

RESOLUTION NO. 7482

**CITY OF SOUTH GATE
LOS ANGELES COUNTY, CALIFORNIA**

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SOUTH GATE
FINDING A SIGNIFICANT PUBLIC BENEFIT FROM CONSTRUCTING
OFF-SITE PUBLIC INFRASTRUCTURE IMPROVEMENTS AND WAIVING
CERTAIN DEVELOPMENT IMPACT FEES TO SPUR A COMMERCIAL
DEVELOPMENT KNOWN AS AZALEA AT THE CORNER OF FIRESTONE
BOULEVARD AND ATLANTIC AVENUE**

WHEREAS, the City of South Gate is located 8 miles southeast of downtown Los Angeles. The I-710 freeway runs through the City, I-105 freeway is to its south, and the I-110 freeway is to its west. The City is 7.5 square miles in area and hosts a diverse mix of residential, commercial, industrial and civic/public facilities. It was incorporated in 1923 with a population of 2,500 residents. Presently its population is over 105,000 residents of predominantly working class Hispanic origin employed in lower-paying retail and service jobs; and

WHEREAS, the City adopted its General Plan 2035 update on December 8, 2009. This General Plan set forth the goals, policies and objectives, including the transitioning of the northwest quadrant of the intersection of Firestone Boulevard and Atlantic Avenue to a vibrant retail project that will serve as a visual gateway to the City. As part of adopting the General Plan, the City held a series of stakeholder meetings and public meetings with various constituent groups in the City over a period of three years. The City received a Public Outreach Award from Los Angeles Section of the American Planning Association in 2007 for outstanding public engagement during the General Plan process. Residents and other stakeholders emphasized their need and desire to attract national-brand retailers that are essentially absent in the community. They expressed dissatisfaction with the lack of “one-stop” retail establishments and indicated that the City should provide the tools and resources to attract retail opportunities within the City as part of the long-range planning contemplated in the General Plan; and

WHEREAS, the City of South Gate prepared a Comprehensive Economic Development Strategy (“CEDS”) report which was approved by the U.S. Economic Development Administration on January 6, 2012. Under the guidance and direction of the City’s CEDS Committee, the CEDS report identified “Expansion of Retail Offerings” particularly along Firestone Boulevard, as one of the seven strategies for implementing the City’s economic development vision; and

WHEREAS, the Health Element of the City’s General Plan Section 2035 describes conditions and issues existing in the City related to the prevalence of liquor stores and unhealthy food service establishments and the lack of necessary commercial facilities such as grocery stores, drug stores and quality sit-down restaurants that are normally found in neighborhoods that would support healthy eating and living habits. The lack of these necessary commercial facilities and restaurants may adversely affect the public health, safety and welfare of the entire community

and specifically affect the health of residents of the community; in support thereof reference is made to the Health Element and the data referenced, and incorporated therein; and

WHEREAS, further, the Health Element discusses factual data that the residents of the City suffer from poor overall health. An abundance of liquor stores and unhealthy food establishments coupled with a lack of access to nutritious healthy food stores/restaurants evidence the need for such commercial establishments to facilitate people within the community to lead healthy lives. A desire for quality sit-down restaurants has been expressed by City residents at several public meetings; and

WHEREAS, in a city with a population of over 100,000 there are approximately 53 liquor stores but there are no large chain grocery stores (e.g., no Ralphs, Vons, Pavilion, Albertsons, and/or Trader Joe's stores), only two national sit-down chain restaurants (e.g., Denny's and IHOP), and only three national chain drug stores (i.e., 2 CVS stores, 1 Rite-Aid store) operating in the City, which facts, for a city of this size, density and population, evidence a serious lack of necessary commercial facilities that are normally found in other similar communities; and

WHEREAS, according to the State of California Economic Development Department, since the mid-2000s there has been a major and significant increase in the unemployment rate in the City, between 2008 to 2010 approximately 2,500 jobs have been lost in the City and, based on the estimated per capita income of City residents of \$13,913 as of the 2010 census, the lost jobs represent over \$34,750,000 in available annual income in the community; and

WHEREAS, according to City Staff estimates, the total factory/manufacturing area shutdown and/or lost in the past four years is approximately 2 million square feet and few new businesses have attempted to relocate to these sites, creating large new vacant properties in the City. A total of 74.52 acres of land area have been developed with public schools (2 high schools, 1 junior high school and 2 elementary schools) in the recent years. These properties are now under the management of LAUSD and will not be contributing sales tax revenue for the City; and

WHEREAS, there have been a high number of business closures in the City resulting in an increase in large, vacant buildings and lots, and in hundreds of lost jobs in the City, instances of business closures include:

HON Furniture: HON Furniture is a furniture manufacturer whose operations were previously located in the former Firestone manufacturing facility at the corner of Firestone Boulevard and Santa Fe Avenue. The HON Furniture plant was closed in 2008 and approximately 350 jobs were lost as a result of this closure.

US Gypsum: US Gypsum is a drywall and paper manufacturing company located near Salt Lake Avenue and Atlantic Boulevard that closed in 2008, resulting in the loss of approximately 300 jobs.

Maersk Trucking: Maersk Trucking outsourced to another state certain administrative operations in 2009 resulting in the loss of approximately 75 to 100 administrative and clerical jobs. Its two-story office building remains largely vacant and is up for sale.

