



COUNCIL – STAFF RETREAT SESSION MINUTES

SAN DIMAS CITY COUNCIL AND REDEVELOPMENT AGENCY BOARD

**MONDAY OCTOBER 17, 2011 5:00 PM - 9:00 PM
CITY COUNCIL CHAMBERS CONFERENCE ROOM
SAN DIMAS CITY HALL
245 EAST BONITA AVENUE**

PRESENT:

Mayor Curtis W. Morris
Mayor Pro Tem Jeff Templeman
Councilmember Emmett Badar
Councilmember Denis Bertone
Councilmember John Ebner
City Manager Blaine Michaelis
City Attorney J. Kenneth Brown
City Clerk Ina Rios
Assistant City Manager for Community Development Larry Stevens
Assistant City Manager Ken Duran
Director of Development Services Dan Coleman
Director of Public Works Krishna Patel
Director of Parks and Recreation Theresa Bruns
Associate Planner Marco Espinoza
Captain Don Slawson, San Dimas Sheriff's Station

CALL TO ORDER

Mayor Morris called the special meeting to order at 5:02 p.m.

1. Financial Review
 - a. 2010-11 audit results – review of revenues, expenditures and fund balances – identify funds available for appropriation and transfer.
 - b. Report regarding 2011-12 budget – adjustments to the 2011-12 Budget.

City Manager Michaelis provided a Powerpoint presentation of the 2010-11 audit results and compared the General Fund ending fund balance of \$12,860,492 to audit results fund balance of \$14,052,559. He reviewed revenue and expenditure detail and noted that service levels for the Sheriff's Department have been maintained. He said actual costs were less due to a reduction in the Liability Trust Fund and one less motor deputy due to injury. He recommended allocating \$1 million to specific funds.

City staff responded to specific questions by the City Council regarding the allocation of additional fund balance to some of the City's special funds – Fund 12 Infrastructure; Fund 20 Park Development; and Fund 70 Equipment Replacement.

City Manager Michaelis recommended approving \$2,400 for Project Sister and \$5,000 for the Hope Valley Projects Food Bank from Fund 12 to address priority ADA requirements. He said staff will bring back a list of project recommendations.

Mr. Michaelis stated that funding was declined for additional downtown holiday lights and decorations.

In response to Council, Assistant City Manager Stevens replied that funds for lights in the business district may come from other sources which vary from city to city. He added that he would need to verify if there is sufficient power supply available and said for appropriate designated links between poles, cost estimates range about \$10,000.

Mayor Pro Tem Templeman suggested it would be prudent to wait until trees are planted in the downtown before expending funds for decorating.

Councilmember Ebner expressed his interest in the installation of year-round lights.

City Manager Michaelis stated that the Finance Committee will meet to assess the City's financial situation and will revisit requests. At this time, there is no reason for any additional adjustments to be made to the budget.

It was moved by Councilmember Bertone, seconded by Councilmember Badar to allocate \$1 million from the general fund to Fund 12 Infrastructure; Fund 20 Park Development; and Fund 70 Equipment Replacement as recommended by the City Manager. The motion carried unanimously.

2. Redevelopment Project Updates

- a. Downtown streetscape improvements – report on concept plans and thoughts for downtown organization

City Manager Michaelis stated that \$15,000 was approved by the City Council for conceptual plans to replace sidewalks and landscaping in the downtown. He said staff met with the consultant to take a look at the preliminary concept plans and felt additional work is necessary to confirm cost estimates for the alternatives.

In response to Council, Assistant City Manager for Community Development Stevens replied that the City Council had directed staff to solicit input from the public during the process. He said when the plans are finalized with the consultant, a public meeting will be held and the results will be brought to the City Council for their consideration. He added that when façades for the downtown are discussed, he will attempt to absorb some of the merchant's costs into future sidewalk projects.

- 1) Cyndy Williams said the wooden sidewalks are maintained continuously, and she thought it was a positive step to replace them with something nice.

Business Improvement Districts (BIDS)

Assistant City Manager for Community Development Stevens stated that legislation created special Business Improvement Districts (BIDS) to facilitate various types of business improvements and/or business activities. He said BIDS require a vote of the merchants or property owners to determine the type of assessment district and fees within the parameters of the law. He explained the process of creating BIDS and said once created, the BIDS give the business/property owner funds that can be spent on eligible improvements or activities, and does not require the City's overview. Mr. Stevens said a survey of surrounding cities was conducted and he thought BIDS have merit as a way of supplementing improvements in the downtown. He said if the City Council thinks it is appropriate, staff will be proactive in determining the level of interest in pursuing this alternative.

