

STAFF REPORT
City of Lancaster, California
Lancaster Redevelopment Agency

JNB 2
2/24/09
MVB

DATE: February 24, 2009

TO: Mayor Parris and City Council Members
Chairman Parris and Agency Board Directors

FROM: Vern Lawson Jr., Economic Development/Redevelopment Director

SUBJECT: **Lancaster Economic Stimulus Package**

Recommendation:

It is recommended that the Council and Agency Board members approve the appropriation and implementation of the Lancaster Economic Stimulus Package.

Fiscal Impact:

\$500,000 has been allocated from new Agency revenue and re-appropriated program funds as follows: \$100,000 Gift Certificate Program, \$200,000 Auto Registration Program, \$100,000 Broker Incentive Program, and \$100,000 to market the program to businesses and consumers.

Background:

The City of Lancaster is committed to a partnership with local businesses in weathering the severe economic recession affecting communities nationwide. The Lancaster Economic Stimulus Package is a timely, targeted, temporary and demand driven effort to re-energize the local economy. Current economic indicators report data describing how serious the recession is affecting local communities throughout the Country.

Lancaster has been affected at levels much worse than reported in other areas of the county and state. The unemployment rate in the City is 12.4%, as compared to 9.3% statewide and 7.2% nationwide. City sales tax receipts were down 12.2% in the second quarter of the budget year and 7.5% in the third quarter, as compared to 2007. New auto sales, which generate 20% of all City sales tax revenue, were down 41% in the third quarter of 2008 compared to third quarter statistics from 2007.

Citywide retail and industrial property vacancies are at an all time high totaling 1.2 million square feet of empty commercial, office and industrial space. These blighted conditions directly add to the loss of jobs and sales revenues affecting all aspects of the local economy. The lack of employment opportunities along with the accompanying economic conditions add to a high degree of frustration and lack of confidence. Additionally, these conditions contribute to and

necessitate excess expenditures for crime prevention, correction and prosecution, and excess expenditures to maintain adequate police and fire services. The Lancaster Economic Stimulus Package is aimed at reversing these trends by infusing \$110,000,000 in to our struggling local economy.

Summary:

The Lancaster Economic Stimulus Package addresses five key sectors aimed at stimulating all areas of the local economy:

Merchant Assistance Program

The first sector of the program is a Merchant Assistance program which supports local businesses by encouraging community members to shop at home and aims to keep \$23,100,000 of spending right here in Lancaster. A gift card program will reward shoppers for spending at least \$300 at local businesses. In return, the consumer will be provided with a \$30 gift card to spend in participating Lancaster businesses. A similar reward will be given for purchasing a new automobile in Lancaster. Auto purchasers will receive the value of the cost of registration fees in gift cards which can be redeemed at Lancaster participating businesses. Additionally, merchants will be supported with access to a business banner program, offering local marketing opportunities while adding to the positive image of the City, and a wayfinding campaign of signage directing visitors to locations for dining and shopping within the city. The City will also join the shop local campaign by ensuring that the purchasing policy of the City allows for departments to shop local whenever possible. Staff has prepared logs to track both consumer and merchant participation in order to assemble data for evaluation of the impact and success of these programs.

Hospitality Program

The second sector of the program will support the local hospitality industry by a concerted effort to expand the tourism tax base. The City will work with local businesses and agencies to develop a Convention and Visitors Bureau aimed at creating new destination events and activities to bring visitors to our City who will utilize our local hotels, restaurants and entertainment venues. Businesses will experience an increase in sales as a result of increased numbers of visitors to the City. Current sports, film industry activities and festivals will be earmarked for expansion. It is expected that this part of the package could result in an infusion of as much as \$21,400,000 into the local economy. The new bureau will be charged with reporting the fiscal impact of its efforts on the regional economy by tracking the number of visitors to the community and the associated expenditures, much like the reports done by the City Parks and Recreation Department on the sports tourism program.

Construction (Capital Project Acceleration)

The third sector of the Stimulus Package will include the acceleration of capital projects putting local contractors and craftsmen back to work. Parks projects, foreclosed housing acquisition and rehabilitation, green energy investment and public works projects will mobilize immediately to infuse up to \$74,000,000 into the economy. Unlike other levels of government, the City of Lancaster will not delay in getting these projects out to bid and under construction. Completion of these projects and the value they provide to the community will be analyzed and reported annually through the budget and CIP process.

Developer/Broker Assistance

The fourth sector targets Developer and Broker assistance. Development incentives will provide a smoother process for bringing projects to construction ready status and broker incentives will focus local real estate professionals on the need to fill vacant properties. Developers will experience streamlined planning requirements and support and brokers will receive an additional two percent commission for leasing retail and industrial space and a one percent additional commission for the sale of similar properties. Participants in these programs will be asked to respond to evaluation measures which will be used to refine these efforts and improve the process of delivering projects to construction and occupancy. Studies will also be conducted to report the impact of the broker program aimed at filling much of the 1.2 million square feet of vacant retail and industrial office space.

New City Revenues

Finally, new revenues of up to \$900,000 will be generated for the City of Lancaster's general operating budget. The Give Lancaster program will allow citizens to purchase items on behalf of the City such as park benches, trees and public art to name a few. A City store will be established to offer local products supporting the Lancaster brand. An amnesty program will generate funds by allowing administrative citations to be paid without penalty. Last but not least, the Lancaster City Brand will provide exciting and creative opportunities for businesses, agencies and citizens to promote a new positive image of the City thus attracting new businesses to the community. Revenues and success of each of these programs will be evaluated based on their productivity. Staff will utilize, where appropriate, the City's newly acquired Qualtrix Survey Program to assist in measuring the effectiveness of the Stimulus Package.

If the Council and Agency Board members concur with the recommendations in the Staff Report, it would be appropriate to authorize the City Manager to take the necessary actions to make these programs a reality. Staff envisions that some of the longer term programs will be brought to the Council and Agency Board members as they evolve.

VL:SG:ad