



STAFF REPORT

Meeting Date: November 30, 2010
To: Honorable Mayor & City Council
From: Mahdi Aluzri, Assistant City Manager
Alison Maxwell, Director Economic Development and Marketing
Subject: Presentation of findings of Draft Economic Sustainability Plan

Attachments: 1. Summary Presentation of Findings of Draft Economic Sustainability Plan

INTRODUCTION

This item provides City Council with a report on the draft findings and recommendations of the Economic Sustainability Plan, in anticipation of the Council's upcoming priority setting session on December 3, 2010.

DISCUSSION

To preserve its fiscal stability, the City of Beverly Hills responded to the economic recession by reducing its budget by \$27 million over the last two fiscal years. The City has made significant cuts in staffing, and has furloughed non-police and fire staff to further reduce costs. Without any adjustments, over the next few years the gap between revenues and expenditures is projected to increase. As such, the need to review City programs and prioritize them with a view to creating fiscal sustainability is ever more important.

Other than creating brand new sources of revenue, the City's fiscal sustainability might be viewed as a "three-legged stool", with each leg playing a role in supporting the City: 1) managing costs, 2) sustaining direct revenues (fees, taxes and grants) and, 3) supporting programming that will contribute to economic activity and stimulate direct and indirect revenue.

The brief provided for the Economic Sustainability Plan, as discussed here in this report, was to begin to address the third leg of the stool – focusing on City programming and to prioritizing those projects that lead to stronger economic sustainability.

The plan is currently being drafted and this presentation is intended to provide City Council as a whole with an opportunity to discuss and provide input prior to its publication in early 2011; in addition, the presentation is intended to provide the City Council with information to assist with the priority setting session planned for December 3, 2010.

In developing the outline for the plan, it was evident that two of the more traditional approaches to economic development were not options for Beverly Hills at this time.

- In January 2010, the Council adopted the General Plan, which emphasized maintaining the scale and character of the City. While the City Council stated its policy as welcoming individual development project proposals, the General Plan did not increase height or density to promote business investment. This has been cited by some as the most direct way to support economic sustainability and increase revenues without raising taxes and fees.
- Also, traditional economic development tools such as establishing blighted "Commercial Redevelopment Areas" or Enterprise Zones are not appropriate for Beverly Hills; and, without changes, state law constraints prevent redevelopment areas being established in the City.

Recognizing the need to maintain and increase revenues through less traditional means, the General Plan called for the development of this Economic Sustainability plan.

Over the last few months staff members have undertaken reviews of work plans to highlight programs that would most likely have long term positive effects on the City's four primary revenue streams: Transit Occupancy Taxes, Sales Taxes, Property Taxes, and Business Taxes/Permits and Licenses. There were extensive meetings with departments and other external stakeholders to identify and prioritize themes and programming that would help contribute to the City's fiscal health over the next three to five years. Much of the programming outlined in the report is either in City work plans already, or on the radar, with some new programming emphasis added.

It is the intention of the report to provide the City Council with an economic sustainability lens through which it can focus and assess its priorities for the coming fiscal years.

The Plan does not address budget cuts or increases in direct taxes or fees. It is expected that these matters will be addressed through mechanisms such as the City's Strategic Planning initiative and the budget process, both currently underway.

Overview of the Principal Elements of the Plan

To generate a common language in discussing economic sustainability, staff members developed the attached schematic, distinguishing Pillars and Foundations of Economic Sustainability. The Foundations underlie all City efforts, and are reflected in all initiatives included in the Pillars. The Foundations include:

- **Beverly Hills Brand:** the key element in attracting the visitors and businesses that support the fiscal strength of the City. Ensuring that the brand stays alive, refreshed and relevant was a strong message from all stakeholder groups, both internal and external.

- **Fiscal Stewardship:** Management of resources in the most cost-effective manner possible, while making prudent investments is fundamental to a well managed City and all its programs.
- **Quality of Life Stewardship:** Maintenance of property values by keeping important city services at a high level. This was an overall theme expressed – reflecting the importance of protecting the special quality of life and feel of Beverly Hills.
- **Communication and Outreach:** Regardless of the project, two-way communication with residents, visitors, and businesses is crucial to meet and exceed expectations of customer service and understanding of City programs.
- **Friendly, Smart, Green, Safe City:** these key elements are the cornerstones of the City Government's brand – a safe city is a smart city, a friendly city is a smart city, a green city is a smart city.

