January 8, 2015

TO: Honorable Mayor and City Council

FROM: Edward C. Starr, City Manager

SUBJECT: WEEKLY REPORT: December 19, 2014-January 8, 2015

➢ ***CITY MANAGER/ADMINISTRATIVE SERVICES DEPARTMENTS***

- In post-World War II America, sprawl—the land use pattern associated with drivable suburban development—characterized U.S. metropolitan growth. In recent decades, however, metro areas throughout the nation migrated to promoting walkable urban communities, signaling an end to sprawl as the nation's dominant real estate trend according to ***Foot Traffic Ahead: Ranking Walkable Urbanism in America's Largest Metros***, a report released in December 2014 by the Center for Real Estate and Urban Analysis at George Washington University School of Business. The report ranks the country's top 30 metropolitan areas based on the amount of commercial development in Walkable Urban Places (WalkUPs), noting that the 146 million residents (46 percent of the total U.S. population) living within these 30 metro areas account for 58 percent of the nation's Gross Domestic Product (GDP).

  WalkUPs represent a blending of urbanism and smart growth into an urban planning and transportation theory that concentrates growth in compact walkable urban centers to avoid sprawl. It also advocates compact, transit-oriented, walkable, bicycle-friendly land use including neighborhood schools, complete streets, and mixed-use development with a range of housing choices. Walkable places arose in the United States in the early 1980s, gradually influencing many aspects of real estate development, urban planning, and municipal land-use strategies.

Current concepts for walkable places are strongly influenced by urban design practices that were prominent until the rise of the automobile prior to World War II. Since the 1950s, however, metropolitan areas in the U.S. have been divided into the two broad U.S. Census categories of "central city" (urban) and "outlying counties/communities" (suburban). Suburban (often referred to as bedroom communities) are typically dominated by residential development and complemented with commercial support and civic services—central components of urban sprawl; conversely, urban centers represent regionally significant areas that typically concentrate employment opportunities and house civic centers, institutions of higher education, major medical centers, regional retail and the region's major cultural, entertainment, and sports assets. WalkUPs seek to combine the two forms and functions into the emerging development pattern in both urban and suburban settings.

Foot Traffic Ahead redefines the urban and suburban categories as "walkable urban" and "drivable suburban" because both types of developments can occur in a central city and its suburbs. After WWII, the drivable suburban approach (sprawl) dominated real estate development, characterized by low-density development connected by automobiles, with real estate product types such as housing, office, industrial, and retail segregated from one another. The model fueled demand for automobiles, driven road, and highway construction, and supported and financed the insurance and oil industries.

Walkable Urban developments are characterized by much higher density and a mix of diverse real estate types connected to surrounding areas via multiple transportation options including bus, rail, pedestrian and bike routes, and roads. In effect, walkable urban places may incorporate everyday destinations such as home, work, school, stores, and restaurants—destinations that are typically within walking distance. **Through implementation of the North Montclair Downtown Specific Plan, Montclair is seeking to achieve a walkable place within the confines of the Montclair Plaza District.**

Walkable urbanism has already emerged as a powerful driver of the economy as demonstrated by substantial downtown and suburban town center redevelopment, including the redevelopment of regional malls into mixed-use developments. Land use planners and economists project that over the next generation, walkable urban development will spur even greater economic growth as WalkUPS replace drivable suburbanism as the predominate land use development pattern. However, walkable urbanism will not be fully realized without appropriate infrastructure, zoning, and financing mechanisms at the federal, state, and local levels.

Some distinct advantages of walkable urban spaces include:

- ✓ Residents with higher education levels
- ✓ A one-third higher GDP per capita in high ranking walkable cities
- ✓ Office rents at a 74 percent higher premium per square foot over drivable suburban areas

Southern Californians (and the rest of the nation) may be surprised to learn that the Los Angeles metro area is currently ranked 18 among the nation's top 30 walkable urban place metro areas and, along with Denver, Portland, Miami, and Atlanta, is designated as one of the top 5 metro areas with designed plans to accelerate its evolution in a walkable urban manner.

