discount/value retailers continue to execute their market penetration strategies, these retailers are increasingly looking at cities, such as Huntington Park, for new store locations.

While market demand exists for contemporary industrial and retail uses, the financial feasibility associated with the attraction of these uses becomes a challenge for the City. The financial feasibility issue is not part of the RCLCo responsibilities under this engagement.

Market conclusions by land use are summarized below.

- Industrial development represents a logical fit for Huntington Park, which seeks to attract employment. Market conditions demonstrate the presence of pent-up demand for industrial space as confirmed by extremely tight market conditions (submarket wide vacancy of 1.8%). Assuming a market equilibrium vacancy of 5%, pent-up demand in the Central Submarket of which Huntington Park is estimated to be approximately 2.8 million square feet. The market conditions are expected to tighten as the Central Submarket falls short of meeting demand from job growth due to the lack of available land and difficulty of assembling land. Based on job growth projections (through 2005), Huntington Park's submarket has the potential to absorb 625,000 square feet annually.

- Contemporary retail development represents an exciting opportunity for the City to attract large format retailers, which increasingly are turning to inner city locations for new stores. The attraction of these stores, considering their regional draw, would enable the City to enhance its taxable retail base. The challenge for the City is the introduction of the large format retailers, which for the most part appeal to consumers on the basis of lower prices, may impact existing, independent stores. (This can be mitigated if the City maintains a business retention program that focuses on physical improvements and promotes the customer service advantages of these businesses.) The market irony is that Huntington Park and surrounding cities are mature, built-out areas but deficient in terms of national retailing product trends. The vast majority of large format national and regional retail tenants (i.e., Lowe's, Wal-Mart, Best Buy, etc.) are underrepresented within a three- and five-mile radius of the City of Huntington Park. Currently, Huntington Park has the potential to develop 300,000 to 700,000 square feet of regional serving retail assuming a 5% to 10% capture of the retail expenditure potential within a five-mile radius of the City.

Socioeconomic Trends

Employment

The economic outlook for Los Angeles County remains positive despite job losses suffered in 2002. Despite the tragic events of September 11, 2001 and the economic slowdown in Los Angeles County in 2002 (losing approximately 29,000 jobs), the Los Angeles industrial market remains fundamentally strong. Occupancies overall exceed 95%, and the demand outlook is excellent.

According to the Los Angeles Economic Development Corporation (LAEDC) February 2003 Forecast, the County is expected to post a 1.0% employment increase in 2003, for an addition of approximately 39,000 jobs. The Cal State Fullerton (CSUF) October 2002 Forecast for Los Angeles County anticipates more moderate growth at a rate of 0.5% or an increase of 22,000 jobs. The Chapman University December 2002 Economic Forecast represent the most conservative position by projecting a mere 0.1% increase or 3,000 jobs in 2003. However for 2004, all three forecasts project a more substantial growth rate between 1.9% and 2.2%, equivalent to 52,000 to 74,000 new jobs in Los Angeles County. (UCLA does not provide a Los Angeles County forecast, and therefore, was not consulted in this analysis.)

All major sectors lost jobs in 2002, except the finance, insurance and real estate sector, which actually posted a modest gain in 2001 and 2002. In 2003, Los Angeles County job growth should be spurred by job creation in defense spending and homeland security efforts, international trade activity, and the service sector, specifically finance insurance and real estate. Employment sectors that are major users of industrial space (such as manufacturing, wholesale trade, transportation/communications, and film and T.V. production) are also expected to post modest gains in 2003 (net 25,000 new jobs), with increasing gains in 2004 and 2005 at 36,000 and 45,000 jobs, respectively.

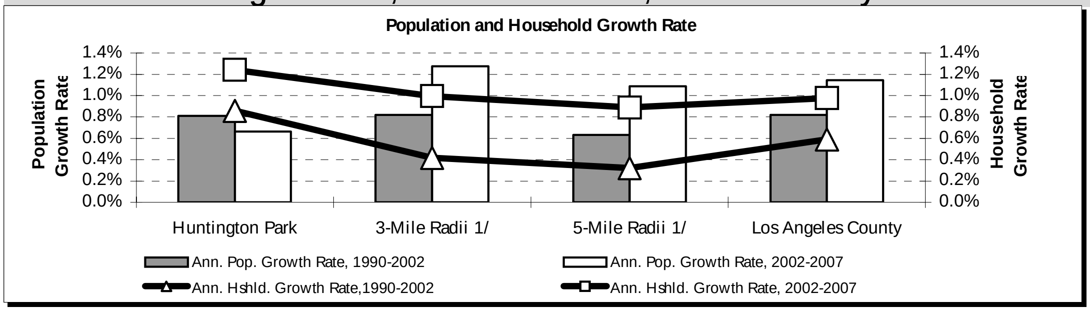
The employment forecast bodes well for increased demand for industrial space. Today, the industrial market is an undersupply condition, evidenced by a 4% vacancy and less than 2% in the Huntington Park industrial submarket.

Demographics

Huntington Park's resident population of 64,000 is expected to expand at a rate of 0.8% annually. This rate of population increase is significantly slower than Los Angeles County, which is projected to grow 1.1% annually during the next five years. By 2007, Huntington Park is projected to add a total of 2,000 residents and nearly 975 households.

Unlike Huntington Park, the neighboring communities are expected to realize rising resident population and household growth. Within a five-mile radius of Huntington Park, there are currently 1.07 million residents and over 259,000 households. By 2007, the five-mile area is expected to grow to 1.13 million people (average increase of 12,000 people annually) and 271,200 households (average increase of 2,400 households annually). This sizable growth should bode well for retail development opportunities in Huntington Park.

Figure 6: Population and Household Growth Rate 1990-2007
Huntington Park, 3- & 5-Mile Radii, and LA County



In comparison to the rest of the County, Huntington Park households have notably lower incomes. According to Claritas demographic estimates for the year 2002, the City's median household income of $33,700 is nearly 50% less than the median household income of $50,200 for Los Angeles County, but almost 11% greater than the median household income of $29,800 within a five-mile radius of the city.

Industrial Market Analysis

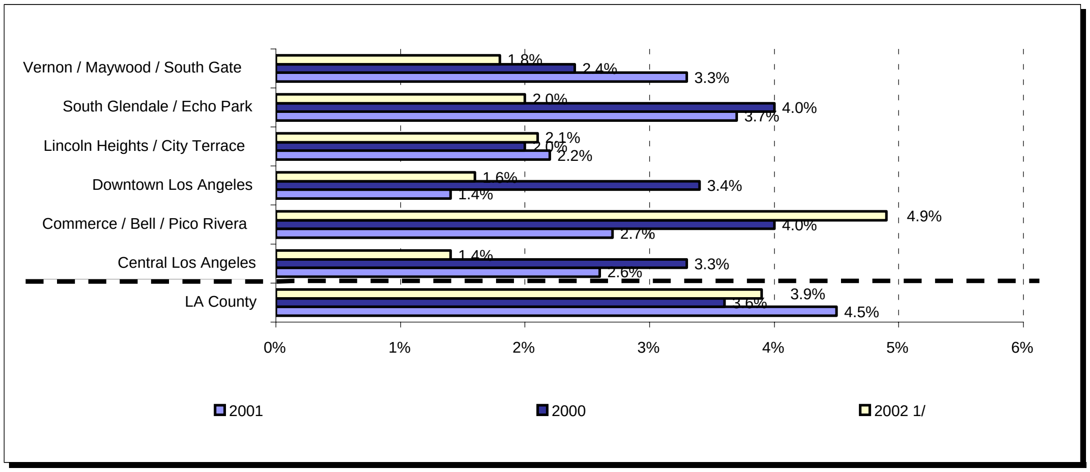
Competitive Environment (Exhibits III-1 to III-11)

Los Angeles County's industrial market has realized a significant rebound in the past seven years from vacancy rates over 12% in the early 1990s to less than 4.5% through second quarter 2002. Additionally, the County has added over 153 million square feet since 1992 (per Grubb and Ellis), an increase in supply of over 20%. Currently, the county has nearly 900 million square feet of industrial space.

