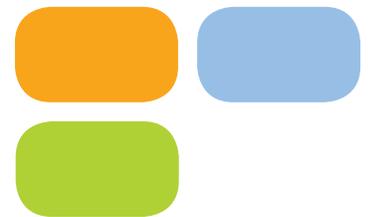




City of Cerritos
**Economic Development
Strategic Plan**



**Adopted
February 22, 2007**

CERRITOS ECONOMIC DEVELOPMENT STRATEGIC PLAN

**Adopted
February 22, 2007**

**Prepared for
City of Cerritos**



Prepared by

Applied Development Economics

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CONTENTS

Executive Summary.....	i
1. Introduction.....	2
1.1 Cerritos EDSP Process.....	2
1.2 Economic Development Setting.....	3
1.3 Role of Redevelopment in Cerritos' Economic Development	3
1.4 EDSP Organization	6
2. Economic Base Analysis	10
2.1 Cerritos' Employment Base.....	10
2.2 Local Commute Patterns.....	17
2.3 Regional Employment Trends.....	17
2.4 Assessing Regional Economic Roles	19
2.5 Economic Base Conclusions	23
3. Benchmark Comparisons.....	26
3.1 Population Demographics	27
3.2 Education	39
3.3 Employment and Commute Patterns.....	45
3.4 Housing Affordability and Household Income	56
3.5 Assessment of Cerritos Benchmarking.....	59
4. Retail Market Analysis	62
4.1 Retail Market Analysis Overview	63
4.2 Cerritos' Retail Setting	64
4.3 Local Household Spending.....	64
4.4 Cerritos Retail Sales.....	67
4.5 Retail Leakage	69
4.6 Composition of Cerritos' Regional Retail Market	71
4.7 Regional Competition	72
4.8 Key Retail Issues.....	73
4.9 Taxable Sales Revenue Generated by Non-Retail Businesses	76
4.10 Connecting Non-Retail Taxable Sales With Business Attraction.....	79
4.11 Taxable Sales Conclusions	79
5. Potential Development Concepts	82

5.1	Local-Serving Retail Center	82
5.2	Lifestyle Center	83
5.3.	Gateway Retail Center	83
5.4	Other Potential Concepts.....	84
5.5	Development Concept Conclusions.....	85
6.	SWOT Analysis	88
6.1	Existing Strengths.....	89
6.2	Weaknesses.....	90
6.3	Opportunities.....	91
6.4	Threats	91
6.5	SWOT Conclusions	92
7.	Preliminary Site Assessment.....	94
7.1	Site Assessments	94
7.2	Site Development Considerations	99
8.	Fiscal Considerations.....	102
8.1	Fiscal Setting	102
8.2	Long-Term Revenue Replacement.....	109
8.4	Fiscal Conclusions.....	115
9.	Economic Development Goals and Strategies.....	118
9.1	Retail Goals	120
9.2	Job Diversification Goals.....	124
9.3	Housing Goals	126
9.4	Fiscal and Services Delivery Goals	127
9.5	Internal Systems Goals	128
9.6	Business Attraction and Retention Goals.....	130
9.7	External Communications Goals.....	135
9.8	Strategy Summary.....	137
10.	Conclusions.....	140
	Appendix A: State and Federal Government Revenue Sources	142
	Appendix B: Business Retention and Expansion (BRE) Program Description.....	146
	Appendix C: Cerritos Business Survey Results	152

EXECUTIVE SUMMARY

The purpose of this Economic Development Strategic Plan (“EDSP”) is to provide a baseline assessment of the existing conditions that drive the economy in Cerritos, identify the community’s role in a transitioning economic environment, and plan for a fiscally sound future in light of the pending, State-mandated expiration of a key funding source, the Cerritos Redevelopment Agency’s project areas. Information obtained throughout the plan preparation and research process has been used to develop a set of strategic recommendations that address the community’s economic issues and opportunities. These recommendations are designed to address the issues identified in the Strategic Plan’s technical studies as well as the underlying structural issues related to redevelopment and Cerritos’ fiscal situation.

The City of Cerritos has a tremendous track record of success with its economic base, and its retail sectors in particular. Cerritos maintains a large job base and a mix of global and local businesses that are affected by internal and regional economic transitions. At a regional level, the job base is making a transition away from the industries that have historically defined Cerritos, while the retail sector has had to continually evolve to meet the challenge of competing with regional retail centers in other communities.

Cerritos has had a strong fiscal position by virtue of its high sales tax revenue and the Cerritos Redevelopment Agency’s project areas. The Cerritos Redevelopment Agency has helped fund public facilities and infrastructure improvements and has facilitated major job-producing developments locating in Cerritos. As the redevelopment project areas begin to phase out, the City faces the challenge of maintaining its fiscal strength while continuing to provide a high level of services. The expiration of the redevelopment project areas will create a need to identify replacement funding for future projects for which the City might have looked to the Agency for assistance.

The Cerritos Redevelopment Agency (“Agency”) currently has two redevelopment project areas that encompass the majority of the major job centers and sales tax generating land uses in Cerritos. These project areas expire in 2011 and 2016, respectively, meaning that redevelopment activities in these areas can no longer continue within these project areas after the expiration date (Table ES-1).

TABLE ES-1
CERRITOS REDEVELOPMENT TIMELINE

Year	Milestone
November 17, 1970	820-acre Los Cerritos Redevelopment Project Area established (120 acres added to Project Area via an amendment in 1975)
May 7, 1975	1,600-acre Los Coyotes Redevelopment Project Area established
November 18, 2011	Original Los Cerritos Redevelopment Project Area expires
May 6, 2016	Los Coyotes and Amended Los Cerritos Redevelopment Project Areas expire
November 18, 2021	Redevelopment Agency can no longer receive tax increment to pay for debts incurred within original Los Cerritos Redevelopment Project Area
May 6, 2026	Redevelopment Agency can no longer receive tax increment to pay for debts incurred within original Los Coyotes and amended Los Cerritos Redevelopment Project Areas

Source: Cerritos Redevelopment Agency

The Agency can continue to collect tax increment from the property tax revenues in order to pay indebtedness for another 10 years after the respective project areas expire, but these revenues can only be used to repay indebtedness incurred prior to the respective project area expirations. After the 10-year time period, the Agency no longer receives tax increments and so must plan to have its indebtedness repaid by the end of the 10-year period.

This EDSP document serves as a framework for understanding both the City’s current economic climate and the means by which the City can sustain its economic success. Through the presentation of findings from technical studies and the recommendation of approaches for the betterment of Cerritos’ fiscal and business environment, the EDSP is a resource for City policymakers and the public at large. It functions as a guide for the development of new economic development activities and policies that will serve to benefit the City of Cerritos, its businesses, and its residents.

CERRITOS ECONOMIC BENCHMARKS

Cerritos’ labor force and demographic benchmarks demonstrate strong local capacity for economic development. The benchmarks indicate the degree to which the strengths of the local population can strengthen the economic development opportunities for Cerritos businesses, as well as areas of potential vulnerability. Some conclusions that can be drawn from the benchmarks are listed below.

- The community’s strong income base provides market support for local serving businesses, and can be used to maintain Cerritos’ competitiveness in this area.

- The high educational attainment by Cerritos' residents provides an attractive labor force for growing businesses, and represents a strong selling point to businesses considering Cerritos as a business location.
- Cerritos' low unemployment rate indicates high demand for the skills and education of local residents.
- Cerritos' high housing costs, relative to income, indicate the desirability of the community as a place to live, as well as a potential challenge to local businesses for labor force recruitment.

PRIMARY CONSIDERATIONS

Cerritos is a community that has benefited tremendously from prescient decisions made many years ago. These decisions include establishing high standards for development and public spaces, pursuing regional retail as a means by which to create a large sales tax base, and taking advantage of the opportunities afforded by setting up redevelopment plans. As Cerritos moves forward in its innovative programs and services, the City needs to be equally forward thinking in a strategic approach to its current and future economic development challenges.

- **Upward Movement:** The recommendations presented in the Economic Development Strategic Plan view Cerritos as a community whose business base and economic opportunities will in the coming years increasingly reflect the affluence of its residents and its desirability as a place to live. The market opportunities support this type of transition into a more upscale retail base and more space to create professional office jobs. These transitions have occurred elsewhere in the Los Angeles/Orange County region, and Cerritos is well positioned to benefit from these trends.
- **Nurturing Existing Businesses:** A significant portion of Cerritos' existing job base relies on industries that are in decline regionally. The challenge is in identifying locations for new business development to occur, and strategically focusing business retention resources so that the City does not prematurely erode its existing economic strengths. Consequently, the EDSP also focuses on the importance of locally generated business opportunities. While the regional economy is in transition, many of Cerritos' best economic development opportunities will originate from its existing business base and underserved retail markets. By instituting a comprehensive process of business retention and outreach, the City can help ensure that important businesses remain competitive.
- **Housing:** As Cerritos' business base continues to grow, planning efforts are currently being studied that would include new housing. A growing residential population would help bolster the market for retail uses, and it would also allow for Cerritos to retain more of the workers who currently commute. In addition, new housing can allow the City to explore different housing configurations such as

mixed-use development, which can help attract the types of professionals and entrepreneurs that would want to start up companies in Cerritos.

- **Redevelopment Replacement:** The City faces a significant challenge to maintain a strong revenue base once it no longer has access to tax increment financing through the Cerritos Redevelopment Agency. The relatively near-future expirations of the Agency's two redevelopment project areas are a prism through which the City must view all its economic development opportunities. Increased sales tax opportunities from both retail and office development will be important in this regard and new housing development must be structured to pay for the cost of public services they require. The City should also explore new opportunities to benefit financially from future development activities that occur in the City.

Cerritos has a very strong foundation already in place from which to engage in economic development activities. Forward thinking has helped build Cerritos into a desirable place to live and conduct business. A continuation of this tradition will help Cerritos maintain and build upon that status.

SWOT ANALYSIS

The considerations described above in part represent an assessment of Cerritos' Strengths, Weaknesses, Opportunities, and Threats ("SWOT"). These characteristics are summarized in Table ES-2.

In general, Cerritos is approaching economic development from a favorable business climate and market position. The primary challenges for Cerritos pertain to maintaining its regional dominance in the retail market, continuing to provide high quality services, and capitalizing on available opportunities while addressing issues with housing affordability and the competitiveness of its retail centers.

TABLE ES-2

STRENGTHS, WEAKNESSES, OPPORTUNITIES, AND THREATS (SWOT) ANALYSIS

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> - Strong regional retail base - Advantageous location for manufacturing and distribution - High sales volume of Cerritos Auto Square - Key anchor stores - Attractiveness of public areas and enforcement of building standards - Large regional labor force - Regional growth in information technology, construction, leisure and hospitality, administrative services, biotechnology, and government - Access to transportation infrastructure - Streamlined permit processing, and low fees - Attractive location for many types of commercial activity, with high demand for space - Major employment centers such as Cerritos Industrial Park, Cerritos Auto Square, Cerritos Towne Center and Los Cerritos Center - Advanced courses offered through Cerritos College - Diverse base of local businesses 	<ul style="list-style-type: none"> - Scarce and expensive housing - Mismatch between local jobs and housing affordability - Lack of young families in Cerritos - High outcommute rate - Outdated supermarkets contribute to leakage of local retail spending - Limited expansion space for Cerritos Auto Square
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> - Retail opportunities such as local-serving businesses, warehouse clubs, and other vehicle dealerships - Future Santa Ana Freeway expansion project potentially creates opportunities for "gateway" retail uses - Cerritos Auto Square will remain a regional shopping attraction - Opportunities to expand retail base through local-serving uses - High incomes can support transition to more upscale retail - Regional growth opportunities in health care, transportation support services, information technology, educational services, arts and entertainment, real estate, management, administration, and professional services - Mixed use opportunities 	<ul style="list-style-type: none"> - Funding capital improvements for which the City might have looked to the Cerritos Redevelopment Agency for assistance, once the redevelopment project areas begin to phase out in 2011 - Many of the best regional growth opportunities, such as health care and real estate services, do not generate sales tax - The high out-commute rate of Cerritos residents likely results in taxable sales leaving the City - Some businesses prefer to develop their own properties rather than lease land - Surrounding communities are developing their own regional retail centers - The manufacturing industries in Cerritos are not the best job growth opportunities regionally

POTENTIAL DEVELOPMENT CONCEPTS

Background market studies detailed in this plan identified some potential development concepts that can work with existing market opportunities in Cerritos. These development concepts are designed to build upon the market opportunities identified in the retail market and economic base analyses, and fit them into developments that can be built if space becomes available.

- Local-serving retail center
- Lifestyle center
- Gateway retail center
- Auto Square expansion
- Mixed-use development

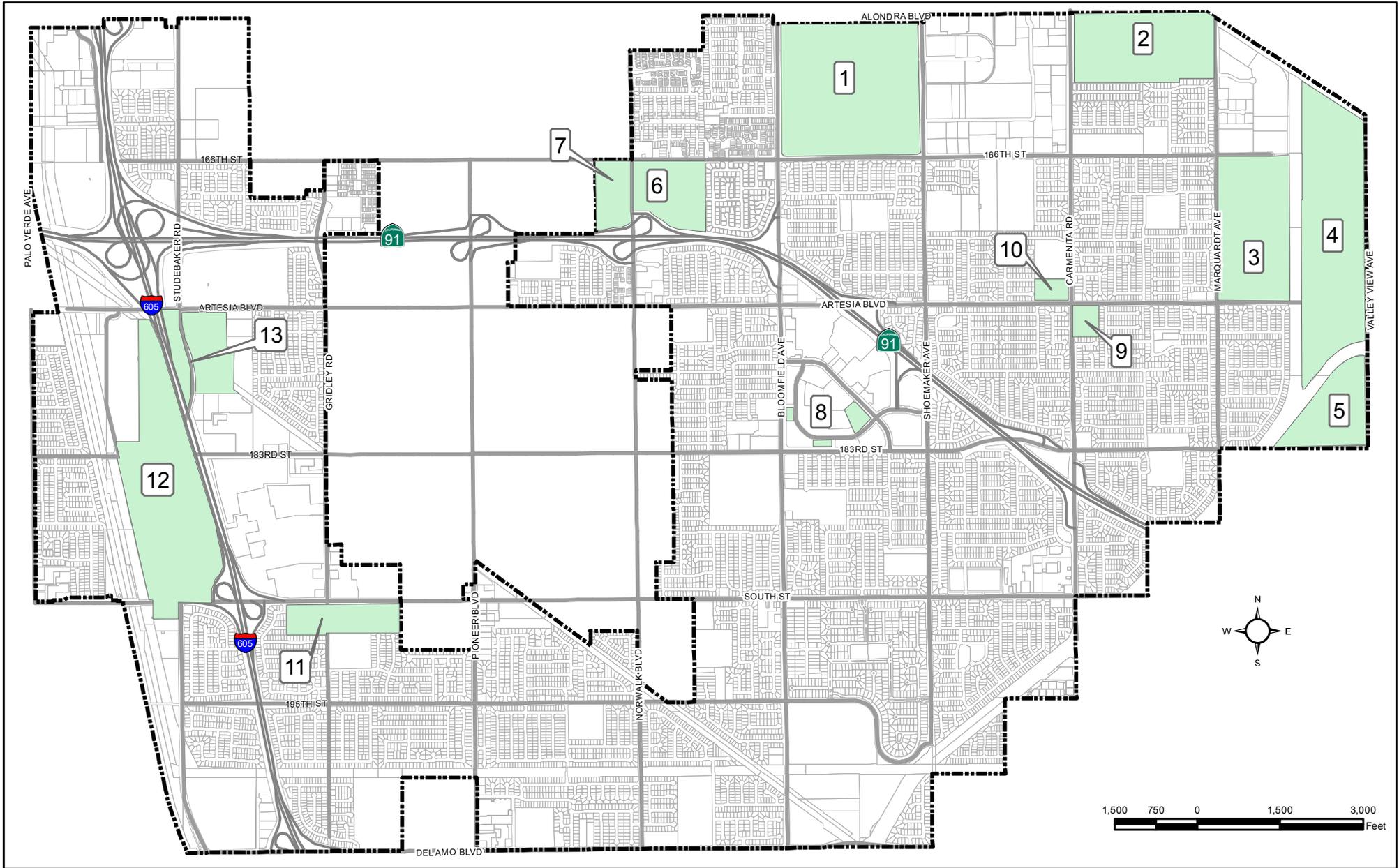
Implementing the development concepts in many cases will depend on the availability of sufficient space, which poses a challenge because Cerritos is largely built out. A local-serving retail center that meets the unmet market potential for grocery stores while providing other ancillary local-serving retail uses will likely require about 25 acres of land area; a vacant land assemblage of this size does not currently exist in Cerritos. The viability of a gateway retail center concept will depend on the alignment of the Santa Ana (I-5) Freeway widening project, and the Valley View exit in particular. With the other concepts, the City can work with existing private sector partners to integrate mixed use development, lifestyle center retail, and expanded Auto Square operations into the existing community fabric.

PRELIMINARY SITE ASSESSMENT

In consultation with City staff, 30 different sites were visited to identify the best locations for different types of development opportunities. Some of the more promising sites to accommodate short and long-term market opportunities based on the potential development concepts outlined above are shown on Map ES-1 and are listed below.¹

- Existing industrial areas (Sites 1, 2, 3, 4, and 5)
- ABC Unified School District property – 166th Street & Norwalk Boulevard (Site 6)
- Industrial area – 166th Street & Norwalk Boulevard (Site 7)
- Cerritos Towne Center lots (Site 8)
- Existing shopping centers – Carmenita Road & Artesia Boulevard (Sites 9 and 10)
- Existing commercial centers – South Street & Gridley Road (Site 11)
- Cerritos Auto Square vicinity sites (Sites 12 and 13)

¹ The sites that the project team visited, but which are not described in this section, include smaller in-fill sites, and sites that are located within primarily residential areas.



Legend

- Potential Development Site
- 1 Site Number

Map ES-1: Potential Development Sites

While these sites represent the most promising areas for future development, most of them have existing uses. In addition, most of these properties are currently held under private ownership. The potential for the short-term development of these sites depends on whether the owner plans to invest in these properties or pursue different uses. The City should continue to monitor these sites, and keep in communication with the owners about any development plans. In addition, this monitoring process can alert the City as to any properties that come up for sale, which the City may wish to acquire for activities such as public use or future ground leasing.

ECONOMIC BASE ANALYSIS

The Economic Base Analysis examines how the Cerritos job base is structured and evaluates the role of Cerritos' industries within the Los Angeles/Orange County regional economy. Identifying these roles is important because many of Cerritos' best economic growth and diversification opportunities come first from those industries that have shown the best growth potential elsewhere in the region. This analysis has revealed the following key findings:

- Cerritos' employment base totals over 38,500 jobs, with high concentrations of employment in retail, wholesale trade, manufacturing, and transportation/warehousing (Table ES-3).
- The commute patterns in Cerritos show very high outcommute rates, with 87 percent of local residents commuting to jobs outside the community. Cerritos also attracts over 35,200 commuters everyday.
- At a regional level, service industries have been the best performing in terms of employment concentration and job growth, while many of the industrial sectors that are prominent in Cerritos have declined regionally. The regional growth in service industries creates an opportunity as Cerritos develops new office space, but it also challenges the existing industrial uses, which comprise much of the local job base.

Cerritos has taken a series of proactive steps to build a diverse business base that takes advantage of its strategic location and opportunities afforded by the Los Angeles/Orange County economy. The Cerritos Towne Center has demonstrated that the market will support office uses in the community if spaces for those uses are built. As the regional economy transitions away from industrial uses, Cerritos can potentially plan for reusing existing parcels for office use. However, the challenge will be planning for new office uses without having to displace industrial spaces that might still be viable, especially since many of the industrial businesses in Cerritos generate taxable sales revenue.

TABLE ES-3
CERRITOS EMPLOYMENT SUMMARY BY MAJOR INDUSTRY GROUP

	NAICS Code	Industry Code Description	Cerritos 2003 Employment (Estimated)	Percent of Total
		Total	38,552	100.0%
High Employment Concentration	44----	Retail trade	6,527	16.9%
	42----	Wholesale trade	5,899	15.3%
	31----	Manufacturing	4,265	11.1%
	56----	Admin, support, remediation services	3,814	9.9%
	51----	Information	2,809	7.3%
	48----	Transportation & warehousing	2,575	6.7%
	55----	Management of companies & enterprises	1,218	3.2%
	12----	Mining	181	0.5%
Average Employment Concentration	54----	Professional, scientific & technical services	2,718	7.1%
	72----	Accommodation & food services	1,918	5.0%
	23----	Construction	1,650	4.3%
	52----	Finance & insurance	1,617	4.2%
	61----	Educational services	471	1.2%
Low Employment Concentration	62----	Health care and social assistance	1,543	4.0%
	81----	Other services (except public administration)	825	2.1%
	53----	Real estate & rental & leasing	334	0.9%
	71----	Arts, entertainment & recreation	164	0.4%
	11----	Forestry, fishing, hunting, and agriculture	7	0.0%

Source: ADE, data from U.S. Census ZIP Code Business Patterns, Dun & Bradstreet ZAP Data business database, and IMPLAN CEW county employment database.

Notes: Data does not include public sector and self-employment.

Employment concentrations were calculated relative to the other geographic areas included in the study: Los Angeles County, the combined area of Orange and LA counties, and the state of California as a whole. High employment concentration means that an employment share in a particular sector is at least 50 percent higher than in the comparison areas (i.e., location quotient of 1.5 or higher). Average employment concentration indicates an employment share between 50 percent higher and 50 percent lower than in the comparison areas (i.e., location quotient between 0.5 and 1.5). Low employment concentration indicates that an employment share is more than 50 percent lower than in the comparison areas (i.e., location quotient less than 0.5).

RETAIL MARKET ANALYSIS

The retail market analysis estimates the household demand for retail goods and compares this to the sales patterns by Cerritos retail stores. This information provides a baseline estimate of how Cerritos' retail stores currently attract local and regional retail spending. The results of the retail analysis support the well established common knowledge that Cerritos successfully attracts shoppers from throughout Southern California.

Even though regional retail has served as a successful economic engine and source of sales tax revenue for Cerritos, there are numerous challenges that should be addressed in order for the City to retain its advantageous position and capitalize on new opportunities. Regional retail in particular is a difficult advantage to maintain because neighboring communities will inevitably try to recapture the spending that leaves their communities.

- Key retail issues for Cerritos are as follows:
 - Retain and strengthen auto dealerships;
 - Retaining existing regional capture and commuter spending;
 - Explore local shopping opportunities;
 - Stay relevant as the retail market evolves;
 - Diversify the vehicle dealership advantage.
- Cerritos draws from a relatively high local household income base (average annual income of \$87,700), as well as a large regional market.
- The \$2.1 billion of retail sales generated by Cerritos retailers annually far exceeds the \$509 million of retail spending by local households. With local households spending about \$412 million at Cerritos stores, this means that local stores attract about \$1.7 billion of retail spending from outside of Cerritos. Along with unmet spending potential (retail leakage), Cerritos has a total retail potential of nearly \$2.2 billion.
- Auto dealerships comprise the largest retail sector in Cerritos with \$1.1 billion in annual sales. This represents more than half of the citywide retail sales total.
- Local households only spend about \$97 million outside of Cerritos. Much of this retail leakage occurs in grocery stores, where \$36 million is spent at stores outside of Cerritos. Leakage represents both an existing shortcoming as well as opportunities for new retail stores to capture this unmet demand.
- Residents of neighboring communities and workers that commute into Cerritos from elsewhere each account for over \$300 million of retail spending in Cerritos. Business-to-business transactions account for \$236 million of sales at local retail stores.

- Surrounding communities have developed new regional retail centers in recent years. Cerritos' key regional retail assets include the Cerritos Auto Square, Los Cerritos Center, and the Cerritos Towne Center. These centers need to evolve in order to maintain their competitive advantages and high levels of regional retail capture.
- Non-retail businesses account for about \$357 million of taxable sales.
- Cerritos' potential to increase its retail sales base will primarily occur through expanded local-serving retail and diversifying regional retail offerings into more upscale niches.
- Growth in the non-retail taxable category will occur with continued business development in basic industries. Business attraction efforts can focus on those business categories that potentially generate taxable sales through point-of-sale transactions.

FISCAL CONSIDERATIONS FOR PUBLIC IMPROVEMENTS

The fiscal considerations pertain to the City's existing revenue sources as well as potential revenue replacement sources for redevelopment funds. Due to its strong fiscal position, the City of Cerritos is able to provide a very high level of public services to its citizens. The City has been able to make excellent use of the Cerritos Redevelopment Agency's powers and financing to construct major community public improvements and public amenities, while also boosting the business base in the Cerritos Towne Center and in the industrial and business parks. However, under state law, the Agency's redevelopment powers will terminate as discussed previously and as shown in Table ES-1. An important motivation for preparing this Economic Development Strategic Plan is to identify alternate funding sources, through economic development, to replace redevelopment revenues when they are no longer available.

- Cerritos has provided a high level of public improvements due to its strong fiscal position. Much of this has come through the City's redevelopment areas, which under State law will terminate over the next five to twenty years.
- The City receives approximately \$30 million annually from sales tax, which is comparable to the \$27 million that the Redevelopment Agency currently receives from tax increment each year. These tax increment funds will be completely eliminated by 2026.
- To enhance revenues for the future, the City can acquire property using Agency funds and also set aside income from the property for economic development purposes.
- A city-level Economic Development Corporation (EDC) can potentially be formed to promote development inducement activities once redevelopment powers have expired. Funding for an EDC could use existing property revenues collected through City ground leases, among other sources. The organization,

funding, and legal framework for these types of EDC functions will require further study, because of the limited precedents for this type of arrangement.

- Other funding sources include sales tax enhancement, federal and state funding, property revenue, and user fees.

The City has enjoyed tremendous success in economic development during its history, and it should ensure that its staff has sufficient resources to continue these successes. The sources of funding available to Cerritos to fund those projects for which the City has historically looked to the Cerritos Redevelopment Agency for assistance will not necessarily compensate for the loss of tax increment funds; however, a combination of dedicated property revenues, property acquisitions, and perhaps the creation of an EDC can help offset the elimination of Agency funding. The City also has the option of pursuing other funding sources such as sales tax, property revenues, user fees, and government programs.

ECONOMIC DEVELOPMENT GOALS AND STRATEGIES

The strategic goals and potential implementation approaches for Cerritos address both market opportunities and finding ways of building from and enhancing existing strengths in Cerritos' business base and labor force. These goals also assess current practices and suggest initiatives that improve the City of Cerritos' approach to economic development. This includes an assessment of the ways that business attraction, retention, and expansion are currently addressed. Lastly, the strategic goals address future business opportunities and the monitoring of regional trends that can potentially impact Cerritos' economy. Table ES-4 provides a summary of the goals outlined in this plan.

The strategic goals and recommended implementation approaches are intended to provide an actionable program that the City can use to address its short- and long-term economic development challenges and opportunities. Taken together, these goals and implementation measures will help Cerritos maintain its strategic advantages while addressing market opportunities and useful changes to existing practices.

TABLE ES-4
SUMMARY OF ECONOMIC DEVELOPMENT GOALS

Retail Goals	
R-1	Attract spending from higher income households by attracting higher-end retail and transitioning into "lifestyle" retail uses.
R-2	Stem the outflow of household spending by attracting local-serving retail, especially a large modern supermarket and warehouse club.
R-3	Leverage existing strength in auto sales. Enhance the auto mall by taking full advantage of market opportunities and addressing any competitiveness liabilities.
R-4	Leverage existing strength with Los Cerritos Center.
R-5	Encourage more restaurants to locate in Cerritos.
R-6	Intensify retail development areas by adding other uses, such as office and housing
Job Diversification Goals	
JD-1	Provide opportunities for local residents to work closer to home by building more office space in Cerritos.
JD-2	Diversify Cerritos' job base by focusing attraction efforts around businesses that support expanding core sectors, add to the diversity of Cerritos' retail base, and address the best local and regional market opportunities
Housing Goals	
H-1	Complement business attraction efforts by diversifying housing options.
H-2	Consider mixed use development to complement new business centers.
Fiscal and Services Delivery Goals	
F-1	Ensure continued high quality in public improvements and amenities by seeking new funding sources.
F-2	Explore the creation of a Cerritos Economic Development Corporation.
Internal Systems Goals	
IS-1	Address any barriers that currently exist within the City's information systems.
IS-2	Integrate geographic information with existing sales tax data in order to accurately identify fiscal trade-offs for potential land use changes.
Business Attraction and Retention Goals	
BAR-1	Identify the "best customers" among existing Cerritos businesses and initiate an outreach program.
BAR-2	Maintain core strength in distribution-oriented businesses.
BAR-3	Explore opportunities in the lodging and visitor-serving markets.
BAR-4	Identify independent entrepreneurs who want to transition into a storefront operation.
BAR-5	Maintain a proactive approach to addressing the needs of important businesses that might be looking to relocate out of Cerritos.
BAR-6	Use a targeted approach to business attraction.
BAR-7	Dedicate staff resources to tracking market trends.
External Communications Goals	
EC-1	Increase the usage of the City's website for communicating with prospective business leads.
EC-2	Establish a consistent and clearly defined protocol for new business prospects.

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1. INTRODUCTION



1. INTRODUCTION

In 2003, the Cerritos City Council established the Cerritos Economic Development Commission with the primary task of preparing an Economic Development Strategic Plan (“EDSP”) for the City of Cerritos. The purpose of this Strategic Plan is to provide a baseline assessment of the existing conditions that drive the economy in Cerritos, identify the community’s role in a transitioning economic environment, and plan for a fiscally sound future in light of the pending, State-mandated expiration of a key funding source, the Cerritos Redevelopment Agency’s project areas. The timing of this EDSP is pertinent because the City’s redevelopment project areas will begin to expire in 2011, and these events will have an impact on the Agency’s fiscal position and its options for economic development activities.

Information obtained throughout the plan preparation and research process has been used to develop a set of strategic recommendations that address the community’s economic issues and opportunities. These recommendations are designed to address the issues identified in the Strategic Plan’s technical studies as well as the underlying structural issues related to redevelopment and Cerritos’ fiscal situation.

1.1 CERRITOS EDSP PROCESS

The Cerritos Economic Development Commission has worked with a project team comprised of City staff and the consulting firm Applied Development Economics (ADE) to develop the EDSP. This document is the culmination of a year-long process of demographic and market research, data analysis, and the formulation of strategic objectives for the City’s future.

As part of the EDSP process, the project team mailed a Business Survey to more than 700 local businesses. The survey asked respondents to identify their customer base and assess the business climate in Cerritos. The survey also solicited basic information about the respondents’ business operations, marketing approaches, employment trends, and expansion plans. The survey data was used to identify the market area for Cerritos’ retail stores and provide additional context for the strategies and recommendations identified in this EDSP. The detailed results from the survey are included in Appendix C.