The Los Angeles metro area is, of course, typically stereotyped as a car-crazy culture with terrible traffic problems and a lack of walkable places. Historically, however, early 20th century development of the Los Angeles basin was primarily rail-oriented. In 1945, metro Los Angeles' rail system was the world's longest; and rail transit helped establish the constellation of suburban town centers like Pasadena, Glendale, Santa Monica, and Long Beach—all walkable urban places from their founding.

Freeway construction did not dominate Los Angeles' transportation system until after World War II and, by 1962, the region's rail system had been dismantled. Drivable suburban development captured the imagination of Southern Californians and economic decline strangled walkable urban suburbs and the city center. Today, however, walkable urban suburbs are re-emerging and thriving in the Los Angeles metro area, helped and accelerated by the largest rail construction program in the nation.

With committed funding of approximately $50 billion over the next decade, five new rail lines are under construction, adding to the eight new commuter, subway, light-, and heavy-rail lines already operational. The region has been, and will continue to invest more in rail transit than any metro area in the country. Effectively, the former rail system that Los Angeles developed around is being rebuilt from scratch. Capitalizing on this massive expansion of the rail system is vital for any community developing land use decisions fostering walkable places. The prospects for development around Metro stations that incorporate both heavy- and light-rail, coupled with development and revival of urban and suburban downtowns, will give the region's population an expanded chance for a less auto-centric life; and that future is being built right now for those communities grasping the concept of walkable places and implementing plans for achievement.

With the expansion of rail, the Los Angeles region is ripe for growth of walkable places. Office and retail walkable urban space in the Los Angeles area has high rental premiums that continue to grow, demonstrating pent up demand for this type of development. Based on demand, Los Angeles is expected to move up 7 spots over the next decade to position 11 among the nation's top 30 walkable urban place metro areas. Signs of walkable development are emerging in many communities in the Los Angeles region. Pasadena, for example, is considering plans to narrow portions of Colorado Boulevard, famed for the New Years' Day Rose Parade, and use that space to widen sidewalks and create tiny parks.

Montclair is also contemplating the implementation of complete streets within the Montclair Plaza District as a means to facilitate development of its walkable place.

The Montclair City Council is also intent on capitalizing on the region's investment in rail by serving as a political force to bring Gold Line light rail service to Montclair and the west end of San Bernardino County. Developing the full range of transit options, coupled with full realization of the vision expressed by the North Montclair Downtown Specific Plan, will facilitate North Montclair's transition to a walkable suburban place, with or without other communities and agencies in San Bernardino County sharing in the broader development of this directional shift in land use patterns. Effectively, cities that want to thrive in this new economic and demographic reality will need to find ways to create and support dynamic walkable districts that are in high demand.

- Governor Jerry Brown was sworn in Monday for a fourth and final term. In his inaugural address, Governor Brown called for sweeping changes to fight climate change and for renewed spending on California's aging infrastructure.

  Two months after the Republican Party surged in a dismal midterm election for democrats across the nation, Governor Brown cast California as a lantern of liberal thought on policies ranging from the environment to health care and protections for undocumented immigrants.

  Governor Brown said in his fourth term he will seek to reduce fossil fuel use in vehicles by as much as 50 percent within 15 years, make heating fuels cleaner, and increasing to one-half from one-third the proportion of electricity California derives from renewable sources. "We must demonstrate that reducing carbon is compatible with an abundant economy and human well-being," Governor Brown said in a 23-minute speech before a joint session of the Legislature.

For Governor Brown, the next four years would appear to hold uncommon promise: not only is he relatively popular, he is now unencumbered by budget deficits that occupied him in his third term and by presidential aspirations that distracted him in the 1970s and 1980s, when he was governor before.

Now 76, Governor Brown is pursuing two legacy projects that remain mired in controversy: one, a pair of massive tunnels to divert water around the Sacramento–San Joaquin River Delta to the south, and the other construction of California's $68 billion high-speed rail system.

In his inaugural speech, Governor Brown offered a buoyant assessment of the State whose financial condition is far brighter than when he returned to office in 2011.

Still, Governor Brown faces pressure in Sacramento from Democratic lawmakers to restore cuts made during the recession to education and social services. He is also feuding with University of California officials over their threat to raise tuition if lawmakers do not give the system more money. Governor Brown is expected to respond formally in a budget proposal Friday. Noting California's difficulties with state budgets, education, crime and water, Governor Brown said in his inaugural speech that issues at hand bear ″eerie resemblance″ to those faced by his father, the late Governor ″Pat″ Brown.