Central Los Angeles represents the largest market in the County with over 30% of the occupied industrial space in Los Angeles County (276 million square feet). Similar to the County, the Central market is experiencing extremely low vacancy averaging around 3% in the past three years. In terms of net absorption, the Central market has averaged 2.25 million square feet annually in the past three years (over 20% of the County's 10.5 million square feet).

Within the Central Los Angeles industrial market, Huntington Park is a part of a larger submarket that includes the cities of Maywood, South Gate and Vernon. Huntington Park's submarket is the second largest in the Central Los Angeles market (second to the Commerce/Bell/Pico Rivera submarket), representing roughly 80 million square feet (30% of the Central market and 7% of the County.) Currently, the submarket is experiencing extremely low vacancies (averaging a mere 1.8%). Given the absence of available land, the pressure to build and renovate older buildings continues to grow. Huntington Park's local industrial market is driven primarily from overflow of demand from Vernon.

Figure 7: Year-End Vacancy Rates 2000-2002
Central Los Angeles Industrial Submarkets



Huntington Park is viewed as a secondary location relative to nearby Vernon and Maywood, given its perception as an older (lack of contemporary facilities) and unsafe area. However, the reality of the crime rates is different from perception. An analysis of crime rates in Huntington Park and surrounding communities indicates that Huntington Park has lower per capita crime rates than Vernon and other communities the City competes for industrial development. According to statistics provided to the State Department of Justice, a total of 41 crimes were reported per 1,000 residents in Huntington Park in 2001. By comparison, Commerce's crime rate was 94, Los Angeles 51, and Vernon 7,133.

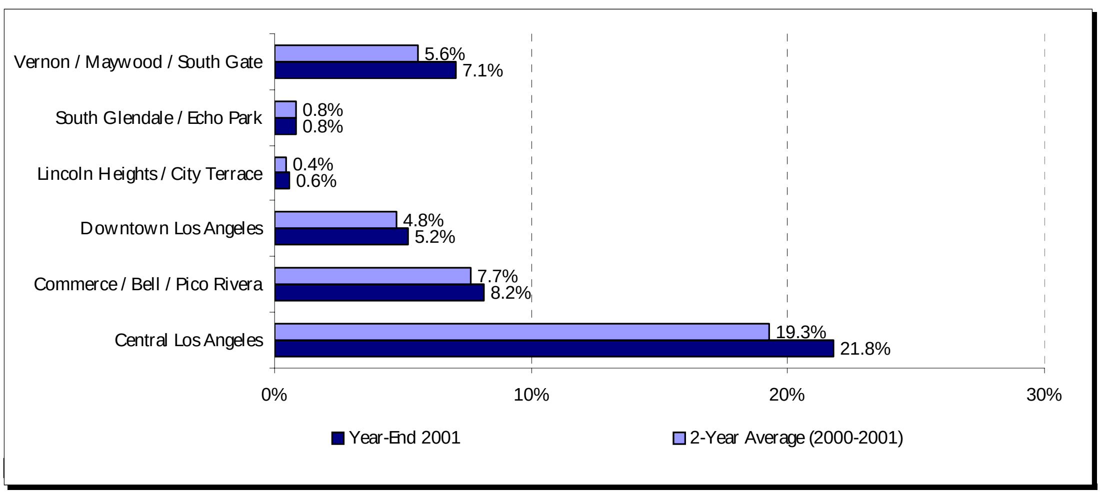
Nevertheless, continued regional and subregional demand for industrial space is fostering increased market interest in Huntington Park. Current existing tenants are generally in the garment manufacturing, import and export, food related/storehouse, and general merchandising businesses. Tenants relocating from Vernon to Huntington Park are general merchandisers, garment manufacturers and wholesalers (driven by need for larger and cheaper space).

In terms of new developments, virtually no unimproved land is available for new industrial development within Huntington Park. Perception in the market is that 10 to 20 acres are requisite for building a new industrial park and currently only three-acre tracts are available. Based on a discussion with the city's Planning Department, there are no industrial projects in planning in Huntington Park. The most recently built projects in Huntington Park are at 5700 Bickett Street and 5601-5715 Bickett. The first building is occupied by Crown Poly and is over 100,000 square feet in size. The latter project, 5601-5715 Bickett includes three buildings totaling 72,000 square feet and devoted to manufacturing.

In other submarkets of Central Los Angeles, Vernon is the most active building 8 - 10 new industrial buildings per year (a pace that is predicted to continue). Recently completed projects include: three buildings of 35,000 to 55,000 square feet a piece, located at 2154 East 51st Street, 2100 East 55th Street, 2050 East 55th Street. All three buildings are used for food processing and refrigeration. At 3301 Vernon Avenue, a building is being constructed for food processing and will total 150,000 square feet. Three buildings are being constructed at 2535 Vernon Avenue totaling 150,000 square feet to be used for manufacturing. No projects are planned for the cities of Maywood and South Gate.

Building on employment projections for Los Angeles County, the Central Los Angeles market is projected to capture 21% (2.1 million square feet) of the county's 10 million square feet of annual net absorption from 2002 to 2005. Consequently, Huntington Park's submarket has the potential to average 625,000 square feet of industrial space annually, assuming a 30% capture of the Central Los Angeles market which is a continuation of the historical percentage relationship.

Figure 8: Relative Market Capture of Gross Activity 2000-2001
Central Los Angeles Los Angeles Industrial Submarkets



Huntington Park is part of a larger submarket experiencing an extreme shortage of industrial space (with vacancies averaging 1.8%). Assuming a market equilibrium vacancy of 5%, we estimate pent-up demand for nearly 2.8 million square feet of industrial space. Furthermore, based on capture of regional employment growth, the submarket has additional potential to absorb 625,000 square feet annually through 2005 (roughly 30 to 40 acres).

Supply conditions are expected to remain tight in the upcoming years given the lack of new planned developments and available land. Since 2000, about 700,000 square feet have been built in the submarket, an amount that will not overcome pent-up demand nor provide for regional growth.

In the context of these current market conditions and the expectation for future demand for industrial space in the larger submarket, the market opportunity exists for additional industrial space in Huntington Park. The challenge in pursuing industrial development is to create a land inventory in line with prevailing market prices.

Vacant land is currently priced at $12 to $15 per square foot for land characterized by poor visibility and up to $20 per square foot for a corner/visible property. In terms of building prices, Huntington Park is commanding $60 - $70 per square foot for new built product of 10,000 square feet or greater and $30 -$35 per square foot for older built product. The most recently constructed industrial building in Huntington Park (at the intersection of Bickett and Slauson) pre-sold at $70 per square foot.

Retail Market Analysis

Competitive Environment (Exhibits IV-1 to IV-9)

Huntington Park is characterized by older freestanding stores and strip centers of which most are small businesses targeted to the local and subregional Hispanic population. Despite the lack of organized shopping centers and national retailers, the City of Huntington Park is a net importer of retail demand, drawing sales beyond it boundaries. Huntington Park generates retail demand potential of $299 million (from residents), yet reports a total of $368 million in sales (2001), per the California Board of Equalization. In recent years, taxable retail sales in the City have increased by 26% (from 1999 to 2001) due mostly to the addition of the new Home Depot in 2001.