The themes addressed in the foundations were considered to be those that should be woven into everything that the City does. While some foundational elements also speak to independent program areas, they overlap and should be reflected in everyday services.

The four Pillars of Economic Sustainability are groups of initiatives, projects and programs that will have a long-term impact on the City's revenue streams. Within each pillar, primary and secondary priority programs have been identified.

- **Clientele Attraction/Business Development** – maintaining an attractive mix of businesses, and managing programs that support the attraction of clientele to those businesses. This broad pillar encompasses marketing and branding, as well as more traditional business retention and attraction efforts.
- **Infrastructure** - investing in physical facilities. This represents the development and maintenance of City physical and virtual infrastructure as well as engaging in regional policy.
- **City-Owned Asset Enhancement** – making targeted investments and developing City-owned projects. In stewarding and acquiring City-owned land, the City has the opportunity to affect and influence the mix and uses of surrounding commercial property, and leverage its assets for economic sustainability.
- **City Service/Process Enhancement** – application of customer service practices and technology. Through constant review, refinement and technology, the City has an opportunity to ensure that both businesses and residents can conduct business with the City in the smoothest manner possible – saving time and money for both, and increasing good public service.

Attached in the power point presentation is a list of priority projects by pillar that have been discussed and reviewed both internally and externally as representing City programs which most contribute to the economic sustainability of the City.

A key component of the plan is the introduction and recommendation of a series of measurements that will provide the City with bench marks to begin to assess to what extent programming has moved the lever of economic sustainability. The plan proposes to measure the impact of the program by implementing or continuing bi-annual surveys

that report visitor, business and residential satisfaction with the City and, by benchmarking levels of the major revenue sources against competitors, as data is available.

FISCAL IMPACT

The projects and initiatives contained in the plan are to be funded as part of the City's normal budget process. Implementation of the recommendations of the plan will result in significant investments by the City. There are no recommended expenditures associated directly with this item.

RECOMMENDATION

It is recommended that City Council discuss the findings and recommendations, and consider economic sustainability priority initiatives as it completes its priority setting decisions for 2011/12.