Kustom Fit: Kustom Fit is a vehicle seat and furniture manufacturer located near Rawlings Avenue and Atlantic Avenue that closed operations in 2008, resulting in the loss of approximately 50 jobs. The site has been used for temporary equipment storage by a roadway construction contractor that worked on street repairs in the surrounding area.

Casa de Gonzales Nissan: Casa de Gonzales Nissan was a new automobile dealership near the intersection of Firestone Boulevard and Garfield Avenue, which closed in 2008. The site remains vacant and the dealership has not been replaced.

Casa de Gonzales Kia: Casa de Gonzales Kia dealership located near the intersection of Firestone Boulevard and Garfield Avenue also closed in 2008.

Casa de Gonzales Chrysler and Jeep: Casa de Gonzales closed the Chrysler and Jeep new automobile dealerships near the intersection of Firestone Boulevard and Garfield Avenue in 2010.

The Casa de Gonzales dealership closures resulted in the loss of between 100-150 jobs in the City. Three of the four Casa de Gonzales dealership sites remain completely vacant. The rear one-third of the other closed dealership site is used for temporary storage of an unrelated product by a local manufacturer, but the showroom, repair facilities, and auto display areas are all conspicuously vacant. Only one new automobile dealership, Llovio Ford, is currently in operation in the entire City. The loss of sales tax revenue from the Casa de Gonzales dealerships resulted in a significant financial impact to the City.

International Window: International Window is a window manufacturer whose operations were previously located at the intersection of Firestone Boulevard and National Boulevard. Its closing in late 2010/early 2011 resulted in the loss of approximately 100 jobs.

WHEREAS, there are many properties in the City, including a 60,000 square foot site at the corner of Firestone Boulevard and Garden View Avenue, an undeveloped site at the southwest corner of Atlantic and Tweedy, that remain vacant and create public safety/property maintenance issues. Weeds and litter, overgrown vegetation, illegal dumping, graffiti and vandalism, and rodent infestation affecting nearby residential neighborhoods are common subjects of City residents' complaints as lots and buildings are left vacant for extended periods of time; and

WHEREAS, other conditions of buildings and parcels in the City that hinder economic development and business investment include: (1) parcels with narrow rights of way that severely restrict access to structures from the public, including and in particular emergency vehicles, which causes inconvenience and safety concerns and reduces the value of such properties; (2) buildings with insufficient exits or exits blocked by vehicles, trash bins, or other stored items; (3) poor site layout including irregular parking facilities, inadequate or inconvenient access to buildings, traffic circulation deficiencies (i.e. inadequate turning radius) or insufficient space between buildings to provide a buffer and permit circulation; and (4) inadequate or faulty electric or telephone facilities, all of which conditions materially affect the

City's ability to promote economic development in order to spur sales tax revenue sufficient to continue to provide for the general health, safety and welfare of the City's residents; and

WHEREAS, the residents of the City are under-served by conveniently-located quality retail amenities in the City, and are forced to drive greater distances and to other jurisdictions to purchase retail goods. As provided by the U.S. Department of Transportation, Federal Highway Administration, "Transportation is the second largest expense for most households after housing. Households living in auto-dependent locations spend 25% of its income on transportation costs. Housing that is located closer to employment, shopping, restaurants and other amenities can reduce household transportation costs to 9% of household income;" and

WHEREAS, as of the 2010 Census, the annual per capita money income between 2006 and 2010 for City residents was \$13,913, which is less than half of the Los Angeles County average of \$27,334 and the State of California average of \$29,118; and

WHEREAS, pursuant to the 2010 American Community Survey, approximately 52% of the City's residents have earned a high school diploma versus 76% in Los Angeles County and only 7% have earned a bachelor's degree which is less than one-quarter of the average of 29% of residents of Los Angeles County; and

WHEREAS, the City is suffering from a much higher rate of unemployment (14.7%) than the County of Los Angeles (11.6%) or the State of California (10.9%), per the December 2011 figures released by the State of California Employment Development Department; and

WHEREAS, the City has suffered financially due to an earlier era in City governance during which millions of dollars were misappropriated by former City officials and vendors, depleting the City's reserves and general fund, leaving the City in need of catalytic projects that will provide much needed and additional local revenues, in particular sales tax and property tax revenues, to the City; and

WHEREAS, each year since Fiscal Year 2006-2007, the City has carried an annual deficit, where General Fund expenditures have exceeded General Fund revenues. The annual deficit over this period of time has ranged from \$900,000 to \$8,000,000; and

WHEREAS, General Fund revenue has decreased from \$43.1 million in Fiscal Year 2007-2008 to a projected \$36.3 million in Fiscal Year 2011-2012, a 16% decrease in operating revenue for the City's Police, Parks & Recreation and Public Works Services; and

WHEREAS, sales tax represented 32% of the revenue received by the City's General Fund for Fiscal Year 2011-2012, and has been a large portion of the City's General Fund revenue since Fiscal Year 2008-2009; and

WHEREAS, the only way the City has been able to maintain its operating costs (General Fund expenditures) at the same level since Fiscal Year 2007-2008 is through layoffs, compensation reductions, early retirements, and overall service reductions for residents and the South Gate business community. This includes a reduction in the City's workforce between early retirements, layoffs, and unfilled vacancies of 339 full-time employees in Fiscal Year 2008-2009 to 284 full-time employees in the current fiscal year, a 16% reduction in the City's workforce.