Figure 9: Residential Retail Taxable Sales
Huntington Park, CA

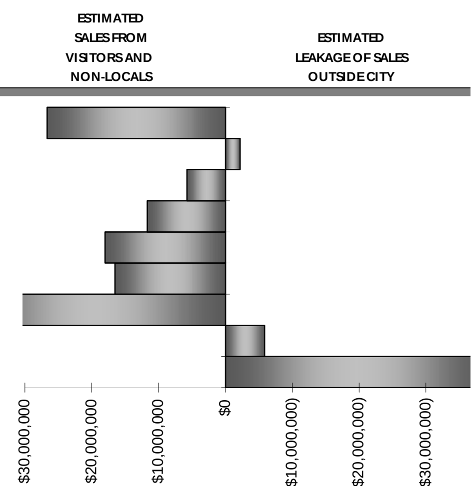
Retail Type	Growth (99-01) Percentage
Apparel	12%
General Merchandise	3%
Food Stores	-2%
Eating and Drinking Places	14%
Home Furnishings	20%
Bldg. Matrl. & Farm Implmts	467%
Auto Dealers & Auto Supplies	40%
Service Stations	-3%
Other Retail Stores	0%
TOTAL	**26%**

Based on taxable retail sales reported by category from the State Controller's office, retail categories in which Huntington Park appears to be exporting (as of 2001) are service stations, and other retail stores (includes specialty stores such as sporting goods, jewelry[3], books and stationary) totaling $47 million. The City appears to be importing retail dollars, approximately $118 million, in categories such as auto dealers and supplies, apparel, food stores, eating and drinking places, building materials, and home furnishings.

The evaluation of the city's import and export of retail spending considers expenditure potential by category less the city's reported taxable sales by the same category. Expenditure potential by category is calculated by applying the percentage of income spent on a specific retail category (based on the California distribution of taxable sales) to Huntington Park's average per capita income and total population. The net difference between the demand potential per category and the city's reported taxable sales represents either a net import (if sales exceed potential) or export (if sales are less than potential).

Figure 10: Resident Retail Demand versus Reported Sales 2001 City of Huntington Park

RETAIL TYPE	RETAIL DEMAND POTENTIAL 1/	2001 TAXABLE RETAIL SALES 2/	ESTIMATED SALES FROM VISITORS AND NON-LOCALS	ESTIMATED LEAKAGE OF SALES OUTSIDE CITY LIMITS
Apparel	$13,368,000	$40,040,000	$26,672,000	$0
General Merchandise	$42,103,000	$39,897,000	$0	$2,206,000
Food Stores 3/	$19,119,000	$24,894,000	$5,775,000	$0
Eating and Drinking Places	$36,899,000	$48,594,000	$11,695,000	$0
Home Furnishings	$14,144,000	$32,119,000	$17,975,000	$0
Bldg. Matrl. & Farm Implmts.	$23,400,000	$39,917,000	$16,517,000	$0
Auto Dealers & Auto Supplies	$59,027,000	$97,890,000	$38,863,000	$0
Service Stations	$26,231,000	$20,340,000	$0	$5,891,000
Other Retail Stores	$64,520,000	$25,221,000	$0	$39,299,000
TOTAL	$298,811,000	$368,912,000	$117,497,000	$47,396,000



Given that the City's retail supply is older and locally owned, there is an obvious absence of a major value-oriented, regional shopping center serving the City and the surrounding area. Most of the large format national and regional retail tenants are underrepresented within a three and five-mile radius of Huntington Park. Many of these retailers, such as Best Buy, Kohl's, Wal-Mart, Circuit City, and many others, are seeking market entry in older urban areas such as Huntington Park and its surrounding cities.

[3] The City has several businesses that sell jewelry as well as other merchandise that may be included in the general merchandise category, and therefore, the potential leakage of jewelry sales may be overstated.

Of the potential 48 major chain power center/lifestyle stores, only five have been identified within a three-mile radius and another seven stores within a five-mile radius. The five stores within a three-mile radius include Smart and Final, Kmart, Home Depot, Staples, and Big Five Sporting Goods. The other seven stores within the five-mile radius include The Good Guys, Pearl Arts and Crafts, Target, Sam's Club, Petco, Office Depot, and Office Max. The 12 stores represent approximately 650,000 square feet out of a potential 2.5 million square feet among the 48 candidate stores.

The Festival Companies' El Centro retail development is a major development proposal that could more than meet the projected demand for Huntington Park. This project is still under negotiation and would consist of two sites (Site 1 at Slauson Avenue and Alameda Street and Site 2 at Slauson Avenue and Pacific Boulevard) totaling 80 acres. Details regarding prospective tenant are unknown at the moment.

Other retail developments in the surrounding communities of Maywood, South Gate and Vernon total a mere 60,000 to 70,000 square feet characterized as small strip centers or freestanding stores. The most significant potential for development activity is in the City of Commerce. Recently an RFP was issued by the city to develop a large mixed-use project featuring an entertainment retail center with a 15- to18-screen multiplex theatre, numerous restaurant pads, and some condominiums. The 25-acre land parcel is located at 5900 Telegraph Road and the Santa Ana Freeway. Another proposed major development is a big box retail center at the Firestone and Stahl sites (totaling 13 acres). Although a developer has not been selected, the proposed plan includes over 200,000 square feet of retail with a focus on attracting big box retailers. Additionally, Primestore Development is pursing development of a 200,000 square foot retail project at the corner of Alameda and Florence, in unincorporated Los Angeles County.

Huntington Park Retail Development Outlook

Currently, there is demand potential to develop a 300,000 square foot power center (large format value retailers), based on a conservative capture of 5% of the demand potential within a five-mile radius of Huntington Park. The demand potential doubles to 700,000 square feet assuming a capture of 10% of the retail expenditure potential. The demand potential is projected to grow by 55,000 (on the conservative scenario) and 110,000 square feet (on the aggressive scenario) in the next five years, based on the trade area's projected population growth.

In order to understand Huntington's retail demand conditions, we projected the trade area's (three and five-mile radius) gross retail expenditure potential or purchasing power currently and five years from today. Retail categories analyzed are those typically found at regional serving retail centers (i.e. apparel, home furnishings, electronics, etc.), excluding demand for food at home, drugs, and auto-related purchases.

Gross retail expenditure potential is determined by the combination of total population, per capita incomes, real income growth based on historical averages, and expenditure patterns obtained through the U.S. Bureau of Labor Statistics' Consumer Expenditure

Survey (2000). We assumed that the trade area residents would have similar expenditure patterns as the survey households in the Western region of the country with comparable average household incomes.

Critical Assumptions

The conclusions and recommendations presented in this report were reached based on our analysis of the information available to us from our own sources and from the client as of the date of this report. We assume that the information is correct, complete and reliable.

Our conclusions and recommendations are based on certain assumptions about the future performance of the global, national, and/or local economy, as well as that of the real estate market and on other factors similarly outside either our control or that of the client. To the best of our ability we analyzed trends and information available to us in drawing these conclusions and making the appropriate recommendations. However, due to the very fluid and dynamic nature of the economy and the real estate markets, it is critical to continually monitor the economy and the market, and to revisit the aforementioned conclusions and recommendations periodically to ensure that they stand the test of time.

We assume that in the future the economy and the real estate markets will grow at a stable and moderate rate. Often this assumption is made due to budget limitations that prevent us from delving deeper and/or more frequently into the economic forecast or the forecast of the real estate markets. History tells us that this stable and moderate rate growth pattern is not likely to occur over extended periods of time. The economy is quite cyclical, and the real estate markets are typically very sensitive to these cycles. Our analysis does not take into account the potential negative impact that major economic "shocks" could have on the national and/or the local economy, and the residual impact on the real estate market and the competitive environment. Similarly, this analysis does not account for the potential benefit that sustained periods of extra-ordinary expansion and high-paced economic growth could have on the market.

Although not accounted for in this analysis, a mild economic slowdown could occur sometime between 2001 and 2004. However, its timing is unknown, as are its depth and duration. We expect the next downturn to be significantly milder than that witnessed in the 1991-1992 national recession.