Alison Maxwell 
Director Economic Development &
Marketing

Attachment 1



ECONOMIC SUSTAINABILITY PLAN

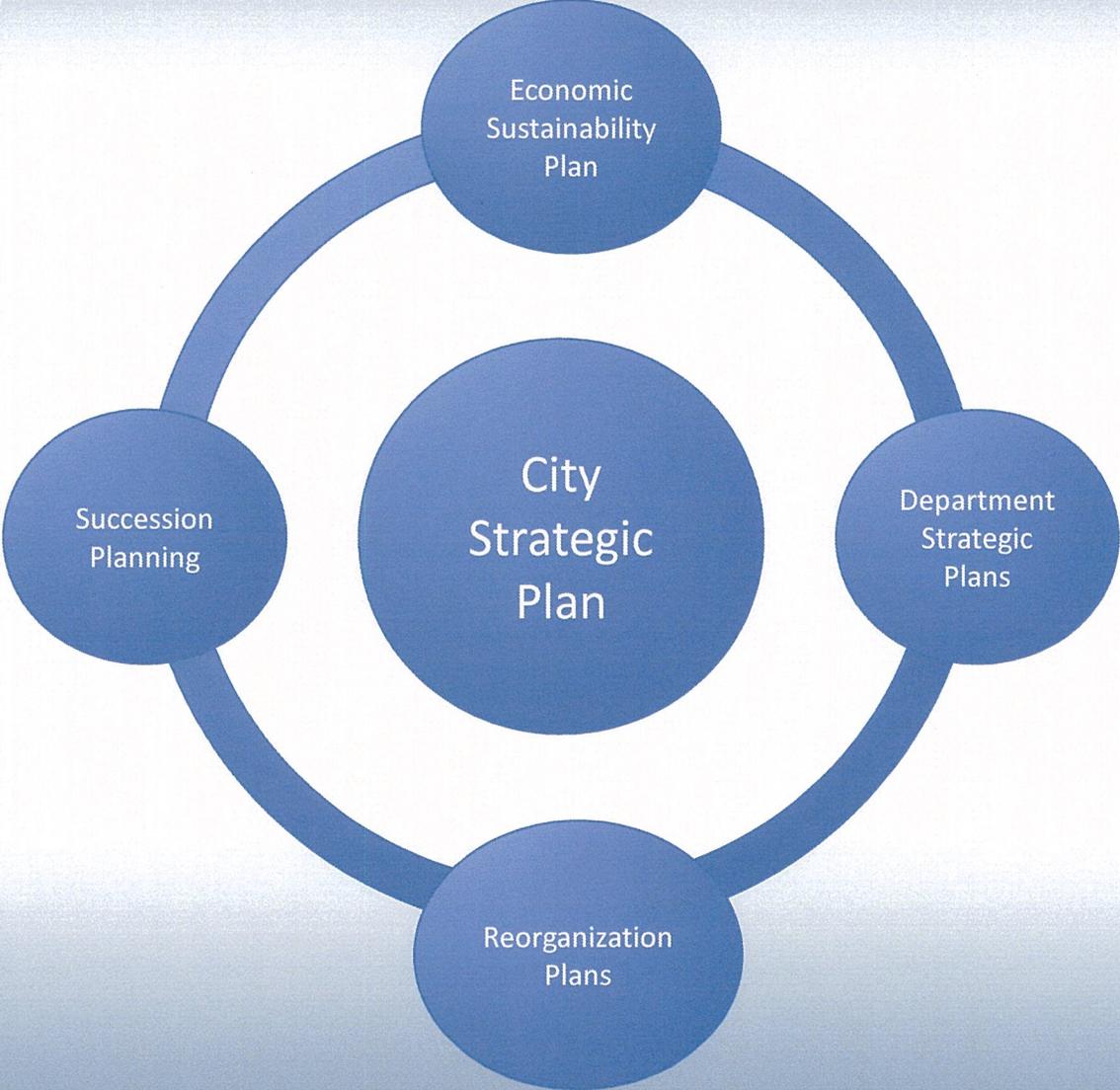
Preparing for the Future

November 30, 2010



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Strategic Planning Vision





Economic Sustainability Plan

Largely internal effort to prioritize programming with a lens on how initiatives affect economic sustainability

- Focuses on identifying programs that stimulate revenue growth in the General Fund

Strategic Planning and Budgeting processes are addressing

- Continuing opportunities for reducing expenditures
- Increases in other forms of revenue



Inclusive Process

- Extensive external and internal consultation to validate assumptions and approach
 - External
 - Range of business groups
 - Homeowner's Association
 - Multiple meetings still underway
 - Mayor's Cabinet
 - Citizen's Budget Group
 - Internal
 - Individual Council Members
 - Department Heads and Division Directors
 - Innovations Employee Enhancement Committee (IEEC)



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Sustainability Vision

Foster a vibrant, sustainable economy in order to stimulate sufficient City revenue to maintain the character and quality of the community



Agenda

- Fiscal Analysis
- Limitations
- Opportunities
- Recommended Initiatives
- Measuring Progress