The development of the Strategic Plan followed a schedule of regular meetings and reports to the Economic Development Commission beginning in December 2005. In addition, in March 2006, the project team held a public workshop to solicit input from Cerritos residents and business owners

regarding economic development concerns in the community. The meeting schedule and topics discussed are listed below:

- December 6, 2005: Economic Base Analysis, Benchmarking, SWOT (Strengths, Weaknesses, Opportunities, and Threats) Analysis Findings, and Preliminary Business Survey Results
- February 14, 2006: Retail Market Analysis, Development Concepts, and Site Observations
- March 6, 2006: Public Workshop
- April 11, 2006: Economic Development Goals
- June 13, 2006: Fiscal Issues and Implementation Approaches

1.2 ECONOMIC DEVELOPMENT SETTING

The City of Cerritos has a tremendous track record of success with its economic base, and its retail sectors in particular. Cerritos maintains a large job base and a mix of global and local businesses. With retail centers that attract customers from throughout Southern California, Cerritos businesses serve markets that extend well beyond the City's boundaries. This success has made Cerritos a regional destination as both a job-creating center and a prominent retail provider.

While Cerritos' local economy maintains many strong attributes, the community is in the middle of an internal and regional transition. The regional job base is making a transition away from the industries that have historically defined Cerritos, and the retail sector has had to continually evolve to meet the challenge of competing with regional retail centers in other communities. In addition, Cerritos has had a strong fiscal position by virtue of its high sales tax revenue and redevelopment project areas. As the redevelopment project areas begin to phase out, the City faces the challenge of maintaining its fiscal strength while continuing to provide a high level of services.

1.3 ROLE OF REDEVELOPMENT IN CERRITOS' ECONOMIC DEVELOPMENT

The Cerritos Redevelopment Agency has historically been a major source of funding for a variety of public improvements and other projects that have enhanced the economic capacity of the community. As the State-mandated expirations of the Agency's two redevelopment project areas occur, the City will no longer be able to look to the Agency for this financial assistance. Therefore, the City needs to plan for this change and identify other funding sources.

Redevelopment agencies have certain powers and a dedicated revenue source – tax increment financing – to assist in revitalizing neighborhoods and business districts. These activities include implementing the redevelopment plan, buying and selling property, making loans or grants, rehabilitating structures, constructing infrastructure and other public improvements, and developing and rehabilitating low and moderate income housing. In Cerritos, redevelopment has helped fund public facilities and infrastructure improvements and has facilitated major job-producing developments locating in Cerritos.

The most important role redevelopment serves in Cerritos is the generation of revenues in the form of tax increment that can be used to finance redevelopment activities. Once a redevelopment project area is formed, a portion of future property taxes generated within the specified redevelopment project area known as tax increment is directed to pay for redevelopment activities.

The tax increment allocations received by the Cerritos Redevelopment Agency (“Agency”) are based only on future increases in the assessed values. This works on the assumption that as a redevelopment agency invests in a project area, it will attract new private investment, which in turn will increase property values and tax revenues. Because Cerritos’ redevelopment project areas were formed during the 1970s, almost all of the tax increment that has accumulated since that time now goes towards Agency activities. While a redevelopment area remains active, Los Angeles County and other public agencies continue to receive property revenue from that area based on the same existing valuation as when the project area was formed.¹ Once the redevelopment project area expires, any portion of the tax increment not required to pay off redevelopment project area indebtedness existing as of the date of project area expiration is not paid to the Agency, but rather is held by the County Assessor for reallocation.

Tax increment provides the revenue source for the Agency to repay the indebtedness it incurs in undertaking redevelopment projects. Redevelopment effectively enables a greater share of the property taxes already being paid by Cerritos residents and businesses to remain in the community. Without redevelopment, a large share of Cerritos’ property taxes would go to the County and a variety of other public agencies that levy property taxes on property in Cerritos’ redevelopment project areas. There are different restrictions on the use of redevelopment tax increment funds than there are with other commonly used sources of funding for local

¹ This valuation is in addition to a valuation growth factor of up to 2% per annum allowed under Proposition 13, which was passed by California voters in 1978.

services and programs such as Community Development Block Grants (CDBG) or other similar programs.² Redevelopment agencies can also buy and sell real property.

Redevelopment has served as an important contributor to Cerritos’ economic success. The Agency currently has two redevelopment project areas that encompass the majority of the major job centers and sales tax generating land uses in Cerritos. These project areas are shown on Map 1. The Los Cerritos Redevelopment Project Area was originally formed in 1970, and the Los Coyotes Redevelopment Project Area was established in 1975. These project areas expire in 2011 and 2016, respectively, meaning that the authority to undertake redevelopment activities under these redevelopment plans, other than to repay indebtedness incurred prior to the expiration dates, ends as of the respective expiration date (Table 1).

**TABLE 1
CERRITOS REDEVELOPMENT TIMELINE**

Year	Milestone
November 17, 1970	820-acre Los Cerritos Redevelopment Project Area established (120 acres added to Project Area via an amendment in 1975)
May 7, 1975	1,600-acre Los Coyotes Redevelopment Project Area established
November 18, 2011	Original Los Cerritos Redevelopment Project Area expires
May 6, 2016	Los Coyotes and Amended Los Cerritos Redevelopment Project Areas expire
November 18, 2021	Redevelopment Agency can no longer receive tax increment to pay for debts incurred within original Los Cerritos Redevelopment Project Area
May 6, 2026	Redevelopment Agency can no longer receive tax increment to pay for debts incurred within original Los Coyotes and amended Los Cerritos Redevelopment Project Areas

Source: Cerritos Redevelopment Agency

The Agency can continue to collect tax increment from the property tax revenues in order to pay indebtedness for another 10 years after the respective project areas expire, but these revenues can only be used to repay indebtedness incurred prior to the respective project area expirations. After the 10-year time period, the Agency no longer receives tax increment and so

² The CDBG programs generally allocate funds to cities for activities that benefit “target income group” workers and have reporting requirements indicating performance towards this objective. Redevelopment funds are more flexible because they can be directed towards a broader range of economic development objectives, except for the 20% of the tax increment allocated to the Agency that, by State law, must be used for low and moderate income housing.

must plan to have its indebtedness repaid by the end of the 10-year period, i.e., by November 18, 2021 for the original Los Cerritos Project Area, and by May 6, 2026 for the amended Los Cerritos Project Area and for the Los Coyotes Project Area.

1.4 EDSP ORGANIZATION

This report begins with two sections that describe Cerritos' economic base and benchmark the community in relation to other comparison cities. These background studies provide a context for economic development in Cerritos. The Economic Base Analysis (Section 2) looks at regional trends and compares them to what currently drives the Cerritos economy. This lays out the opportunities from which Cerritos can benefit because of its linkages to the regional economy, as well as opportunities that potentially derive from existing concentrations of economic activity in Cerritos.

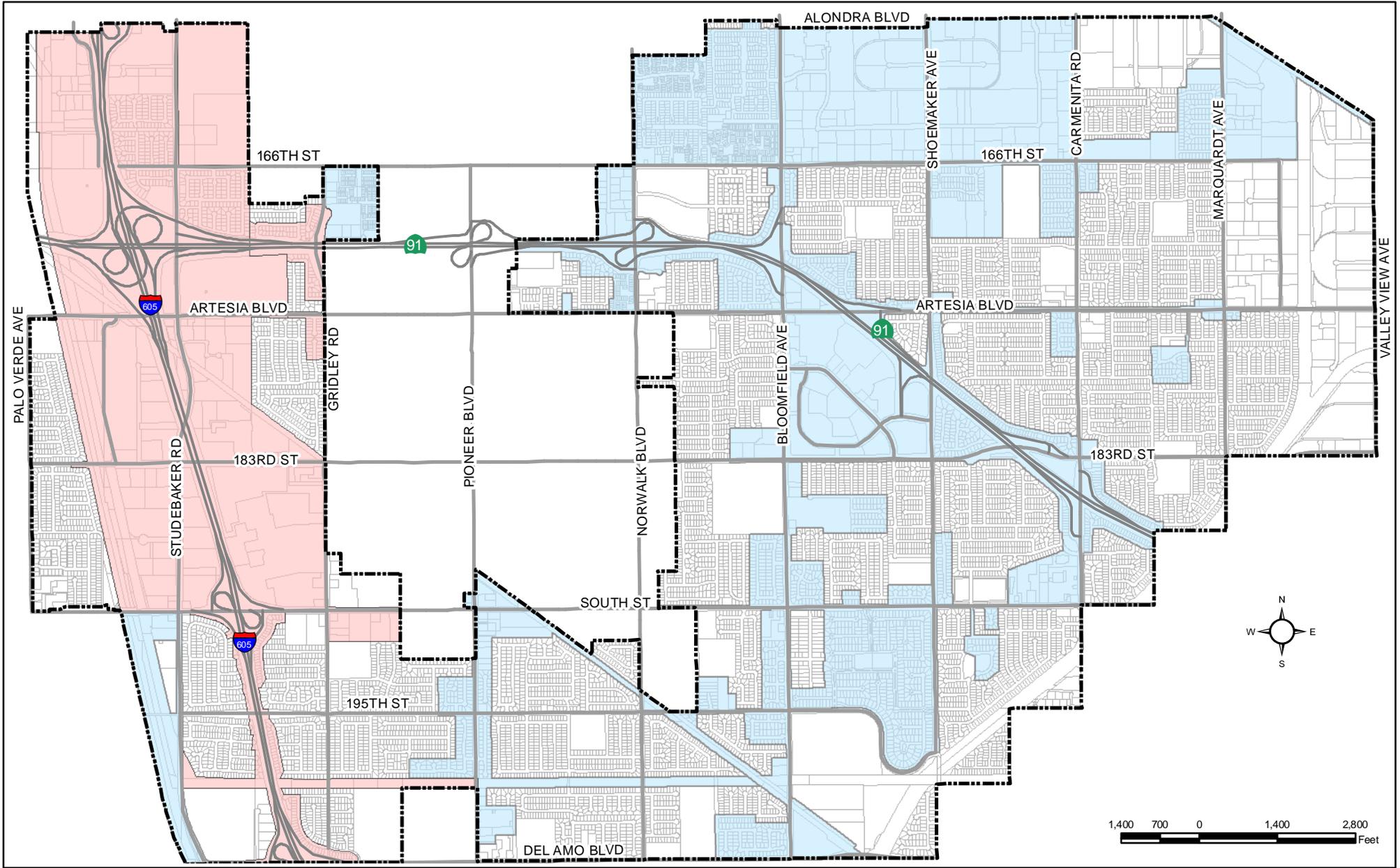
The Benchmark Comparisons section (Section 3) provides an assessment of how Cerritos compares to other communities in terms of its demographic, labor force, and educational characteristics. The information discussed in this section provides insight into the ways in which Cerritos residents assist in creating capacity for future economic development as the economy evolves.

The next section, the Retail Market Analysis (Section 4), assesses the performance of Cerritos' retail sectors and quantifies the regional retail market. This analysis identifies potential opportunities in this sector, as well as changes to the market around which Cerritos needs to adjust in order to maintain the tremendous regional advantage that the community has maintained since the 1970s.

The Potential Development Concepts in Section 5 result from the market study findings in Sections 2, 3, and 4. These concepts address opportunities available to Cerritos as well as changes to the market that should be addressed. These concepts are further explored in the Site Assessment (Section 7), which examines potential locations for new development.

The SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis in Section 6 examines Cerritos' overall business climate, and identifies areas where Cerritos has done well and other areas where the community has some existing weaknesses. In addition, the analysis looks at future opportunities and threats that require addressing.

Section 8 discusses the Fiscal Considerations that are an integral part of the strategic planning process as Cerritos moves forward with its economic development initiatives.



Legend

- Los Cerritos
- Los Coyotes

Map 1: Redevelopment Project Areas

The Economic Goals and Strategies (Section 9) represent the strategic recommendations that address the most pressing economic development issues facing the City of Cerritos. Much of this section is concerned with addressing market opportunities and improving the business climate. In addition, the goals and implementation approaches include strategic recommendations for working with the Cerritos business community to maintain the City's advantageous position within the regional economy.

This EDSP document serves as a framework for understanding both the City's current economic climate and the means by which the City can sustain its economic success. Through the presentation of findings from technical studies and the recommendation of approaches for the betterment of Cerritos' fiscal and business environment, the EDSP is a resource for City policymakers and the public at large. It functions as a guide for the development of new economic development activities and policies that will serve to benefit the City of Cerritos, its businesses, and its residents.

2. ECONOMIC BASE ANALYSIS



2. ECONOMIC BASE ANALYSIS

This section examines how the Cerritos job base is structured and evaluates Cerritos' role within the Los Angeles/Orange County regional economy. In addition, the Economic Base Analysis assesses the roles of different industries within the region in order to identify opportunities for Cerritos. Identifying these roles is important because many of Cerritos' best economic growth and diversification opportunities come first from those industries that have shown the best growth potential elsewhere in the region.

Some of the major findings from the Economic Base Analysis are summarized below.

- Cerritos' employment base totals over 38,500 jobs, with high concentrations of employment in retail, wholesale trade, manufacturing, and transportation/warehousing.
- The commute patterns in Cerritos show very high outcommute rates, with 87 percent of local residents commuting to jobs outside the community. Cerritos also attracts over 35,200 commuters everyday.
- At a regional level, the best performing industries (in terms of employment concentration and job growth) have been in service industries. Many of the industrial sectors that are prominent in Cerritos have declined regionally. This creates a challenge as Cerritos itself develops new office spaces, while the existing industrial uses comprise much of the local job base.

2.1 CERRITOS' EMPLOYMENT BASE

Cerritos' employment distribution provides a context for comparison with the rest of the region, and a basis from which to identify potential sectors for business attraction and expansion. Overall, Cerritos has very strong concentrations of businesses and jobs in traditionally blue collar distribution and manufacturing industries, as well as retail trade. The city also has a healthy base of emerging professional services and information-based businesses. These types of businesses include telecommunications, management consulting, and data processing. Based on available data at the city level, the estimated 2003 employment in Cerritos totals 38,552 jobs, as shown in Table 2.³

³ Employment data comes from the ZIP Code Business Patterns and the Dun & Bradstreet ("D&B") ZAP Data database. The D&B data identified four large employers that were not included with the ZIP Code Business Patterns. The job totals for AT&T Wireless (Cingular), United Parcel Service, Lincoln Security, and Southern Wine & Spirits were added separately from the ZIP Code Business Patterns employment totals.

EMPLOYMENT BY INDUSTRY SECTOR

The employment data in this section is defined by industry sector using the North American Industry Classification System (NAICS). This system describes and assigns industry definitions in a hierarchical structure where more general industry definitions are described using short two-digit numerical codes, while more specific and detailed industry definitions are assigned using longer numbers. The more detailed three, four, and six-digit NAICS codes are all subsets of the more general NAICS codes.

For example, Retail Stores are defined at the two-digit level using NAICS code 44, while Motor Vehicle and Parts Dealers (NAICS code 441) are a three-digit subset of that industry definition. Going into even more specificity at the four-digit NAICS code level, Automobile Dealerships (NAICS code 4411) are a subset of NAICS code 441, while New Auto Dealerships (NAICS code 441110) and Used Auto Dealerships (NAICS code 441120) are subsets of category 4411.

Extrapolating the data by sector, Cerritos has the largest proportion of its employment base in retail trade and wholesale trade, which each account for over 15 percent of Cerritos' total jobs.⁴ Related to wholesale trade, transportation and warehousing industries account for over 2,500 jobs in Cerritos. Very clearly, Cerritos has a firmly established niche with distribution activities, which takes advantage of its highway access, and proximity to both deep-water ports and air transportation.

Table 2 shows that manufacturing in Cerritos accounts for over 4,000 jobs. This demonstrates Cerritos' position as a hub of activity within the Gateway Cities area, which encompasses the Port of Long Beach and the following cities: Cerritos, Artesia, Avalon, Bell, Bellflower, Commerce, Compton, Cudahy, Downey, Hawaiian Gardens, Huntington Park, La Habra Heights, La Mirada, Lakewood, Long Beach, Lynwood, Maywood, Montebello, Norwalk, Paramount, Pico Rivera, Santa Fe Springs, Signal Hill, South Gate, Vernon, and Whittier.⁵ Generally, these areas are centers for manufacturing and distribution businesses, but they do not have the diverse and affluent demographics that are present with Cerritos' household population.

⁴ The ZIP Code Business Patterns data is tallied by range due to confidentiality requirements. The employment totals represent an estimate of the total jobs for each industry sector that ADE derived from these ranges.

⁵ The cities that comprise the Gateway Cities Council of Governments include the Los Angeles County communities east of the Harbor Freeway (Interstate 110) and south of the Pomona Freeway (State Highway 60). This area includes Long Beach and the communities surrounding Cerritos along the San Gabriel (Interstate 605) and Artesia (State Highway 91) Freeway corridors..

In addition, the information, professional, and administrative services industry groups each add over 2,000 jobs, which bodes well for Cerritos' growing concentration of office employment.

Compared to Los Angeles County, Cerritos has an unusually large concentration of jobs in the manufacturing, wholesale trade, retail trade, and transportation/warehousing industries (see Table 3). In other words, these industries make up a larger proportion of jobs in Cerritos than in Los Angeles County. Each of these industry groups has an employment concentration of approximately twice the countywide average or higher. Other industry groups with above average concentrations of employment include information, finance, professional services, management of companies, and administrative services. This indicates a very healthy and diverse mix of industrial and office jobs in Cerritos.

TABLE 2
CERRITOS EMPLOYMENT SUMMARY BY INDUSTRY GROUP

NAICS Code	Industry Group	Cerritos 2003 Employment (Estimated)	Percent of Total	Los Angeles County Employment	Los Angeles/Orange County Employment	California Empl.
	Total	38,552	100.0%	3,439,181	4,712,866	12,447,090
11----	Forestry, fishing, hunting, and agriculture	7	0.0%	8,003	15,042	377,944
12----	Mining, natural gas, petroleum	181	0.5%	3,739	4,285	20,406
22----	Utilities	0	0.0%	12,289	15,841	55,239
23----	Construction	1,650	4.3%	133,511	216,510	784,565
31----	Manufacturing	4,265	11.1%	496,978	678,929	1,532,004
42----	Wholesale trade	5,899	15.3%	212,956	296,263	645,987
44----	Retail trade	6,527	16.9%	400,063	555,195	1,588,998
48----	Transportation & warehousing	2,575	6.7%	144,396	168,757	406,254
51----	Information	2,809	7.3%	199,805	234,235	471,860
52----	Finance & insurance	1,617	4.2%	160,697	249,915	610,777
53----	Real estate & rental & leasing	334	0.9%	74,688	108,945	273,325
54----	Professional, scientific & tech svcs.	2,718	7.1%	240,263	336,836	909,716
55----	Management of companies & enterprises	1,218	3.2%	79,083	113,421	255,557
56----	Admin, support, waste mgt, remediation services	3,814	9.9%	244,340	362,571	931,115
61----	Educational services	471	1.2%	83,917	101,401	227,601
62----	Health care and social assistance	1,543	4.0%	363,832	470,610	1,269,614
71----	Arts, entertainment & recreation	164	0.4%	69,747	105,719	235,375
72----	Accommodation & food services	1,918	5.0%	296,813	419,183	1,161,169
81----	Other services (except public administration)	825	2.1%	213,134	258,029	641,046

Source: ADE, data from U.S. Census ZIP Code Business Patterns, Dun & Bradstreet ZAP Data business database, and IMPLAN CEW county employment database.

Notes: Employment totals also include unclassified industries, which are not shown on the table. Data does not include public sector and self-employment because the unemployment insurance data that is used by the CEW database is not collected for those sectors.

When compared to the combined Los Angeles County/Orange County region, Cerritos' location quotients show similarly high concentrations of employment in the manufacturing, wholesale trade, retail trade, and transportation/warehousing industries. Compared to all of California, Cerritos also has an especially high employment concentration in information-related industries such as wireless communications and data processing.

Industry groups with comparatively low concentrations of employment in Cerritos include agriculture, real estate, educational services, health care, arts & recreation, accommodations & food service, and miscellaneous services.

At a more detailed six-digit NAICS code description level, the industries with more than 50 employees in Cerritos and an employment concentration of at

least double the statewide average are shown in Table 4. In particular, Cerritos has several manufacturing industries represented with a large existing job base and very high concentration of employment. In addition, several retail sectors are represented. New car dealers and cellular/wireless carriers are the largest highly concentrated industries in Cerritos, with each of these sectors employing over 2,000 people.

TABLE 3
CERRITOS EMPLOYMENT CONCENTRATION RELATIVE TO LOS ANGELES COUNTY, LOS ANGELES/ORANGE COUNTY REGION, AND CALIFORNIA

NAICS Code	Industry Code Description	High Employment Concentration (LQ > 1.5)	High Employment (Over 2,000 Jobs)	Los Angeles County Location Quotient	Los Angeles/Orange County Location Quotient	California Location Quotient
	Total			1.00	1.00	1.00
11----	Forestry, fishing, hunting, and agriculture			0.10	0.07	0.01
12----	Mining	+		5.22	6.25	3.46
22----	Utilities			0.00	0.00	0.00
23----	Construction		+	1.34	1.13	0.82
31----	Manufacturing	+	+	3.48	3.49	4.08
42----	Wholesale trade	+	+	2.99	2.95	3.57
44----	Retail trade	+	+	1.76	1.74	1.61
48----	Transportation & warehousing	+	+	1.93	2.26	2.48
51----	Information	+	+	1.52	1.78	2.33
52----	Finance & insurance			1.09	0.96	1.04
53----	Real estate & rental & leasing			0.48	0.45	0.48
54----	Professional, scientific & technical services		+	1.22	1.20	1.17
55----	Management of companies & enterprises	+		1.67	1.59	1.86
56----	Admin, support, remediation services	+	+	1.69	1.56	1.60
61----	Educational services			0.61	0.69	0.81
62----	Health care and social assistance			0.46	0.49	0.48
71----	Arts, entertainment & recreation			0.25	0.23	0.27
72----	Accommodation & food services			0.70	0.68	0.65
81----	Other services (except public administration)			0.42	0.47	0.50

Source: ADE, data from U.S. Census ZIP Code Business Patterns, Dun & Bradstreet ZAP Data business database, and IMPLAN CEW county employment database.

Notes: Data does not include public sector and self-employment. Significant industries with more than 2,000 jobs and a location quotient above 1.50 in Cerritos are identified in bold.

Location quotients compare the concentration of employment in Cerritos relative to other geographic areas. Location quotient values above 1.00 represent an above average concentration of employment in Cerritos relative to those areas, whereas location quotients below 1.00 represent low concentrations of employment in Cerritos.

TABLE 4
HIGHLY CONCENTRATED INDUSTRIES (LOCATION QUOTIENT 2.00 OR HIGHER) IN CERRITOS WITH 50 OR MORE EMPLOYEES

NAICS Code	Industry Description	Cerritos Empl.
MINING		
211111	Crude petroleum and natural gas extraction	181
MANUFACTURING		
312111	Soft drink manufacturing	77
314912	Canvas and related product mills	77
322211	Corrugated and solid fiber box manufacturing	361
322222	Coated and laminated paper manufacturing	181
323112	Commercial flexographic printing	71
323116	Manifold business forms printing	77
323118	Blankbook and looseleaf binder manufacturing	77
323121	Tradebinding and related work	113
325411	Medicinal and botanical manufacturing	181
326150	Urethane and other foam product manufacturing	361
326299	All other rubber product manufacturing	181
327215	Glass product mfg. made of purchased glass	258
332912	Fluid power valve and hose fitting mfg.	181
333618	Other engine equipment manufacturing	361
335121	Residential electric lighting fixture mfg.	77
337121	Upholstered household furniture manufacturing	252
337910	Mattress manufacturing	181
337920	Blind and shade manufacturing	258
RETAIL TRADE		
441110	New car dealers	2,436
443112	Radio, TV, and other electronics stores	337
446120	Cosmetic and beauty supply stores	68
446130	Optical goods stores	53
448120	Women's clothing stores	272
448130	Children's and infants' clothing stores	95
448140	Family clothing stores	609
451120	Hobby, toy, and game stores	115
451140	Musical instrument and supplies stores	71
453210	Office supplies and stationery stores	132
453998	Store retailers not specified elsewhere	135
TRANSPORTATION AND WAREHOUSING		
483111	Deep sea freight transportation	51
484110	General freight trucking, local	198
488490	Other support activities for road transport.	388
492110	Couriers	1,503
INFORMATION		
517212	Cellular and other wireless carriers	2,415

TABLE 4 (CONT.)
HIGHLY CONCENTRATED INDUSTRIES (LOCATION QUOTIENT 2.00 OR HIGHER) IN CERRITOS WITH 50 OR MORE EMPLOYEES

NAICS Code	Industry Description	Cerritos Empl.
FINANCE		
522310	Mortgage and nonmortgage loan brokers	256
522320	Financial transaction processing and clearing	231
524114	Direct health and medical insurance carriers	465
REAL ESTATE		
531120	Lessors of nonresidential buildings	71
PROFESSIONAL SERVICES		
541611	Administrative management consulting services	289
541620	Environmental consulting services	88
541850	Display advertising	183
541860	Direct mail advertising	149
541890	Other services related to advertising	776
MANAGEMENT		
551112	Offices of other holding companies	605
ADMINISTRATIVE SERVICES		
561330	Professional employer organizations	1,130
561422	Telemarketing bureaus	77
561612	Security guards and patrol services	776
561613	Armored car services	77
561990	All other support services	77
EDUCATIONAL SERVICES		
611691	Exam preparation and tutoring	156
MEDICAL SERVICES		
621320	Offices of optometrists	84
621420	Outpatient mental health centers	183
621610	Home health care services	347
ACCOMMODATIONS AND FOOD SERVICE		
722212	Cafeterias	154
OTHER SERVICES		
811211	Consumer electronics repair and maintenance	77
811212	Computer and office machine repair	164
813110	Religious organizations	175
813990	Other services, not elsewhere classified	63

Source: ADE, data estimated from U.S. Census ZIP Code Business Patterns, Dun & Bradstreet ZAP Data business database, and IMPLAN CEW county employment database.

Note: Data does not include public sector and self-employment.

2.2 LOCAL COMMUTE PATTERNS

Cerritos has a resident labor force of over 25,400 workers, while the community’s business base generates over 38,500 jobs. Despite the local job base exceeding the size of the resident labor force, about 87 percent of local working residents commute to jobs outside of Cerritos (see Table 5). Consequently, over 35,000 employees who work in the City of Cerritos commute to work from outside of the community. This large employee in-migration represents a significant market for local retail and service providers, because they add to the spending base that supports Cerritos’ tax base.

TABLE 5
CERRITOS COMMUTE PATTERNS (2003 ESTIMATE)

Estimated Labor Force	25,410
Residents Working in Cerritos	3,314
Residents Working Outside of Cerritos	22,096
Estimated Jobs in Cerritos	38,552
Commuters Working in Cerritos	35,238

Source: ADE, data from U.S. Census ZIP Code Business Patterns, Dun & Bradstreet ZAP Data business database, and IMPLAN CEW county employment database.

2.3 REGIONAL EMPLOYMENT TRENDS

Between 1992 and 2003, the regional job growth of Los Angeles and Orange counties did not keep pace with national trends, as shown in Table 6.⁶ Even though the region’s job base increased by 9.0 percent during this period, the growth was slower than the national growth rate of about 20 percent.

In general, the service and trade industries grew in the region, while other categories declined. Manufacturing in particular had a very steep job decline during this period as a group, with a total loss of 25 percent. This decline was more severe than the national trend.

The industry groups that had the largest employment gains between 1992 and 2003 included administrative services, health care, accommodation & food service, other services (including repair services, personal services, and professional/civic organizations), and construction. Each of these industry groups added at least 50,000 jobs to the regional employment base.

⁶ At the time that the analysis was conducted, the 2003 employment data was the latest dataset available from the CEW county employment database.

TABLE 6
REGIONAL EMPLOYMENT TRENDS BY INDUSTRY GROUP

NAICS	Description	1992 Los Angeles/ Orange Co. Empl.	2003 Los Angeles/ Orange Co. Empl.	National Location Quotient	Empl. Change	Percent Change	Shift-share
	Total, all industries	4,324,470	4,712,866	1.00	388,396	9.0%	-10.95%
11	Agriculture, forestry, fishing and hunting	17,099	15,042	0.30	-2,057	-12.0%	-19.70%
21	Mining	6,703	4,285	0.19	-2,418	-36.1%	-19.74%
22	Utilities	18,487	15,841	0.62	-2,646	-14.3%	6.61%
23	Construction	165,549	216,510	0.74	50,961	30.8%	-16.42%
31-33	Manufacturing	906,933	678,929	1.07	-228,004	-25.1%	-11.43%
42	Wholesale trade	273,902	296,263	1.20	22,361	8.2%	-5.48%
44-45	Retail trade	508,598	555,195	0.84	46,597	9.2%	-6.85%
48-49	Transportation and warehousing	153,365	168,757	0.97	15,392	10.0%	-13.04%
51	Information	206,789	234,235	1.67	27,446	13.3%	-5.57%
52	Finance and insurance	245,846	249,915	0.98	4,069	1.7%	-17.18%
53	Real estate and rental and leasing	101,803	108,945	1.21	7,142	7.0%	-14.17%
54	Professional and technical services	288,933	336,836	1.15	47,903	16.6%	-20.41%
55	Management of companies and enterprises	95,360	113,421	1.55	18,061	18.9%	-1.70%
56	Administrative and waste services	266,334	362,571	1.09	96,237	36.1%	-26.91%
61	Educational services	67,288	101,401	1.14	34,113	50.7%	2.74%
62	Health care and social assistance	389,406	470,610	0.78	81,204	20.9%	-14.17%
71	Arts, entertainment, and recreation	77,538	105,719	1.32	28,181	36.3%	8.02%
72	Accommodation and food services	345,438	419,183	0.92	73,745	21.3%	-7.54%
81	Other services, except public administration	186,023	258,029	1.38	72,006	38.7%	15.27%

Source: ADE, data from U.S. Census ZIP Code Business Patterns, Dun & Bradstreet ZAP Data business database, and IMPLAN CEW county employment database. Data does not include public sector and self-employment.

Notes: Employment totals also include unclassified industries, which are not shown on the table. Data does not include public sector and self-employment.

Location quotients compare the concentration of employment in Los Angeles and Orange counties relative to the United States. Location quotient values above 1.00 represents an above average concentration of employment in the local region relative to the national distribution, while location quotients below 1.00 represent low concentrations of employment in the region.

Shift-share represents relative growth rate. A positive shift-share value indicates that the combined Los Angeles/Orange County region added employment in a particular industry at a higher rate than at the national level, or the employment declined at a slower rate. A negative shift-share value indicates that an industry in the comparison region declined faster than the industry did nationally, or that it grew at a slower rate.