Additionally, we assume that economic, employment and household growth will occur more or less in accordance with current expectations, as will other forecasts of trends and demographic and economic patterns. Along these lines, we are not taking into account any major shifts in the level of consumer confidence; in the cost of development and construction; in tax laws (i.e. stable property and income tax rates, deductibility of mortgage interest, etc.); or, in the availability and/or cost of capital and mortgage financing for real estate developers, owners, and buyers. Should any of the above change, there is good reason to believe that this analysis should be updated, and the conclusions and recommendations summarized herein, be accordingly reviewed (and possibly revised).

We also assume that competitive projects will be developed as planned (active and future), and that real estate demand will be met with a reasonable stream of supply offerings. Finally, we assume that major public works projects occur and are completed as planned.

General Limiting Conditions

Every reasonable effort has been made to insure that the data contained in this study reflect the most accurate and timely information possible and it is believed to be reliable. This study is based on estimates, assumptions and other information developed by RCLCo from its independent research effort, general knowledge of the industry and consultations with the Client and its representatives. No responsibility is assumed for inaccuracies in reporting by the Client, its agent and representatives or any other data source used in preparing or presenting this study. This report is based on information that was current as of July 2002, and RCLCo has not undertaken any update of its research effort since such date.

Our report may contain prospective financial information, estimates or opinions that represent our view of reasonable expectations at a particular point in time, but such information, estimates or opinions are not offered as predictions or as assurances that a particular level of income or profit will be achieved, that events will occur or that a particular price will be offered or accepted. Actual results achieved during the period covered by our prospective financial analysis may vary from those described in our report and the variations may be material. Therefore, no warranty or representation is made by RCLCo that any of the projected values or results contained in this study will actually be achieved.

Possession of this study does not carry with it the right of publication thereof or to use the name of "Robert Charles Lesser & Co." or "RCLCo" in any manner without first obtaining the prior written consent of RCLCo. No abstracting, excerpting or summarization of this study may be made without first obtaining the prior written consent of RCLCo. This report is not to be used in conjunction with any public or private offering of securities or other similar purpose where it may be relied upon to any degree by any person other than the Client without first obtaining the prior written consent of RCLCo. This study may not be used for any purpose other than that for which it is prepared or for which prior written consent has first been obtained from RCLCo.

Opportunity Sites

Given the market demand for the development of more regional-serving retail uses and industrial development in the Huntington Park market area, RSG has prepared the following assessment of the likelihood that this demand can be accommodated through redevelopment of specific properties identified by City staff. This opportunity site analysis considers the costs to assemble, clear, and develop sites of sufficient scale to accommodate contemporary development.

The three sites studied in this analysis consist of the following:

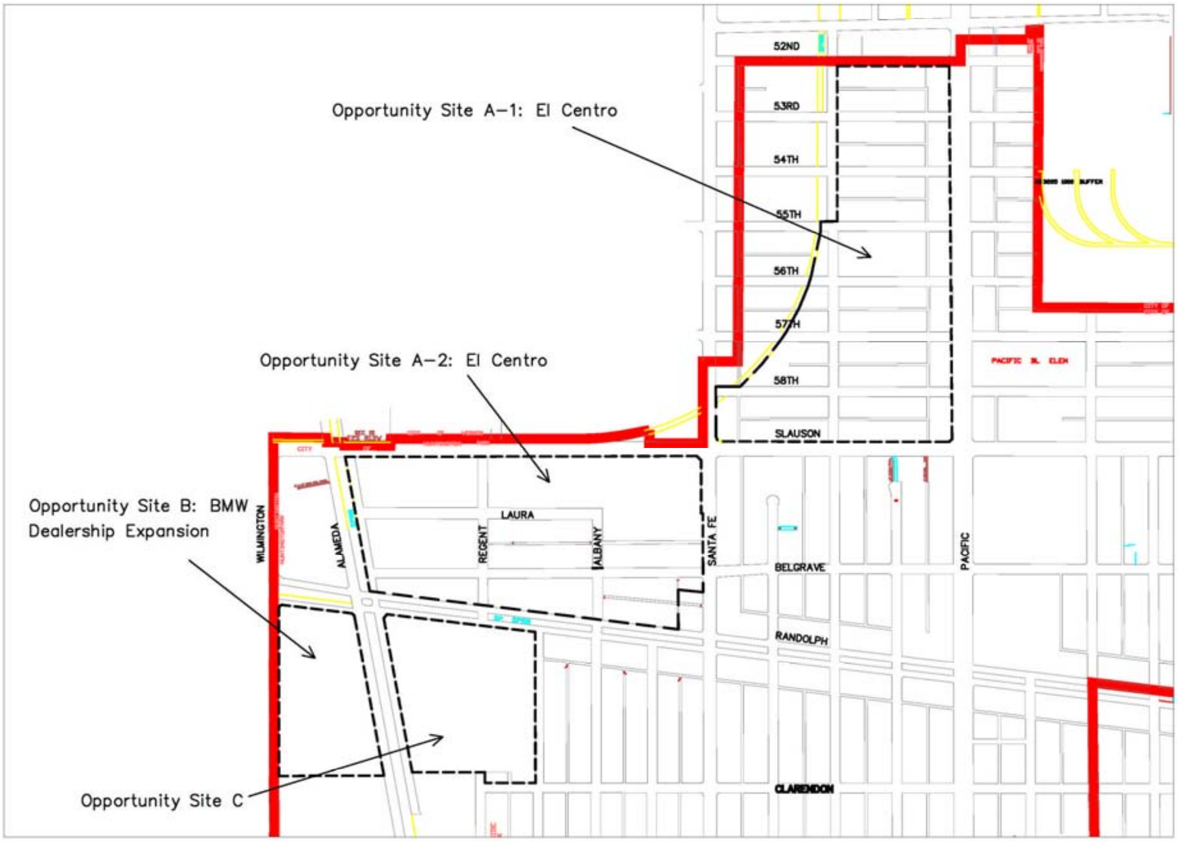
1) Proposed "El Centro" Shopping Center site located both at the northwest corner of Slauson Avenue and Pacific Boulevard (Phase 1) and the southeast corner of Slauson Avenue and Alameda Street (Phase 2). The current proposal being offered by Festival Companies is to redevelop this 76-acre site that currently contains a mix of dilapidated industrial buildings, retail buildings and residential property into a 1.5 million square foot regional serving power center. It is notable that the 1.5 million square feet of retail development proposed is more than double RCLCo's projected demand for new retail space in the five-mile market area, a disparity that merits closer study by the City before it commits to this project.

2) Alameda Corridor of Cars located west of Alameda Street, between Slauson and Gage Avenues. The City is focusing on the long-term development opportunities for 14.4-acre industrial park located between two automotive dealerships (Nick Alexander BMW/Mini and Sopp Ford).

3) Randolph and Alameda Industrial area located along the south side of Randolph Street, from Alameda Avenue to Cottage Street. This built out study area contains older warehouse and manufacturing uses, and could long-term recycle into a more contemporary and cleaner industrial area that appeal to a broader market and provide an alternative location to growing local businesses.

The map below depicts the location of the three opportunity sites studied in this Plan:

Figure 11: Opportunity Sites Map City of Huntington Park



In general, the lack of property of at least 10-acres that can be relatively easily developed, places Huntington Park in a strategic disadvantage as compared to communities like Southgate and Commerce. Overcoming this obstacle involves recycling built out areas containing a mix of 40 or more year old commercial, industrial, and residential uses. The opportunity sites are significantly subdivided with ownership highly diversified. As a result of these factors, assembly of the opportunity sites could be expensive and time consuming.

To make matters more challenging, City staff reports that current and future redevelopment tax increment funds are pledged to preexisting debt service obligations, so may be more dependent upon the ability of the private sector to reach agreements with long-term property owners.