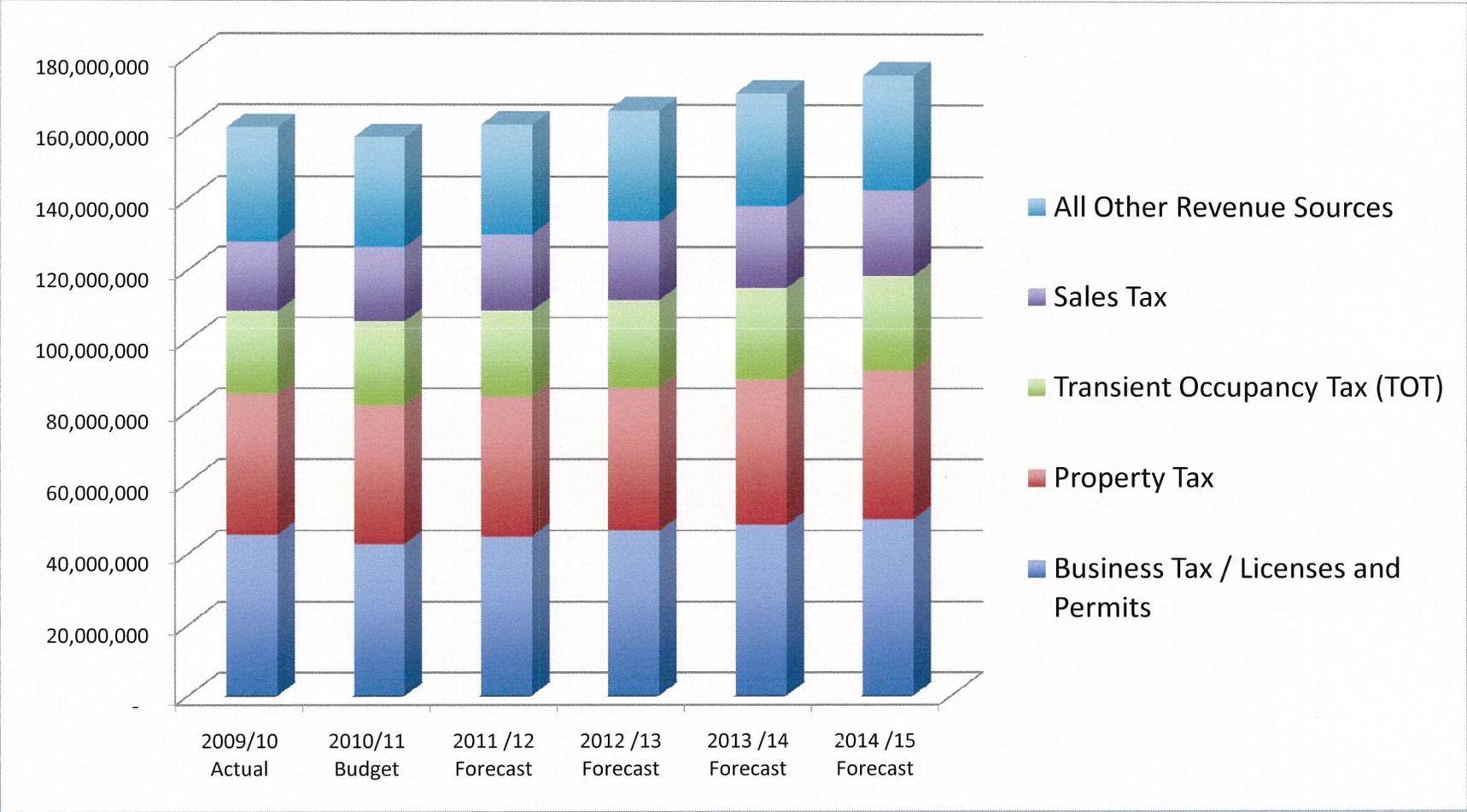
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Financial Forecast Qualifications

The forecast on the following slide represents the City's future fiscal position if no additional cuts or enhancements are made. It is based on projecting revenues and expenditures with the FY 2010-11 adopted budget as the base and using the economic parameters included in the forecast with the budget. Factors that could impact this forecast include: salaries granted through MOU negotiations; PERS retirement rates; health insurance rates; and, unexpected positive or negative revenue performance.