Despite the large numerical gains in several industry groups, the relative growth generally lagged behind the national growth trends between 1992 and 2003. The only industry groups in Los Angeles/Orange counties that kept pace with or exceeded the national employment growth trends included utilities, education services, arts & recreation, and other services (as defined above).

2.4 ASSESSING REGIONAL ECONOMIC ROLES

To assess the roles that different economic sectors have within the regional economy, ADE ranked the industries in Los Angeles and Orange counties on the basis of two key economic indicators—job growth and employment concentration relative to the State of California.⁷ Noting the recent performance and economic roles for specific industries within the region will help identify potential target industries for Cerritos’ business attraction efforts, as well as potentially vulnerable industries that might require outreach and retention resources. These industries are shown at a more detailed three-digit NAICS code level in Table 7. The economic roles based on these indicators fall into four categories, which are described as follows:

- **Growing Economic Base Industries:** These industries have shown recent job growth and have an above-average employment concentration. They constitute the strength of the economy and represent opportunities for growth in other areas such as supplier industries.
- **Emerging Industries:** These sectors have shown recent job growth, but still have a below-average employment concentration. These industries represent potential future growth opportunities because they have not yet accumulated a high concentration of employment. Industries in this category could be considered attractive business attraction targets.
- **Declining Economic Base Industries:** These industries have an above-average concentration of employment, but have shown recent job losses. They represent strong industries in a region that have shown some recent vulnerability and could be considered business retention targets.
- **Declining Non-Base Industries:** These industries have shown recent job losses and have below-average employment concentration. They do not have an especially notable regional presence and do not have growth prospects as strong as the industries in the other categories.

Table 7 shows the economic roles that various industries had between 1992 and 2003. Growth generally occurred in the service and transportation

⁷ The relative employment growth indicator is often referred to as the “shift-share” and the employment concentration measure is typically referred to as the “location quotient.” The comparison region of California was used for assessing the more detailed economic roles because the national trends generally showed higher growth rates and would have identified a high proportion of industries as underperforming.

sectors during this time period. Manufacturing, agriculture, mining, and utilities comprise the majority of the industry sectors that showed job losses.

GROWING ECONOMIC BASE INDUSTRIES

The growing economic base industries were generally in information, finance, real estate, professional services, education, and arts & recreation services. Of these service industries that are common to the region, courier services, professional and technical services, and administrative services are already highly concentrated in Cerritos, and represent the core from which economic growth will likely occur.⁸ It should also be noted that despite their high concentration and job growth, more than half of the growing economic base industries in Los Angeles and Orange counties did not grow as fast as those industries did across the rest of the state.

Typically, growing economic base industries represent the starting point from which a comprehensive economic development program should begin, because these industries not only lead the regional economy but also provide opportunities for suppliers and allied industries. However, the pursuit of these industries in Cerritos should be tempered by and balanced with local fiscal considerations and economic policies.

EMERGING INDUSTRIES

In addition to having a wealth of growing economic base industries, between 1992 and 2003, the region had numerous emerging industries. These emerging industries are represented by several transportation, information, and health care oriented industries.

Some of these industries such as telecommunications and truck transportation are already very well represented in Cerritos, and thus represent attractive expansion opportunities. Generally, emerging industries are considered good business attraction and expansion targets because they represent future potential and could eventually transition into the leading economic base industries for a locality or region.

DECLINING ECONOMIC BASE INDUSTRIES

The declining economic base industries with above-average employment concentrations and job losses during this period were almost all

⁸ Professional and technical services generally include service categories such as accounting, engineering, environmental technology, and research and development-related services. Administrative services generally include management consulting, and headquarters administrative operations.

manufacturing industries. These vulnerable sectors include prominently represented manufacturing industries in Cerritos, such as printing.

While those declining economic base industries that are also concentrated in Cerritos have shown signs of vulnerability at a regional level, this does not necessarily mean that a specific Cerritos company in one of these industries is in imminent danger of closure. Well managed companies that are competitive within their market can continue to succeed and grow even under otherwise declining market conditions. The issue for the City is to be aware of which prominent businesses might be affected by larger economic trends and market declines. Often, business retention efforts will focus on these types of businesses and seek to address any competitiveness issues that can be addressed at the local level. Depending on the importance of these industries to Cerritos' employment base, the City can proactively address these issues as needed.

DECLINING NON-BASE INDUSTRIES

The range of industries in the region with lower concentrations of employment and declining employment includes a broad range of blue collar industries. This means that the region is largely driven by service, transportation, and arts & recreation industries.

This is an important consideration for Cerritos, due to its large concentration in manufacturing for basic jobs. The job losses at the regional level have cut across several different manufacturing sectors. Moreover, the lower-than-average concentrations of these industries throughout the Los Angeles and Orange County region indicate that pursuing these types of businesses might not work for Cerritos as a long-term economic development strategy.

For those businesses in Cerritos that are in this category, the City needs to be aware of which ones are important to the local economy and also successfully compete in their markets. This process of getting to know the important businesses in Cerritos is an integral part of a comprehensive Business Retention and Expansion (BRE) program, and an important process in deciding how to allocate economic development resources. These important local businesses might be worth targeting for business retention activities despite what the regional indicators might show. Recommended actions and approaches for business outreach and retention activities are further discussed in Section 9 and Appendix B.

TABLE 7
ECONOMIC ROLES OF INDUSTRIES IN THE LOS ANGELES/ORANGE COUNTY REGION,
1992 TO 2003

<p style="text-align: center;">DECLINING BASE INDUSTRIES</p> <ul style="list-style-type: none"> *314 Textile product mills *315 Apparel manufacturing *316 Leather and allied product manufacturing 323 Printing and related support activities 324 Petroleum and coal products manufacturing 332 Fabricated metal product manufacturing 334 Computer and electronic product mfg. 337 Furniture and related product manufacturing *339 Miscellaneous manufacturing 481 Air transportation 522 Credit intermediation and related activities 533 Lessors of nonfinancial intangible assets 	<p style="text-align: center;">GROWING BASE INDUSTRIES</p> <ul style="list-style-type: none"> *313 Textile mills *488 Support activities for transportation *491 Postal service 492 Couriers and messengers 512 Motion picture and sound recording ind. 515 Broadcasting, except Internet *516 Internet publishing and broadcasting *521 Monetary authorities - central bank 531 Real estate 532 Rental and leasing services 541 Professional and technical services 551 Management of companies and enterprises 561 Administrative and support services *611 Educational services *711 Performing arts and spectator sports 713 Amusements, gambling, and recreation 811 Repair and maintenance 812 Personal and laundry services
<p style="text-align: center;">DECLINING NON-BASE INDUSTRIES</p> <ul style="list-style-type: none"> 111 Crop production 112 Animal production 113 Forestry and logging 114 Fishing, hunting and trapping 115 Agriculture and forestry support activities 211 Oil and gas extraction *212 Mining, except oil and gas 213 Support activities for mining *221 Utilities 311 Food manufacturing 312 Beverage and tobacco product manufacturing *322 Paper manufacturing *325 Chemical manufacturing 326 Plastics and rubber products manufacturing 327 Nonmetallic mineral product manufacturing *331 Primary metal manufacturing 333 Machinery manufacturing 335 Electrical equipment and appliance mfg. 336 Transportation equipment manufacturing 483 Water transportation 485 Transit and ground passenger transportation *486 Pipeline transportation 493 Warehousing and storage 511 Publishing industries, except Internet 524 Insurance carriers and related activities 525 Funds, trusts, and other financial vehicles 721 Accommodation 	<p style="text-align: center;">EMERGING INDUSTRIES</p> <ul style="list-style-type: none"> *321 Wood product manufacturing *482 Rail transportation 484 Truck transportation *487 Scenic and sightseeing transportation 517 Telecommunications 518 ISPs, search portals, and data processing *519 Other information services 523 Securities, commodity contracts, investments 562 Waste management and remediation services 621 Ambulatory health care services 622 Hospitals *623 Nursing and residential care facilities 624 Social assistance *712 Museums, historical sites, zoos, and parks 722 Food services and drinking places 813 Membership associations and organizations

Source: ADE, data from MIG CEW county employment database

Notes: The comparison region for the Los Angeles/Orange County region is California. Industries identified with asterisks (“*”) represent those industries with positive relative job growth rates (i.e., these industries either grew faster than the State or declined at a lower rate).

2.5 ECONOMIC BASE CONCLUSIONS

Cerritos has taken a series of proactive steps to build a diverse business base that takes advantage of its strategic location and opportunities afforded by the Los Angeles/Orange county economy. Over the past decade, the regional economy has shifted away from industrial activity and more towards office types of uses and distribution. Because Cerritos' business base has historically been concentrated with industrial businesses, this presents a challenge for the community as it balances taking advantage of business opportunities created by existing industrial uses, and accommodating the opportunities that office uses have created across the rest of the region.

The Cerritos Towne Center has demonstrated that the market will support office uses in the community if spaces for those uses are built. As the regional economy transitions away from industrial uses, Cerritos can potentially plan for reusing existing parcels for office use. However, the challenge will be planning for new office uses without having to displace industrial spaces that might still be viable, especially since many of the industrial businesses in Cerritos generate taxable sales revenue.

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3. BENCHMARK COMPARISONS



3. BENCHMARK COMPARISONS

This section summarizes some of the socioeconomic characteristics of Cerritos and compares them with surrounding communities as well as a sample of similarly sized regional comparison cities in Los Angeles and Orange counties. Benchmark comparisons provide a means by which Cerritos can compare itself with other communities. Most of these measures relate to labor force characteristics and educational factors. For economic development planning, these measures are important because they indicate whether Cerritos has competitive advantages with its labor force. These benchmarks represent some of the more important measures typically used in assessing a community's economic development capacity.

The surrounding communities used in the benchmarks include Artesia, Bellflower, Buena Park, Cypress, La Palma, Lakewood, and Norwalk. Many residents of these communities are employed at companies located in Cerritos and shop at Cerritos' retail centers as well. Knowing how they compare to Cerritos provides an indicator as to whether those communities potentially contribute to or constrain the growth potential for Cerritos businesses.

In addition, this section compares Cerritos' benchmarks to other cities throughout Los Angeles and Orange counties that have a population size comparable to Cerritos. These regional comparison cities – Arcadia, Diamond Bar, Fountain Valley, Glendora, La Mirada, Paramount, Placentia, and Rosemead – provide a broader indicator of how Cerritos compares with communities located in different geographic areas (Map 2).⁹

Compared to other communities, Cerritos has generally fared well. Some of the major benchmark characteristics are summarized below.

- Cerritos is a racially diverse community with Asians or Pacific Islanders comprising the majority (59 percent) of the population. The surrounding communities have a higher proportion of Latinos or Hispanics. In addition, over half of Cerritos residents speak more than one language at home.
- Compared to other communities, Cerritos has a high proportion of its population in the 40 to 59 age group.

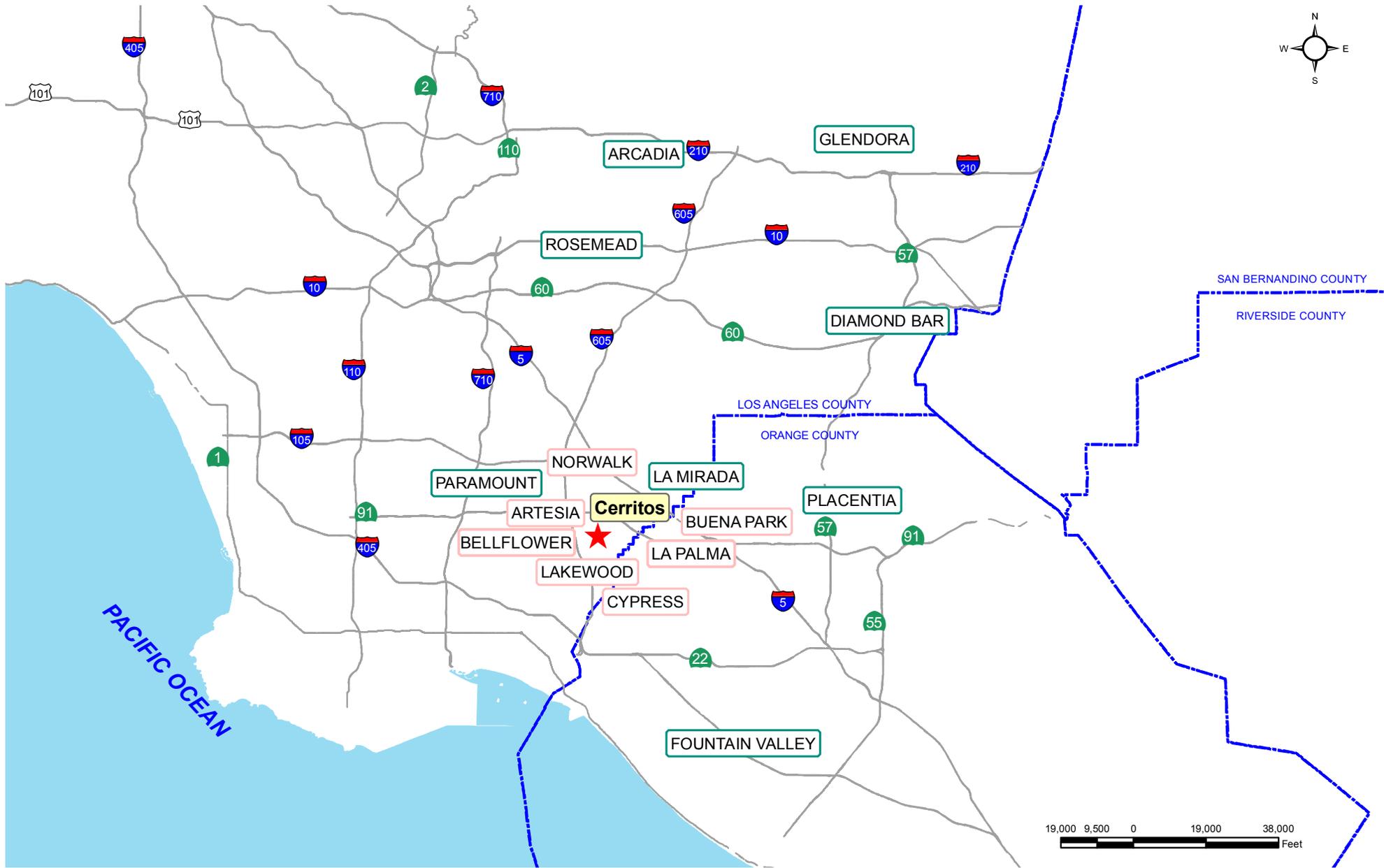
⁹ La Mirada is also one of Cerritos' surrounding communities. Its comparable population size to Cerritos made it useful regional comparison city.

- Only five percent of Cerritos residents live below the poverty line, which is lower than the surrounding communities and other regional comparison cities in Southern California.
- Cerritos residents have a high educational attainment, while the ABC Unified School District's (which includes Artesia, Hawaiian Gardens, and other neighboring communities) Academic Performance Index measure was below the state target in 2004, as it was with most other school districts.
- About 2.5 percent of Cerritos residents work at home, which is comparable to surrounding cities, and slightly lower than Arcadia, Fountain Valley, and Placentia.
- Cerritos has a low unemployment rate of 3.3 percent.
- The housing affordability in Cerritos ranks relatively low compared to surrounding cities and about on par with Arcadia and Fountain Valley.

3.1 POPULATION DEMOGRAPHICS

TOTAL POPULATION

According to the California Department of Finance, the City of Cerritos' population totals over 55,000 residents. This is approximately half the population of Cerritos' largest neighboring city, Norwalk, and more than three times the population of the smallest neighboring city, Artesia. Figure 1 illustrates Cerritos' 2005 estimated population relative to its neighboring cities, while Figure 2 compares Cerritos' population to other regional comparison cities in Los Angeles and Orange counties with a similar 2005 population.

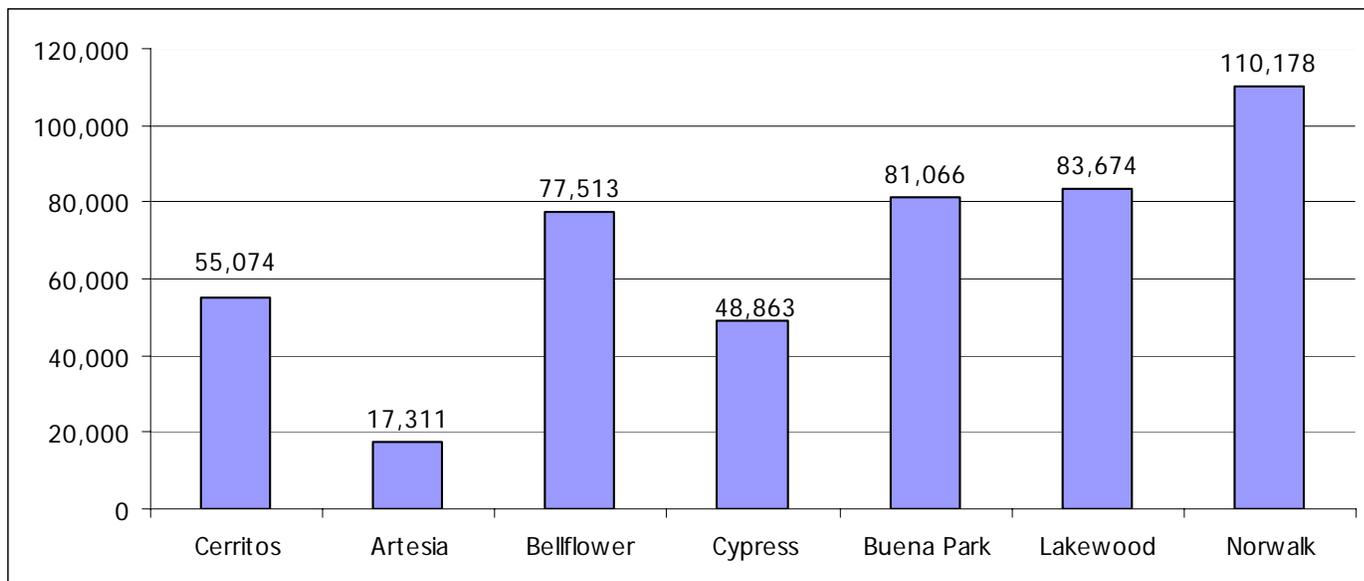


Legend

- Neighboring Cities
- Regional Comparison Cities

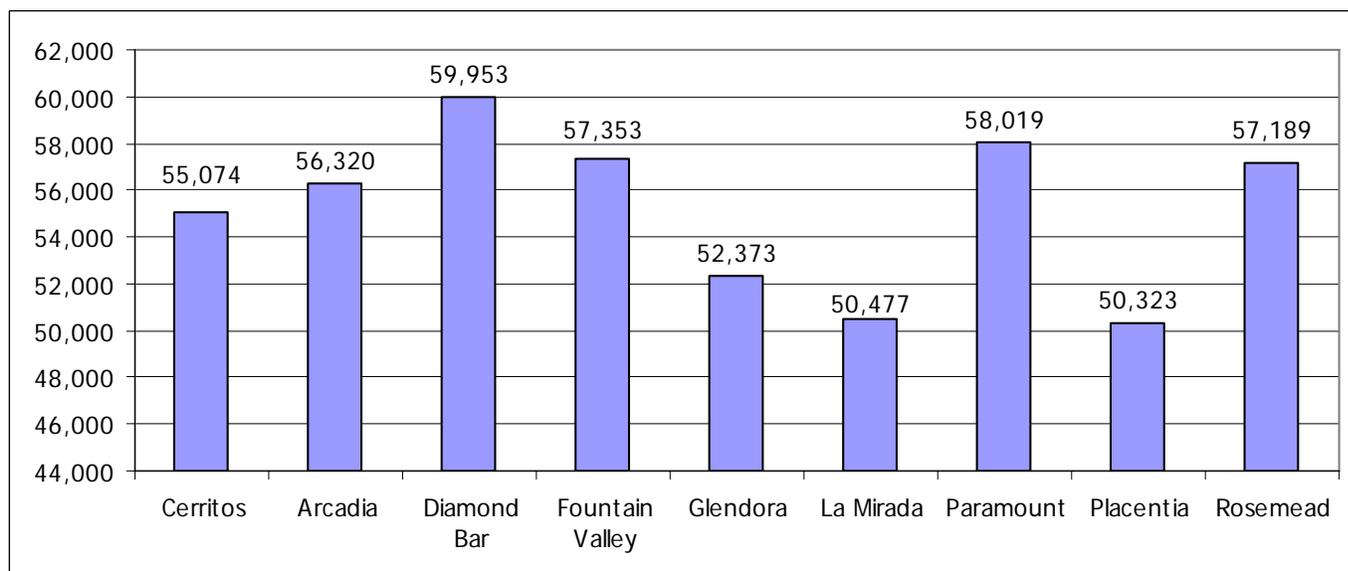
Map 2: Regional Map

FIGURE 1
TOTAL 2005 POPULATION: CERRITOS AND NEIGHBORING CITIES



Source: ADE, data from California Department of Finance

FIGURE 2
TOTAL 2005 POPULATION: CERRITOS AND REGIONAL COMPARISON CITIES



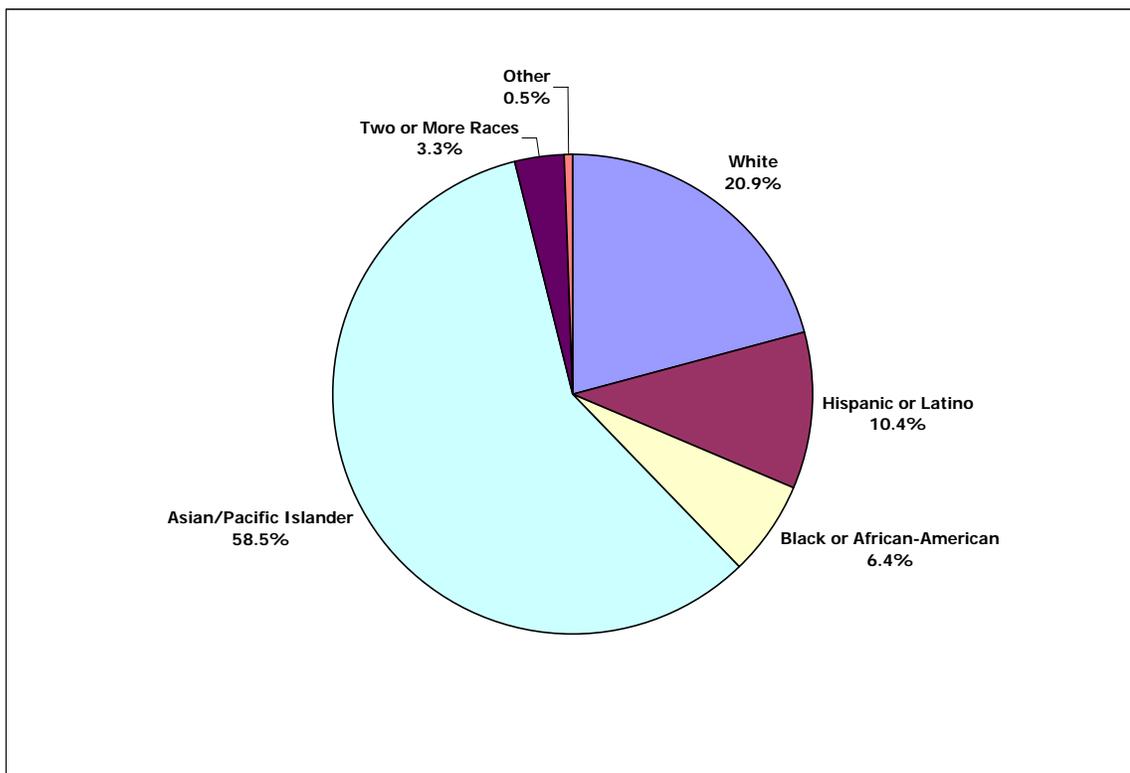
Source: ADE, data from California Department of Finance

RACE AND ETHNICITY

Cerritos has a racially diverse population, as shown in Figure 3, with the majority of the population (59 percent) classified as Asian or Pacific Islander. White residents comprise the next largest racial group in Cerritos with about 21 percent of the citywide population. Hispanic or Latino residents comprise about 11 percent of Cerritos' population, and African-American residents make up about six percent of the local population.

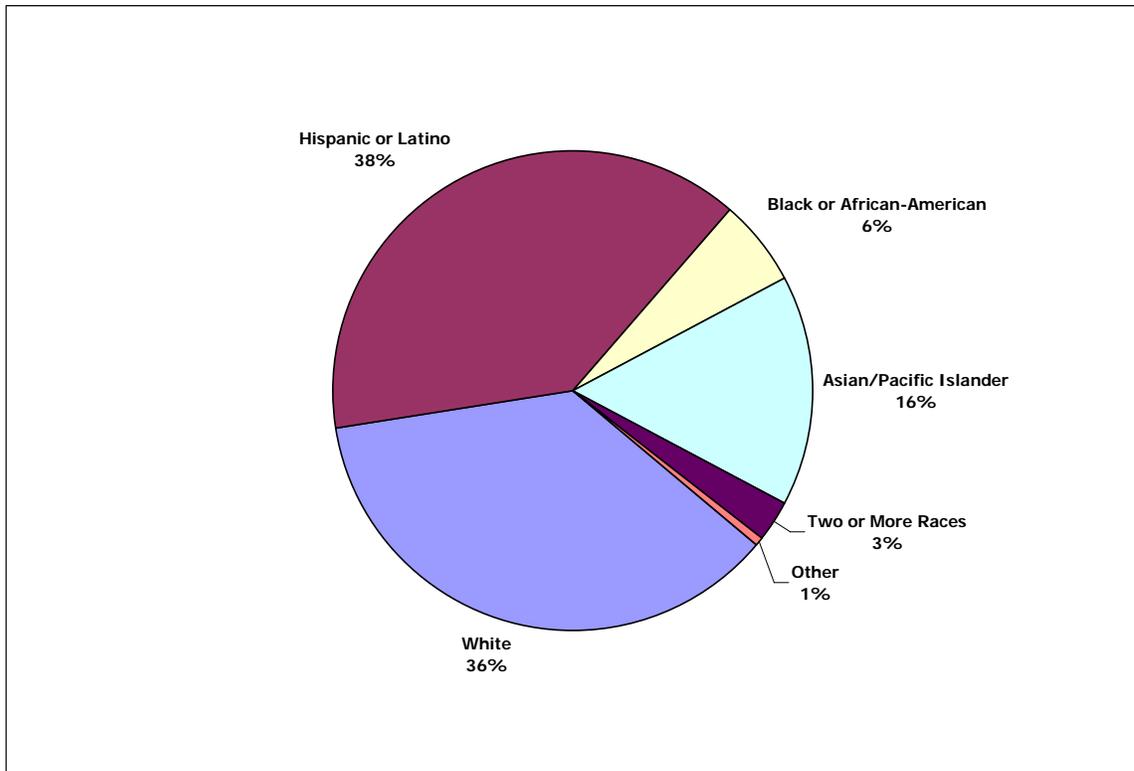
Comparatively, the combined total for Cerritos' neighboring cities shows that the majority of residents in those communities are either White (36 percent) or Hispanic or Latino (38 percent).

FIGURE 3
DISTRIBUTION OF RACE IN CERRITOS (2000)



Source: ADE, data from U.S. Census of Population

FIGURE 4
AVERAGE RACIAL DISTRIBUTION IN CERRITOS' NEIGHBORING CITIES (2000)

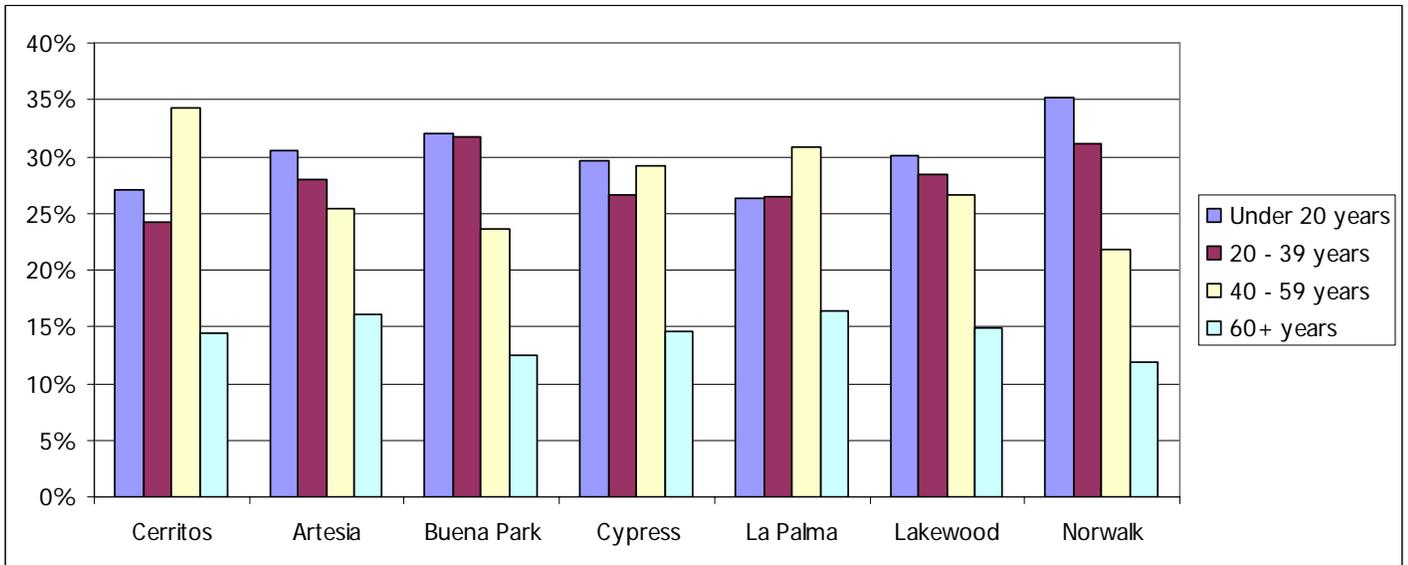


Source: ADE, data from U.S. Census of Population

POPULATION BY AGE

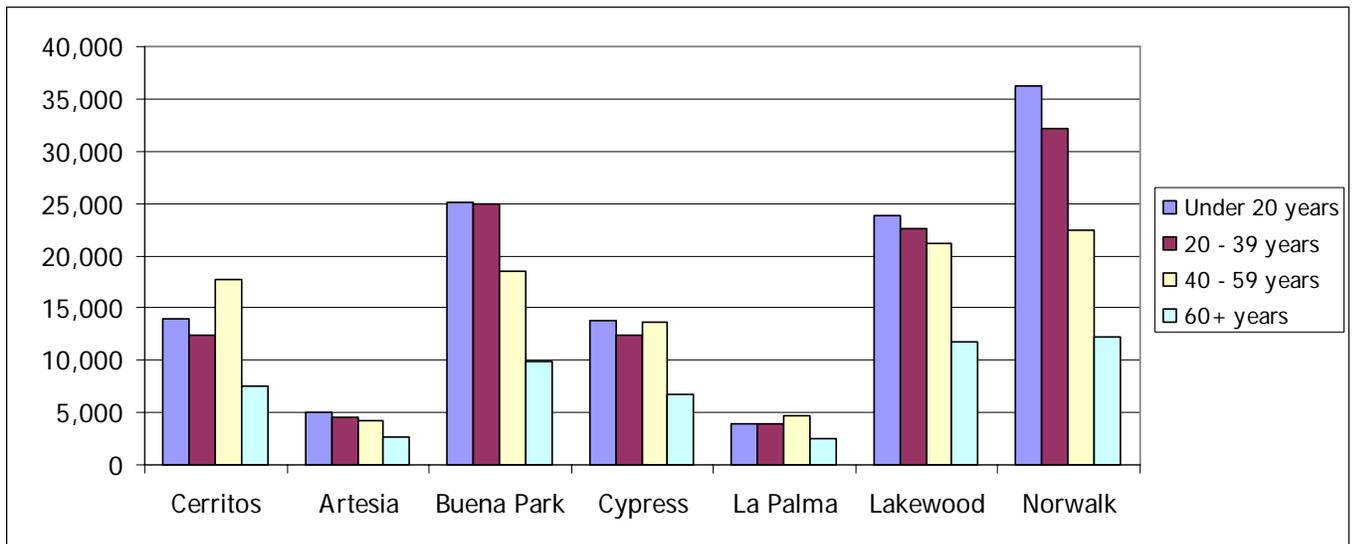
Relative to its neighboring cities, Cerritos has the largest percentage (34 percent) of residents that are 40 to 59 years old. Relative to age, the second largest portion (27 percent) of Cerritos' residents is those under 20 years old. Among neighboring cities, the Cerritos most closely matches La Palma in terms of population distribution by age. For the majority of Cerritos' neighboring cities, the greatest portion of the local populations is under 20 years old followed by 20 to 39 year olds, and then 40 to 59 year olds. Figure 5 shows the relative proportions of the population, by age group, for Cerritos and its neighboring cities. Figure 6 details the same information in terms of the actual number of residents.