All three of these opportunity sites are located within the Merged/Santa Fe Redevelopment Project Area, which enables the Huntington Park Community Development Commission (CDC) to redevelopment tools that could facilitate the development of these areas through land assembly and other incentives. Below, RSG has summarized the costs of land assembly associated with the various opportunity sites. The analysis assumes that the CDC would be involved in either financially subsidizing or otherwise participating in the projects, thereby triggering requirements of the California Community Redevelopment Law to provide relocation benefits to persons and businesses displaced by the a project in these areas.

Cost estimates for the various components identified were based on cursory field inspections of the subject properties and experience with similar projects in the general area. These costs should be considered preliminary and subject to refinement in the course of any project implementation.

These costs do not include replacement housing costs mandated by Section 33413(a) of the Redevelopment Law, wherein the CDC is obligated to ensuring that replacement affordable housing is developed inside or outside its Project Areas within four (4) years of removal of any units. It is RSG's assumption that the CDC's affordable housing program can meet these obligations without further assistance from the project.

Figure 12: Land Assembly Cost Estimates Huntington Park Opportunity Sites

Location	El Centro I (Slauson/Pacific)	El Centro II (Slauson/Alameda)	Alameda Corridor of Cars	Randolph & Alameda Industrial
Potential Use	650,579 sf Retail Center	831,902 sf Retail Center	New Auto Dealership & Expansion of Existing	300,000 sf Multi-Tenant Industrial Park
Existing Land Use(s)	Industrial, Commercial, Residential, Parking	Industrial, Commercial, Miscellaneous, Parking, Residential	Industrial, Miscellaneous, Commercial	Industrial, Parking, Miscellaneous, Commercial, Residential
General Plan	Land Use Study Area	Land Use Study Area	Manufacturing Planned Development; Land Use Study Area; General Commercial	Manufacturing Planned Development
Acres /1	39.5	36.3	14.4	18.1
Parcels	177	81	12	20
Owners	99	52	9	12
Residential Units	71 (No Owner Occupied)	2 (No Owner Occupied)	0	3 (All Owner Occupied)
Estimated Acquisition Costs and Needed Subsidy				
Land/Imps	$ 48,800,000	$ 54,140,000	$ 15,180,000	$ 15,090,000
Fixtures/Equip.	3,980,000	2,620,000	460,000	640,000
Relocation	3,860,000	1,680,000	360,000	350,000
Goodwill	3,190,000	2,000,000	290,000	370,000
Environmental Assessment	1,220,000	210,000	0	0
Demolition	880,000	1,320,000	440,000	350,000
TOTAL /2	$ 61,910,000	$ 61,960,000	$ 16,720,000	$ 16,800,000
TOTAL/SF	$ 51.35	$ 38.70	$ 26.60	$21.31
Less: Land Value	(12.00)	(12.00)	(12.00)	(15.00)
SUBSIDY/SF	39.35	26.70	14.60	6.31
TOTAL SUBSIDY	**$ 46,680,000**	**$ 42,550,000**	**$ 9,170,000**	**$4,970,000**
			GRAND TOTAL	**$ 103,370,000**

1/ Excludes public right of way dedications
2/ Totals may not equal due to rounding

The above analysis indicates that substantial subsidies (totaling more than $103.4 million) would be required if all of these projects were to be undertaken by the City and/or the CDC. Apart from the density and diverse ownership of the existing land uses, the expectations of national credit retailers to receive the land at a below market price (usually under $10 per square foot) creates significant feasibility problems, as RCLCo estimates the land value can range from $20 per square foot for high traffic corner locations to $12-$15 per square foot for less attractive locations. As the areas studied are primarily higher traffic corner locations, the City would be asked to subsidize more than half of the land price, even after finding the costs to clear, relocate, and consolidate the existing parcels.

As described in the next section of this Plan, the City cannot underwrite the entire cost of all four phases of development within the opportunity sites, even bringing in all of the various federal, state and local economic development grants and tools it has available. This financial limitation, coupled with the disparity between the market demand anticipated by the El Centro project developer and RCLCo, suggest that these economic development ventures should be phased in beyond the next five years.

Existing Program Analysis

The City has a number of local and other resources that it employs to implement economic development projects in the City. These include the following:

- Community Redevelopment (via the Community Development Commission)
- Section 108 Loan Program
- Economic Development Administration Grants
- Mid-Alameda Corridor State Enterprise Zone
- Pacific Boulevard Merchants Association Business Improvement District
- Hub Cities Career Center
- Business Assistance Program
- Industrial Development Bonds
- Recycling Development Market Zone

These various programs are described below:

Community Redevelopment

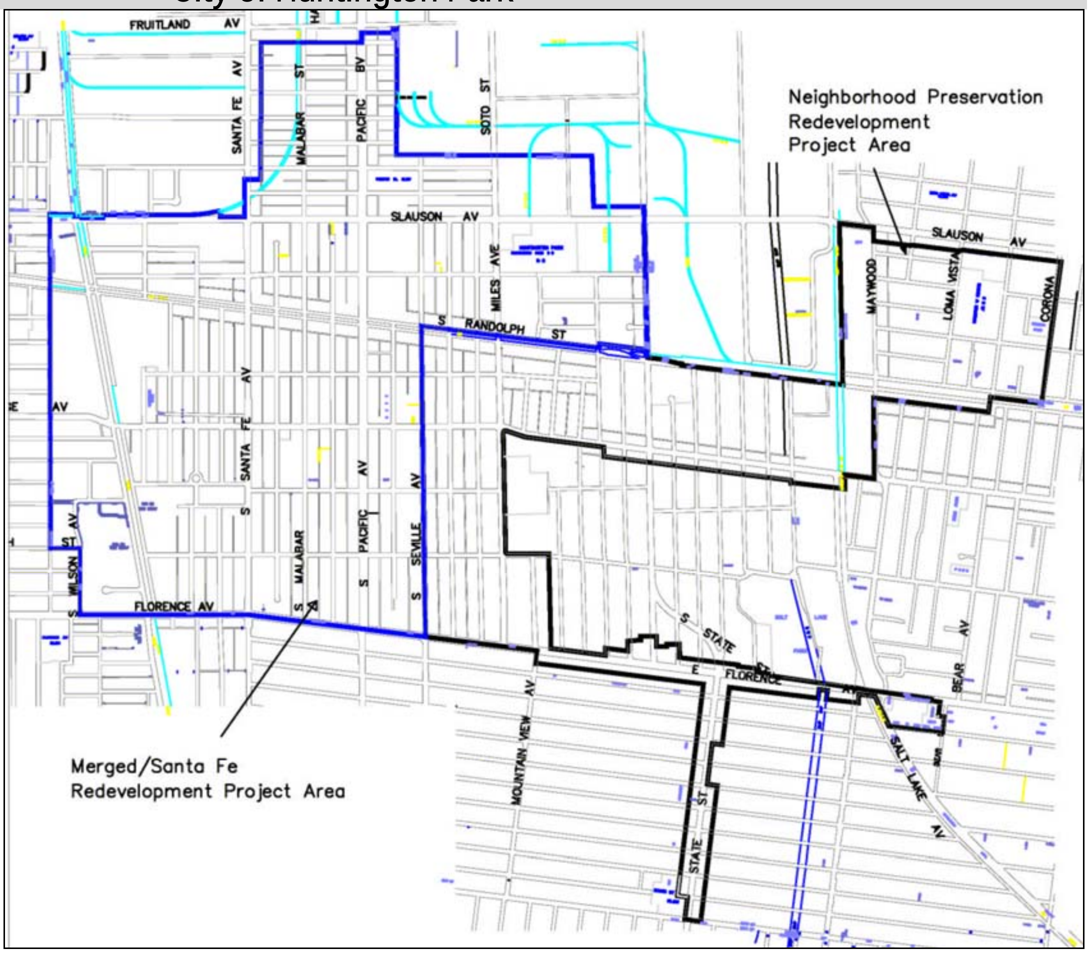
The Huntington Park Community Development Commission (CDC) administers two redevelopment project areas that encompass all of the commercial and industrial zoned property in the City. These include the Merged/Santa Fe Redevelopment Project Area and the recently adopted Neighborhood Preservation Redevelopment Project Area.