Assistant City Manager Stevens responded to specific questions by the City Council and said once a BID is created, all business/property owners are required to pay into the district through special tax assessments collected by tax collectors and transferred to the BID when enough revenue is generated for use. He said this may or may not be a beneficial tool.

1) Cyndia Williams said not all business owners are interested in being assessed a collective fee and before a BID is created, there should be at least 75% of business owners' participation.

b. Downtown façade program

Assistant City Manager Stevens said staff has secured contractor estimates for the façade program and four of five property owners have verbally committed to move forward. One property owner has expressed interest but would like additional information before committing. Mr. Stevens said he would like to move to the next step to prepare construction drawings and lead asbestos testing, however, redevelopment funds are not available and he would prefer to not wait until the CRA lawsuit is resolved in January. He said the estimated cost to prepare plans is \$45,000 for the five projects, which would come from the general fund, and work done on façades and awnings at the same time would result in a cost savings of \$3,000 per business.

In response to Council's questions Mr. Stevens explained the construction cost estimates based on preliminary plans and the various options available to the property owners. He said if redevelopment funds are not available, the City Council has the option of allocating funds from the general fund or cancelling the program.

Councilmember Bertone said he is inclined to put this item on hold until the CRA lawsuit is resolved in January.

Councilmember Badar said a lot of work has gone into this program and the time has come to move forward with this project.

In response to Councilmember Bertone, Assistant City Manager Stevens replied that a lot of cities that have façade enhancement replacement programs provide grants or loans with forgiveness. He said most cities use redevelopment funds versus general funds.

In response to Council, Mr. Stevens characterized three term alternatives – short term, mid term, and long term. He said in an effort to move away from western (short term) into the mid-term compromise historic, staff has incorporated largely historical components with the intention of buying up to 15 years of storefront aesthetics. He said true historic renovation is a longer term alternative with greater costs.

Mayor Morris invited downtown merchants to speak.

1) Pat Meyers, Quality Instant Printing, said 14 years ago he suggested façade improvements and received no response. He mentioned that during the last rainy season, part of the overhang on his building fell onto the sidewalk. He encouraged moving forward with the program or allowing him to make those repairs himself.

2) Cyndia Williams, Heart of the Village Antiques, said she signed the letter of commitment with Mr. Stevens.

3) David Harbin would like to see more historic elements.

Mayor Morris said the cost is prohibitive for a true historic renovation.

It was moved by Councilmember Badar, seconded by Councilmember Ebner, to allocate \$45,000 from the general fund for the design plans as recommended by staff.

Mayor Morris added that the motion does not include a commitment to expend general fund monies for the construction.

In response to Councilmember Ebner, Mr. Stevens explained that three storefronts have wood upper material; not all storefronts are in need of major repairs and not all property owners may not want to include all elements. Mr. Stevens further replied that staff is still resolving minor color details on the hardyplank. He added that the problem with stucco is weight and expense and the only structural work being done is to support the façade.

In response to Mayor Pro Tem Templeman, Mr. Stevens said all work is entrance based and triggers ADA compliance. He said he is not charging the property owners for plan check fees. He added that the sidewalk project will not interfere with the façade renovations and the historic sign can be renovated.

The motion carried unanimously.

In response to Mr. Harbin, Mr. Stevens replied that this is a pilot program and is not yet being offered to all downtown merchants. He indicated he has spoken to several property owners to determine who has an interest, who has the most need, and based upon the condition of the property. He said if the program works, the program will be offered to others who want to take advantage.

c. City entrance and way finding sign program

Assistant City Manager Stevens said that at the April Retreat, the City Council selected the preferred City entrance signs and wayfinding signs. He said it was the City Council's decision to replace the covered wagon at the intersection of Bonita Avenue/Arrow Highway with a citrus orchard hauling wagon. Staff was also directed to change the support post and reduce the height of the wayfinding signs. He said all projects were placed on hold until the 2012-2013 budget discussions.

d. Downtown property acquisition discussion and direction

Assistant City Manager Stevens said he met with the Chevron Gas Station owner about his potential interest in selling the property to the city. The owner indicated he preferred to split the property in exchange for a replacement building with retail and residential on the site. The City Council did not support that concept, and directed staff to explore several site options. Mr. Stevens presented alternative designs considering square footage, parking for the Walker House, expansion space for the patio, and public restrooms. He said this property is in an existing downtown parking district that has no parking requirements. He presented a design layout for a 9600 square foot, two-story building, with approximately 4800 square feet retail and between six to eight apartment units on the second floor. He said this design would not accommodate any expansion for the Walker House. The next layout consists of an 8400 square foot building, with approximately 4200 square feet in retail and four or five units on the second floor. Both layouts would get approximately 32 parking spaces off San Dimas Avenue.