The Smart City™ Projected General Fund Revenues



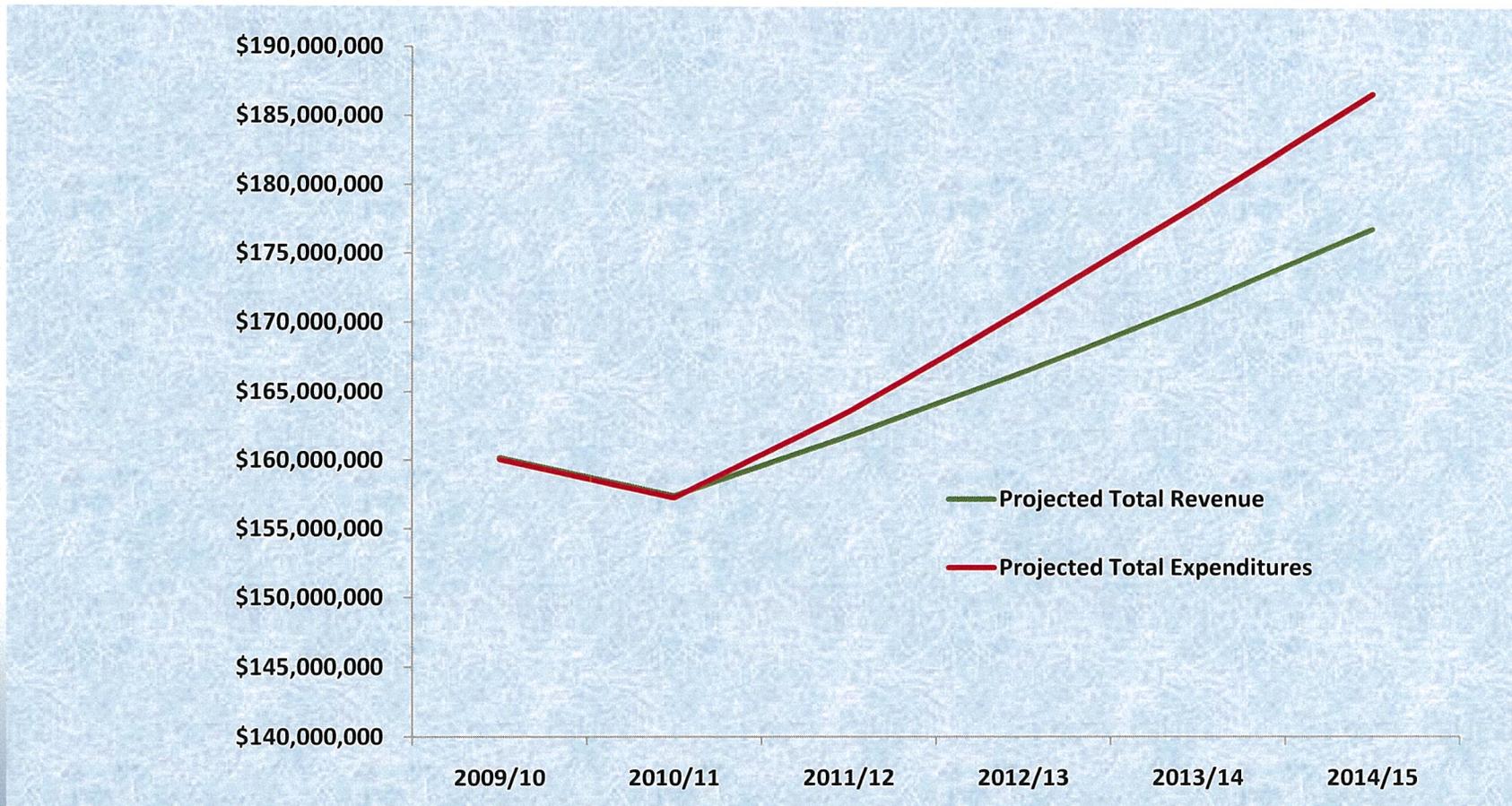
Source: General Fund Forecast 2010-11



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There's A Hole In The Bucket

Beverly Hills General Fund Revenue and Expenditure Projections





Financial Issues

- General Fund Expenditures have been cut by more than \$27 million over the last two years, with another \$2 million anticipated for 2011/2012
- It is becoming increasingly difficult to find additional cuts while maintaining high levels of service
- Service levels directly affect the Brand, which is a key driver of revenue levels
 - Public Safety
 - Public Works
 - Public Amenities



Financial Issues

- Revenues
 - There are four drivers of City revenues
 - TOT
 - Sales Taxes
 - Property Taxes
 - Business Taxes/Permits and Licenses
 - Sustainability Plan focuses on programs that maintain or increase revenues from these streams; increases in fees and taxes outside of the scope of this Plan
 - Initiatives and programs in this plan will have a cumulative impact on revenues; however, it will be difficult to isolate how individual programs affect revenues