- The **Merged/Santa Fe Redevelopment Project Area** is bound by the City limits to the west and north, State Street and Seville Avenue to the east, and Randolph Street and Florence Avenue to the south. The Merged/Santa Fe Project Area incorporates four constituent redevelopment project areas established between 1970 and 1984, which were subsequently merged into a single project area in 1990. According to City staff, the CDC has a substantial amount of indebtedness incurred against this Project Area, and is in arrears on obligations to the Housing Set Aside Fund (approximately $14 million) and the County of Los Angeles (approximately $34 million). These obligations, coupled with existing bond debt service, have encumbered all Merged/Santa Fe Project tax increment revenue for the foreseeable future. Only a limited amount of funds, if any, may be available for the CDC to invest in projects from this Project Area.

- The **Neighborhood Preservation Redevelopment Project Area** is located southeast of the Merged/Santa Fe Project Area, and includes the balance of the Florence Avenue, Gage Avenue, and Randolph Avenue corridors, plus additional commercial, industrial and residential property in the area. The Neighborhood Preservation Project Area was adopted by the City Council on July 15, 2003 and would begin generating tax increment revenue in December 2004. In the short-term, the only unencumbered tax increment revenue available to the CDC would be generated by this Project Area (once it begins to collect revenue next fiscal year).

A map of the Project Areas is presented below:

Figure 13: Redevelopment Project Areas Map
City of Huntington Park



Within the boundaries of the Project Areas, the CDC retains a higher portion of the tax increment revenue to underwrite affordable housing and redevelopment projects that alleviate blight. Presently, CDC staff reports that all redevelopment funds are encumbered by preexisting debt obligations in the near term, and indicated that it was not anticipated that any funds would be available to implement economic development projects.

However, the CDC does have other important resources that will be essential to the success of this Plan, including unique land assembly capabilities that are critical to the implementation of projects at the opportunity sites. As a last resort, the CDC may also use eminent domain authority, which was recently reinstated according to CDC staff.

Section 108 Loan Program

As a designated Community Development Block Grant (CDBG) entitlement community, Huntington Park is eligible to apply for a guarantee from the Section 108 Loan Guarantee program. CDBG funds may be used in areas to benefit low and moderate-income households, projects that eliminate blight and prevent slums, or other community development purposes when the health and welfare of a community is at risk. Specific uses of CDBG and Section 108 Loan proceeds include the following:

- Acquisition of real property;
- Relocation and demolition;
- Rehabilitation of residential and non-residential structures;
- Construction of public facilities and improvements, such as water and sewer facilities, streets, neighborhood centers, and the conversion of school buildings for eligible purposes;
- Public services, within certain limits;
- Activities relating to energy conservation and renewable energy resources;
- Provision of assistance to profit-motivated businesses to carry out economic development and job creation/retention activities.

Section 108 is one of the most potent and important public investment tools that HUD offers to local governments. It allows them to transform a small portion of their CDBG funds into federally guaranteed loans large enough to pursue physical and economic revitalization projects that can renew entire neighborhoods. Such public investment is often needed to inspire private economic activity, providing the initial resources or simply the confidence that private firms and individuals may need to invest in distressed areas.

Section 108 loans are not risk-free; however, local governments borrowing funds guaranteed by Section 108 must pledge their current and future CDBG allocations to cover the loan amount as security for the loan.

Economic Development Administration Grant

The federal Economic Development Administration (EDA) offers matching grants up to $2.0 million for projects that yield so-called family wage jobs, defined by EDA as wages averaging $10 per hour or more. The EDA grant is determined based upon the number of family wage jobs created at a rate of $10,000 per job.

Though not true in every instance, retail jobs typically pay less than $10 per hour, which often results in EDA grants going towards manufacturing and other higher paying projects. (Costco is one example of a retailer that provides jobs that meet this criterion.) Consequently, EDA grants are most likely to be effective in industrial projects.

Mid-Alameda Corridor State Enterprise Zone

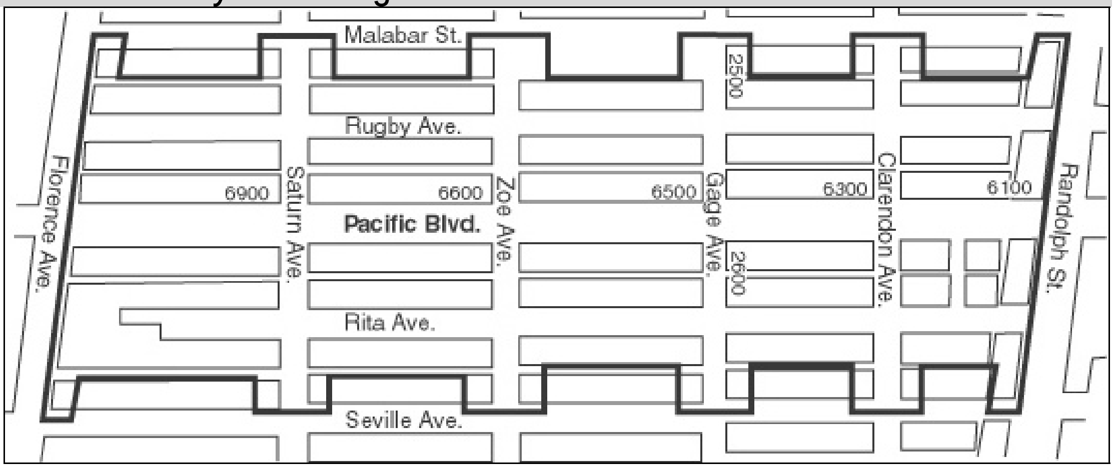
The entire City is located within the Mid-Alameda Corridor Enterprise Zone, which was designated by the State of California in September 1997. Through September 2006, new and existing Huntington Park businesses may take advantage of the following state income tax breaks:

- State tax credit on earnings in the Enterprise Zone, up to 50% of the amount of wages paid to qualified employees over a five-year period. Firms can earn $23,400 or more in state tax credits for each qualified employee hired.
- Credit for sales and use tax paid on qualified property and building materials, up to $1 million for individuals or $20 million for corporations.
- Business expense deduction for the cost of qualified property.
- Up to 100% Net Operating Loss carry-forward for up to 15 years.
- Lenders to businesses which are exclusively located in the Enterprise Zone eligible for a net interest deduction.

Pacific Boulevard Merchants Association Business Improvement District

The Pacific Boulevard Merchants Association is a business improvement district (BID) established in July 1995 to promote the activities and businesses within this downtown retail area located along the Pacific Boulevard corridor, from Florence Avenue to Randolph. The map below depicts the boundaries of the BID area.

Figure 14: Pacific Boulevard Business Improvement District Boundaries
City of Huntington Park



Approximately 600 members are eligible for supplemental police services as well as Pacific Boulevard marketing campaigns and festivals. The Association also holds forums among property owners, business members and professional members, provides technical assistance and information with government agencies, and represents the Association's interests to the community.

Hub Cities Career Center

The City channels much of its workforce development program through the Hub Cities Career Center located at 2677 Zoe Avenue, in Huntington Park. The Career Center provides a comprehensive system of training, placement and career planning for job seekers throughout Southern California, and offers an array of services for businesses and employers, such as human resources and consulting services, labor market information, and economic development resources.