Governor Brown said California schools next year will receive $65.7 billion, a 39 percent increase in 4 years. On health care, under the federal health care overhaul, the state anticipates enrolling 12.2 million people in the new budget year, an increase of more than 50 percent.

Outside the Capitol, liberal groups protested Governor Brown's record on the environment including his permissiveness of hydraulic fracturing, a controversial form of oil extraction. Liberal groups further protested Governor Brown's failure to address the more than 23 percent of Californians currently living in poverty and the unevenness of California's economic recovery since the Great Recession of 2007.

Conservative groups were also in arms protesting Governor Brown for his promotion of environmental policies, which many on the conservative side see as being unfriendly to business, and his continued support of high-speed rail.

Governor Brown is California's longest-serving and oldest-ever sitting governor. Proposition 140 "Limits on Terms of Office" bars him from seeking another term in 2018.

- In March 2004, California voters approved Proposition 57, the California Economic Recovery Bond Act, which authorized the issuance of up to $15 billion in bonds to close the state's budget deficit. $10.9 billion of these bonds were issued in 2004 and the remainder in 2008.

  To guarantee bond repayment, the state promulgated Revenue and Taxation Code Section 6201.5 which established an excise tax equal to one-quarter percent (.25 percent) of the sales price of property subject to the state's sales and use tax, and simultaneously lowered the Bradley Burns Uniform Sales Tax 1 percent rate by one-quarter percent (.25 percent) to .75 percent. The bonds were to be repaid from the .25 percent excise tax, plus transfers from the Budget Stabilization Account (BSA), a special reserve established in the state's general fund approved by Proposition 58.

  The quarter-percent reduction in local sales tax is recovered through a series of revenue swapping procedures. These exchanges have been commonly referred to as the "Triple Flip." The Triple-Flip was devised to create a dedicated sales tax revenue stream to guarantee the annual $1.6 billion debt service on the bonds issued in 2004 and 2008 under the California Economic Recovery Bond Act.

  Governor Jerry Brown's FY 2014-15 State Budget includes an early supplemental payment of $1.6 billion to retire the 2004 and 2008 California Economic Recovery Bonds in the spring of 2015. The wind-down process for the retirement of the bonds is described below:

  - ✓ Upon final payment of the bonds, the State Board of Equalization (SBE) has 90 days from the end of the quarter in which the bonds are retired to return local sales tax allocations to their pre-Triple Flip amount of 1 percent. Local agencies would receive their first full 1 percent advance at the end of December 2015.

  Governor Brown's plan is to split FY 2015-16 with two quarters allocated at the .75 percent rate and two quarters at the full 1 percent rate. The SBE will not be estimating a Sales and Use Tax Compensation Fund (SUTCF) backfill payment for FY 2015-16. A final closeout payment will be remitted in January 2016 and will include the true-up payment for the 2 prior quarters allocated at the .75 percent rate, as well as the FY 2014-15 true-up payment. In addition, the SBE will review allocations made over the life of the Triple Flip to ensure that agencies have received all amounts due.

  In FY 2015-16, agencies may see a one-time boost in the final accrued amount resulting from the change in allocation from the .75 percent to the full 1 percent rate.

- Hours after 2015 arrived, gasoline prices throughout California inched upward for the first time in weeks as the state's cap-and-trade system expanded to include the production of carbon fuels. Experts call the uptick

a subdued response to the state's new requirement that producers of carbon fuels buy credits to offset the carbon emitted by their production and consumption.

Under California's Global Warming Solutions Act of 2006, companies are given a set allowance of greenhouse emission levels that they may emit through the production of commercial goods. If they exceed those levels, they are required to either purchase credits for additional carbon levels or produce goods with a lower carbon footprint. The cap-and-trade system is a statewide program that once fully implemented will place a limit on the amount of major greenhouse-gas emitted by refineries, power plants, industrial facilities, and transportation fuels.

Effective January 1, 2015, producers of carbon fuels will be subject to the state's cap-and-trade system, which will require producers of carbon fuels to either supply carbon fuels with a lower carbon footprint or to buy pollution credits.