FIGURE 5
AGE AS PERCENTAGE OF POPULATION FOR CERRITOS AND NEIGHBORING CITIES (2000)



Source: ADE, data from U.S. Census of Population

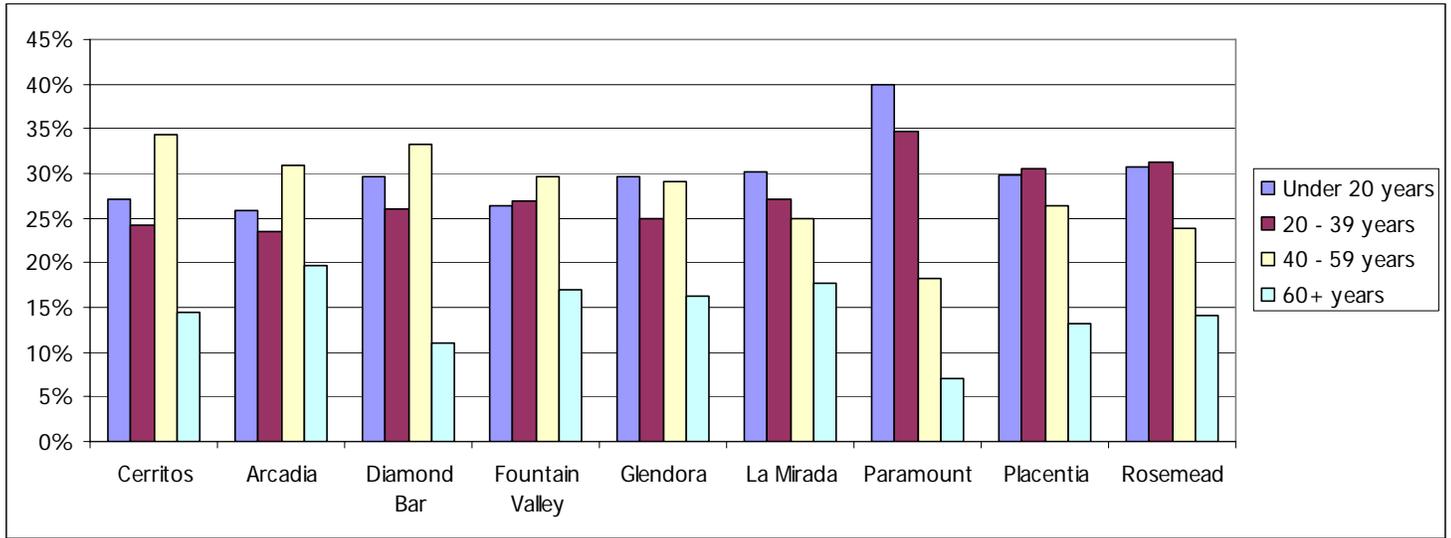
FIGURE 6
POPULATION BY AGE FOR CERRITOS AND NEIGHBORING CITIES (2000)



Source: ADE, data from U.S. Census of Population

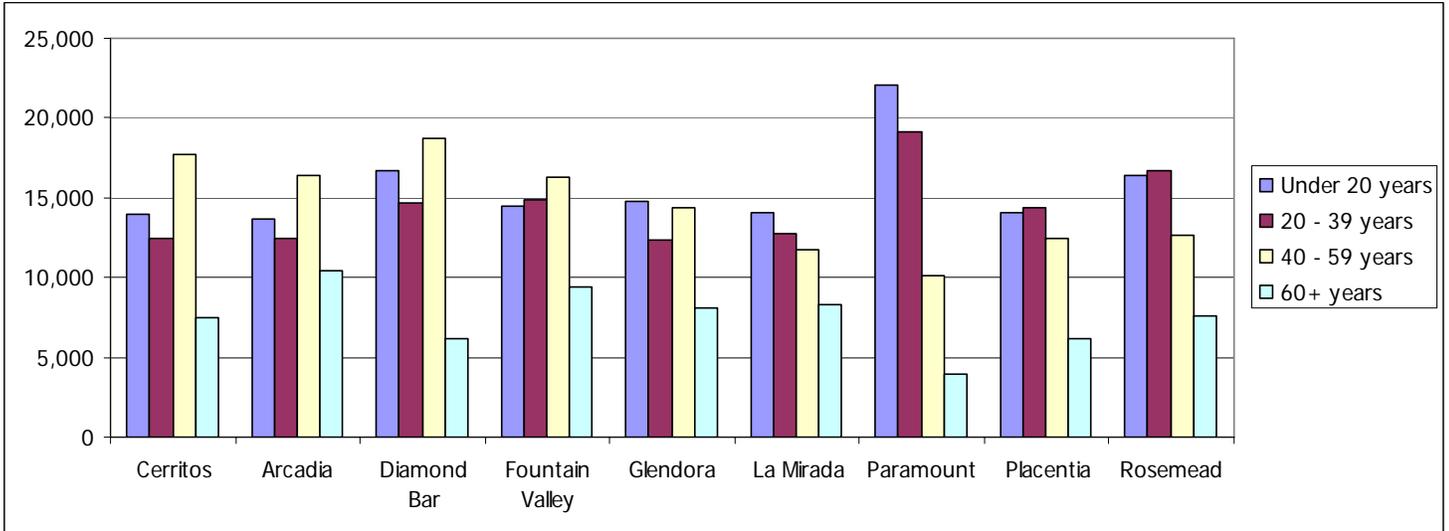
Of the eight regional comparison cities with a population similar to Cerritos, three also have the largest share of their populations in the 40 to 59 year old age bracket. Four of them have the majority of their residents in the under-20 age bracket. Figure 7 illustrates the percent distributions by age for the populations of Cerritos and the regional cities with similar 2005 populations. Figure 8 provides the same information in terms of the number of residents in each age bracket.

FIGURE 7
AGE AS PERCENTAGE OF POPULATION FOR CERRITOS AND REGIONAL COMPARISON CITIES
(2000)



Source: ADE, data from U.S. Census of Population

FIGURE 8
POPULATION BY AGE FOR CERRITOS AND REGIONAL COMPARISON CITIES (2000)



Source: ADE, data from U.S. Census of Population

RESIDENTS SPEAKING MULTIPLE LANGUAGES

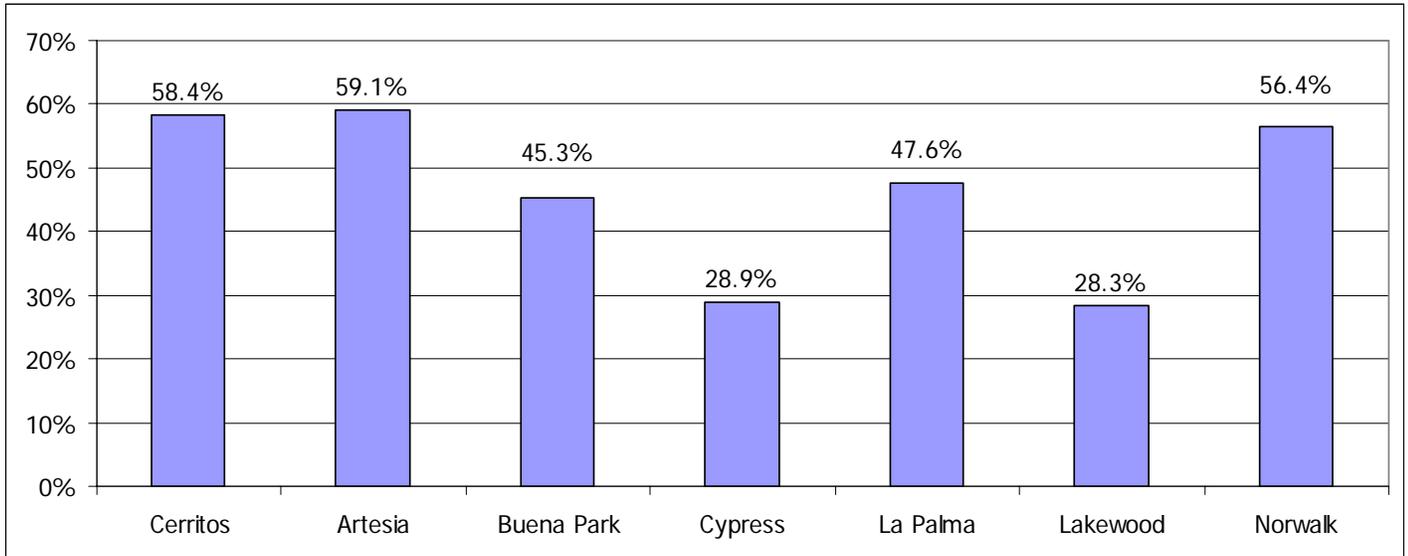
Fifty-eight percent of Cerritos' residents speak more than one language. This is the second highest percentage compared to its neighboring cities.

Approximately 46 percent of Cerritos' households speak Asian languages and about nine percent of Cerritos' households have members who speak Spanish.

Artesia has the highest percentage (59 percent) of residents who speak more than one language, while Norwalk has the third highest proportion (56 percent). Among neighboring cities, Lakewood, with 28 percent of residents that speak more than one language, has the lowest percentage. Figure 9 compares the percent of Cerritos residents who speak more than one language to that of its neighboring cities.

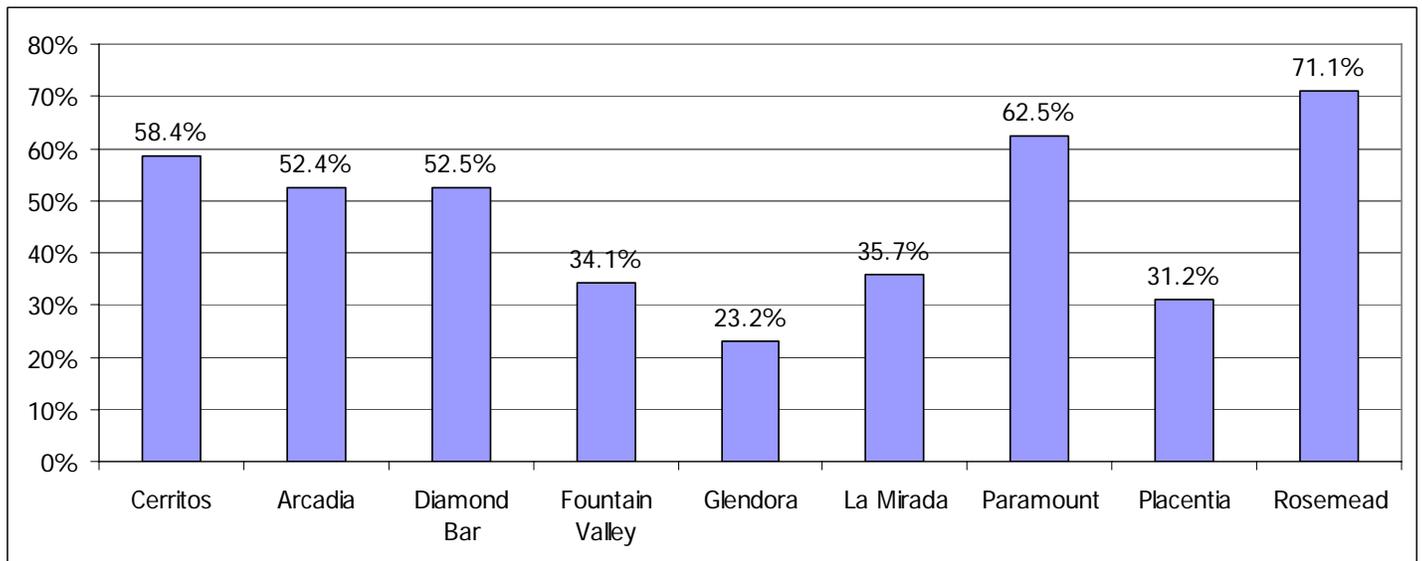
When compared to the regional comparison cities, Cerritos has the third largest percentage of residents speaking more than one language, as shown in Figure 10. Rosemead (71 percent) and Paramount (63 percent) both have higher proportions of residents speaking multiple languages. All but one of the regional comparison communities, Glendora, has a bi/multi-lingual population exceeding 30 percent of the total.

FIGURE 9
PERCENTAGE OF RESIDENTS 5 YEARS AND OLDER SPEAKING MORE THAN ONE LANGUAGE, CERRITOS AND NEIGHBORING CITIES (2000)



Source: ADE, data from U.S. Census of Population

FIGURE 10
PERCENTAGE OF RESIDENTS 5 YEARS AND OLDER SPEAKING MORE THAN ONE LANGUAGE, CERRITOS AND REGIONAL COMPARISON CITIES (2000)



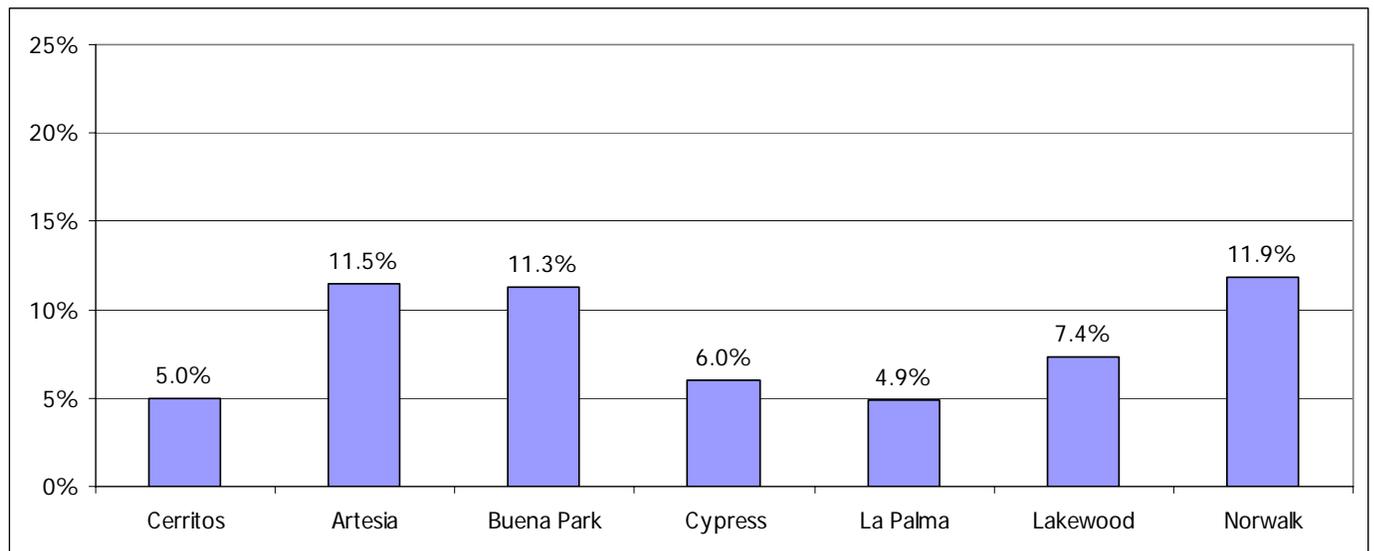
Source: ADE, data from U.S. Census of Population

POVERTY RATE

The percent of Cerritos residents living below the poverty level is five percent. Excluding La Palma, also approximately five percent, this is the lowest poverty rate among Cerritos and its neighboring cities. In fact, three of Cerritos' neighboring cities have poverty rates exceeding ten percent. Figure 11 shows the poverty rates for Cerritos and its neighboring cities.

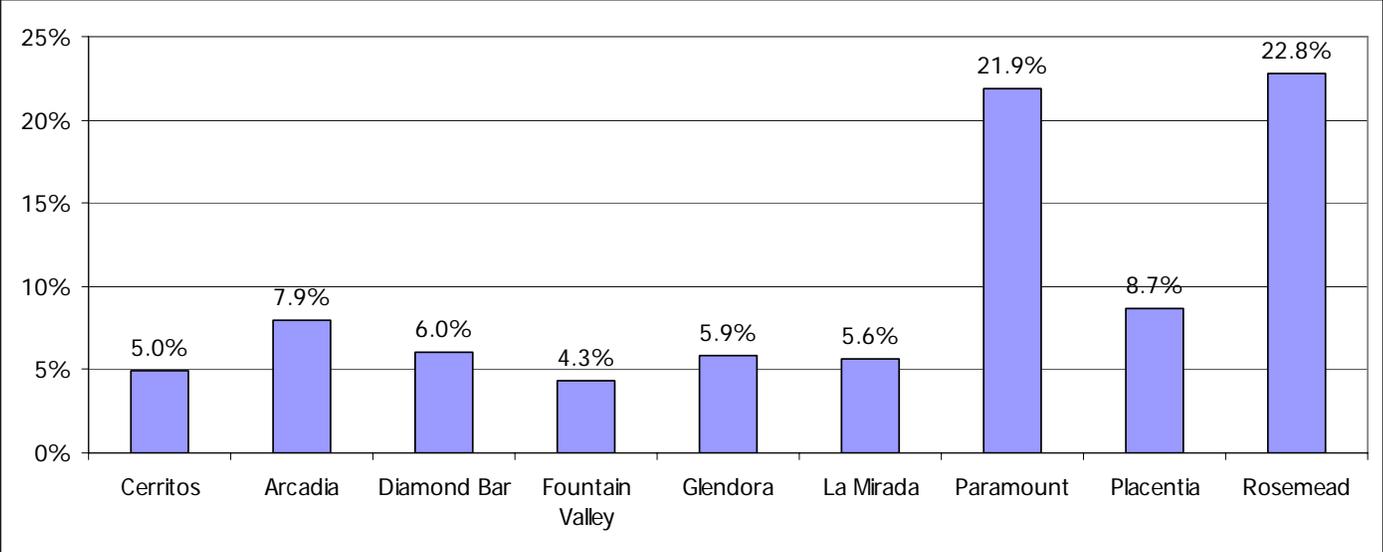
Among similarly populated regional cities, only one, Fountain Valley (four percent), has a poverty rate lower than Cerritos. The majority of these cities have poverty rates below ten percent. However, Rosemead and Paramount both have poverty rates in excess of 20 percent: 23 percent and 22 percent, respectively. Figure 12 compares the poverty rate in Cerritos to the rates in the regional comparison cities.

FIGURE 11
PERCENT OF RESIDENTS LIVING BELOW POVERTY LEVEL,
CERRITOS AND NEIGHBORING CITIES (2000)



Source: ADE, data from U.S. Census of Population

FIGURE 12
PERCENT OF RESIDENTS LIVING BELOW POVERTY LEVEL,
CERRITOS AND REGIONAL COMPARISON CITIES (2000)



Source: ADE, data from U.S. Census of Population

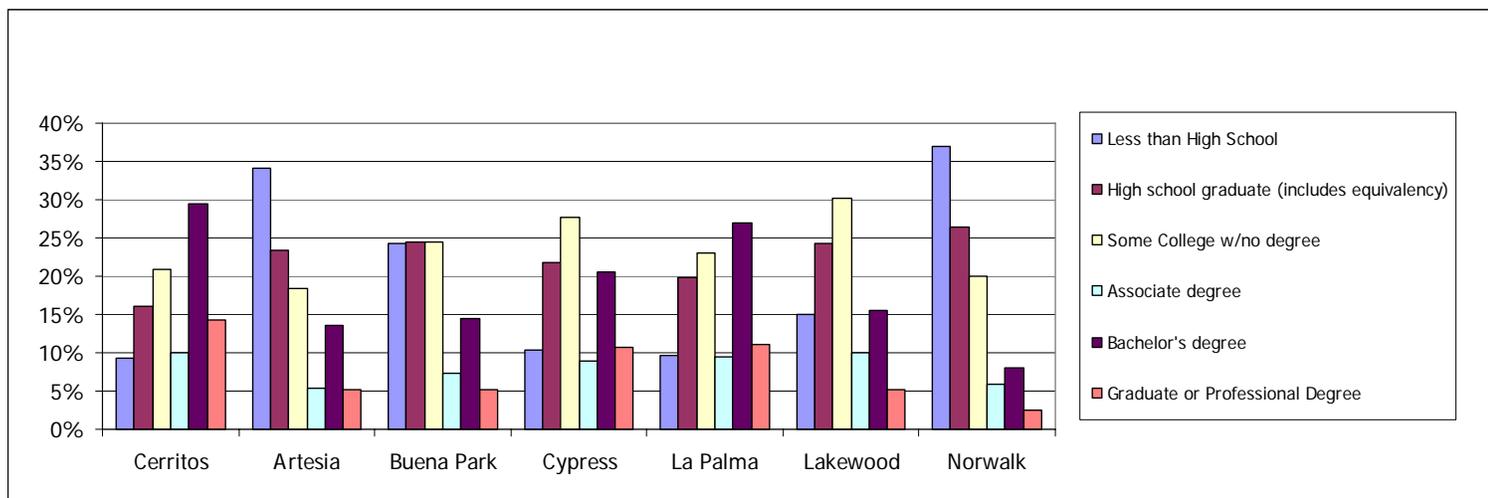
3.2 EDUCATION

EDUCATIONAL ATTAINMENT

For the portion of the population that is 25 years and older, Cerritos has the highest percentage of residents with at least a Bachelor’s degree (44 percent) and the lowest percentage of residents with no more than a high school education (25 percent) when compared to its neighboring cities (see Figure 13). Among Cerritos’ neighboring cities, Norwalk has both the lowest percentage of residents with at least a Bachelor’s degree (11 percent) and the highest percent with no higher than a high school education (63 percent).

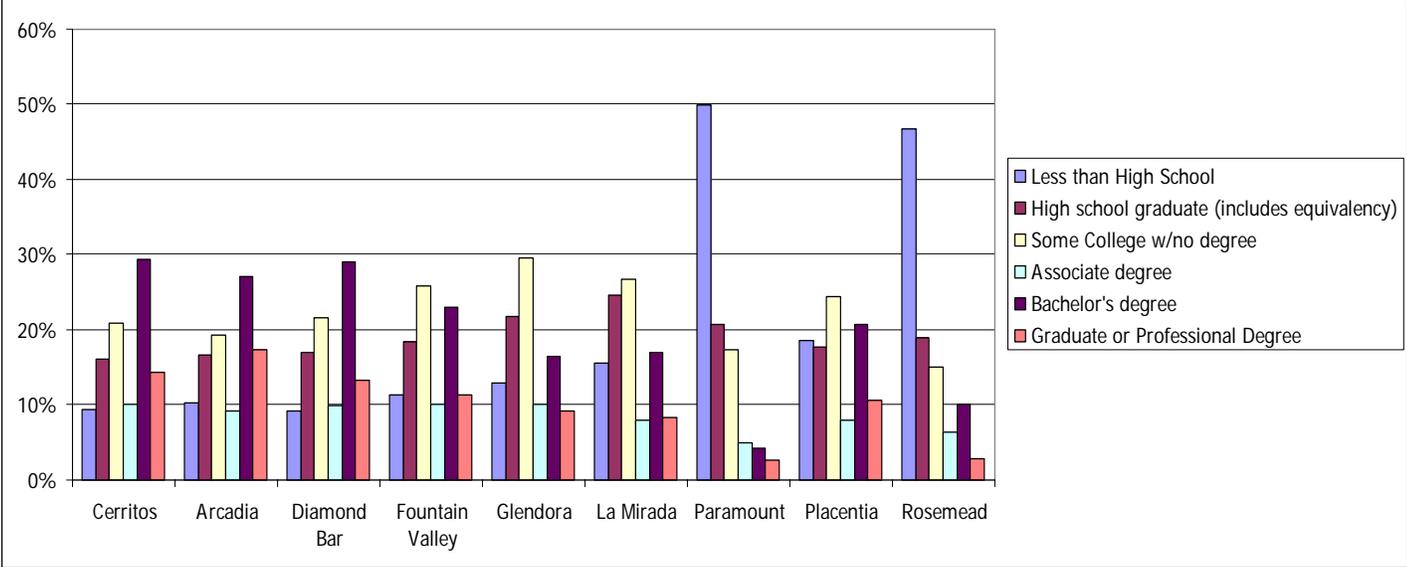
Similarly, Cerritos has the largest percentage of residents with at least a Bachelor’s degree and the fewest with no more than a high school education when compared with the regional comparison cities, as shown in Figure 14. However, a few cities in the category have comparable rates. Most notably, Arcadia and Diamond Bar are both within two percent of Cerritos in both categories, while Paramount and Rosemead are both at the other end of the spectrum. Over 70 percent of Paramount’s population has no higher than a high school education and less than ten percent has a Bachelor’s degree or higher. A full two-thirds of Rosemead’s population has no higher than a high school education, while only 13 percent has a Bachelor’s degree or higher.

FIGURE 13
EDUCATION ATTAINMENT FOR POPULATION OVER 25 YEARS OLD,
CERRITOS AND NEIGHBORING CITIES (2000)



Source: ADE, data from U.S. Census of Population

FIGURE 14
EDUCATIONAL ATTAINMENT FOR POPULATION OVER 25 YEARS OLD,
CERRITOS AND REGIONAL COMPARISON CITIES (2000)



Source: ADE, data from U.S. Census of Population

ACADEMIC PERFORMANCE INDEX, 2004

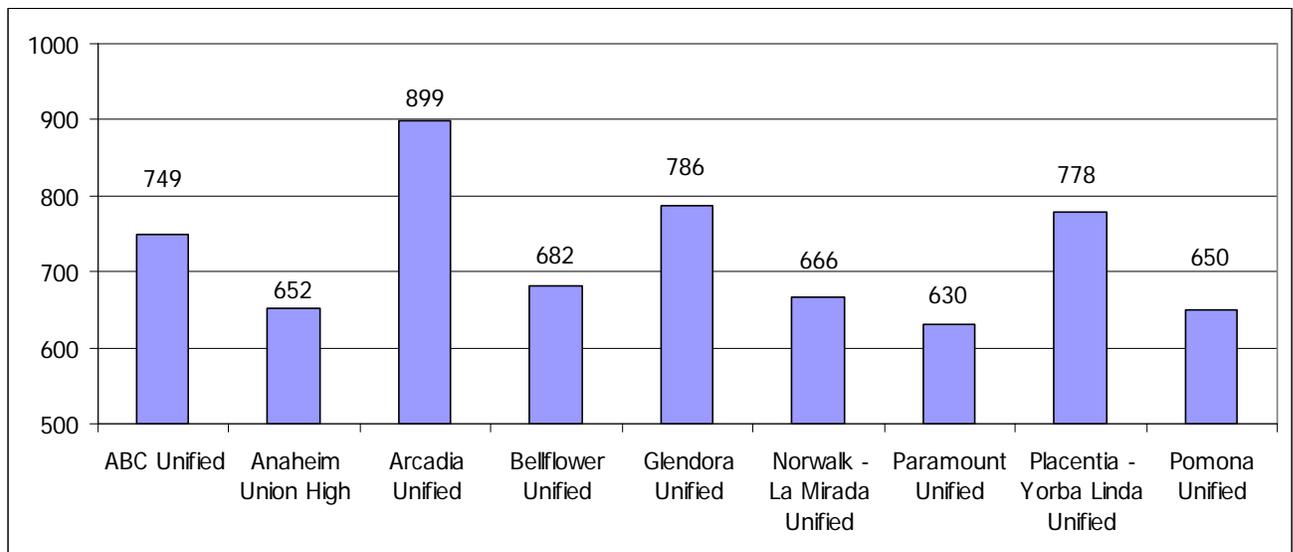
The Academic Performance Index (API) is a measurement used by the California Department of Education to measure school performance. The index's scale ranges between 200 and 1,000, and the State's target score for all schools is 800.

Cerritos is part of the ABC Unified School District. This district includes Cerritos as well as the cities of Artesia and Hawaiian Gardens, and portions of Norwalk and Lakewood. The school districts compared in this section include districts in neighboring communities, as well as regional comparison school districts located elsewhere in Los Angeles and Orange counties.

Of the school districts analyzed for this report, only the Arcadia Unified School District exceeds the State goal with a score of 899. Of the remaining districts, ABC Unified has the third highest score with 749 behind Glendora Unified (786) and Placentia–Yorba Linda Unified (778). Figure 15 details the API scores for the districts analyzed in this report.