Mr. Stevens responded to Council's questions concerning acquiring an easement for access parking; considering exchanging for a total of different properties as a tax advantage; the property is worth approximately \$2.5 million - \$2.75 million, depending on revenue generated; the property would require cleanup if soils contamination was found.

Mr. Stevens said option 3 provides the most area, with 18 parking spaces off Bonita Avenue with 5000 square feet of expansionary space. However, the property owner is not amenable to this idea.

Mayor Morris suggested an economic analysis be conducted to determine if a building can be built that would generate enough rent to pay for the building, sans the land.

Councilmember Bertone said his preference would be to buy the entire property for open space, expansion of the Walker House, and restrooms.

Mr. Stevens replied that a partial development requires a different analysis; building a park and Walker House expansion would not generate any property sales tax; he would explore a three story building.

Mayor Morris thought it would be worthwhile to conduct a closed session to discuss construction costs and the loss of sales tax revenue. Mr. Stevens stated he would provide the cost estimates at the Spring Retreat.

In response to Mayor Morris, City Manager Michaelis replied that this project is not included in the Five Year Implementation Plan and to be considered as a redevelopment project, the project would need a funding source and defined into blight removal. If redevelopment is not a financial option for this project, a funding source would have to be identified.

In response to Councilmember Bertone, City Manager Michaelis replied that a significant business opportunity would need to be created for the property owner to equal the profit of a gas station.

Council and staff discussed funding alternatives from redevelopment funds, housing reserves, and/or the general fund.

In response to Mayor Morris, Assistant City Manager Duran replied that there are no reserves in redevelopment funds.

3. Redevelopment Housing Update – status and review of projects

City Manager Michaelis summarized a financial overview of the housing set aside audited fund balance. He said the total combined fund balance is \$11.6 million with \$2.634 committed for the Loma Bonita project. He said there are two existing housing affordability agreements for potential housing projects: 1) Loma Bonita project and 2) Grove Station. He added that redevelopment efforts are frozen until January 15, 2012 unless they have existing agreements. He said the new or changed ownership with these two projects may affect the projects until after that date. He said Mr. Stevens will review a summary of housing projects.

Loma Bonita – on Bonita Avenue/San Dimas Canyon Road:

Assistant City Manager Stevens reported that this is a 156 unit complex, with 14 moderate income and nine low/very low income units available in an affordable project. He said there is an existing agreement with the owner who brought in an equity partner in order to get financing for the project. The new owner wants to be involved financially in the agreement. Staff is working out issues to meet provisions of the existing agreement and will bring back for Council's approval the transfer of the agreement and eligibility to use \$2.6 million for the project. He added that the investors may be trying to get contributions sooner than previously committed. The agreement allows for the contribution to be placed in escrow and specifies funds cannot be withdrawn until the project is completed. He said when the agreement is approved, and said it might not affect the agreement if funds are transferred to a third party independent escrow. However, it may affect the agreement if the lender says they want to take a superior position in funding. He is waiting to hear their final terms and conditions of what they would like to see in the transfer.

City Manager Michaelis said they have to work within the existing agreement while moving the time table forward. He said the developer paid building fees and is moving through the plan check process, however, construction cannot begin until the issue is resolved.

Grove Station:

Assistant City Manager Stevens said 110 units were approved and the affordable housing agreement provides for 12 moderate onsite units and addresses low/very low income assisted rental units off-site. He said once staff resolves an issue with the sewer, the city will get the deeds to the four units and start the sales process. He compared the developer's cost per unit to the city's cost per unit to sell the units. Mr. Stevens stated that the Agency also contributed \$2.4 million to purchase eight units in Phase II, which was returned when the project went into foreclosure proceedings. The Olson Company does not want to wait until January and proposed to use the existing agreements in order to proceed with the construction of 67 units in the rear portion. Staff will find a way to transfer the existing agreements and associated obligations.

In response to Mayor Pro Tem Templeman, Mr. Stevens replied that the Agency guaranteed acquiring the units for the full sales price. He said the Agreement is based not on the dollar contribution but the number of units.