Proponents of the approach say it allows businesses to continue to grow while paying a reasonable fee, rather than having development brought to a halt by inflexible laws or regulations. In addition, the carbon taxes are micro-targeted to those directly producing the emissions, rather than imposing a broad based set of fees on everyone.

Opposition groups claim the state's cap-and-trade system is anti-business because it levies a tax against the production of commercial goods and unfairly targets businesses in California who are already the highest taxed and regulated in the nation.

Opposition groups further claim that gasoline prices will rise 16 to 76 cents per gallon, as a result of the inclusion of the production and consumption of carbon fuels under the state's cap-and-trade system. However, according to the fuel price aggregator GasBuddy.com, prices have only gone up by 2 cents since the carbon trade requirement went into effect on January 1, 2015.

Admittedly, in the short-term, gasoline prices will see an increase as producers of petroleum begin the process of adopting cleaner, more energy efficient forms of fossil fuel production and producing gasoline blends that have a lower carbon footprint.

➢ ***COMMUNITY DEVELOPMENT DEPARTMENT***

- After working for a number of months with two different developers, Planning Division staff received applications just before Christmas for two commercial developments. Both projects are expected to be considered by the Planning Commission within the next 60 days:

- ✓ An 18,900 square-foot, multi-tenant development, Montclair Shoppes, is proposed on the vacant 2-acre parcel on the east side of Central Avenue directly across from Costco. The development would consist of three buildings: Tommy's Original Hamburgers is slated to occupy the northernmost building; Starbucks Coffee and another tenant to be determined are anticipated in the southernmost building; and multiple tenants would occupy the main building, in which the developers have tentatively lined up several regional and national tenants, including Jersey Mike's, Dickey's BBQ, Robeks Juice, AT&T, and Dollar Loan Center. Tommy's and Starbucks would offer its guests drive-thru service.

- ✓ Orchard Plaza, a project that was originally approved in 2007 but fell victim to the Great Recession, is a 46,000 square-foot development proposed on a 4.3-acre site at the northwest corner of Holt Boulevard and Ramona Avenue. Anchor tenants at this time are anticipated to be Dollar Tree and Warehouse Shoe Sale (WSS). The developer is currently seeking a quick-serve or full-service restaurant to occupy a freestanding building adjacent to the intersection.

➢ ***HUMAN SERVICES DEPARTMENT***

- Last month, the Senior Center ended the year with a Wine Tasting Presentation by Joseph Filippi Winery & Vineyards of Rancho Cucamonga. Wine steward Victor Ortiz spoke on December 18 about a variety of wine, food that blends well with each wine, and the importance of wine temperatures and storage. Also, Mr. Ortiz demonstrated how to generate air in the wine while it is in the mouth to get an extra burst of flavor.

  Seniors were given the opportunity to taste a variety of wines. For the grand finale, Mr. Ortiz mixed a sparkling almond wine and Fondante Ciello, which has a chocolate flavor, to make an ″Almond Joy″ wine.

  Photos are shared on Page 15.

- The 2015 Winter Montclair Youth Basketball League will start its league games this Saturday in the Montclair Community Center gymnasium. Approximately 200 children, ages 6-14 years old, are registered for the 7-week program, not including tournament play. Games are played all day on Saturdays with practices during the week.

  Come check out Montclair's youth in action!

➢ *POLICE DEPARTMENT*

- The Police Department held a general assembly on Tuesday to welcome Police Officer Amanda Bergman who joined the force on January 5. Officer Bergman was sworn-in to duty by Chief of Police Mike deMoet.

  Amanda is a native to Southern California. She graduated from the San Bernardino Sheriff's Department Academy in September 2014, the only female in her class.

  Please join me in welcoming Officer Amanda Bergman to the City of Montclair!

From left: Captain Robert Avels, Officer Amanda Bergman, and Chief Mike de Moet

- Most of you already know about the ongoing need for blood and the importance of your donation through the American Red Cross. Whole blood donations contain red blood cells, platelets, plasma, and white blood cells. Red blood cells are the most frequently used blood component and are needed by almost every type of patient requiring a transfusion.

The Police Department's Community Relations Division (CRD) is teaming up with the Montclair Police Officer's Association (MPOA) to participate in *Battle of the Badges,* a friendly competition between neighboring police agencies that have a goal of saving lives through blood donations. So far, most of the west end police agencies are participating in the blood drive competition.