FIGURE 15

ACADEMIC PERFORMANCE INDEX, 2004

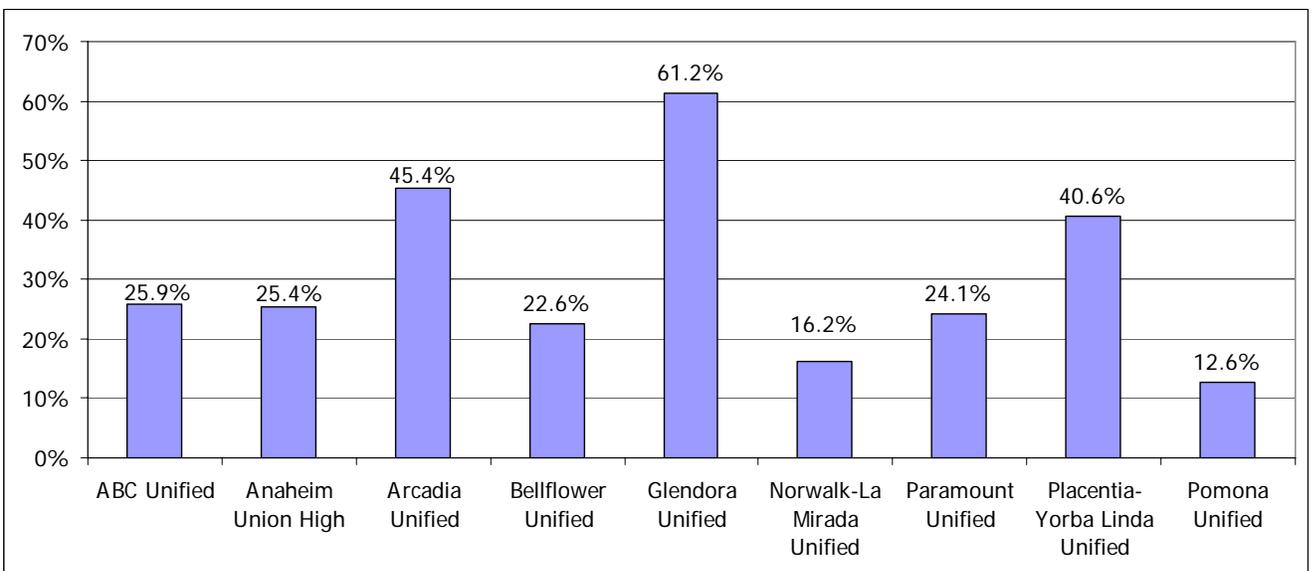


Source: ADE, data from California Department of Education

HIGH SCHOOL GRADUATES WHO MEET CSU/UC ADMISSION REQUIREMENTS (2003-04)

In 2003–2004, 26 percent of the ABC Unified School District's high school graduates met CSU/UC admission requirements, which is relatively modest compared to the other districts analyzed for this report.¹⁰ The CSU and UC systems require that applicants complete an academic curriculum that exceeds the State minimum requirements for high school graduation, including courses in advanced math, sciences, and foreign language. Of the districts analyzed, the Glendora Unified School District exhibited the highest percentage (61) of graduates who met CSU/UC requirements. Figure 16 compares selected regional school districts and their percentage of graduates meeting the CSU/UC requirements.

FIGURE 16
PERCENT OF HIGH SCHOOL GRADUATES WITH CSU/UC REQUIREMENTS (2003-04)



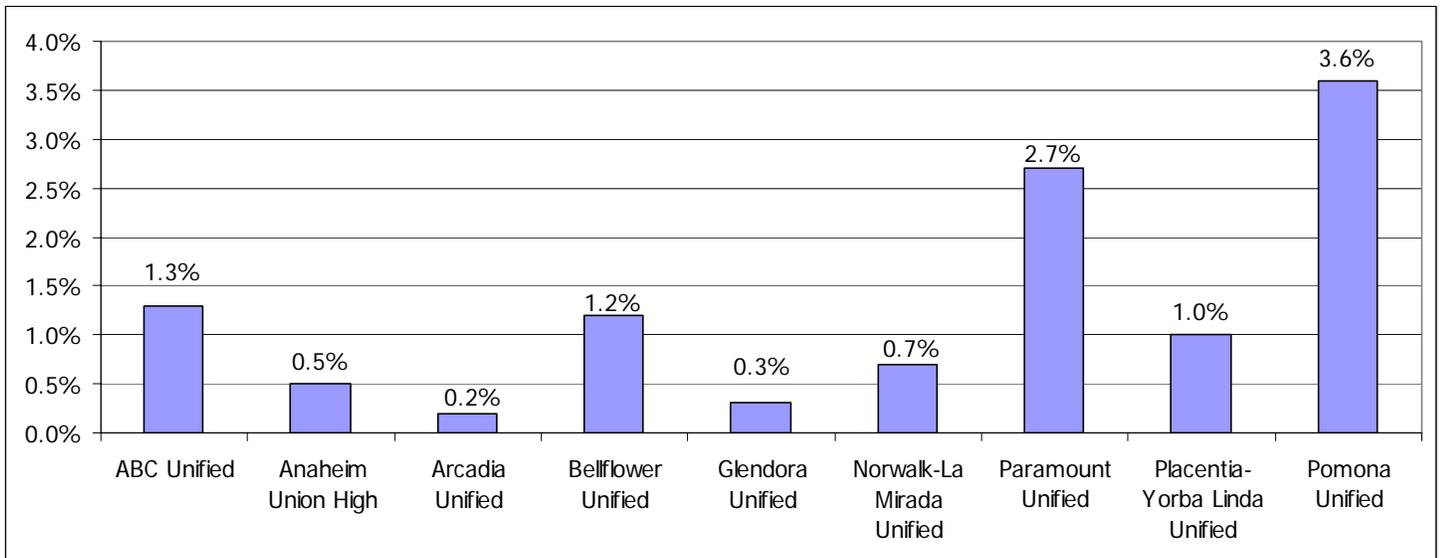
Source: ADE, data from California Department of Education

¹⁰ At the time of the analysis, the 2003-04 data was the latest available for comparison purposes.

HIGH SCHOOL DROP-OUT RATE

The 2003–2004 high school drop-out rate for the ABC Unified School District was the third-highest among the Districts analyzed for this report. However, ABC Unified’s 1.3 percent rate is well below the 3.6 percent rate in the Pomona Unified School District, the highest of the comparison districts. Figure 17 details the 2003–2004 drop-out rates for selected regional school districts.

FIGURE 17
2003-04 HIGH SCHOOL DROPOUT RATE

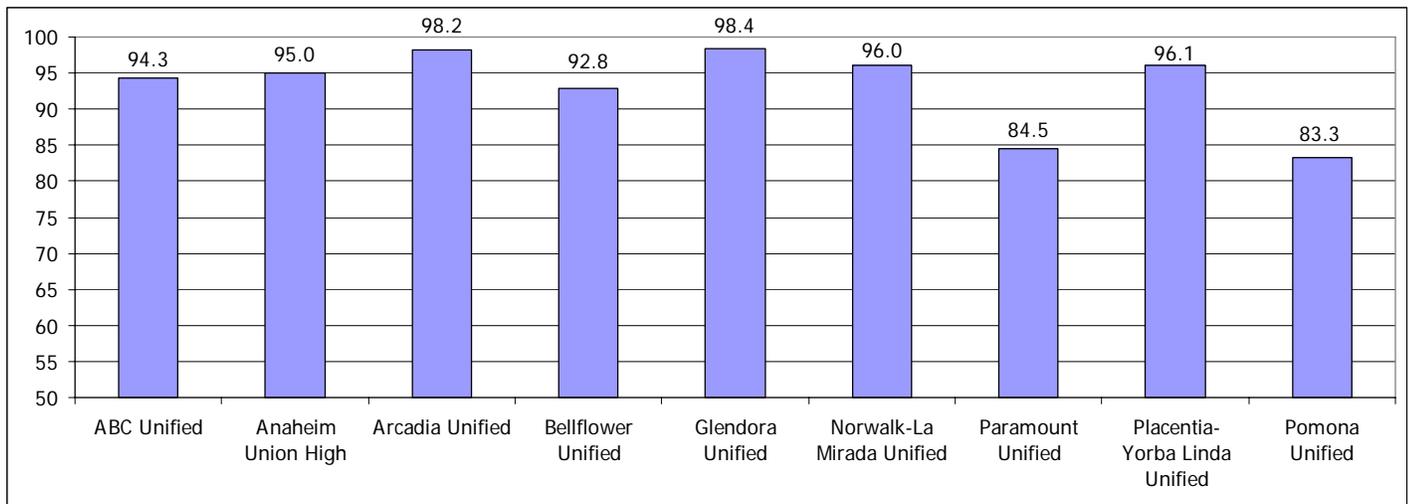


Source: ADE, data from California Department of Education

HIGH SCHOOL GRADUATION RATE

For the 2003–2004 school year, the majority of the districts analyzed for this report had high school graduation rates exceeding 95 percent. The ABC Unified School District was comparable with just over 94 percent. The Paramount and Pomona Unified School Districts both had graduation rates below 85 percent. Figure 18 illustrates the high school graduation rates for selected regional school districts.

FIGURE 18
2003-04 HIGH SCHOOL GRADUATION RATE



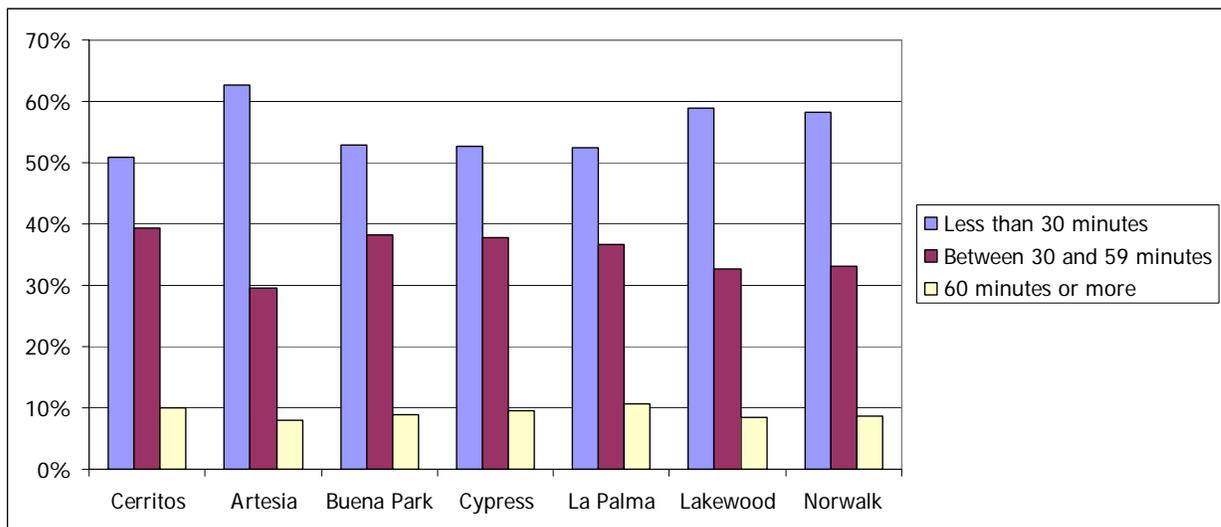
Source: ADE, data from California Department of Education

3.3 EMPLOYMENT AND COMMUTE PATTERNS

COMMUTE TIMES

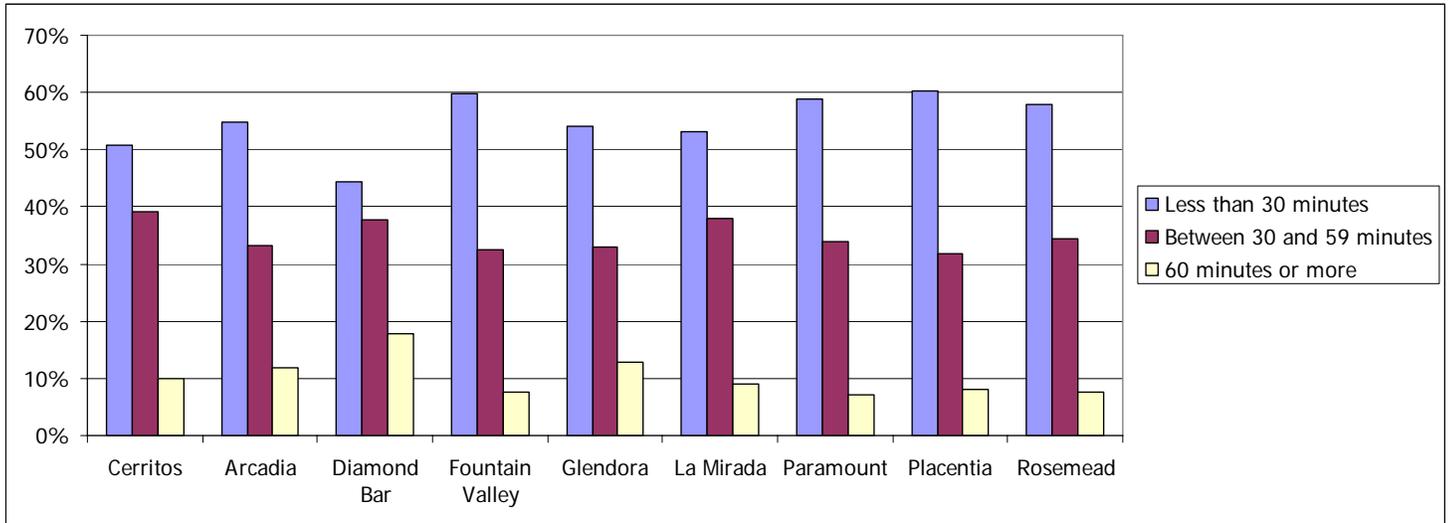
Nearly 90 percent of Cerritos commuters spend less than 60 minutes traveling to work each day, with just over 50 percent commuting less than 30 minutes. This pattern is also present in each of the neighboring and regional comparison cities included in this analysis. Of all of the cities analyzed, Artesia has the most commuters spending less than 30 minutes commuting to work (63 percent). The City of Diamond Bar has the largest percentage of commuters who spend 60 minutes or more (18 percent). Figures 19 and 20 compare the percentage of commuters by commute times for the surrounding and regional comparison cities.

FIGURE 19
PERCENT OF COMMUTERS BY COMMUTE TIME, CERRITOS AND NEIGHBORING CITIES (2000)



Source: ADE, data from U.S. Census of Population

FIGURE 20
PERCENT OF COMMUTERS BY COMMUTE TIME,
CERRITOS AND REGIONAL COMPARISON CITIES (2000)

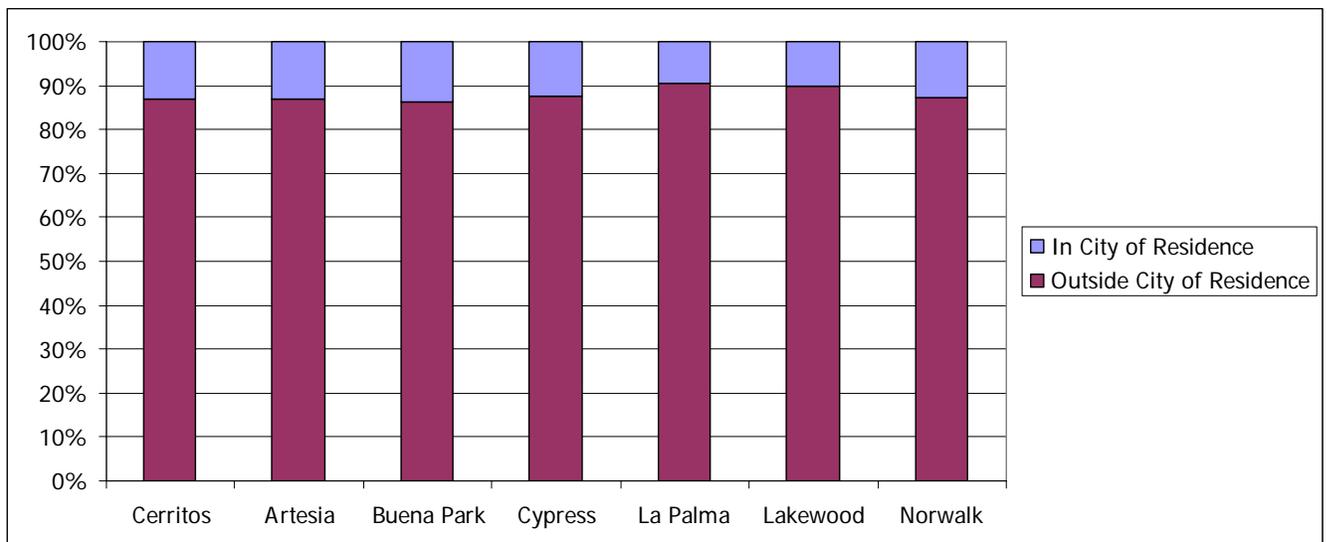


Source: ADE, data from U.S. Census of Population

OUTCOMMUTE RATE

Approximately 87 percent of Cerritos residents who are employed work outside of Cerritos. In general, between 80 percent and 90 percent of the working residents in each of the cities analyzed for this report work outside of the city in which they reside. Only La Palma had a higher percentage (91 percent) of its employed residents working outside of the city. For Cerritos, its neighboring cities, and regional comparison cities, Figures 21 and 22 compare the percentages of working residents working inside versus outside their city of residence.

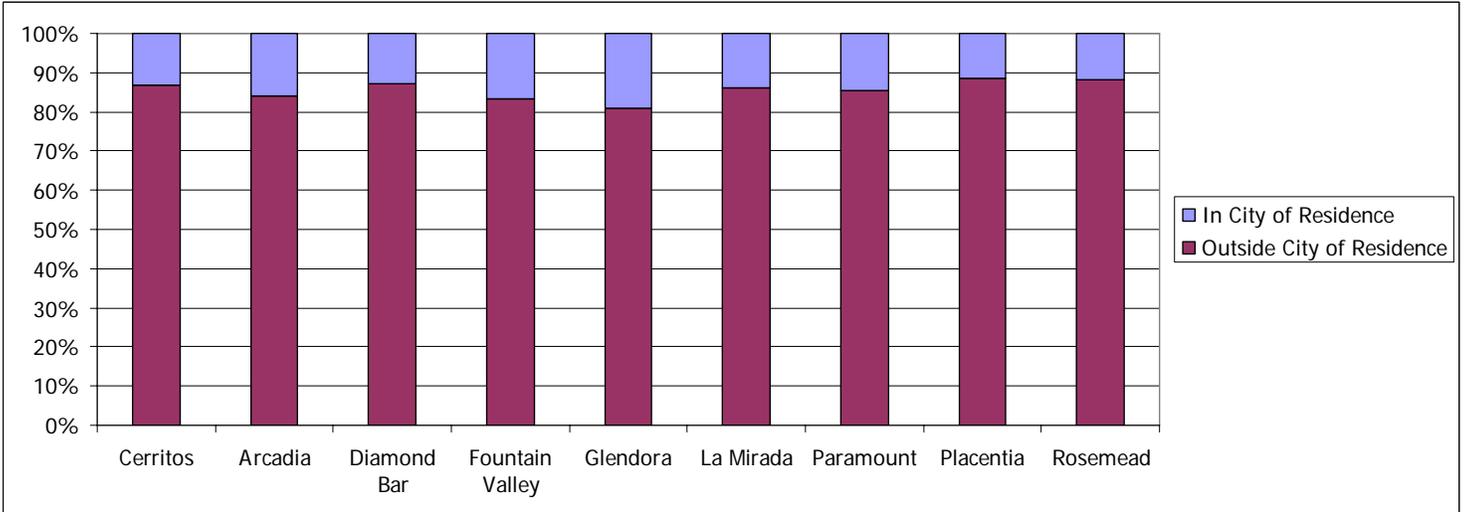
FIGURE 21
PERCENT OF WORKERS WORKING IN CITY OF RESIDENCE VERSUS OUTSIDE CITY OF RESIDENCE, CERRITOS AND NEIGHBORING CITIES (2000)



Source: ADE, data from U.S. Census of Population

FIGURE 22

PERCENT OF WORKERS WORKING IN CITY OF RESIDENCE VERSUS OUTSIDE CITY OF RESIDENCE, CERRITOS AND REGIONAL COMPARISON CITIES (2000)

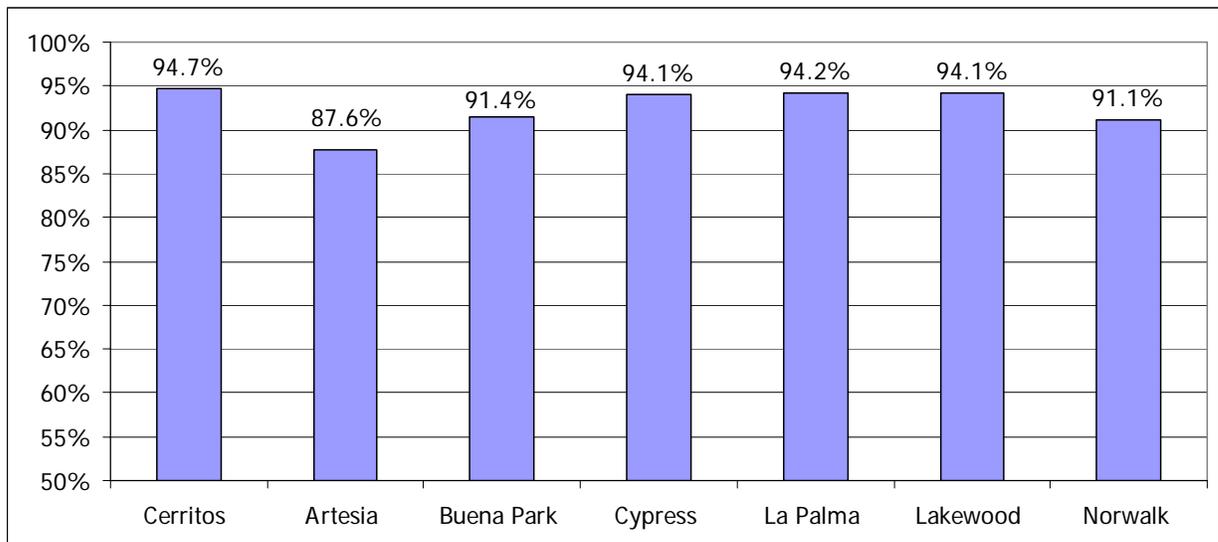


Source: ADE, data from U.S. Census of Population

COMMUTE MODES OF TRANSPORTATION

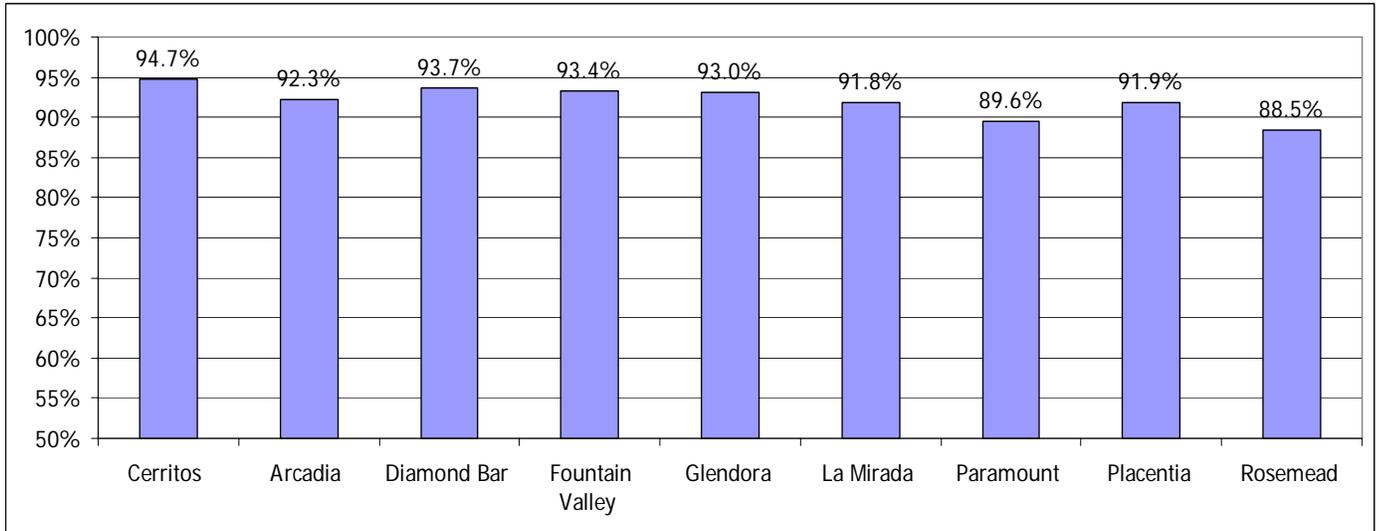
Figures 23 and 24 compare the percentage of commuters utilizing private automobiles or motorcycles for Cerritos and selected regional cities. Nearly 95 percent of Cerritos' commuters commute using a private automobile or motorcycle. In only three of the cities analyzed do less than 90 percent of commuters use a private automobile or motorcycle: Artesia, Paramount, and Rosemead.

FIGURE 23
PERCENT OF COMMUTERS USING A PRIVATE AUTOMOBILE OR MOTORCYCLE TO COMMUTE TO WORK, CERRITOS AND NEIGHBORING CITIES (2000)



Source: ADE, data from U.S. Census of Population

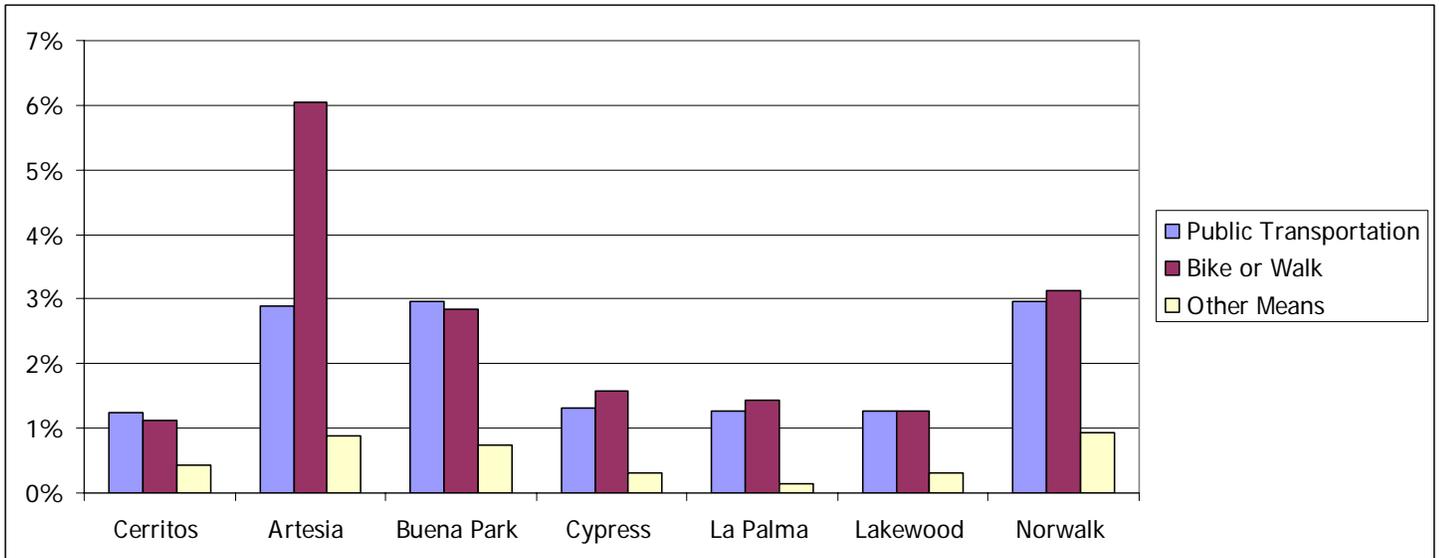
FIGURE 24
PERCENT OF COMMUTERS USING PRIVATE AUTOMOBILE OF MOTORCYCLE TO COMMUTE TO WORK, CERRITOS AND REGIONAL COMPARISON CITIES (2000)



Source: ADE, data from U.S. Census of Population

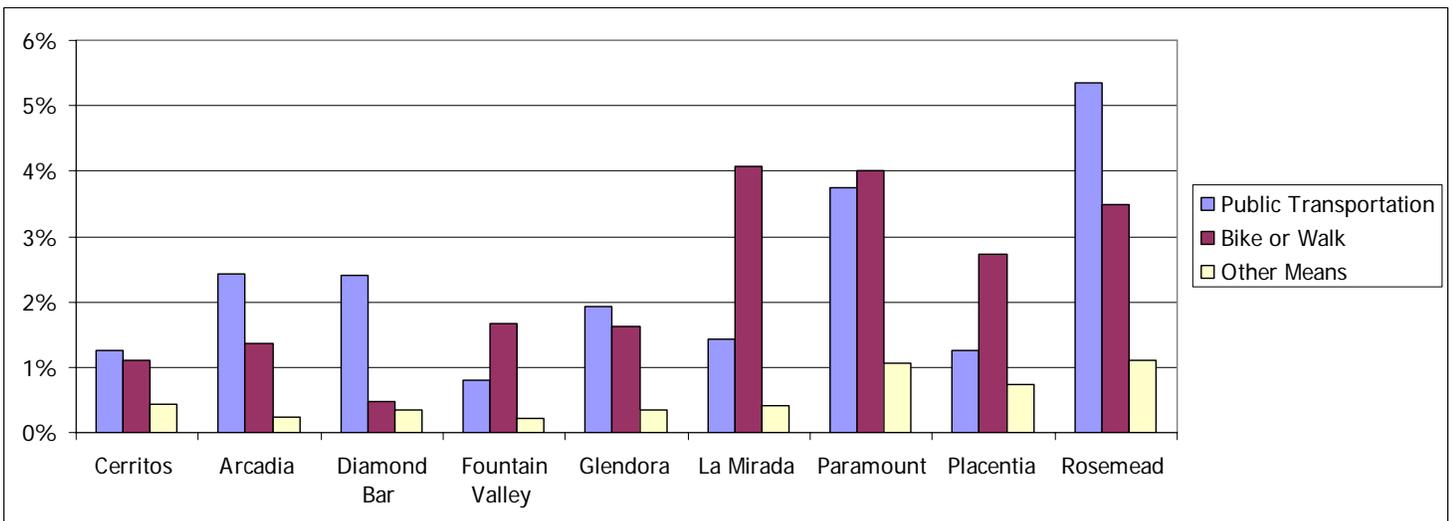
Figures 25 and 26 detail the modes of transportation used by those not using a private automobile or motorcycle. These alternative modes of transportation include biking, walking, and public transportation such as buses or trains.