Hub Cities One-Stop Career Center provides workshops on topics ranging from new business ventures to career enhancement skills. We offer vocational classroom training and work related programs. A network of public kiosks connects users in local cities to our Web site, where they can search for business, training and supportive services, look for jobs, or access the vast resources available on the Internet.

The Career Center is funded through the County Workforce Investment Board and partners with other agencies, including Huntington Park Adult School, Department of Social Services, California Employment Development Department, and the California Department of Rehabilitation.

Business Assistance Program

The Southeastern Los Angeles County Small Business Development Corporation (also referred to as the SBDC) administers the business assistance program on behalf of the

City. The business assistance program provides businesses with 50 employees or less with a variety of services from its offices in the City of Commerce, including:

- Stimulating one-on-one business counseling to help entrepreneurs start and/or manage your business better.
- High-powered educational workshops that can help business owners operate more effectively and profitably.
- Critical support and coaching to assist business owners with decision making and strategic planning.
- The Center also has available a business resources center with periodicals, books, and videos. A computer and color printer are also available for client use at no cost.

Industrial Development Bonds

Industrial development bonds (IDB) are a financing mechanism issued by a public agency that can provide between $1 million to $10 million of low interest financing to credit-worthy small manufacturers. The attractiveness of this financing is that because a public agency issues the IDBs at tax-exempt interest rates, the manufacturer enjoys interest rate savings and longer amortization periods (up to 30 years) as compared to conventional capital financing. IDB proceeds may be used to finance the acquisition, construction, and/or equipping of small manufacturing facilities to be owned by private companies. The issuing entity usually takes the form of an industrial development authority of the city or county, a joint powers authority made up of two or more pubic jurisdictions, or the California Economic Development Financing Authority, a statewide agency operating under the California Trade and Commerce Agency.

Among the restrictions and eligibility requirements for IDB are the following:

- At least 75% of IDB proceeds must be used toward equipment that directly is involved in the manufacturing process.
- Jobs nexus required—guideline is 20 jobs created or retained for every $1 million in IDB proceeds.

Recycling Development Market Zone

Huntington Park is part of the Los Angeles County Recycling Market Development Zone, which offers up to $2 million in low interest financing to acquire equipment, make leasehold improvements, purchase recycled raw materials and inventory, or acquire owner-occupied real property (limited to $500,000).

To be eligible for this program, businesses must use secondary materials from the waste stream in their manufacturing process. Each eligible business or local government agency may borrow up to 75 percent of the cost of a project, for a maximum loan of $2 million. The term of the loan is not to exceed 10 years (15 years if secured by real estate) and amortization schedules are based on the useful life of the asset being financed.

Other Programs

In addition to those mentioned above, the City implements the following programs for small businesses in the community:

- Micro-Loan Program
- Commercial Rehabilitation Program
- Economic Development Assistance Fund
- Small Business Association Loan Underwriting

Program Application Matrix

Below, RSG has prepared a matrix that identifies which economic development programs may be useful in the development of the opportunity sites described in the previous section, as well as general economic development endeavors to help startup and small businesses. This matrix is intended to help staff identify which programs are most applicable to the various implementation projects described in this Plan.

Figure 15: Economic Development Program Applications
Huntington Park

Program	Opportunity Site Development				Other Economic Development Projects
	El Centro I (Slauson/ Pacific)	El Centro II (Slauson/ Alameda)	Alameda Corridor of Cars	Randolph & Alameda Industrial	
Community Redevelopment	X	X	X	X	X
Section 108 Loan Program	X	X	X	X	X
Economic Development Administration Grants	X	X	Not Likely	X	X
Mid-Alameda Corridor Enterprise Zone	X	X	X	X	X
Pacific Boulevard BID					X
Hub Cities Career Center					X
Business Assistance Program					X
Industrial Development Bonds				X	X
Recycling Market Development Zone				X	X
Micro-Loan Program					X
Commercial Rehab Program					X
Economic Development Assistance Fund	X	X	X	X	X
Small Business Loan Underwriting					X

Implementation Strategy

This Plan emphasizes the need to pursue a broader economic development strategy to capture projected demand for industrial and retail projects, both in the form of bolstering existing businesses and becoming more proactive in creating sites for infill/redevelopment of new uses. As outlined in this Plan, many of the goals and initiatives cannot be implemented immediately due to funding limitations. In this vein, this section presents a realistic implementation strategy for the next five years. As local and regional market conditions have a significant influence on real estate and business demand used in developing this implementation strategy, RSG recommends that the City Council annually monitor its economic development program and refine the implementation plan as appropriate in the future.

Financing

Communities need developable land in order to encourage development of businesses; when a supply of land is not available, financial incentives are often necessary to assemble, consolidate, clear and redevelop existing properties. Huntington Park's greatest challenge is that it has neither a significant inventory of developable land nor financial resources to create sites for future use. Thus, the first task of the City should be to seek out additional funds for economic development investments.

Obviously, the City should continue its efforts in soliciting grants from the EDA and other agencies. These efforts could reap the City with $2.0 million or more of funds for economic development initiatives that result in a net increase in jobs.

A more sustainable source of economic development assistance could be derived from the CDC, once tax increment revenues from the Neighborhood Preservation Project Area and Merged/Sante Fe Project Area become available. Over time, the Neighborhood Preservation Project Area could contribute some portion of its net nonhousing revenues (approximately 50% of the annual gross tax increment revenue) to economic development projects once tax increment revenues become available beginning in December 2004.

For the Merged/Santa Fe Project Area, the solutions are more complex because the Project Area is currently in arrears to the Housing Set Aside Fund (approximately $14 million) and the County of Los Angeles (pass through payments totaling approximately $34 million). The most efficient way for the CDC to come current on these obligations is to emphasize growth in the tax increment revenue base, meaning that CDC will need to have funds available to invest in projects to generate this growth. RSG recommends that the CDC staff prepare a long-term debt management strategy that establishes a repayment schedule for the deferred housing set-aside and County pass through, while designating a portion of these funds for economic development projects.

Program Cost and Funding Sources

The direct costs associated with implementation of these activities are limited to staff and potentially contract consultants to assist in the development of the long-term financial strategy. If the CDC elects to engage consultant(s) to assist with these efforts, the cost could range between $15,000 and $40,000, depending upon the scope of services needed. Funding sources would likely include the City General Fund and/or CDC nonhousing tax increment revenues.

Timetable for Implementation

Procuring grants should remain an ongoing activity of the City Community Development Department, while the CDC financing strategy should be conducted as soon as possible.

Measures of Success

- Amount of funds invested annually in economic development projects

Marketing

The City currently engages in a variety of direct and indirect marketing campaigns to promote development in Huntington Park; based on the recent successes in attracting Home Depot, Staples, Sketchers, Krispy Kreme Doughnuts, La Curacao, FAMSA, and other retailers, these marketing efforts appear to be worth pursuing in the future.

However, RSG has noted the need to dispel incorrect perceptions about crime rates in Huntington Park among the real estate brokerage community. Interviews with several industrial brokers revealed mistaken perceptions about the level of crime that in part led brokers to suggest to their clients, alternate locations in Commerce and Vernon, when in fact these other communities actually have higher crime rates than Huntington Park. These perceptions can be overcome, as communities like Santa Ana have seen, by getting the facts out to the business community and availing brokers and prospective users the opportunity to meet police officials as part of site visits.

There is a variety of means to communicate this message, but RSG believes that given the need to establish a closer working relationship with the real estate community, a direct face-to-face discussion is preferable, followed up with regular direct mail updates on the City’s public safety and other community development successes. Since real estate brokers would be most motivated to participate if it resulted in future work, the City should partner with the Chamber of Commerce or a similar business organization to host an annual breakfast meeting with the real estate community and business leaders to promote Huntington Park and provide succinct facts about crime and other concerns. Brokers currently active in Huntington Park (either listing property or representing users seeking locations) should be targeted, as well as other brokers active in surrounding areas.