Mr. Stevens responded to Council regarding acquiring the units for the full sales price; the project can get higher density with underground parking; unless directed otherwise, once title is taken on the units, staff will initiate the marketing and sales process.

In response to Mayor Morris, Mr. Stevens said Olson is pursuing an aggressive schedule and staff expects the entitlement application to start through the process in November. He said because of the 3.5 gas emissions analysis, he is not requiring redoing the CEQA audit, which will save processing time.

City Attorney Brown summarized the staff report and said staff is attempting to fit the apartment complex project within the existing agreements and it is up to the property owner to provide the documentation for the new financial arrangement. Mr. Brown said once construction starts, funds can be deposited into an independent escrow subject to the Agency's conditions, and released upon completion of the buildings.

L.A. Signal property @ Eucla & Second Street - 3 acres (formerly Henkels & McCoy)

Assistant City Manager Stevens said this property was identified in the Housing Element as one of the sites that would be appropriate for medium density (12-16 units per acre) and triggers Agency affordable housing requirements. He said the existing contractor built several buildings without permits or approval, however, staff is actively withholding further code enforcement. He said staff has had preliminary discussions with two potential buyers who have also expressed interest in the purchase of General Pump, the adjacent property. Mr. Stevens said this project would require a general plan amendment, code amendment and zone change and felt the project was worth exploring. The potential buyers were informed that the Agency is not interested in demolishing the Lemon Packing Plant.

In response to Council, Mr. Stevens said the property is in Specific Plan 22, industrial and said he would negotiate something similar to other projects. He said the interested buyers were encouraged to meet with Public Works to discuss the storm drain, sewer and street improvements.

Johnstone Block

Assistant City Manager Stevens reported that seismic evaluations were completed on the Johnstone Block and preliminary plans were developed with two alternatives for use of the second floor: 1) office use; 2) 11 units of senior citizen apartments. Mr. Stevens said construction cost estimates are \$1.8 million to include upgrading the entire building to the current seismic standards and create use of the second floor.

In response to Councilmember Bertone, Mr. Stevens replied that there is a surplus of \$11 million in housing funds that could be used to upgrade a very significant building in the downtown for an investment of \$1.8 million. He said this project would yield 11 affordable housing units guaranteed for 55 years of affordability. He further responded that under the existing agreement, the Hardware Store owner has not exercised the option to purchase the property. He said staff can negotiate different financial arrangements for this project.

Mr. Stevens said if the City Council wishes to consider this project, staff will determine interest and start negotiations with the property owner, including the purchase of air space.

In response to Council, Mr. Stevens said the owner is not paying anything at this point; the Agency cannot enter into any new agreements until after January 15, 2012; and the project is not limited to senior citizen apartments on the second floor.

Mayor Morris stated that other than the Walker House, the Johnstone Block is the most significant building in San Dimas once occupied by W. A. Johnstone, the most significant person who lived in San Dimas.

In response to Mayor Morris, Mr. Stevens replied that the Agency would be paying approximately \$170,000 per unit. He said the question is whether the amount is offset by facilitating the seismic retrofit of the building, which is included in the cost estimate. He added that this project is not specifically identified in the Housing Element, however, he is encouraging 30 units of additional housing downtown.

Voorhis Village – San Dimas Canyon

City Manager Michaelis said the 64-unit HUD cooperative project covenants expire May 2012. He said shareholder tenants hired their own management firm that is now attempting to sell the property. In an effort to preserve affordability, HUD is assisting the owners gain control of their property. He said the owners want to continue with their current arrangement and will most likely accommodate a change in management. Mr. Michaelis thought it might be worthwhile to hire a consultant on their behalf to evaluate their options when the covenants expire. He said the owners can also work with HUD on property improvements which would extend the covenants and affordability requirements.

San Dimas Villas

Assistant City Manager Stevens said this is an existing 15 unit apartment project. He said Section 8 covenants are expiring. He suggested pursuing negotiations with the property owner to substantially rehabilitate the apartments. He said that during preparation of the Housing Element, the consultant advised that \$15,000 per unit is a reasonable contribution of the substantial rehabilitation of those units. He said for approximately \$2.5 million the complex can be rehabilitated for 40-50 more years of affordability. He said this project is on the list and when the next housing element update is due in 1.5 years, staff will continue discussions with the property owner.