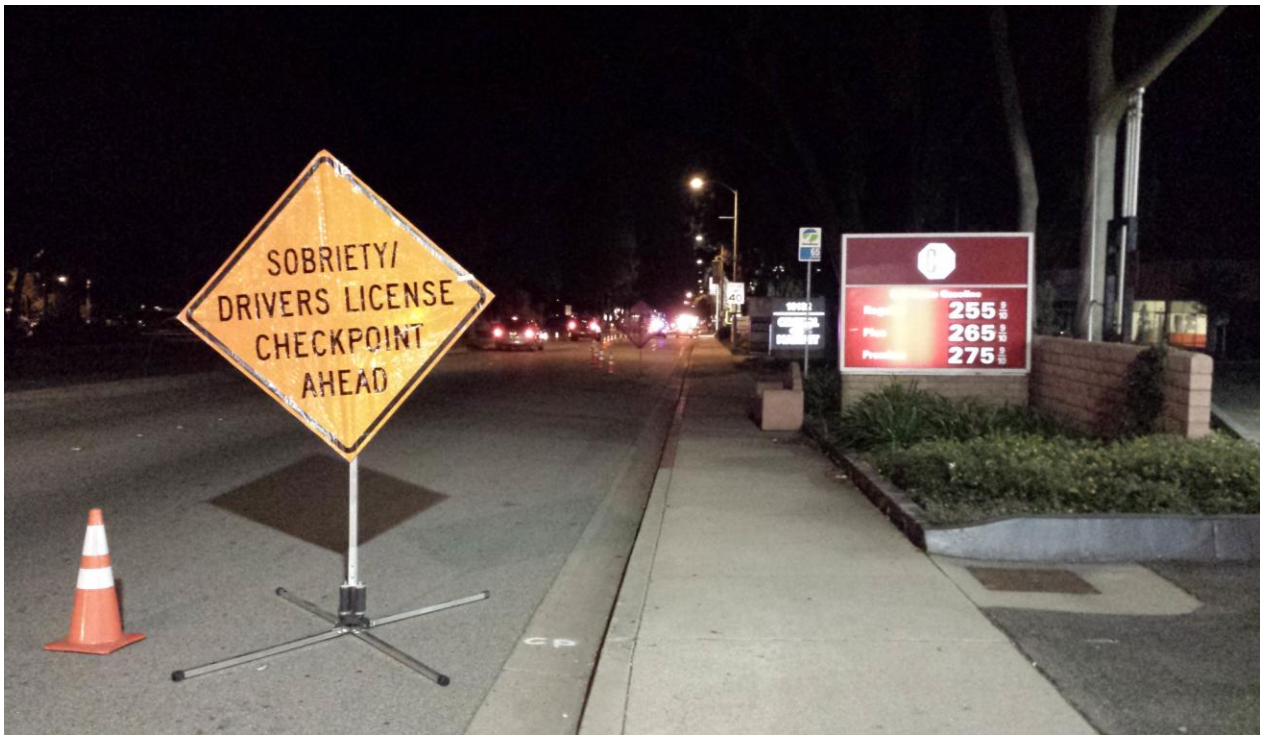
CRD and MPOA need your assistance in their goal to win the *Battle of the Badges.* Our blood drive will be held at the Montclair Community Center on Tuesday, February 17 from 2 p.m. to 8:15 p.m. We need as many blood donations as we can get! If you would like to donate blood, please phone Lt. Brian Ventura at (909) 448-3603, or send him an email at bventura@cityofmontclair.org. In the meantime, please help us spread the word!

- On December 27, 2014, the Montclair Police Department conducted an Office of Traffic Safety-funded (OTS) DUI checkpoint in the 10100 block of Central Avenue. The checkpoint was the first of four that are part of a Selective Traffic Enforcement Program grant which includes bicycle and pedestrian safety classes, car seat inspections and give-aways, DUI enforcement, distracted driving, and other vehicle violation enforcement details which will be held throughout the grant period.

  Conducted from 6 p.m. through 2 a.m., 1300 vehicles passed through the checkpoint, with 9 vehicles selected for a secondary evaluation for driving under the Influence or suspicion of driving without a license or driving with a suspended license. The checkpoint resulted in 10 citations for various infractions, 3 vehicles impounded, and one arrest for DUI.