The follow up mailings should be brief and focused on one or two topics involving crime or other community development issues, so the reader can quickly digest the material and be able to share it easily with their clients.

Program Cost and Funding Sources

The additional cost of providing an annual breakfast meeting and follow up mailings is estimated to cost approximately $5,000 annually. This cost could be met by the City's General Fund and/or by CDC tax increment revenues.

Timetable for Implementation

This program should be implemented immediately and maintained on an annual basis.

Measures of Success

- Maintenance of existing marketing programs;
- Count of participants attending annual breakfast meetings;
- Number of follow up mailing(s) on crime; and
- General feedback from brokers and ultimately overall increase in interest in Huntington Park.

Business Retention

Business retention is critical to Huntington Park not only because of the number of small businesses in the community, but the fact that they collectively are responsible for the current economic prosperity of the community. So while the City pursues avenues to diversify its economic base, efforts must be made to assist smaller businesses that must contend with greater competition. At the same time, the City needs to retain higher wage manufacturing and other industrial jobs in the community.

Maintaining Retail Businesses

With tenants that succeed by virtue of their size and ability to offer lower prices, the proposed El Centro project could pose a threat to current Huntington Park general merchandise, apparel, and restaurant retailers. Ideally, the City should strive to have the El Centro development compliment its existing retail districts, by continuing to dedicate financial resources to upgrade the aesthetic quality of existing retail areas, enhance urban infrastructure such as parking and street lighting, and encourage the Chamber of Commerce and other business organizations to offer small business training programs on emphasizing customer service.

Specific activities that should be considered include the following:

- Expand the existing Pacific Boulevard BID to incorporate new major redevelopment sites proposed north of Slauson Avenue, thereby creating a venue for businesses along this corridor to engage in joint marketing and promotional efforts, increase resources for BID programs, and implement a consistent improvement program along this entire corridor.

- Encourage the Chamber of Commerce and/or BID to develop training programs for small businesses on joint marketing and customer service.

- Prioritize discretionary capital improvement investments into existing commercial corridors.

- Continue development of specific plan for downtown area.

Industrial Business Retention Strategy

The City must also start looking at means to retain growing industrial businesses in the community. Huntington Park lies within one of the most virulent industrial markets in the Los Angeles area, and has an extraordinarily low vacancy rate, despite the lack of affordable contemporary industrial buildings. This latter point is a serious impediment to sustainable economic development. Public investments to help a startup business grow; only to later lose that business because of the lack of larger industrial space cannot be accepted.

Without vacant developable land, Huntington Park needs to plan on redeveloping its existing underachieving industrial areas. The most viable locations for these projects area in the Randolph/Alameda industrial area, where many obsolete and dilapidated structures sit idle, and at the moment, on the market for purchase or lease. (Properties on the north side of Randolph Street would be available for industrial redevelopment if the El Centro project is not fully built out.)

Now is the time for the CDC to begin undertaking a modest scale (five acres) industrial redevelopment effort, particularly if industrial tenants in other parts of the City (i.e. businesses currently within the area of the proposed El Centro project) may be relocated to make way for other City-initiated projects. Specific actions the City should pursue include the following:

- First, ascertain the scope of the El Centro project to determine the final boundaries of that project area and identify what remaining industrial areas could be considered for future redevelopment.

- Establish a project budget based on available revenues from the CDC and City.

- Survey available properties in the area around Gage Avenue, Alameda Street, Slauson Avenue, and Santa Fe Avenue, and conduct an updated feasibility study (similar to the one contained on Figure 12 of this Plan) for assembly and redevelopment. The feasibility study should consider acquisition and eminent domain costs, relocation, demolition, site remediation, and other incidental costs. Within the feasibility study area, rank potential sites of at least five acres in terms of accessibility to major roads, land use objectives and cost of implementation.

- Engage in informal discussions with existing property owners to ascertain near and long-term plans for their properties in the study area. Try to surface interest in redevelopment of their properties.

- Consult with brokerage community regarding desirable project amenities, building configurations and absorption expectations for future redevelopment of industrial uses in the area. Based on preliminary consultations with brokers and observations of recent developments north of Slauson Avenue on the east end of the City, multi-tenant industrial uses appear to be most viable.

- Initiate owner participation and developer solicitation process through CDC.

- Fund project subsidies as warranted by project-generated tax increment revenues.

- Solicit interest from relocates and other existing Huntington Park industrial businesses, particularly nonconforming uses along existing retail corridors, such as Maywood Avenue or Florence Avenue.

Program Cost and Funding Sources

The City and CDC currently are undertaking efforts to revitalize existing retail and industrial areas. There will be an ongoing and potentially sizable investment needed to successfully maintain a business retention program because the City, CDC, and other funding sources must be tapped for both physical improvements and ongoing business promotions. The extent and total cost of these retention programs is limited to the availability of funding. Therefore, the City and CDC must seek grants as well as reserving capital funds for business retention programs.

Existing business recruitment programs should be maintained at their existing levels, including the Pacific Boulevard BID, Business Assistance Program, Micro-Loan Program, Commercial Rehabilitation Program, and Small Business Loan Underwriting. Additional funds will be needed, most likely from the CDC and EDA, to undertake larger scale infill redevelopment projects like the one proposed for the Randolph and Alameda industrial area. A total of approximately $4.9 million of funds would be needed if the CDC redeveloped the entire 18 acres of this site, but the subsidy would be roughly proportionally lower if the size of the initial phase of this project was limited to 5 acres. Future project-generated tax increment funds, as well as EDA assistance would be needed for this project to be implemented in the next five years.

Timetable for Implementation

Funding availability will determine the rate at which the entire business retention program can be undertaken.

Measures of Success

- Number of businesses assisted through retention program versus number of businesses lost to other jurisdictions;

- Number of new industrial square footage developed in Huntington Park.

New Development Opportunities

Though larger than the projected retail market demand for the next five years, the Festival Companies El Centro proposal is similar in concept to the type of infill projects needed in Huntington Park. Over the next five years, RCLCo estimates that between 300,000 to 700,000 square feet of retail space is in demand in the Huntington Park, and another 3,125,000 square feet of new industrial space is needed in the greater Huntington Park market area (which would include surrounding cities).

Clearly, development of these uses would be critical to the long-term sustainability of the Huntington Park economy, but the City may have to consider other activities in the interim to stimulate economic development. The challenge with projects of this type is that they involve land assembly, relocation, demolition, and financial subsidies. The CDC has the ability to provide technical assistance and avail its redevelopment eminent domain tools to make projects happen, but at least within the Merged/Santa Fe Redevelopment Project Area, tax increment funds are not anticipated to be available for the foreseeable future. As a result, implementation of these projects may be contingent upon other funding (such as EDA grants, developer advances, etc.) and their build out may be phased in over a more gradual timeframe that what would otherwise be preferable.

Other options for the CDC to consider would be to look to identifying one or two catalyst projects within the new Neighborhood Preservation Redevelopment Project Area as a means to jumpstart tax increment revenue flows, stimulate other revitalization efforts, and potentially open up more resources for the City's economic development program. None of the opportunity sites designated by City staff were located within this Project Area, and it would be appropriate for the CDC to formulate a redevelopment strategy for this area that identifies specific opportunities for redevelopment.

Program Cost and Funding Sources

The cost of the program is determined by project-by-project analysis, and the availability of City financial assistance.

Timetable for Implementation

Contingent upon available funding, but most likely not earlier than gradually over the next five years, with the likelihood that future phases of development occur after the next five years.

Measures of Success

- Development of a redevelopment strategy for the Neighborhood Preservation Project Area; and
- Build out of future projects.