FIGURE 25
PERCENT OF COMMUTERS USING ALTERNATIVE TRANSPORTATION MODES TO COMMUTE TO WORK, CERRITOS AND NEIGHBORING CITIES (2000)



Source: ADE, data from U.S. Census of Population

FIGURE 26
PERCENT OF COMMUTERS USING ALTERNATIVE TRANSPORTATION MODES TO COMMUTE TO WORK, CERRITOS AND REGIONAL COMPARISON CITIES (2000)

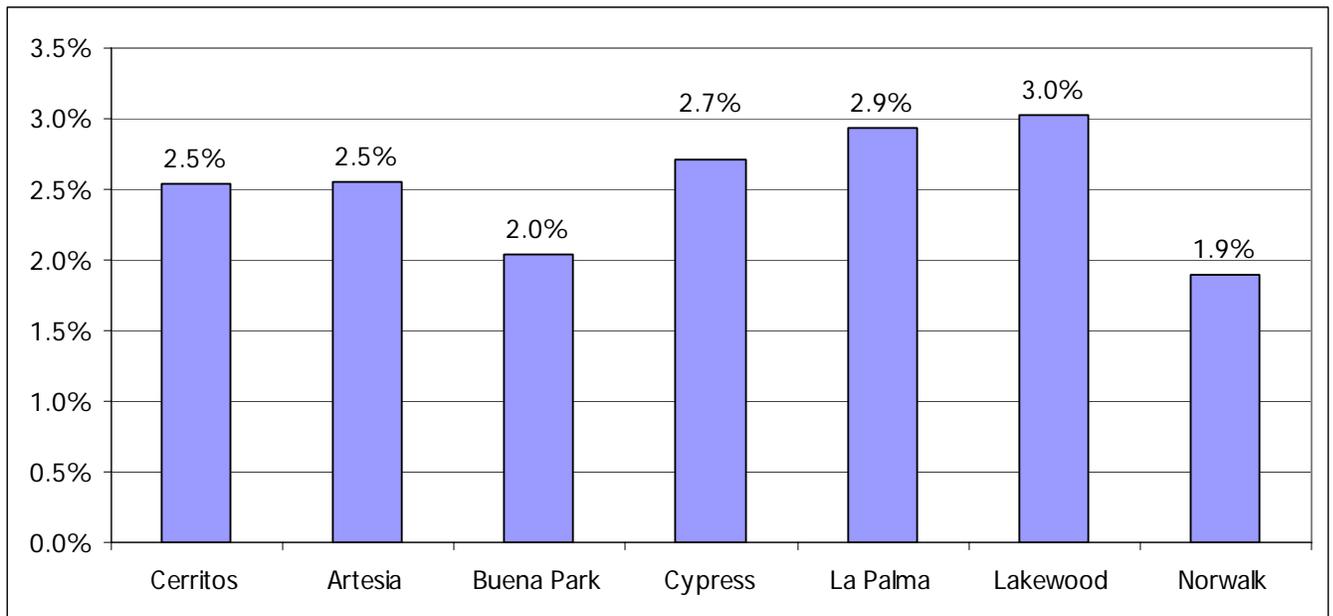


Source: ADE, data from U.S. Census of Population

EMPLOYED RESIDENTS WHO WORK AT HOME

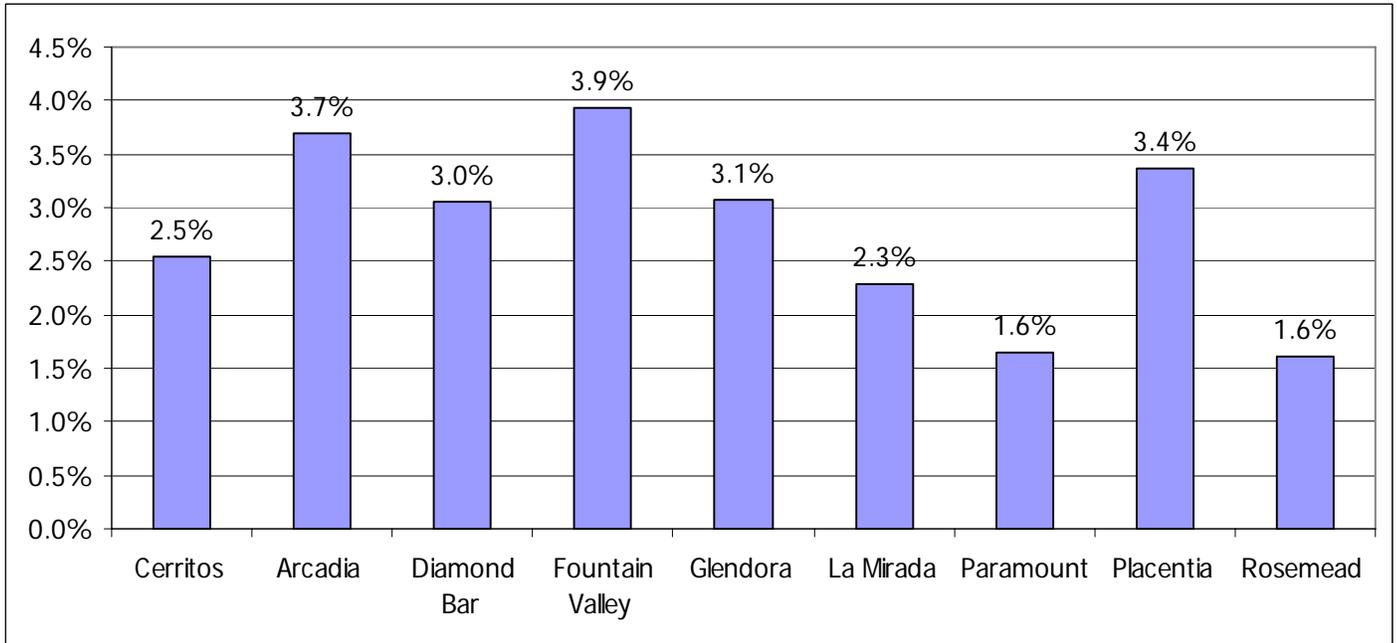
In each of the cities analyzed for this report, less than four percent of employed workers work at home. In Cerritos, just over 2.5 percent of workers work at home. The city with the highest percentage is Fountain Valley with just under four percent. Paramount and Rosemead are at the lowest end of the spectrum, each with just over 1.5 percent. Figures 27 and 28 compare the percentages of employed workers who work at home in Cerritos and the selected regional cities.

FIGURE 27
PERCENT OF EMPLOYED WORKERS WHO WORK AT HOME,
CERRITOS AND NEIGHBORING CITIES (2000)



Source: ADE, data from U.S. Census of Population

FIGURE 28
PERCENT OF EMPLOYED WORKERS WHO WORK AT HOME,
CERRITOS AND REGIONAL COMPARISON CITIES (2000)



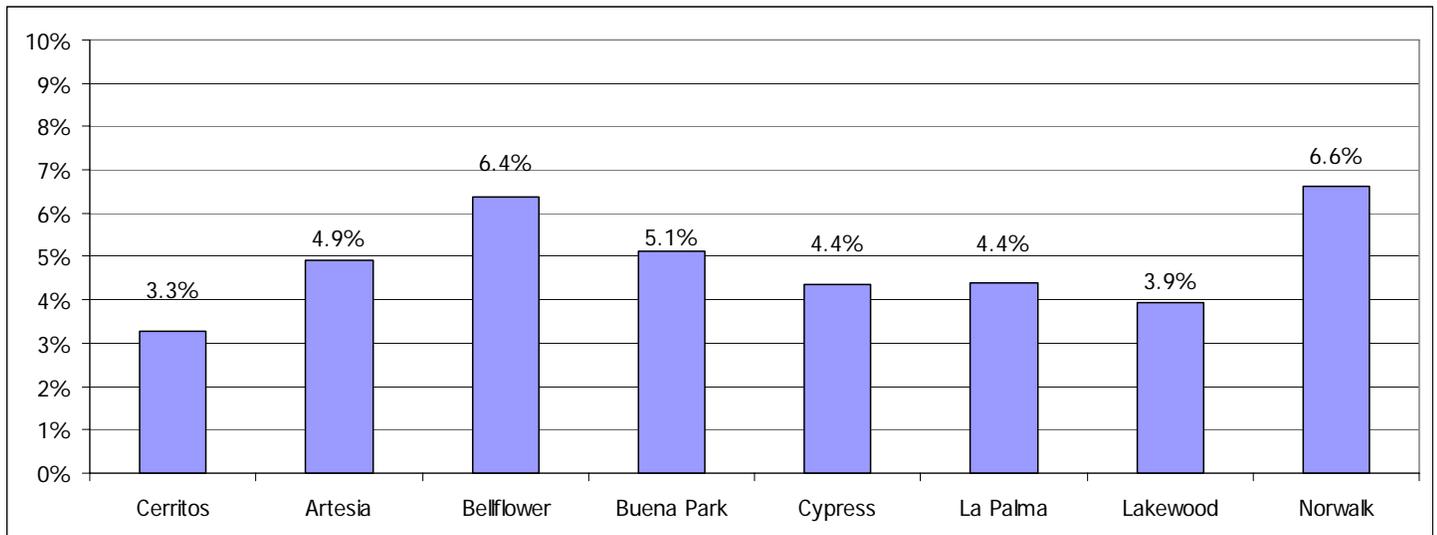
Source: ADE, data from U.S. Census of Population

UNEMPLOYMENT RATE, 2004

Cerritos' 2004 unemployment rate was just over three percent.

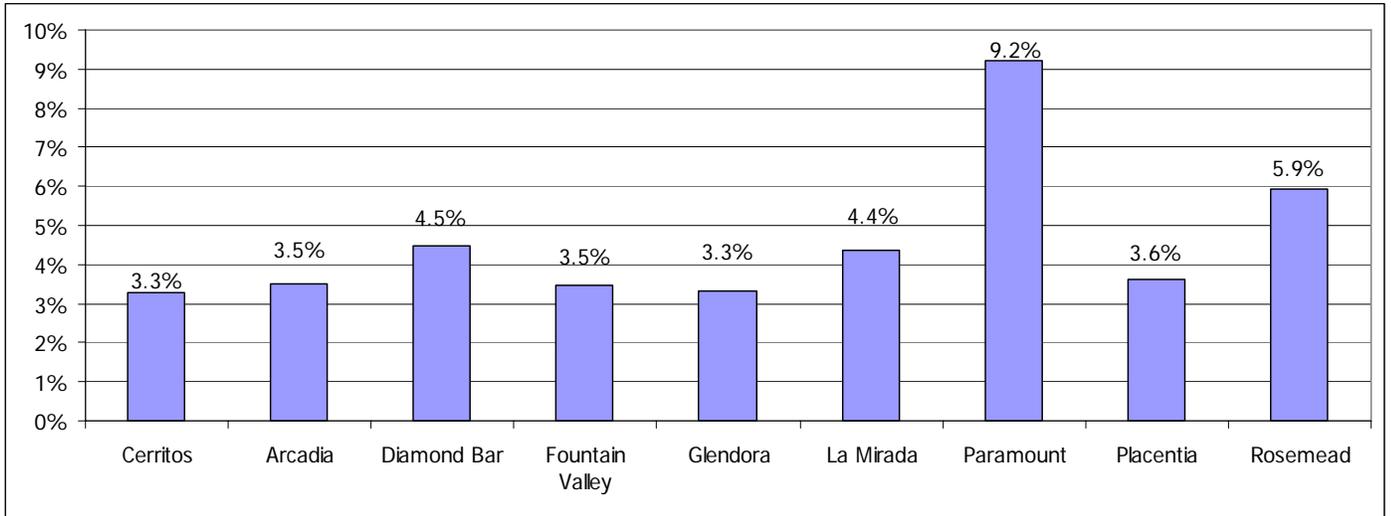
Predominantly among the regional comparison cities, the unemployment rate was at or below six percent. The exceptions are Bellflower and Norwalk, which were above six percent, and Paramount, which had an unemployment rate above nine percent. Figures 29 and 30 compare the 2004 unemployment rates for Cerritos and the selected comparison cities.

FIGURE 29
UNEMPLOYMENT RATE, CERRITOS AND NEIGHBORING CITIES (2004)



Source: ADE, data from U.S. Department of Commerce

FIGURE 30
UNEMPLOYMENT RATE, CERRITOS AND REGIONAL COMPARISON CITIES (2004)



Source: ADE, data from U.S. Department of Commerce

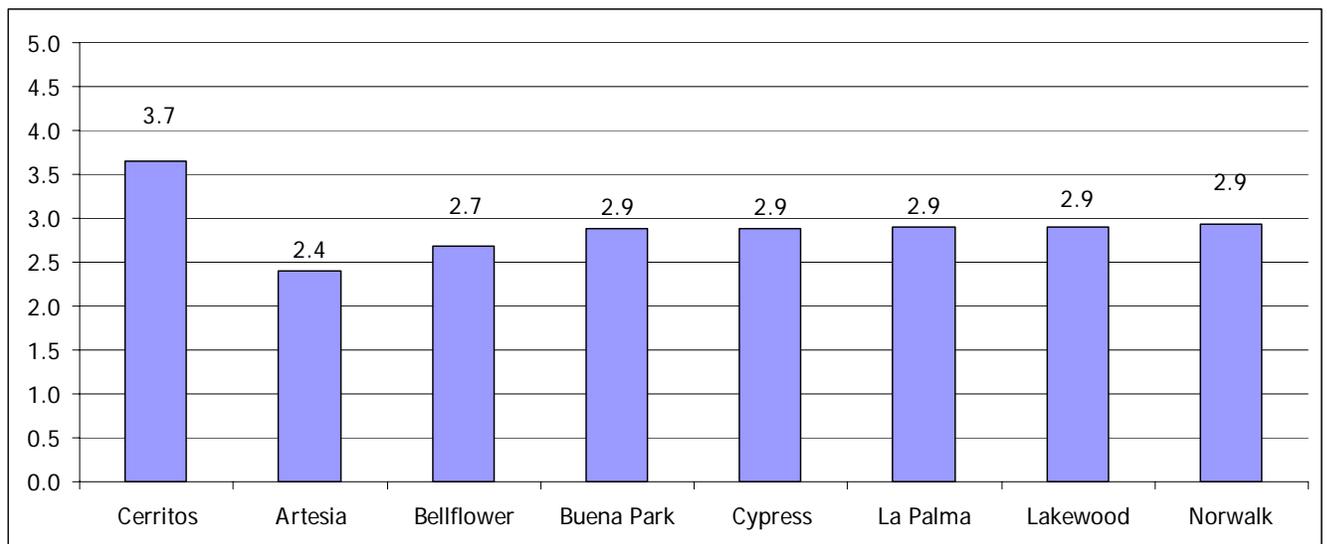
3.4 HOUSING AFFORDABILITY AND HOUSEHOLD INCOME

WAGES AND HOUSING AFFORDABILITY

Figures 31 and 32 estimate the number of average wage earners required to afford the median priced home in each of the selected comparison cities. The estimates for each city are based on the projected 2005 average annual wage for the county in which the city is located and median single-family home sales price data for September 2005. In 2005, the average annual personal income was \$44,100 in Los Angeles County, and \$45,800 in Orange County. The income required to purchase the median-priced single family home assumes, among other things, a 5.90 percent mortgage rate and a 20 percent down payment.

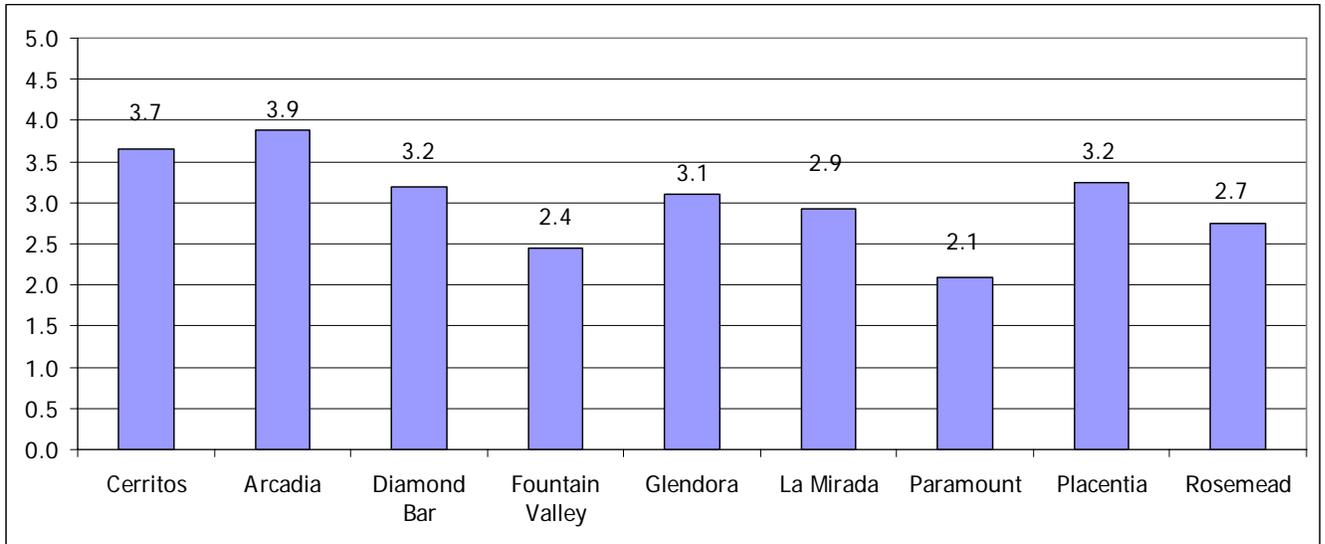
In Cerritos it will take 3.7 average wage earners to afford the median-priced single-family home. Among the selected comparison cities, Cerritos is the third highest in terms of number of average wage earners required to purchase a median-priced single-family home. Paramount is the lowest, with 2.1 average wage earners required.

FIGURE 31
AVERAGE NUMBER OF WAGE EARNERS NEEDED FOR HOUSING AFFORDABILITY, CERRITOS AND NEIGHBORING CITIES



Source: ADE, data from California Association of Realtors and U.S. Census of Population

FIGURE 32
AVERAGE NUMBER OF WAGE EARNERS NEEDED FOR HOUSING AFFORDABILITY,
CERRITOS AND REGIONAL COMPARISON CITIES

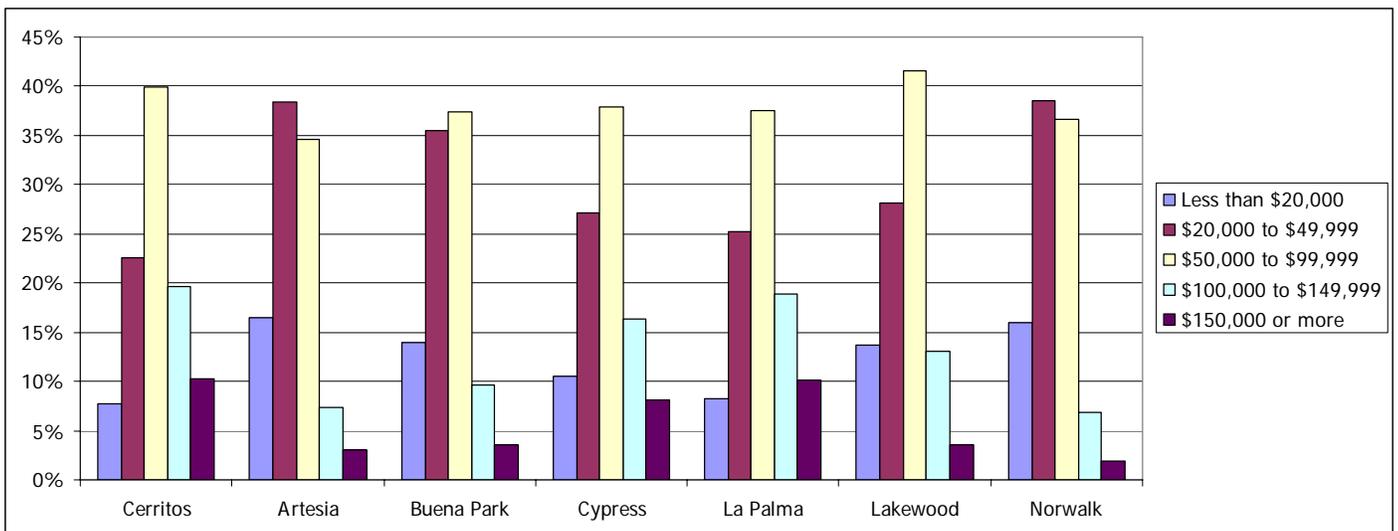


Source: ADE, data from California Association of Realtors and U.S. Census of Population

HOUSEHOLD INCOME

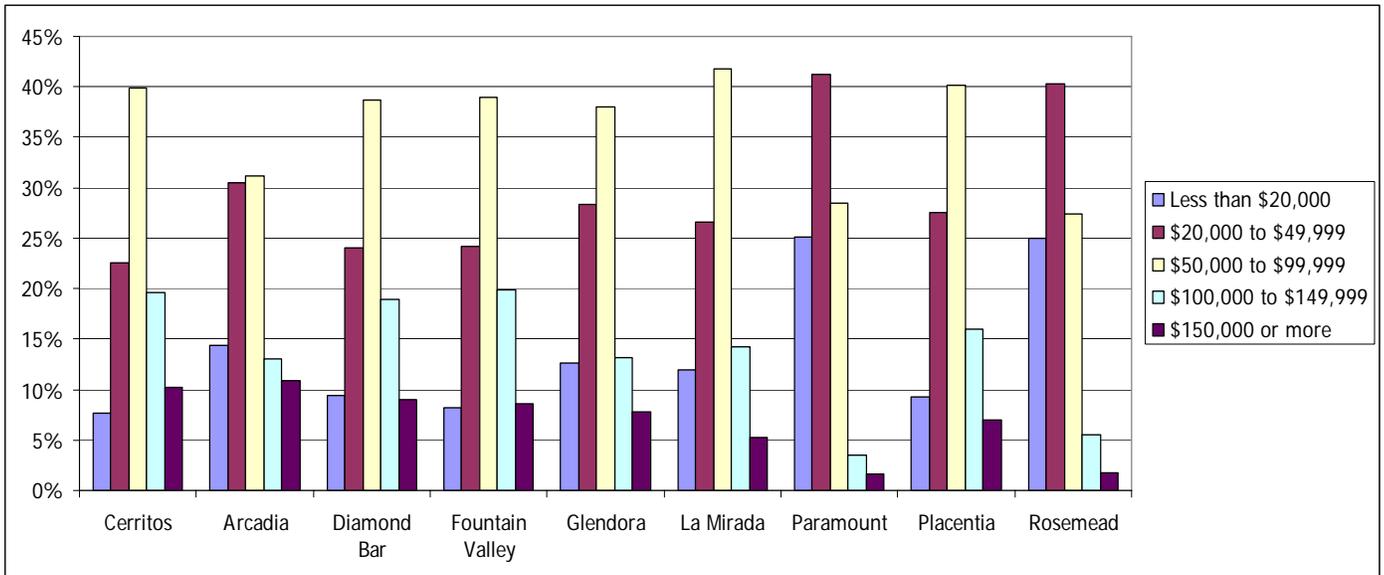
For the majority of the selected regional cities, including Cerritos, the largest percentage of households earn between \$50,000 and \$99,999 annually. In five of the comparison cities, the largest percentage of households earn between \$20,000 and \$49,999 per year. These cities are Artesia, Bellflower, Norwalk, Paramount, and Rosemead. Among the selected cities analyzed in this report, Cerritos has the highest percentage of households earning over \$100,000 or more per year (30 percent).

FIGURE 33
HOUSEHOLD INCOME, CERRITOS AND NEIGHBORING CITIES (2000)



Source: ADE, data from U.S. Census of Population

FIGURE 34
HOUSEHOLD INCOME, CERRITOS AND REGIONAL COMPARISON CITIES (2000)



Source: ADE, data from U.S. Census of Population

3.5 ASSESSMENT OF CERRITOS BENCHMARKING

In general, Cerritos' labor force and demographic benchmarks demonstrate strong local capacity for economic development. The benchmarks described in this section are important because they indicate the degree to which the strengths of the local population can strengthen the economic development opportunities for Cerritos businesses, and areas of potential vulnerability. Some conclusions that can be drawn from the benchmarks are listed below.

- The community's strong income base provides market support for local serving businesses, and can be used to maintain Cerritos' competitiveness in this area.
- The high educational attainment by Cerritos' residents provides an attractive labor force for growing businesses, and represents a strong selling point to businesses considering Cerritos as a business location.
- Cerritos' low unemployment rate indicates high demand for the skills and education of local residents.
- Cerritos' high housing costs, relative to income, indicate the desirability of the community as a place to live, as well as a potential challenge to local businesses for labor force recruitment.

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4. RETAIL MARKET ANALYSIS



4. RETAIL MARKET ANALYSIS

The retail market analysis in this section estimates the household demand for retail goods, and compares this to the sales patterns by Cerritos retail stores. This information provides a baseline estimate of how Cerritos' retail stores currently attract local and regional retail spending. It identifies which store categories comprise Cerritos' strongest regional shopping attractors, and which categories have shortcomings that can potentially be addressed with new retail store attraction. The results of the retail analysis support the well established common knowledge that Cerritos successfully attracts shoppers from throughout Southern California.

Cerritos has enjoyed a long-standing status as a successful regional retail provider, having consistently developed retail centers that were ahead of what surrounding communities had to offer. Beginning with Los Cerritos Center and the Cerritos Auto Square, the community has maintained an abundance of very strong retail establishments. The Auto Square in particular serves as a model for other auto malls across the country, and remains the top grossing auto mall in the country. Cerritos was also at the forefront of regional retail when the Cerritos Towne Center was developed. Cerritos Towne Center was the first power center development in the area, and was able to attract shoppers from as far away as Long Beach before any of the surrounding communities developed their own power centers.

While Cerritos has maintained success in capturing regional spending, this success has not trickled down to the local level where, ironically, Cerritos households are currently underserved by retail stores that serve a smaller local market area. Fortunately, overcoming this type of retail shortcoming is easier than attracting regional spending.

Even though regional retail has served as a successful economic engine and source of sales tax revenue for Cerritos, there are numerous challenges that should be addressed in order for the City to retain its advantageous position and capitalize on new opportunities. Regional retail in particular is a difficult advantage to maintain because neighboring communities will inevitably try to recapture the spending that leaves their communities. This analysis will provide a background context from which discussion of strategic initiatives can begin. Some of the findings from the Retail Market Analysis are summarized below.

- Cerritos draws from a relatively high local household income base (average annual income of \$87,700), as well as a large regional market.

- The \$2.1 billion of retail sales generated by Cerritos retailers annually far exceeds the \$509 million of retail spending by local households. With local households spending about \$412 million at Cerritos stores, this means that local stores attract about \$1.7 billion of retail spending from outside of Cerritos.
- Auto dealerships comprise the largest retail sector in Cerritos with \$1.1 billion in annual sales. This represents more than half of the citywide retail sales total.
- Local households only spend about \$97 million outside of Cerritos. Much of this retail leakage occurs in grocery stores, where \$36 million (62 percent) is spent at stores outside of Cerritos.
- Non-retail businesses accounted for about \$357 million of taxable sales.
- Key retail issues for Cerritos are as follows:
 - Retain and strengthen auto dealerships;
 - Retaining existing regional capture and commuter spending;
 - Explore local shopping opportunities;
 - Stay relevant as retail market evolves;
 - Diversify vehicle dealership advantage.

4.1 RETAIL MARKET ANALYSIS OVERVIEW

This retail market analysis consists of two main parts: an estimate of household retail spending and a comparison of overall spending potential and sales by Cerritos retail establishments.

The household retail spending totals are calculated from an analytical model that ADE developed in-house. This model estimates spending for 40 different store types and 100 product categories. The taxable sales data is an annual total listed by retail category. The businesses listed in the analysis encompass all of the retail businesses operating in the City of Cerritos. The retail sales data comes directly from the California State Board of Equalization sales tax allocation records, and the data was audited by the City of Cerritos Finance Department. Because certain retail items, such as food and prescription drugs, are not taxable, the analysis includes a conversion that calculates nontaxable sales.

As described later in this section, retail leakage represents the gap between household spending by Cerritos households and retail sales by local retail establishments. This leakage represents an existing shortfall, as well as an opportunity for both retail expansion and possible attraction.

4.2 CERRITOS' RETAIL SETTING

By most measures, Cerritos has a very healthy and diverse base of retail stores, with strong regional capture across most retail sectors. Cerritos' retail market encompasses a geographically contiguous area that includes households encompassing the Los Angeles County Gateway Cities and north Orange County. This regional retail advantage begins with the Cerritos Auto Square, which is the world's highest volume auto mall and which attracts customers from throughout the greater Los Angeles region. In addition, Cerritos has a daily influx of over 35,000 commuters who provide further market support for local retail stores.

According to the 2005 California Department of Finance demographic update, the City of Cerritos has a population of just over 55,000 residents, with about 15,900 households. The estimated annual income for Cerritos households is approximately \$87,700.

4.3 LOCAL HOUSEHOLD SPENDING

Based on data from ADE's retail demand model, the estimated annual retail spending by Cerritos households totals about \$509 million, as shown in Table 8. It should be noted that not all of this spending occurs in Cerritos because neighboring communities might provide retail offerings not available locally. In addition, the high percentage of local residents that commute outside of Cerritos indicates that at least some portion of household spending likely continues to leave Cerritos.

TABLE 8
CERRITOS HOUSEHOLD RETAIL SPENDING DISTRIBUTION, 2004

Retail Group	Household Spending Distribution
Total	\$508,739,732
Apparel Store Group	\$45,104,320
Women's Apparel	\$14,283,555
Men's Apparel	\$1,613,054
Family Clothing	\$22,877,989
Shoe Stores	\$6,329,723
General Merchandise Group	\$142,693,746
Department & Discount Stores	\$111,517,006
Other General Merchandise	\$18,102,758
Drug & Proprietary Stores	\$13,073,982
Specialty Retail Group	\$47,729,111
Gifts & Novelties	\$2,027,952
Sporting Goods	\$2,841,359
Florists	\$694,043
Photographic Equipment	\$367,181
Records & Music	\$5,191,932
Books & Stationery	\$2,585,794
Office Supplies/Computer Equipment	\$9,348,604
Jewelry	\$4,306,669
Misc. Specialty Retail	\$20,365,578
Food, Eating and Drinking Group	\$92,238,970
Grocery Stores	\$57,726,044
<i>Supermarkets</i>	\$55,282,329
<i>Convenience Stores</i>	\$2,443,665
Specialty Food Stores	\$1,763,311
<i>Meat & Fish Markets</i>	\$880,666
<i>Fruit & Vegetable Markets</i>	\$342,409
<i>Misc. Specialty Food</i>	\$540,234
Liquor Stores	\$2,884,900
Eating Places	\$29,864,716
<i>Full-Service Restaurants</i>	\$14,285,213
<i>Other Eating Places</i>	\$14,343,496
<i>Drinking Places</i>	\$1,236,006

TABLE 8 (CONT.)
CERRITOS HOUSEHOLD RETAIL SPENDING DISTRIBUTION, 2004

Retail Group	Household Spending Distribution
Building Materials And Homefurnishings Group	\$48,015,299
Furniture & Home Furnishings	\$13,764,686
<i>Furniture Stores</i>	\$9,293,725
<i>Other Home Furnishings Stores</i>	\$4,470,961
Household Appliances & Electronics	\$13,551,661
Used Merchandise	\$895,656
Nurseries & Garden Supply Stores	\$3,536,844
Lumber & Other Building Materials	\$11,509,493
Home Centers and Hardware Stores	\$4,428,044
Paint & Wallpaper	\$328,916
Automotive Group	\$132,958,286
New Cars & RVs	\$91,095,531
Used Car Dealers	\$6,047,414
Gasoline Service Stations	\$31,097,098
Mobile Homes & Trailers	\$23,370
Auto Parts & Accessories	\$2,247,377
Other Vehicles	\$2,447,496

Source: Applied Development Economics, based on Cerritos Business Survey and ADE retail demand model. Retail model developed from 2002 US Retail Census, and the 2003 Bureau of Labor Statistics Household Expenditure Surveys. Data adjusted for inflation using CPI.