  The checkpoint was coordinated with City Yard staff that assisted with roadway planning and traffic set-up and tear-down.

  Funding was provided by a grant from the California OTS through the National Highway Traffic Safety Administration.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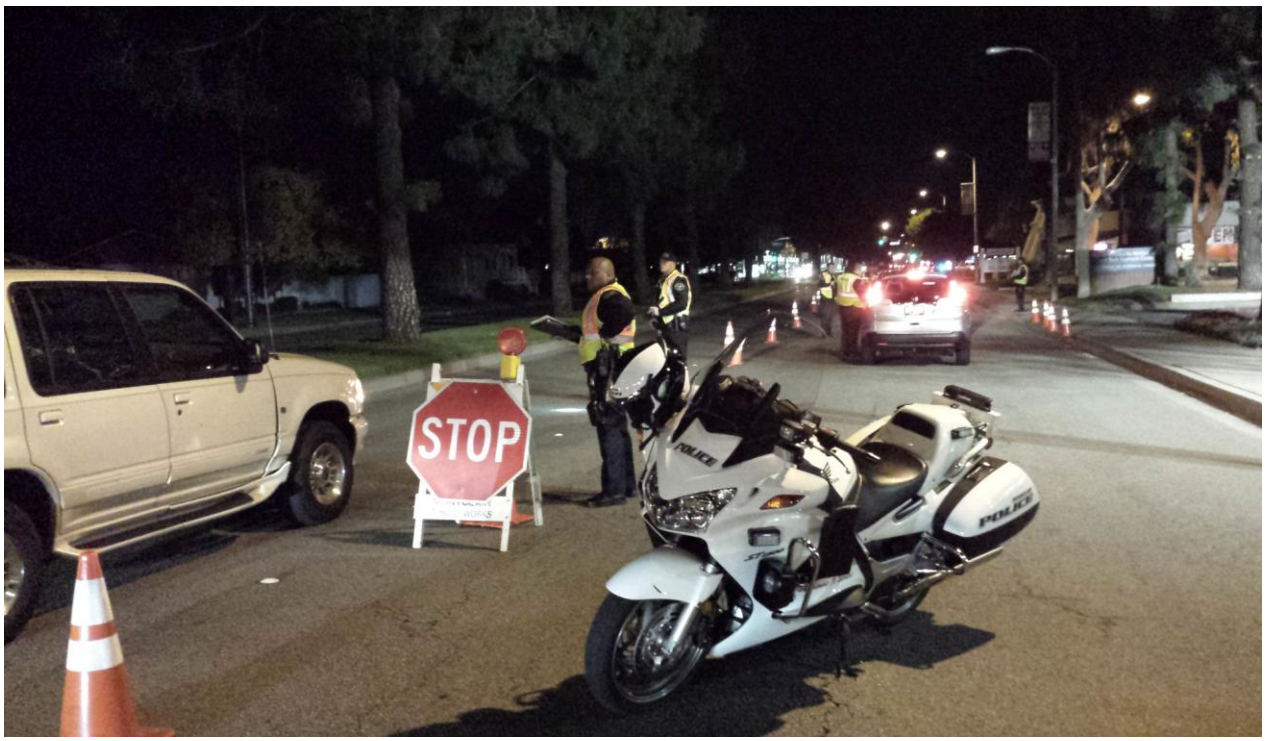
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➢ ***PUBLIC WORKS DEPARTMENT***

- On December 24, 2014, M. C. Alyea Construction completed the block wall replacement at Sunrise Park. In total, 3,000 square feet of block wall was replaced and the existing electrical services were relocated.

  The previous wall had been constructed nearly 50 years ago by individual home owners. The craftsmanship of the wall was not the best and has been deteriorating for years. The alignment tended to meander between City property and homeowner property. The alignment of the new wall is entirely constructed on City property.

  The final cost for construction of the block wall was $119,879 with funding coming strictly from the Park Development Fund.