Agenda

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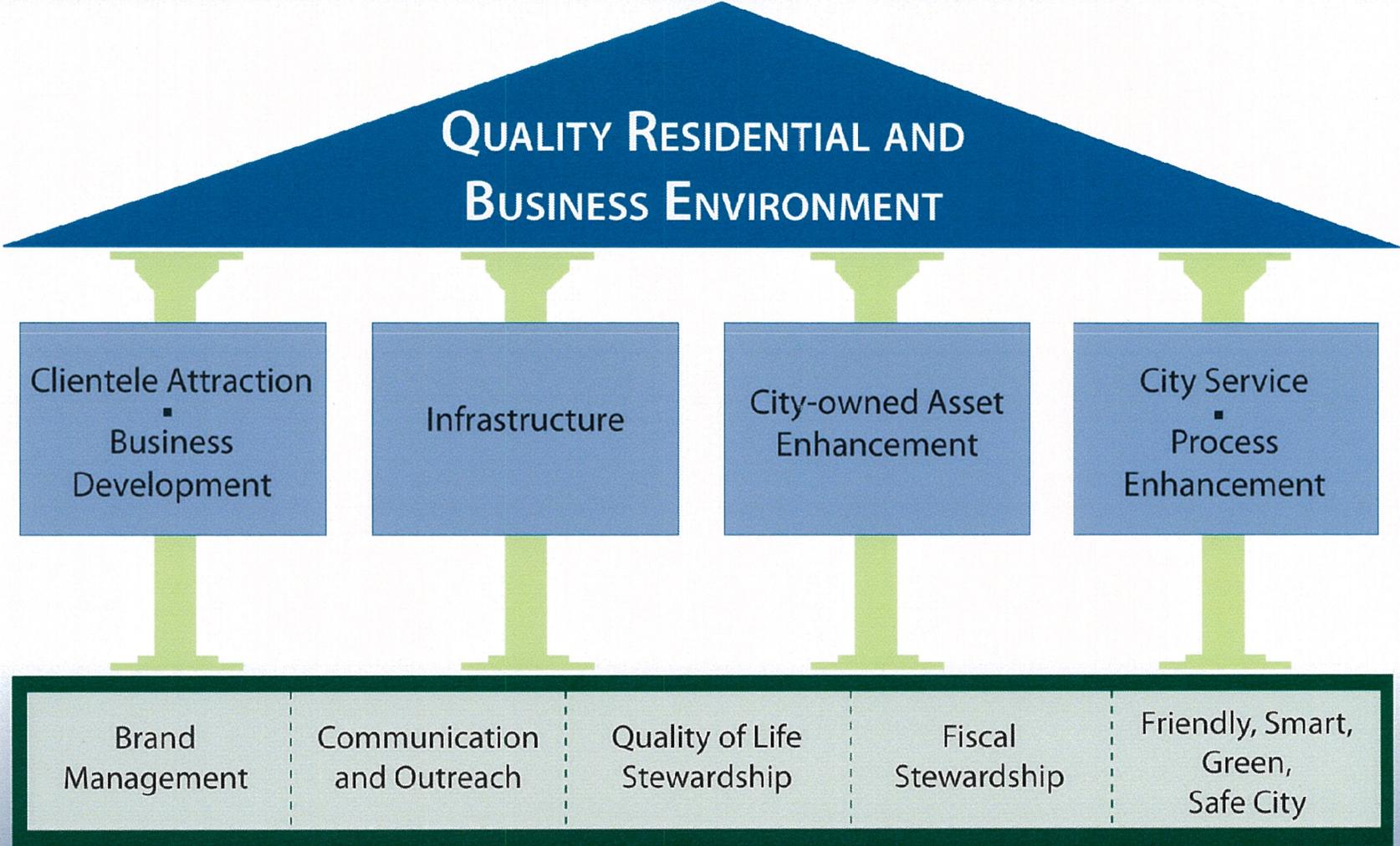
Limitations

- The adopted General Plan emphasizes maintaining the current scale and character of Beverly Hills.
- Traditional economic development tools such as establishing blighted “Commercial Redevelopment Areas” or Enterprise Zones are not appropriate for our City.



Agenda

- Fiscal Analysis
- Limitations
- Opportunities
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Opportunities

- The City must actively manage the *foundations* that keep Beverly Hills an outstanding place to live, visit, and do business.