Notes: Spending and sales do not include non-store retail establishments, which include mail order, home shopping, and direct selling. The market area is defined as the City of Cerritos. This table only reflects retail demand by local households, and does not account for where the spending occurs.

While Cerritos' households contribute significantly to spending within the City, Cerritos also draws significant spending from outside of the community because of the strong regional draw that the Cerritos Auto Square, Los Cerritos Center, and Cerritos Towne Center provide. This distinction between spending and where it occurs will be discussed further in the section pertaining to retail leakage.

Household spending among Cerritos residents is distributed across the full range of retail store categories. The three largest retail store spending categories are department/discount stores, new car dealers, and grocery stores, with about \$112 million, \$91 million, and \$58 million of annual spending, respectively. Other retail store categories with more than \$20 million of annual spending by Cerritos households include miscellaneous specialty retail (such as pet stores, art supply stores, toy stores, and beauty supply stores), gasoline service stations, apparel/clothing, and eating places/restaurants.

4.4 CERRITOS RETAIL SALES

In addition to the amount that local households spend at retail stores, the other component that defines the local retail market is the retail sales generated by local stores. Sales tax data from the State Board of Equalization was used to calculate the retail store sales by store category for the City of Cerritos. The City's finance department provided an audited record of this data, from which ADE estimated the taxable retail sales. After adjusting the sales tax data to account for nontaxable item sales, the annual retail sales by businesses in the City of Cerritos total approximately \$2.1 billion, as shown in Table 9. The total retail market potential is illustrated in Figure 35.

By far the largest group of retail sales is concentrated in auto sales. The car dealerships that encompass the Cerritos Auto Square generated over \$1.1 billion in sales in 2004, which accounts for more than half of the total retail sales in Cerritos. Very clearly, Cerritos' identity as a regional shopping destination is shaped by the Auto Square. In addition, department and discount stores account for another \$318 million in retail sales. This large retail sales total is possible because Cerritos has a strong presence with both traditional mall anchor stores and newer power center anchor stores.

The strong mix of mall-based stores and power center stores results in high sales levels for apparel stores and specialty retail. Apparel stores together generate \$154 million in sales, while the combined sales for specialty retail stores total \$163 million. The other retail category with more than \$100 million in annual sales is eating places/restaurants.

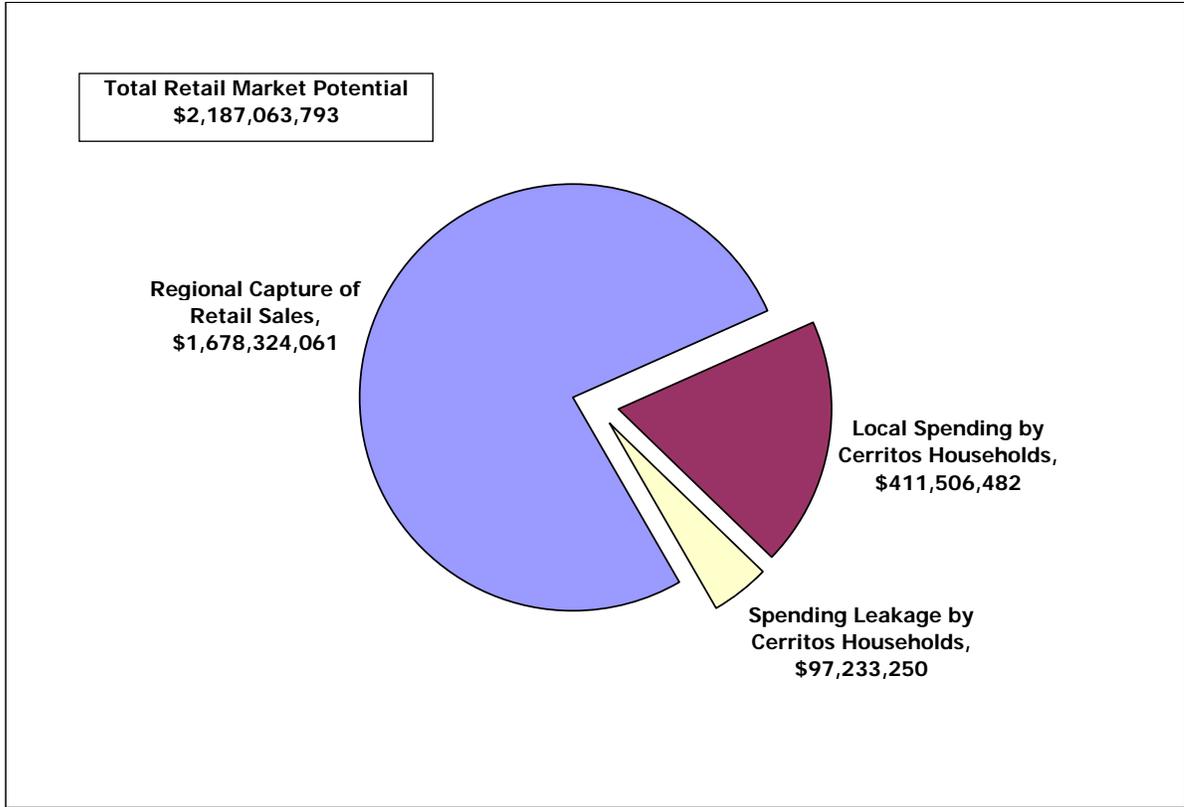
**TABLE 9
CERRITOS RETAIL SALES AND LEAKAGE, 2004**

Retail Group	Cerritos Household Retail Spending	Cerritos Retail Sales to Cerritos Households	Leakage of Spending by Cerritos Households	Cerritos Total Taxable Sales	Cerritos Total Retail Sales	Regional Capture of Retail Spending by Cerritos Retailers
Total	\$508,739,732	\$411,506,482	\$97,233,250	\$2,018,952,977	\$2,089,830,543	\$1,678,324,061
Apparel Store Group	\$45,104,320	\$44,337,961	\$766,359	\$153,575,726	\$153,575,726	\$109,237,765
Women's Apparel	\$14,283,555	\$14,283,555	\$0	\$49,474,699	\$49,474,699	\$35,191,144
Men's Apparel	\$1,613,054	\$846,694	\$766,359	\$2,932,740	\$2,932,740	\$2,086,046
Family Clothing	\$22,877,989	\$22,877,989	\$0	\$79,243,692	\$79,243,692	\$56,365,703
Shoe Stores	\$6,329,723	\$6,329,723	\$0	\$21,924,595	\$21,924,595	\$15,594,872
General Merchandise Group	\$142,693,746	\$117,497,812	\$25,195,934	\$310,119,559	\$342,239,284	\$224,741,471
Department/Discount Stores	\$111,517,006	\$111,517,006	\$0	\$299,184,197	\$318,620,018	\$207,103,012
Other General Merchandise	\$18,102,758	\$1,301,973	\$16,800,785	\$3,493,008	\$3,719,923	\$2,417,950
Drug & Proprietary Stores	\$13,073,982	\$4,678,833	\$8,395,149	\$7,442,354	\$19,899,342	\$15,220,509
Specialty Retail Group	\$47,729,111	\$47,101,829	\$627,282	\$162,184,645	\$163,149,080	\$116,047,251
Gifts & Novelties	\$2,027,952	\$2,027,952	\$0	\$6,933,008	\$7,024,324	\$4,996,372
Sporting Goods	\$2,841,359	\$2,841,359	\$0	\$9,831,922	\$9,841,764	\$7,000,405
Florists	\$694,043	\$107,615	\$586,428	\$370,888	\$372,752	\$265,137
Photographic Equipment	\$367,181	\$326,327	\$40,854	\$1,130,316	\$1,130,316	\$803,989
Records & Music	\$5,191,932	\$5,191,932	\$0	\$17,983,567	\$17,983,567	\$12,791,635
Books & Stationery	\$2,585,794	\$2,585,794	\$0	\$8,956,550	\$8,956,550	\$6,370,756
Office Supplies/Computer Equipment	\$9,348,604	\$9,348,604	\$0	\$32,381,250	\$32,381,250	\$23,032,646
Jewelry	\$4,306,669	\$4,306,669	\$0	\$14,902,318	\$14,917,235	\$10,610,566
Misc. Specialty Retail	\$20,365,578	\$20,365,578	\$0	\$69,694,826	\$70,541,322	\$50,175,744
Food, Eating and Drinking Group	\$92,238,970	\$52,980,684	\$39,258,286	\$112,068,435	\$147,511,493	\$94,530,809
Grocery Stores	\$57,726,044	\$21,856,127	\$35,869,917	\$8,732,979	\$32,331,549	\$10,475,422
Specialty Food Stores	\$1,763,311	\$1,010,685	\$752,625	\$865,661	\$1,495,097	\$484,411
Liquor Stores	\$2,884,900	\$1,249,641	\$1,635,258	\$1,817,156	\$1,848,582	\$598,941
Eating Places/Restaurants	\$29,864,716	\$28,864,230	\$1,000,486	\$100,652,639	\$111,836,266	\$82,972,036
Building Materials and Home Furnishings Group	\$48,015,299	\$38,596,503	\$9,418,796	\$142,194,302	\$142,291,257	\$103,694,753
Furniture, Home Furnishings, Appliances/Electronics*	\$27,316,347	\$26,686,041	\$630,306	\$98,284,876	\$98,381,719	\$71,695,678
Used Merchandise	\$895,656	\$41,884	\$853,772	\$154,411	\$154,411	\$112,527
Home Improvement Stores*	\$19,803,296	\$11,868,578	\$7,934,718	\$43,755,015	\$43,755,126	\$31,886,548
Automotive Group	\$132,958,286	\$110,991,693	\$21,966,593	\$1,138,810,310	\$1,141,063,704	\$1,030,072,011
Car Dealerships	\$97,142,945	\$91,095,531	\$6,047,414	\$1,107,435,867	\$1,107,435,867	\$1,016,340,336
Gasoline Service Stations	\$31,097,098	\$19,568,946	\$11,528,152	\$27,396,524	\$29,649,918	\$10,080,972
Mobile Homes & Trailers	\$23,370	\$0	\$23,370	\$0	\$0	\$0
Auto Parts & Accessories	\$2,247,377	\$310,623	\$1,936,754	\$3,776,207	\$3,776,207	\$3,465,584
Other Vehicles	\$2,447,496	\$16,592	\$2,430,903	\$201,712	\$201,712	\$185,120

Source: Applied Development Economics. Retail sales data come from the 2004 State Board of Equalization sales tax records for the City of Cerritos; local and regional spending capture assumptions come from the Cerritos Business Survey; the retail model was developed from the 2002 US Retail Census and the 2003 Bureau of Labor Statistics Household Expenditure Surveys. Data are adjusted for inflation using CPI.

Notes: Spending and sales do not include non-store retail establishments, which include mail order, home shopping, and direct selling. Retail categories marked with an asterisk (*) are aggregated categories due to confidentiality requirements. The market area is defined as the City of Cerritos.

**FIGURE 35
CERRITOS TOTAL RETAIL MARKET POTENTIAL**



4.5 RETAIL LEAKAGE

Retail leakage represents the mismatch between household spending by Cerritos residents and the retail sales by Cerritos retail establishments. Leakage indicates both an existing shortcoming with the degree to which existing household demand remains unmet by local retailers, as well as an opportunity because unmet retail demand can create potential for new stores as well as sales expansions for existing stores. Those store categories with net capture of regional sales extend their market reach into the surrounding region. The sales leakage trend identified in the analysis shows that Cerritos is a net regional retail provider in the majority of retail store categories.

As mentioned in the introductory section, a business survey was conducted as part of the EDSP. In addition to questions about the respondents’ employment trends, business climate issues, expansion plans, and marketing approaches, the survey asked businesses to geographically identify where their customers come from. For the retail analysis, this resulted in a detailed illustration of Cerritos’ market area with different store types. In addition to

identifying where household spending in Cerritos originates, the survey also identified the degree to which local retailers capture their sales from business-to-business transactions and commuter spending.

With input from the Cerritos Business Survey, the analysis found that approximately \$412 million in spending, or about 20 percent of the \$2.1 billion in total retail sales in Cerritos, comes from Cerritos households.

In regional retail categories such as auto dealerships, apparel stores, department stores, specialty retail, and furniture/appliance/electronics stores¹¹, the sales by stores in Cerritos far exceed the local household demand, resulting in a net capture of regional spending that totals nearly \$1.7 billion.

As much success as Cerritos' retail base has shown with capturing regional spending, it also has some notable weaknesses with locally oriented retail shopping categories. Specifically, Cerritos households generate a spending leakage of approximately \$97 million. In other words, Cerritos residents spend approximately \$97 million in areas or cities other than Cerritos. This leakage represents a short-term expansion and attraction opportunity for Cerritos' retail base, because local household spending is the one area that Cerritos has the most control over by addressing areas of unmet demand.

By far the largest retail leakage occurs with grocery stores. Of the \$58 million that Cerritos households spend annually at grocery stores, approximately \$22 million is spent in Cerritos and \$36 million (62 percent) is spent at grocery stores in other communities. This retail leakage represents unmet demand that is more than enough to support new supermarket development.

In addition to the leakage in grocery stores, another large leakage category is miscellaneous general merchandise stores. In this category, only about \$1.3 million, or seven percent, of the total \$18 million in spending by Cerritos households remains in Cerritos. This category includes variety stores, "dollar" stores, and warehouse clubs. The leakage in this category originates in part from the current lack of a warehouse club store in Cerritos.

Other store categories with more than \$1 million of retail leakage include liquor stores, eating place/restaurants, gasoline service stations, nurseries and garden supply stores, home centers, auto parts stores, and other vehicle dealers.

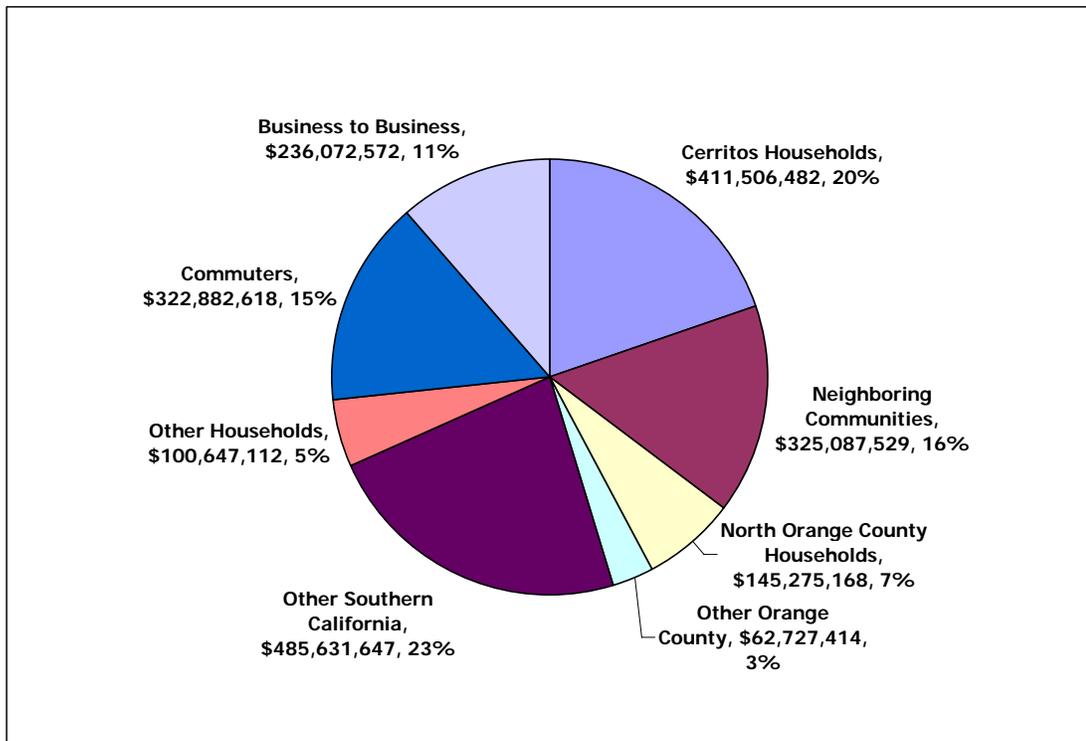
¹¹ This retail category combines furniture, home furnishings, electronics and appliance stores due to confidentiality requirements for reporting sales tax data.

4.6 COMPOSITION OF CERRITOS' REGIONAL RETAIL MARKET

As shown in Figure 36, Cerritos draws its retail spending from a wide variety of different consumer groups. These spending patterns show how far and wide Cerritos' regional market strength goes. Cerritos households represent only 20 percent of the overall retail market, while residents of neighboring communities spend nearly as much in Cerritos as local residents do. About 10 percent of Cerritos' retail spending comes from Orange County residents, and approximately 23 percent of the retail spending in Cerritos comes from elsewhere in Southern California. The geographic reach of Cerritos' shopping patterns originates to a large degree from the Cerritos Auto Square, which draws over 90 percent of its sales from outside of Cerritos.

Two other significant groups are commuters and business-to-business purchasers. The commuter spending totals \$322 million and illustrates the degree to which workers who drive into Cerritos from elsewhere contribute to the local retail economy.

FIGURE 36
REGIONAL RETAIL CAPTURE BY CERRITOS RETAILERS



4.7 REGIONAL COMPETITION

Historically, Cerritos has attracted significant numbers of shoppers from throughout the Gateway cities and north Orange County. Maintaining this regional advantage is key to sustaining the sales tax revenue that Cerritos has received for many years. However, competition from neighboring communities and other regional attractions is the one area where Cerritos has minimal control over the outcome.

Cerritos' regional advantage in the retail sector has historically come out of developing major regional retail centers that are part of an ascending paradigm. Establishing a regional foothold by developing these centers before neighboring communities means that Cerritos is often first to arrive at the market with emerging retail concepts. For example, the Cerritos Auto Square was the first development of its kind, and while communities throughout Southern California have copied the auto mall concept, Cerritos has remained the most successful. Los Cerritos Center opened for business in 1971, which was well before the mall building boom came to an end in the early-1980s. In addition, Los Cerritos Center has been able to evolve and keep its mix of stores competitive.

The development paradigm that came to dominate the retail sector by the end of the 1990s was the power center, generally consisting of large-scale discount retailers and other "big box" stores. Cerritos Towne Center opened in 1994, which again predated the power center developments that neighboring cities would later develop. In more recent years, these neighboring communities have added power center developments of their own (see Table 10). These centers comprise a combination of new developments such as Long Beach Towne Center, and renovations of aging shopping centers such as Downtown Buena Park.

TABLE 10
RECENTLY BUILT/RENOVATED REGIONAL SHOPPING CENTERS

Shopping Center	Year Opened	Year Renovated	Gross Leasable Area (sq.ft.)	Land Area (Acres)	Stores	Parking Spaces
Cerritos Towne Center	1994	n/a	600,000	54	50	2,800
Long Beach Towne Center	1998	n/a	1,000,000	100	60	4,433
Los Altos Marketcenter (Long Beach)	1996	n/a	283,000	30	12	2,000
Buena Park Downtown (formerly Buena Park Mall)	1961	2003	1,287,000	75	180	5,500
The Block at Orange (formerly The City)	1965	1998	655,117	74	114	5,485
Santa Fe Springs Mall	1985	2002	400,000	n/a	18	n/a

Source: Applied Development Economics, data from National Research Bureau 2006 *Shopping Center Directory*, and ICSC.

Because many of the stores in these newer developments are comparable to those at the Cerritos Towne Center, Cerritos cannot expect to maintain the same level of regional retail capture with a power center type of development. As neighboring communities catch up, Cerritos needs to stay at the forefront of growing retail niches in order to maintain its longstanding regional advantage.

4.8 KEY RETAIL ISSUES

Cerritos' regionally oriented retail sector has served the community very well by attracting shoppers from throughout the greater Los Angeles region and by capturing significant sales tax revenue. However, Cerritos' regional retail centers are vulnerable as surrounding communities approve and develop their own regional shopping centers to retain local household spending that currently goes to Cerritos. Moreover, Cerritos has a distinct shortcoming in its local-serving retail centers, which have left a large portion of local household demand unmet. The following issues address existing shortcomings in Cerritos' retail sector as well as competitive challenges that Cerritos needs to address in order to maintain its position of strength in the attraction of regional retail spending.

RETAIN AND STRENGTHEN AUTO DEALERSHIPS

Auto dealerships represent Cerritos' primary retail strength and an area of focus for both business retention and attraction. The primary concern with the Cerritos Auto Square is a lack of space to accommodate larger sales volumes. Dealerships have begun to address this issue by expanding their facilities vertically. In addition, some other dealership activities such as car storage, repair, and body work have been moved off-site. Identifying new sites for these types of activities will help the existing dealerships maintain their competitive advantage.

For example, the City has recently attracted a new Land Rover/Jaguar dealership to the Auto Square by providing land that was formerly part of a school. In addition, there is a City-owned vacant lot north of the Auto Square that could also serve as a site for future expansion and help establish a northward expansion of the Auto Square towards Artesia Boulevard.

Even though the Auto Square generates higher volume than any other auto mall, the new Jaguar/Land Rover dealership represents the Auto Square's first foray into higher end European luxury car brands. Notable luxury brands that do not currently have a presence at the Auto Square include BMW, Mercedes-Benz, Audi, and Porsche. Moving into these markets represents a logical step for the Auto Square to remain competitive and dominant as a regional attraction. However, obstacles to attracting these auto brands to the Auto Square exist due to franchise agreements that grant dealerships territorial exclusivity, and Cerritos is within the territory served by existing dealerships for some of these brands.

RETAINING EXISTING REGIONAL CAPTURE AND COMMUTER SPENDING

In the past, Cerritos has successfully captured retail spending from neighboring communities partly because those communities have lacked the diversity and number of viable and modern retail stores that exist in Cerritos.

As surrounding communities develop new power centers, Cerritos needs to maintain a certain distinctiveness in order to retain regional spending. Relative to its neighbors, Cerritos is not in a position of needing to catch up and try to reverse a stream of spending that leaves the community. The community has retail assets in place, as well as an established pattern of shoppers coming into Cerritos from outside. Because of this, Cerritos has a strong base from which it can continue to attract shoppers from throughout Southern California.

EXPLORE LOCAL SHOPPING OPPORTUNITIES

The retail leakage estimate shown in Table 9 (Section 4.4) identifies a large shortcoming with grocery stores in Cerritos. Because grocery stores typically serve as anchors for local-serving shopping centers, this shortfall also points to unmet demand for other locally oriented establishments that currently goes into neighboring communities. The market conditions can support additional grocery store development in Cerritos, should the City wish to pursue this option.

A new grocery store-anchored shopping center would need to provide sufficient space for a modern supermarket configuration, some of which now exceed 100,000 square feet of floor area. Most of the existing shopping centers in Cerritos are not large enough to support the newer supermarket configurations and still also provide space for other local-serving tenants. Typical neighborhood and community-level shopping centers with supermarkets anchoring the center include secondary local-serving tenants such as variety stores, auto parts stores, beauty supply stores, fast food restaurants, small clothing stores, dry cleaners, banks, pet stores, florists, and other small-scale specialty retail stores.

STAY RELEVANT AS RETAIL MARKET EVOLVES

Retail trends can evolve quickly, and thus far, Cerritos has had a strong enough retail base and has developed the appropriate mix of new retail centers to stay relevant as a regional retail attraction. In particular, the regionally oriented centers in Cerritos have begun to move upscale as the income levels in the community have gone up.

The City needs to recognize potential vulnerabilities within its existing retail centers, and be prepared to proactively address market opportunities. The current trend in retailing is the move towards upscale “lifestyle” centers that place emphasis on architectural amenities, outdoor walkable spaces, and more upscale shopping opportunities mixed with entertainment. The new South Street Cerritos shopping center east of Los Cerritos Center incorporates design elements common to lifestyle centers. In contrast, the strip of shopping centers south of Los Cerritos Center contains an assortment of existing businesses that have shown signs of aging and that will be vulnerable if the anchor tenants cannot stay viable. Incorporating newer lifestyle center elements into those particular centers can open up multiple opportunities for upgrading the entire retail mix around Los Cerritos Center, and also maintain the area as an attractive shopping and dining destination.

The Los Cerritos Center is an asset that surrounding communities cannot readily replicate. Even though traditional malls have lost market share to

power center and lifestyle center developments in recent years, Los Cerritos Center has maintained a very high sales volume per square foot and has a lot of land that can be developed for other uses.

In addition, the mall itself represents an opportunity for reinvention, as other enclosed malls throughout the country have repositioned themselves into a variety of different configurations. Some malls have incorporated power center anchors, such as discount stores and other big box retail stores that have traditionally shunned or have been shunned by regional malls. Others, such as The Block at Orange, have evolved into lifestyle centers that integrate new entertainment and upscale retail stores and restaurants to go along with newer design amenities. In addition, other recent lifestyle center developments such as the Paseo Colorado in Pasadena and Santana Row in San Jose have added housing as a way of reinventing a more traditional shopping center.

DIVERSIFY VEHICLE DEALERSHIP ADVANTAGE

One retail category identified with over \$2 million of retail leakage in the analysis was “other vehicle dealers.” This category includes motorcycles, recreational vehicles, and marine vehicles. Motorcycle dealerships in particular can be integrated into a number of retail configurations because they require less space than automobile dealerships.

4.9 TAXABLE SALES REVENUE GENERATED BY NON-RETAIL BUSINESSES

In 2004, Cerritos generated a total of approximately \$2.4 billion in taxable sales. The vast majority of this sales total came from the retail sectors, which contributed approximately \$2.0 billion. The non-retail store categories accounted for approximately \$357 million of taxable sales.

The nine largest sales tax generating non-retail business categories (as classified by the California Board of Equalization) on Table 11 account for over 90 percent of the non-retail taxable sales. These categories represent the highest potential for attracting and expanding non-retail businesses that have the added benefit of adding to municipal revenues.

PUBLIC UTILITIES, TRANSPORTATION & ALLIED SERVICES

This category generated over \$75 million in taxable sales in 2004. The types of businesses that comprise this category in Cerritos are predominantly automobile leasing companies, most of which are affiliated directly with car manufacturers. This category also includes automobile leasing entities with ties to banks. Other prominent businesses in this category include cellular

phone providers, automobile rental companies, trade management companies, and banks.

PUBLISHERS, LIGHT INDUSTRIAL EQUIPMENT, AND ALL OTHER PERMITEES

This category generated \$62 million in taxable sales in 2004 and comprises a diverse range of business types. The light industrial equipment companies represented in this category manufacture and/or distribute numerous products including hearing instruments, drilling equipment, pool products, containers, injection molding machines, sealing supplies, plastics, mobile communications equipment, foam products, fabricators, manifolds, and medical products. In addition, there are several printing and lithography businesses that generate sales tax revenue in Cerritos.

TABLE 11
TAXABLE SALES TOTALS FOR NON-RETAIL BUSINESS SECTORS IN CERRITOS

Non-Retail Business Sector	Approximate Annual Taxable Sales
Non-Retail Total	\$356,652,675
Public Utilities, Transportation & Allied Services	\$75,476,416
Publishers, Light Industrial Equipment & All Other Permitees, Not Elsewhere Classified	\$62,957,550
Business Services	\$51,295,295
Heavy Industrial Equipment & Miscellaneous Machinery	\$42,899,108
Constructions Contractors & Manufacturers & Wholesales of Building Materials	\$28,448,204
Farm, Tobacco, Alcoholic Beverages, Food & Food Processing/ Farm/ Construction Equipment*	\$23,081,295
Store & Office Equipment	\$20,979,953
Textile Products With Household Goods	\$18,352,875
Electronic & Electrical Equipment	\$15,456,614
Plumbing & Electrical Supply Stores	\$5,944,727
Repair & Hand-Trade Shops	\$2,915,168
Drugs Chemicals & Allied Goods	\$2,796,407
Automotive Repair	\$1,928,093
Non-Store Retailers (Full-time Only)	\$1,573,356
Portrait Studios	\$1,197,581
Health Services	\$537,289
All Other Non-Retail Businesses	\$812,744

Source: Applied Development Economics, data from City of Cerritos sales tax database

BUSINESS SERVICES

Business services generated about \$51 million in taxable sales in Cerritos in 2004. This category has some overlap with the public utilities/transportation category because it also includes businesses related to automobile transactions. In this category, the automobile-related activity is in credit lending. This is important to note because these automobile-related transactions are directly tied to the activity at the Cerritos Auto Square, rather than other types of business-to-business activity.

Other prominent businesses in this category include equipment rentals, wireless communications providers (including cellular services), computer servicing, advertising, electronics, and security system sales.

HEAVY INDUSTRIAL EQUIPMENT & MISCELLANEOUS MACHINERY

Most of the companies in this category produce and/or distribute products such as building materials, industrial parts, tool and die products, vacuum cleaners, pneumatic and hydraulic components, and metal products. Together these businesses generate \$43 million in taxable sales. In addition, many of them generate sales through their websites, many of which likely show up as taxable transactions in this category.

CONSTRUCTION CONTRACTORS & BUILDING MATERIALS WHOLESALERS

This category primarily consists of building materials distributors, and accounts for a taxable sales total of \$28 million. The businesses include distributors of wood veneers, rubber flooring, tile, shower enclosures, paint, canvas covers, exhibits, glass, and metal products.

FARM, TOBACCO, FOOD & FOOD PROCESSING/ FARM/ CONSTRUCTION EQUIPMENT SALES

This category is aggregated due to confidentiality requirements. The most prominent businesses in this category are involved in tractor sales, alcoholic beverage distribution, food service provisions, and nursery items. Altogether, the businesses in this category account for \$23 million of annual taxable sales.

STORE AND OFFICE EQUIPMENT

The businesses that comprise this category primarily distribute office equipment such as refrigeration equipment, food service equipment,

computers, automation systems, and other business equipment. Taxable sales in this category totaled \$21 million in 2004.

TEXTILE PRODUCTS

This category includes businesses that distribute clothing, flooring, and other fabric products. Taxable sales in this category totaled \$18 million in 2004.

ELECTRONIC AND ELECTRICAL EQUIPMENT

Businesses in this category are primarily wholesale distributors of electrical parts, computer components, consumer electronics, wireless components, and cabling. Taxable sales in this category totaled \$15 million in 2004.