BEFORE

AFTER

➢ ***SUCCESSOR REDEVELOPMENT AGENCY/MONTCLAIR HOUSING CORPORATION***

- The restaurant industry did not keep up with the surging stock market in 2014, as weakness at several large brands and a perception that many companies are at peak valuations kept stock prices at bay. The Nation's Restaurant News (NRN) Restaurant Index finished the year up 3.58 percent. By comparison, the S&P 500 index finished the year up 11.4 percent, and the NASDAQ finished the year up 13.4 percent.

  More restaurant stocks underperformed the S&P 500 than did those that outperformed the index. Some of the year's losers included some of the industry's biggest companies, including its two largest: McDonald's Corp., whose stock fell 3.43 percent on weak sales worldwide, and Yum! Brands Inc., whose stock declined 3.65 percent on weakness in China, its biggest market.

  But winners easily outnumbered losers in the year, and many chains attracted investors in droves.

  BJ's Restaurants Inc. was the top-performing restaurant stock of the year, excluding chains that trade over-the-counter and those that went public in 2014. BJ's finished the year up 61.65 percent, as the

Huntington Beach, California-based casual dining chain's sales returned to positive territory, following weakness in prior years that had turned investors against the concept.

Jack in the Box Inc. was the top performing fast-food restaurant company, finishing the year up 59.86 percent, due to a combination of solid performance by its flagship brand and strong sales growth at its fast-casual Qdoba Mexican Grill concept.

The best performing fast-casual chain was Chipotle Mexican Grill Inc., which finished the year up 28.48 percent. That performance came during a year in which same-store sales rose 17 percent during its first 3 quarters. Chipotle started the year trading at nearly $533 per share and finished at $684.51 per share, defying expectations that it would ultimately come back down to earth after years of astounding growth interrupted only by the recession. Chipotle's strong performance piqued investor interest in fast-casual restaurant Initial Public Offerings (IPO's) in 2014, driving values sky-high as investors bet that one of them would ultimately replicate the performance of the Denver-based burrito chain.

Three IPOs would have been the top performing restaurant chains on Wall Street had they traded for the full year. Zoe's Kitchen Inc.'s stock price finished the year at $29.91 per share, nearly double its $15 offering price. The Habit Restaurants Inc. finished the year at 79.72 percent above its offering price. Dave & Buster's Entertainment Inc.'s stock finished the year at 70.63 percent above its IPO.

The challenge for each of those companies is to maintain investor interest over time. So far, relatively few operators that have gone public in the post-recession environment have maintained investor interest over time.

Of the 15 chains whose stock prices declined in 2014, 7 have gone public since 2010.

The problem some recent IPO's have experienced is due to their early valuations. Companies generate considerable enthusiasm when they go public. However, investors bid the stocks up, giving them valuations that prove difficult to maintain over time.

The industry saw a banner year in 2013: Restaurant stocks surged an average of 45 percent amid prospects for an improving economy. As a result, many companies entered the year with strong valuations, which gave them less room for growth and higher expectations from investors. Despite a mediocre 2014, all but 10 restaurant chains are trading at enterprise value multiples of more than 10 times earnings.

The enterprise value is the price at which a company would fetch in an acquisition, and a double-digit multiplier for a restaurant company often prices out many potential buyers, like private equity groups. But with low gas prices and strong employment expected to boost sales in 2015, some analysts say the coming year could prove better for restaurants on Wall Street.

ECS:spa

Twenty years from now, you will be more disappointed by the things that you didn't do than by the ones you did do. So throw off the bowlines. Sail away from the safe harbor. Catch the trade winds in your sails. Explore. Dream. Discover.

~ Mark Twain

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JANUARY 2015

12	Planning Commission Meeting - Canceled	
13	City Manager's Staff Meeting City Hall Conference Room	9:00 a.m.
14	Oversight Board Meeting Council Chambers	6:00 p.m.
15	Safety Committee Meeting City Hall Conference Room	9:00 a.m.
15	Public Works Committee Meeting City Hall Conference Room	4:00 p.m.
19	Martin Luther King, Jr. Day – City Hall Closed	
20	Code Enforcement Committee Meeting City Hall Conference Room	6:00 p.m.
20	City Council Meeting Council Chambers	7:00 p.m.
26	Planning Commission Meeting Council Chambers	7:00 p.m.
27	City Manager's Staff Meeting City Hall Conference Room	9:00 a.m.

Senior Center Wine Tasting Presentation