Brand Management

Fiscal Stewardship

Quality of Life Stewardship

Communication and Outreach

Friendly, Smart, Green Safe City



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Opportunities

- The City can take direct action to positively affect revenues in four *pillars* of sustainability:

Clientele Attraction/Business Development

–Marketing, Brand Management, Signature Events, Partnerships

Infrastructure

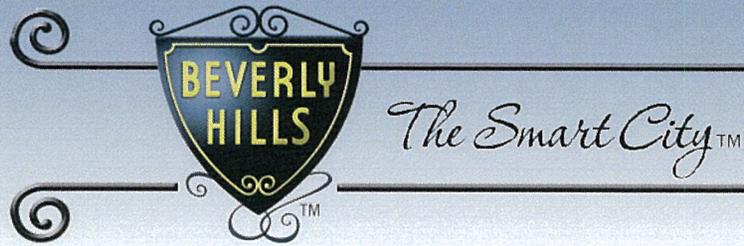
–Investment in physical facilities

City-Owned Asset Enhancement

–Targeted investment in critical development projects

City Service/Process Enhancement

–Application of customer service practices and technology



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Context

- Many recommended programs and initiatives are already included in the City's budget or CIP
- This Plan identifies programs that are most likely to
 - Have a positive impact on the Brand
 - Address Business Attraction or Retention priorities
 - Have long-term affects on the City's General Fund revenues



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Pillar Recommendations

Infrastructure

- Priority 1
- Priority 2
- Priority 3

- Implement Street Improvement/ Pavement Master Plan - 2012
- Complete Municipal Area Network; consider fiber optic applications beyond City needs - 2010
- Complete Street Light Replacement Project - 2011-

City Owned Assets

- Priority 1
- Priority 2
- Priority 3

City Services /Processes

- Priority 1
- Priority 2

Clientele/Business Attraction

- Priority 1
- Priority 2
- Priority 3



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Pillar Recommendations

Infrastructure

Priority 2

Priority 2

Priority 3

Continue Collaboration on Westside Subway – 2012/13

Promote City-wide upgrade/renovation to Class A office buildings – 2012/13

Implement Master Plans for Parks, Libraries, Street Trees – 2012 - 2015

City Owned Assets

Priority 1

Priority 2

Priority 3

City Services /Processes

Priority 1

Priority 2

Clientele/Business Attraction

Priority 1

Priority 2

Priority 3



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Pillar Recommendations

Evaluate 2nd Phase Urban Design – 2011/12

Infrastructure

Priority 1

Priority 2

Priority 3

City Owned Assets

Priority 1

Priority 2

Priority 3

City Services /Processes

Priority 1

Priority 2

Clientele/Business Attraction

Priority 1

Priority 2

Priority 3



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Pillar Recommendations

Infrastructure

Priority 3

Priority 2

Priority 3

City Owned Assets

Priority 1

Priority 2

Priority 3

City Services /Processes

Priority 1

Priority 2

Clientele/Business Attraction

Priority 1

Priority 2

Priority 3

Make improvements to City Gateways

Maximize benefits of projects under construction
•9400 Santa Monica Blvd
•Crescent Garage

Implement operation of Greystone as business and cultural center

Develop plan for highest and best use for 239 South Beverly



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Pillar Recommendations

Infrastructure

Priority 3

Priority 2

Priority 3

City Owned Assets

Priority 1

Priority 2

Priority 3

City Services /Processes

Priority 1

Priority 2

Clientele/Business Attraction

Priority 1

Priority 2

Priority 3

Prepare a strategic tenant mix plan for each building based on expiring leases and highest and best use



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Pillar Recommendations

Infrastructure

Priority 3

Priority 2

Priority 3

City Owned Assets

Priority 1

Priority 2

Priority 3

City Services /Processes

Priority 1

Priority 2

Clientele/Business Attraction

Priority 1

Priority 2

Priority 3

Actively pursue entertainment district development opportunities

- 9268 Third Street
- 336 Foothill

Increase parking opportunities on the southeast side of Beverly Hills



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Pillar Recommendations

Infrastructure

Priority 3

Priority 2

Priority 3

City Owned Assets

Priority 1

Priority 2

Priority 3

City Services / Processes

Priority 1

Priority 2

Clientele/Business Attraction

Priority 1

Priority 2

Priority 3

Review business tax and permit fee structure with a view to developing potential business attraction/retention incentives

Identify, prioritize and develop 5-year schedule to eliminate obsolete zoning provisions and remove obstacles to development, including modification of nightlife/entertainment regulations and fees

Develop eGov initiatives associated with on-line public zoning and business permit process :
•Development Review process
•Electronic Review of Planning & Building docs

Complete process evaluation and design ways to reduce time for permit seekers, providing easier access to faster answers

Install new Finance and HR Enterprise-wide computer system
•Automate billing and tax payment