Southwest corner San Dimas/Commercial - Across street from Grove Station

Assistant City Manager Stevens said there was previous discussion concerning a code amendment for 5 lots facing Shirlmar in the rear of the property, however, staff has had preliminary discussions with the owner who is proposing 20 condo units facing San Dimas Avenue.

In response to Councilmember Ebner, Mr. Stevens replied he could probably get twenty three-story units with some underground parking on the lot.

Mayor Morris noted that the Local Communities Commission would consider 20 units as underutilizing the property and would recommend maximum density of 70-80 units per acre.

Mayor Pro Tem Templeman supported affordable housing on San Dimas frontage.

Councilmember Ebner suggested not limiting the units to senior citizens. He could support live/work units and retail.

Mr. Stevens said he does not know if the owner will propose senior citizen housing. He stated that parking becomes an issue with retail.

Taylor House

Assistant City Manager Stevens said this is an Agency-owned vacant house on Monte Vista and First Street. He said the house is not habitable and Housing Manager Kasuyama has evaluated some options. He said it is not cost effective to rehabilitate the unit and recommended it be demolished at a cost of between \$7,800-\$13,000, plus \$6,725 for lead/asbestos abatement. He suggested additional parking to supplement the downtown, however, that would require the acquisition of two parcels. Another option is to construct affording housing. He noted that a house on the property might interest the local Habitat, but they would like the land donated.

Mayor Morris would prefer to demolish the building to construct a similar house with a one-car garage in the rear, to be managed by Besshire & Casenhiser. He added that prevailing wage is not a requirement on housing. Mayor Morris thought a parking lot was less attractive and unnecessary.

Mr. Stevens responded to Council that an 800-900 square foot, two-bedroom replacement unit could be built for under \$100,000; he said the project has to go through the assessment process to address CEQA issues with demolishing the house. He added that there are two trees on the property and they will work the design around those trees.

Rental Assistance Program

Assistant City Manager Stevens said the Agency has an obligation to develop a percentage of affordable housing within new housing project areas and offer appropriate assistance. He said when ownership housing cannot afford to construct low/very low, the cost gap is too significant. He said the Agency needs to establish a formal rental program to address regulatory requirements.

In response to Mayor Morris, Mr. Stevens replied that the units do not have to be in the project areas and can be located at other sites. He suggested entering into contracts with property owners on San Dimas Avenue to subsidize two units for low-very low. He said over the course of time, there might be 15-25 units that have rental subsidy. He said the actual amount is triggered by how much new construction occurs in the project areas. He said there are other options that can be considered - it could be that the Johnstone Block takes care of the need or a four-unit complex can be built over the top of a 7200 square foot unit on the southwest corner of the gas station. He added that mobile home parks are not in the project area.

City Manager Michaelis suggested a duplex unit on a single site allows low rent.

Allen/Cataract

Mayor Pro Tem Templeman mentioned to Mayor Morris and Assistant City Manager Stevens that the three-acre property at Allen Avenue/Cataract is for sale. He thought the city yard could be relocated to that site.

Planning Associate Espinoza said the property is zoned M-1 industrial in the General Plan, and the residential uses are nonconforming.

Orange Crate Label

Mayor Pro Tem Templeman commented that a cell site representative secured an example of an orange crate label from the Historical Society for the cell site tower and the name seen is Charter Oak.

Items 4 and 5 will be considered as time permits

4. Discussion of expanding the tools available to address public nuisance abatement.
5. Discussion – trends and issues in retail. Expansion of internet sales, amount of retail space in the marketplace, expansion of service businesses, vacant retail spaces.

6. Oral Communications – Members of the audience. Anyone wishing to address the City Council on an item not on the agenda. No action or discussion shall be undertaken on any item not appearing on the posted agenda. Speakers may be subject to a time limit as may be determined by the chair.

Mayor Morris invited the audience members to comment. No one came forward to speak.

- 1) Mayor Morris suggested relaxing the parking requirements at the San Dimas Station shopping centers to encourage restaurants to come in. He said the two stations have multiple vacancies and staff would have to look at unintended consequences to see if that can be accomplished.

Assistant City Manager Stevens commented that a 99 cent only store is proposed to go in the former REI space. He said there are ways to address the parking requirements at shopping centers and this item can be placed on the next agenda to direct staff to consider that.

7. Mayor Morris adjourned the study session at 9:08 pm. The next meeting of the City Council is October 19, 2011, for a Joint Meeting with the Planning Commission, at 6:00 p.m., in the Community Building.

Respectfully submitted,

Ina Rios, CMC, City Clerk