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Pillar Recommendations

Infrastructure

Priority 3

Priority 2

Priority 3

City Owned Assets

Priority 1

Priority 2

Priority 3

City Services / Processes

Priority 1

Priority 2

Clientele/Business Attraction

Priority 1

Priority 2

Priority 3

Develop on-line public zoning and land use information, e.g. ZIMAS

Evaluate establishing a Concierge for City Hall to assist applicants for complex development/permits, especially for proposals and projects targeted in Business Attraction and Retention strategies



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Pillar Recommendations

Infrastructure

Priority 3

Priority 2

Priority 3

City Owned Assets

Priority 1

Priority 2

Priority 3

City Services /Processes

Priority 1

Priority 2

Clientele/Business Attraction

Priority 1

Priority 2

Priority 3

Support CVB in implementation of Marketing Strategic plan – 2010-14

Create “welcoming” retail districts, including “Disney-level” way-finding

Support CVB in design and development of signature Visitor’s Center

Produce broader platform of signature events and destination promotions

Continue implementing key strategies of Business Retention Plan

Continue to actively manage and develop City Trade Mark license program as vehicle to brand awareness

Complete review of and begin implementation of Business Attraction Strategy



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Pillar Recommendations

Infrastructure

Priority 3

Priority 2

Priority 3

City Owned Assets

Priority 1

Priority 2

Priority 3

City Services /Processes

Priority 1

Priority 2

Clientele/Business Attraction

Priority 1

Priority 2

Priority 3

Explore development opportunities for underutilized sections of the City– e.g., an Arts Zone – on the southeast side



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Pillar Recommendations

Infrastructure

- Priority 3
- Priority 2
- Priority 3

City Owned Assets

- Priority 1
- Priority 2
- Priority 3

City Services /Processes

- Priority 1
- Priority 2

Clientele/Business Attraction

- Priority 1
- Priority 2
- Priority 3**

Raise BH virtual profile, e.g., Google/City of NY cooperative effort by improving functionality of current website.

Support CVB in implementation of web-based strategies in CVB Strategic Plan.



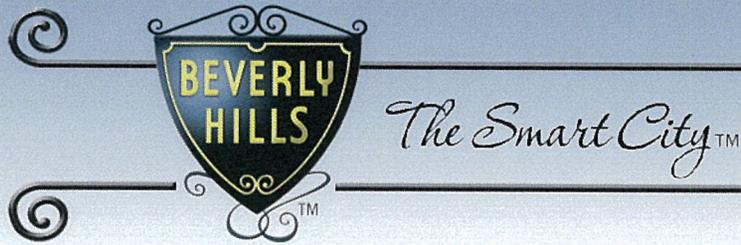
The Smart City™ Reinforcing the Foundations

- Brand
 - *The brand must be continually renewed and refreshed, attracting multiple generations, and providing an environment that beckons visitors multiple times*
- Fiscal Stewardship
 - *The City must continue to focus on ensuring financial soundness through more sophisticated methods for financial modeling and long term revenue forecasting*
- Smart and Green
 - *The City must continue to look for ways to minimize the operational impacts of cost cutting, and seek to maximize benefits of e-Gov initiatives.*
 - *The City will continue to progress green initiatives*



Agenda

- Fiscal Analysis
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Measuring Progress

Economic Sustainability Program Measures

- Changes in revenue, adjusted for local economic growth compared to benchmarks
 - Revenues vs. other California cities/competitors
 - Investment in commercial property
 - Median home value
 - Sales and Transient Occupancy Taxes
- Business, visitor, residential satisfaction with Beverly Hills



Measuring Progress

Subsidiary Proposed Measures

- Revenues from targeted development areas or clusters, e.g., nightlife
- Impact assessment for City-owned real estate investments
- Number of visitors to Beverly Hills/Average length of visitor stay and spend
- Economic impact assessment for signature events
- Net value after depreciation of real estate and infrastructure assets
- % Class A office buildings/Increase in new/renovated Class A square footage
- # new nightlife related businesses and businesses offering extended hours
- Cycle times for processes



Next Steps

- Council priority-setting session on December 3
 - Recommend including Economic Sustainability as a criteria for establishing priorities, and considering recommended projects first
- Complete stakeholder input
 - Multiple discussion sessions being held with HOA and business community
 - Ongoing discussions anticipated
- Finalize report, including input from Council
- Publish Report in early 2011