4.10 CONNECTING NON-RETAIL TAXABLE SALES WITH BUSINESS ATTRACTION

The most prominent non-retail sales tax generating activity in Cerritos comes from the heavy and light industrial sectors. These do not necessarily match with a lot of the best regional business attraction opportunities, which tend to concentrate more around service-oriented sectors. The third-largest non-retail sales category is business services. As mentioned earlier, much of the non-retail sales tax revenue is generated through automobile leasing and credit lending, which comes from Cerritos Auto Square transactions.

Many of the growing economic base and emerging industries in the region can potentially generate taxable sales for Cerritos if they produce point-of-sale transactions. Growing economic base industries that can potentially generate taxable sales include textile mills, rental and leasing services, professional and technical services, administrative and support services, amusements/recreation, and repair and maintenance services. These industries would be more beneficial targets of a business attraction program than non-retail businesses that do not generate taxable sales.

4.11 TAXABLE SALES CONCLUSIONS

Cerritos has built a significant revenue source through its taxable sales, from both retail and non-retail sources. Because of the significant spending that Cerritos already captures from outside of the community, the primary concern centers on maintaining existing sales levels generated in particular through Cerritos' three large retail centers – Cerritos Auto Square, Los Cerritos Center, and Cerritos Towne Center. In order for those existing regional centers to continue generating high revenue levels, they need to stay relevant and remain competitive. For the Cerritos Auto Square, this entails optimizing existing operations, while the challenge to Los Cerritos Center

will be staying competitive and current as the national trends move away from traditional mall stores. The Cerritos Towne Center is a relatively new development that takes advantage of the current retail dominance of power centers. But, the City should keep aware of any larger retail trends that might shift retail spending away from power centers, thus affecting the Towne Center's future viability. Cerritos' potential to increase its retail sales base will primarily occur through expanded local-serving retail, and diversifying regional retail offerings into more upscale niches.

Growth in the non-retail taxable category will occur with continued business development in basic industries. Business attraction efforts can focus on those business categories that potentially generate taxable sales through point-of-sale transactions.

5. POTENTIAL DEVELOPMENT CONCEPTS



5. POTENTIAL DEVELOPMENT CONCEPTS

This section describes some of the potential development concepts that can work with existing market opportunities in Cerritos. These development concepts are designed to build upon the market opportunities identified in the retail market and economic base analyses, and fit them into developments that can be built if space becomes available. The City can choose to pursue these concepts as opportunities arise.

The development concepts examined in this section are listed below. While these concepts address available market opportunities, implementation will depend land availability, freeway widening alignments, and/or other factors such as participation from private sector partners.

- Local-serving retail center
- Lifestyle center
- Gateway retail center
- Auto Square expansion
- Mixed-use development

5.1 LOCAL-SERVING RETAIL CENTER

As indicated in the retail market analysis, the local-serving retail sectors are currently underserved and can readily support new establishments. A supermarket would serve best as the anchor for a local-serving retail center.

Generally, newer supermarket developments use a considerably larger land area than previous stores. Currently, the largest supermarket in Cerritos is 35,000 square feet, but new supermarket proposals throughout California typically specify floor areas of at least 60,000 square feet, with many developments dedicating over 100,000 square feet to supermarket uses.

Supermarkets are sometimes viewed as less desirable than other types of regionally oriented big box retail stores because grocery sales do not generate sales tax revenue. However, newer supermarkets incorporate large-scale service delis, as well as expanded general merchandise and health/beauty aid sections, all of which carry taxable items. In addition, the community shopping centers that supermarkets anchor also encompass a wide range of other retail stores and local services that also potentially generate sales tax revenue.

Based on national benchmarks, supermarkets typically generate about \$400 of annual sales per square foot. With over \$35 million of sales leakage in

grocery stores, spending leakage by Cerritos households alone can support nearly 90,000 square feet of space. Assuming a floor area of at least 80,000 square feet for a supermarket with about 200,000 square feet of supporting retail, service, and office space, a local retail center in Cerritos would require a space of about 25 acres (assuming a floor area ratio of about 0.25).

In deciding whether to attract or permit a new supermarket, further market research will be needed in order to determine whether the spending leakage identified in the retail market analysis (Section 4.5, Table 9) exists due to a possible unmet demand for ethnic supermarkets or other niche markets within the City.

5.2 LIFESTYLE CENTER

Cerritos has a relatively high household income base from which to draw retail spending. As the median age increases nationally, retailers have begun to explore more upscale development concepts. Generically, these concepts are referred to as “lifestyle” centers, which feature outdoor walkable spaces, more upscale retail stores and restaurants, and often entertainment uses as well. Anchor stores are typically upscale department or fashion stores, or large format specialty retailers such as book stores.

According to the International Council of Shopping Centers (ICSC), lifestyle centers encompass as little as 50,000 square feet, but generally cover at least 150,000 square feet of floor space and 10 acres of land area. This is considerably smaller than the minimum of 250,000 square feet typically found with power center developments. (By comparison, the retail portion of the Cerritos Towne Center is a 54-acre development with 600,000 square feet.¹²) As mentioned previously, the Paseo Colorado and Santana Row lifestyle centers have also incorporated housing into the design in order to maximize the use potential of the space.

A new development that incorporates some of the typical architectural elements and pedestrian amenities of a lifestyle center has already opened at the northeast corner of Gridley Road and South Street, and presents an opportunity to establish a large concentration of these uses around that particular intersection.

5.3. GATEWAY RETAIL CENTER

The eventual widening of Interstate 5 would create the opportunity for a new gateway into Cerritos along the Valley View Avenue corridor. The parcels that currently front the Interstate 5 corridor are not within the City of

¹² National Research Bureau; *Shopping Center Directory*; Washington D.C.; 2006.

Cerritos, and the planned freeway widening project would require substantial reconfiguration of the existing parcels, roadways, frontage roads, and interchanges. Widening Interstate 5 would likely bring the freeway right-of-way closer to the Cerritos city limits, while taking over parcels currently occupied by existing uses. The existing uses that directly front the I-5 corridor are all located outside of Cerritos, while the reconfigured freeway could potentially place the frontage parcels within Cerritos depending on the alignment.

This development concept would provide space for a warehouse club or comparable mixed general merchandise store to anchor a regionally oriented retail center. A warehouse club type of store is Cerritos' only major regional retail attraction opportunity. A warehouse club did formerly operate in Cerritos, however it relocated to a neighboring community and no other warehouse clubs have located in Cerritos since then.

In addition to providing space to potentially support a new warehouse club, the gateway retail center could also serve as a new location for retail stores and other establishments currently located along the I-5 frontage road that would be displaced once the freeway expansion project commences.

5.4 OTHER POTENTIAL CONCEPTS

AUTO SQUARE EXPANSION

Because of the Auto Square's prominent role in Cerritos' overall retail base, any opportunity to expand existing operations and add to existing market niches should be explored. The biggest competitive issue for the Auto Square is finding space to accommodate operational expansions for the existing dealerships. The most logical expansion of the Auto Square would be north towards Artesia Boulevard.

As mentioned in the market analysis, the Auto Square does not currently have a large concentration of European luxury car brands. In addition, Cerritos does not have a base of dealers for other non-auto vehicles such as RVs and motorcycles. If space at the Auto Square is deemed better suited for accommodating the expansion of existing operations, the land areas closer to Interstate 5 could also be an attractive location for diversifying into other types of vehicles because the expansion of the freeway will likely displace dealerships currently located along the frontage road.

MIXED-USE DEVELOPMENT

Typically, mixed use development incorporates housing with either office or retail development. The popularity of urban mixed use development has

increased over the past decade, and has proved popular with “empty nesters” (i.e., baby boomers with adult children no longer living at home). Office uses have generally fared better over the last few years than industrial uses, and this is noteworthy because much of Cerritos’ traditional business base has been tied to industrial uses.

In general, the regional business growth prospects are in office-related sectors such as services, and this growth potential can be tied into mixed use development. The Cerritos Towne Center has demonstrated a demand for office space in Cerritos. Office uses are generally more amenable to mixed use districts because their generally higher densities and less land intensive urban form allow for more walkable spaces. With its cluster of office uses, a high concentration of jobs, and various shopping and entertainment options, the existing scale of the Cerritos Towne Center makes this area a viable location for mixed use development.

5.5 DEVELOPMENT CONCEPT CONCLUSIONS

The development concepts described in this section address available market opportunities. But, implementing these types of developments in many cases will depend on the availability of sufficient space, which poses a challenge because Cerritos is largely built out. A local-serving retail center that meets the unmet market potential for grocery stores while providing other ancillary local-serving retail uses will likely require about 25 acres of land area. A vacant land assemblage of this size does not currently exist in Cerritos. The viability of a gateway retail center concept will depend on the alignment of the Santa Ana Freeway widening project, and the Valley View exit in particular. With the other concepts, the City can work with existing private sector partners to integrate mixed use development, lifestyle center retail, and expanded Auto Square operations into the existing community fabric.

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6. SWOT ANALYSIS



6. SWOT ANALYSIS

This section summarizes some of the Strengths, Weaknesses, Opportunities, and Threats (SWOT) in Cerritos' basic and local-serving industry sectors, based on recent interviews with local businesses and organizations.

In general, Cerritos is viewed by local businesses and organizations as a vital economic engine within the Gateway Cities area of Los Angeles County. The community has demonstrated a strong ability to attract manufacturing and distribution businesses and develop a growing base of office uses. The community's business base is an indication of Cerritos' economic vibrancy, and exemplifies how Cerritos has taken advantage of its proximity to transportation infrastructure and opportunities generated by the growing regional office market in Los Angeles and Orange counties.

Some interviewees commented that in order for Cerritos to diversify from and build upon its economic strengths, the City needs to move forward with a well-structured approach to sustainable economic development.

Cerritos' diverse and educated labor force, high quality public services and schools, high development standards, and growing job base have created significant competitive advantages for the community. The community's perceived strengths in education and public services date back to when aerospace was a dominant industry in Los Angeles and Orange counties. During this era, highly paid engineers took up residence in Cerritos and demanded quality services and first-class education for kids. Simultaneously, the City made some important decisions relating to redevelopment and regional retail that resulted in a large proportion of tax revenue remaining in Cerritos. This provided the capacity for the City to fund the high quality public services and facilities demanded by local residents. In turn, this public investment created an environment conducive to business development.

In the retail trade sectors, Cerritos decided decades ago that the City would prioritize its retail trade around regional uses, and that focus has paid off for Cerritos with a highly lucrative retail base that draws shoppers from surrounding communities. However, competitive challenges remain as other communities seek to retain the retail dollars that currently flow towards Cerritos. In addition, with the focus on regional retail, the community has an unmet demand in local-serving retail sectors.

Cerritos has established high standards in many areas important to economic development, such as development standards, public amenities, workforce training, maintenance and upkeep of public areas, and infrastructure.

Maintaining and funding these standards will serve as an important economic development challenge to the City over the next 20 years.

6.1 EXISTING STRENGTHS

- Cerritos maintains a strong retail base that serves patrons from throughout Southern California. Los Cerritos Center, Cerritos Auto Square, and Cerritos Towne Center attract large numbers of shoppers from throughout the region and create a very lucrative tax base for the community.
- Cerritos has several key stores that serve as anchors that create market opportunities for additional stores. For example, Los Cerritos Center's department stores attract shoppers from surrounding communities that lack those types of retailers. The customers attracted to the mall by those anchor stores will subsequently shop at the other stores during a shopping trip.
- Cerritos Auto Square is the highest volume auto mall in the country and represents Cerritos' highest profile development while generating over half of the City's retail sales.
- Most of Cerritos' advantages for businesses have to do with location. For businesses that sell to other businesses, Cerritos is a manufacturing and distribution center due to its proximity to transportation infrastructure and other industries nearby that potentially serve as suppliers.
- Cerritos is located advantageously to both distribution corridors and commute corridors. Businesses in Cerritos have easy access to the strategic logistics links with the Ports of Long Beach and Los Angeles, railways, airports, and interstate highways.
- Growth in the region is expected to occur in information technology, construction, leisure and hospitality, administrative services, and government. Cerritos is located between two centers of biotechnology: Santa Clarita and Irvine.
- Cerritos businesses have access to the large regional labor shed in Los Angeles and Orange counties and a rapidly growing labor shed in the Inland Empire.
- Cerritos is an attractive location for many types of commercial activity, and space is in great demand. There is a limited supply of office space that is competitively priced. Businesses seem to prefer a Cerritos location and mailing address above neighboring cities. It is attractive, safe, and has easy access to freeways.
- The City of Cerritos is a business-friendly city in that the City has streamlined the processes involved in getting necessary permits. The City's current fiscal status allows it to offset the cost of commercial space somewhat by not levying a business tax on local businesses.

- The attractiveness of the City is partially the result of strict zoning and building codes and strict landscaping, public art and sign ordinances. Through the Arts in Public Places program, the City encourages the widespread provision of water fountains and public art installations.
- Major employment centers include the Cerritos Industrial Park, with about 13 million square feet of space, Cerritos Auto Square, Cerritos Towne Center and Los Cerritos Center.
- Cerritos College is considered one of the best in the United States for its courses in advanced materials technologies and composites (for the defense industry), automotive technology, and manufacturing/industrial technology.
- Cerritos has a diverse base of companies, some of which are engaged in advanced technologies such as hybrid engine development and ceramics. Other establishments include large subsidiaries of high profile international companies.

6.2 WEAKNESSES

- Housing is scarce and expensive in Cerritos. Over 92 percent of the 15,800 housing units in Cerritos are single-family units, and nearly 99 percent of the housing in Cerritos is occupied. The limited supply of multi-family housing diminishes housing affordability, and limits housing opportunities for entry level workers and support staff.
- Relatively few people who work in Cerritos can own a home there. This includes many public employees, workers at the regional retail centers, auto dealership employees, and light industrial workers, who commute from all over Southern California.
- Because housing is scarce and expensive, young families cannot afford to live in Cerritos. This limits the number of young, creative, and entrepreneurial residents that can take leadership positions in the community. At this time, it is not clear how this will impact community leadership and politics in the long run.
- There is a jobs-housing mismatch, with those who live in Cerritos commuting out to work at higher paying jobs. Many who work in Cerritos generally commute in from lower-cost-housing areas.
- Existing supermarkets are outdated and allow a significant amount of local retail spending to leave Cerritos.
- The Cerritos Auto Square has limited space for expanding existing operations. To increase sales volume, dealerships must build parking garages to store all of the cars that they wish to sell. There is competition between the dealerships for a limited supply of trained mechanics.

6.3 OPPORTUNITIES

- The existing base of high income workers living in Cerritos creates new opportunities for transitioning retail centers towards more upscale uses.
- Regional growth opportunities exist in health care, transportation support services, information technology, educational services, arts and entertainment, real estate, management, administration, and professional services.
- Future expansion of the Santa Ana (Interstate 5) Freeway will potentially displace several sales tax-generating businesses adjacent to the Cerritos city limits. Freeway expansion will create a potential “gateway” for Cerritos from I-5, making the location an attractive alternative for displaced businesses.
- Retail opportunities such as local-serving businesses, warehouse clubs, and other vehicle dealerships will remain viable for the foreseeable future, should Cerritos decide to pursue those types of uses.
- Some local business stakeholders think that the existing older strip malls present an excellent opportunity for redevelopment into mixed use.
- The Auto Square will remain a strong regional asset. Existing dealerships have the capacity to expand their operations if the space needed to accommodate these expanded operations can be freed up. City staff would like to attract higher end dealerships, and recently assembled a land parcel for a new, high end auto dealership. The dealerships do not currently view Cerritos as a place that people think of to buy high end cars.
- Even with high regional retail capture, Cerritos still has good opportunities to expand its retail base through local-serving uses.

6.4 THREATS

- The manufacturing industries concentrated in Cerritos are not the best job growth opportunities regionally.
- Many of the best regional growth opportunities, such as health care and real estate services, do not generate sales tax revenue.
- The high out-commute rate of Cerritos residents likely results in taxable sales leaving the City.
- Some businesses prefer to develop their own properties to take advantage of the returns from land appreciation. That the City has become a developer and leases commercial space to businesses limits this option for many companies.
- Surrounding communities that take advantage of their retail opportunities by developing new retail centers will likely take taxable sales away from Cerritos.

- Cerritos faces significant challenges in developing funding sources for future capital improvements to replace the use of redevelopment funds, which historically have been an effective revenue source, but which will not be available as the redevelopment project areas begin to phase out in 2011 due to State-mandated expirations.

6.5 SWOT CONCLUSIONS

In general, Cerritos is approaching economic development from a favorable business climate and market position. The primary challenges for Cerritos pertain to maintaining its regional dominance in the retail market, continuing to provide high quality services, and capitalizing on available opportunities while addressing issues with housing affordability and the competitiveness of its retail centers. Strategic recommendations that address maintaining Cerritos' strengths, while taking advantage of opportunities and addressing weaknesses and threats are outlined in Section 9 of this document.

7. PRELIMINARY SITE ASSESSMENT



7. PRELIMINARY SITE ASSESSMENT

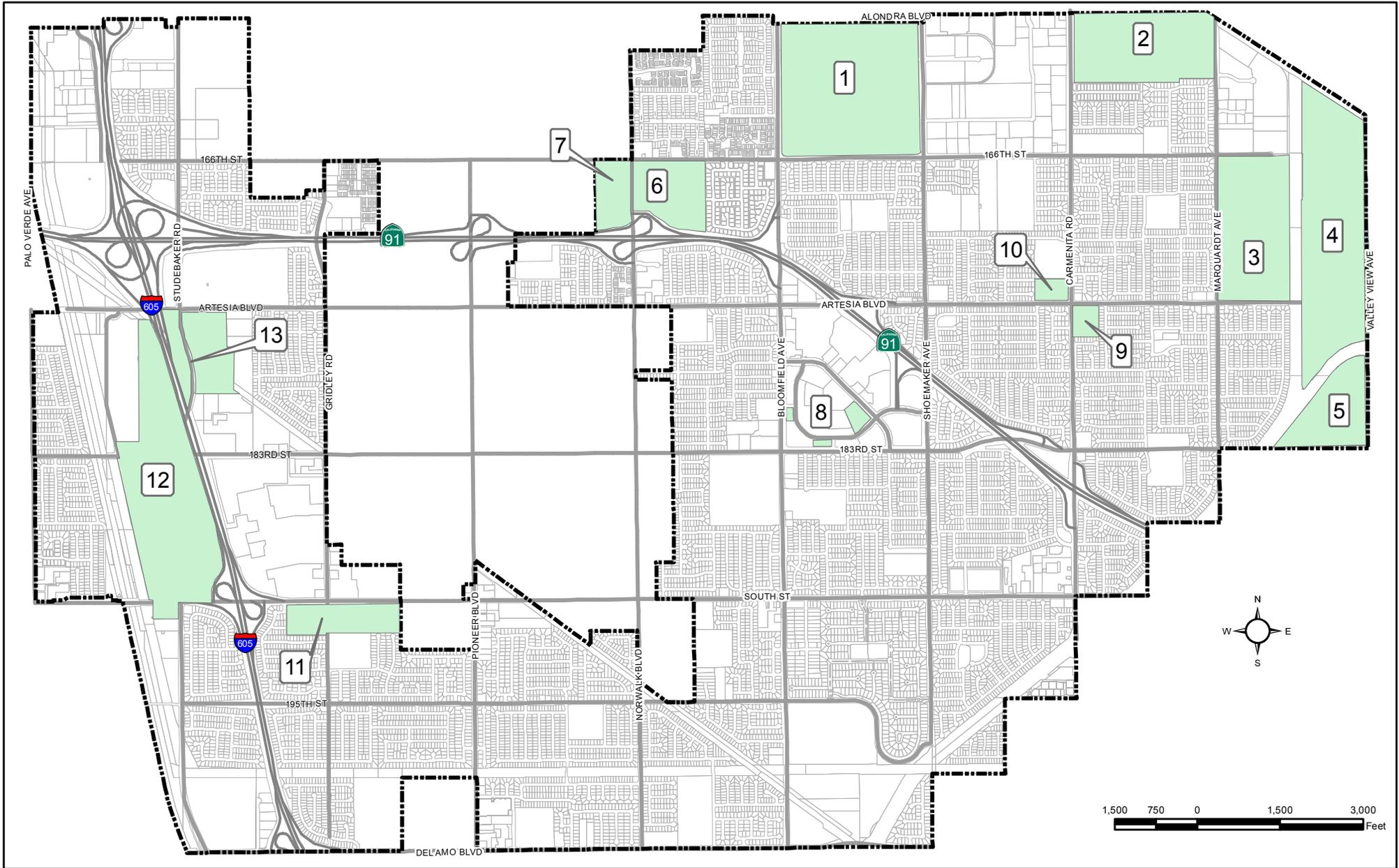
In consultation with City staff, ADE conducted visits to 30 different sites to identify the best locations for different types of development opportunities. This section summarizes some of the more promising sites to accommodate short and long-term market opportunities based on the potential development concepts outlined in Section 5. These sites are shown on Map 3 and are listed below.

- Existing industrial areas (Sites 1, 2, 3, 4, and 5)
- ABC Unified School District property – 166th Street & Norwalk Boulevard (Site 6)
- Industrial area – 166th Street & Norwalk Boulevard (Site 7)
- Cerritos Towne Center lots (Site 8)
- Existing shopping centers – Carmenita Road & Artesia Boulevard (Sites 9 and 10)
- Existing commercial centers – South Street & Gridley Road (Site 11)
- Cerritos Auto Square vicinity sites (Sites 12 and 13)

It should also be noted that most of these sites have existing uses and fall under private ownership, therefore they do not necessarily represent short-term reuse opportunities. The sites that the project team visited, but which are not described in this section, include smaller in-fill sites, and sites that are located within primarily residential areas.

7.1 SITE ASSESSMENTS

The sites that the project team visited encompassed a combination of empty lots, existing uses, public and privately owned properties, single and multiple ownership sites, and in-fill sites. Some sites already have new uses designated or under construction: other sites most suitable to short-term development opportunities include vacant lots and built sites with high existing vacancy rates and/or aging structures. Long-term development sites would include uses that are currently viable, but which might become vulnerable in the future due to larger regional and national economic shifts. The sites identified as the best potential locations are shown on Map 3, and described in this section.



Legend

- Potential Development Site
- 1 Site Number

Map 3: Potential Development Sites

EXISTING INDUSTRIAL AREAS (SITES 1, 2, 3, 4, AND 5)

These sites encompass Cerritos' outer boundary along the northeast perimeter bordering the cities of Norwalk, Santa Fe Springs, and La Mirada. The existing uses are primarily industrial buildings with mostly distribution and manufacturing businesses. Buildings in these areas are mostly occupied, and business activity appears viable.

Site 4 lies directly adjacent to a commercial strip along the I-5 frontage road. These businesses would potentially require relocation when the freeway widening project eventually begins. In addition to business displacement, freeway widening will likely result in reconfiguration of existing land parcels.

Because of its proximity to the Valley View exit off of I-5, this site represents a very promising location for a new and highly visible gateway development into Cerritos. This site would work well for regional retail uses with existing leakage such as a warehouse club, as well as a new location for vehicle dealerships that might be displaced by freeway widening.

Site 1 is currently being considered for designation as an overlay zone that allows for housing. The existing uses on this specific site primarily relate to distribution and wholesale trade. The other industrial sites represent more long-term options for other types of uses such as offices, mixed use development, and residential sites.

Before the City can make long-term plans for transitioning these industrial areas into other uses, further analysis is needed to determine the amount of fiscal revenue that these industrial businesses currently contribute. A preliminary analysis of non-retail taxable sales generated at Cerritos Towne Center indicates that office users generate about \$0.09 of sales tax per square foot annually.¹³ This is higher than the \$0.06 per square foot that the businesses in the industrial park generate, but considerably lower than the approximately \$2.00 per square foot that retail businesses generate. This fiscal benefit would need to be compared with other uses so that the City fully understands any potential tradeoffs.

ABC UNIFIED SCHOOL DISTRICT PROPERTY – 166TH STREET & NORWALK BOULEVARD (SITE 6)

This site encompasses over 30 acres, and currently houses the ABC Unified School District administrative offices, central kitchen, the ABC Adult School,

¹³ Due to data incompatibilities with the sales tax database, not all of the businesses in Cerritos could be identified by location.

Tracy High School, and storage and maintenance yards. Among the sites visited, this one represents the largest contiguous parcel under a single ownership.

At this time, the northern half of this site is currently being considered for a new senior citizen affordable housing development. Future opportunities may arise for the consideration of uses on the remainder of this site. The local-serving retail center development concept requires about 25 acres, and the entire school district site is the only one east of the City of Artesia large enough to accommodate this type of use, and therefore the southerly portion alone may not be sufficient for such a use. In addition, one impediment to using this site is that the existing school district uses would require relocation, thus necessitating identification of a relocation site.

INDUSTRIAL AREA – 166TH STREET & NORWALK BOULEVARD (SITE 7)

Compared to other industrial areas in Cerritos, this site has a considerably higher vacancy rate, as well as some structures that show signs of deferred maintenance. The location is suitable for a variety of reuse opportunities, but the site encompasses multiple parcels and is likely too small to accommodate a modern local-serving retail center.

CERRITOS TOWNE CENTER LOTS (SITE 8)

The Cerritos Towne Center has three vacant lots available for new development. One of these sites is currently used for parking, however developers have proposed an eight-story office tower for the site. The other two vacant sites encompass considerably smaller parcels. These sites can potentially be used for small offices or even multi-family housing as part of a mixed-use development.

EXISTING SHOPPING CENTERS – CARMENITA ROAD & ARTESIA BOULEVARD (SITES 9 AND 10)

These sites currently have older neighborhood shopping centers on the premises. The shopping center on the southeast corner of Carmenita Rd. and Artesia Blvd. (Site 9) is anchored by a national chain drug store, however the other secondary anchor spaces are currently vacant and the retail buildings show outward signs of deferred maintenance. Yet, despite these conditions, a new building was recently constructed along Carmenita Rd. containing a dental office and a bank. The site includes multiple parcels and multiple owners.

The other shopping center site (Site 10) on the northwest corner of Carmenita Rd. and Artesia Blvd. does not have any current vacancies, and is anchored by a small-scale supermarket. The rest of the center contains a mix of neighborhood commercial uses, most of which are independently owned establishments.

Each site covers less than eight acres of land area, and they are therefore not suitable for accommodating a large-scale grocery store. Both sites are better suited to smaller in-fill projects such as housing and upgraded retail centers; however, the main challenge to the reinvention of these sites is that the land is divided into multiple ownerships and all property owners within each site would need to act in agreement with one another.

EXISTING COMMERCIAL CENTERS – SOUTH STREET & GRIDLEY ROAD (SITE 11)

These commercial centers run along the south side of South Street and cover both sides of Gridley Road. The strip center west of the South/Gridley intersection is anchored by a big box specialty retail store. The other strip centers encompass a variety of different retail and service office uses, with at least two other big box specialty retail stores anchoring those sites. The centers are well maintained and the vacancy rates are relatively low.

Because of their proximity to Los Cerritos Center and the new South Street Cerritos retail center on the northeast corner of South and Gridley, these sites are very amenable to forming a core development that encompasses all four corners of the South/Gridley intersection. Portions of the existing parking lot areas can be easily developed into new uses. With a pedestrian oriented lifestyle center renovation, these centers can attract more upscale shopping opportunities for Cerritos. In addition, connecting these areas together can create a focal point of activity, and a visual landmark that defines a place of arrival within Cerritos.

CERRITOS AUTO SQUARE VICINITY SITES (SITES 12 AND 13)

A site formerly owned by the Southeast Regional Occupational Program (ROP) has been acquired by the City, and is suitable for numerous auto-related functions. The Studebaker Road corridor south of Artesia Boulevard is currently occupied by industrial and low density professional office buildings. These uses appear viable, with some vacancies.

The Auto Square clearly needs room for expansion, and dealers have begun constructing multistory structures. A northward expansion would allow the Auto Square to add new car brands to its current offerings. It could also

provide additional space for dealers to move their support services off-site. In addition to the former ROP site, there is also a railroad right-of-way currently owned by MTA for potential future transit use.

7.2 SITE DEVELOPMENT CONSIDERATIONS

As mentioned earlier, these sites represent the most promising areas for future development; however, most of them have existing uses. In addition, most of these properties are currently held under private ownership. The potential for the short-term development of these sites depends on whether the owner plans to invest in these properties or pursue different uses.

The City should continue to monitor these sites, and keep in communication with the owners about any development plans. In addition, this monitoring process can alert the City as to any properties that come up for sale, which the City may wish to acquire for activities such as public use or future ground leasing.

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8. FISCAL CONSIDERATIONS



8. FISCAL CONSIDERATIONS

This section discusses the fiscal setting in the City of Cerritos, particularly as it pertains to the City's revenue sources, including how the City may address the expiration on its ability to access redevelopment funds. Additional information about alternative funding sources is found in Appendix A. Some of the findings from the Fiscal Analysis are summarized below.

- Cerritos has provided high level of public improvements due to its strong fiscal position. Much of this has come through funding by the Cerritos Redevelopment Agency, which, under State law, will begin to terminate in 2011.
- The City receives approximately \$30 million annually from sales tax, which is comparable to the \$27 million that the Redevelopment Agency currently receives from tax increment each year. These tax increment funds will be completely eliminated by 2026.
- To enhance revenues for the future, the City can acquire property using Agency funds and also set aside income from the property for economic development purposes.
- A city-level Economic Development Corporation (EDC) can potentially be formed to promote development inducement activities once redevelopment powers have expired. Funding for an EDC could use existing property revenues collected through City ground leases, among other sources. The organization, funding, and legal framework for these types of EDC functions will require further study, because of the limited precedents for this type of arrangement.
- Other funding sources include sales tax enhancement, federal and state funding, property revenue, and user fees.

8.1 FISCAL SETTING

Due to its strong fiscal position, the City of Cerritos is able to provide a very high level of public services to its citizens. The City has been able to make excellent use of redevelopment powers and financing to construct major community public improvements and amenities, while also boosting the business base in the Cerritos Towne Center and in the industrial and business parks. However, under State law, the ability of the City to turn to the Cerritos Redevelopment Agency for funding will cease as the Agency's redevelopment project areas will begin to expire in 2011. An important motivation for preparing this Economic Development Strategic Plan is to identify alternate funding sources, through economic development, to replace redevelopment revenues when they are no longer available.

The City's major revenue sources and expenditure categories are shown in Figures 37 through 39. The two largest sources of City revenue are General Fund tax revenues and use of money and property, the latter of which is largely comprised of interest income (Figure 37). With General Fund tax revenues, sales tax comprises the single largest revenue source, projected to be \$30.0 million for the 2006-2007 fiscal year, as shown in Figure 38. In terms of expenditures, the City spends most of its revenue on public works and community and safety services, as shown in Figure 39.

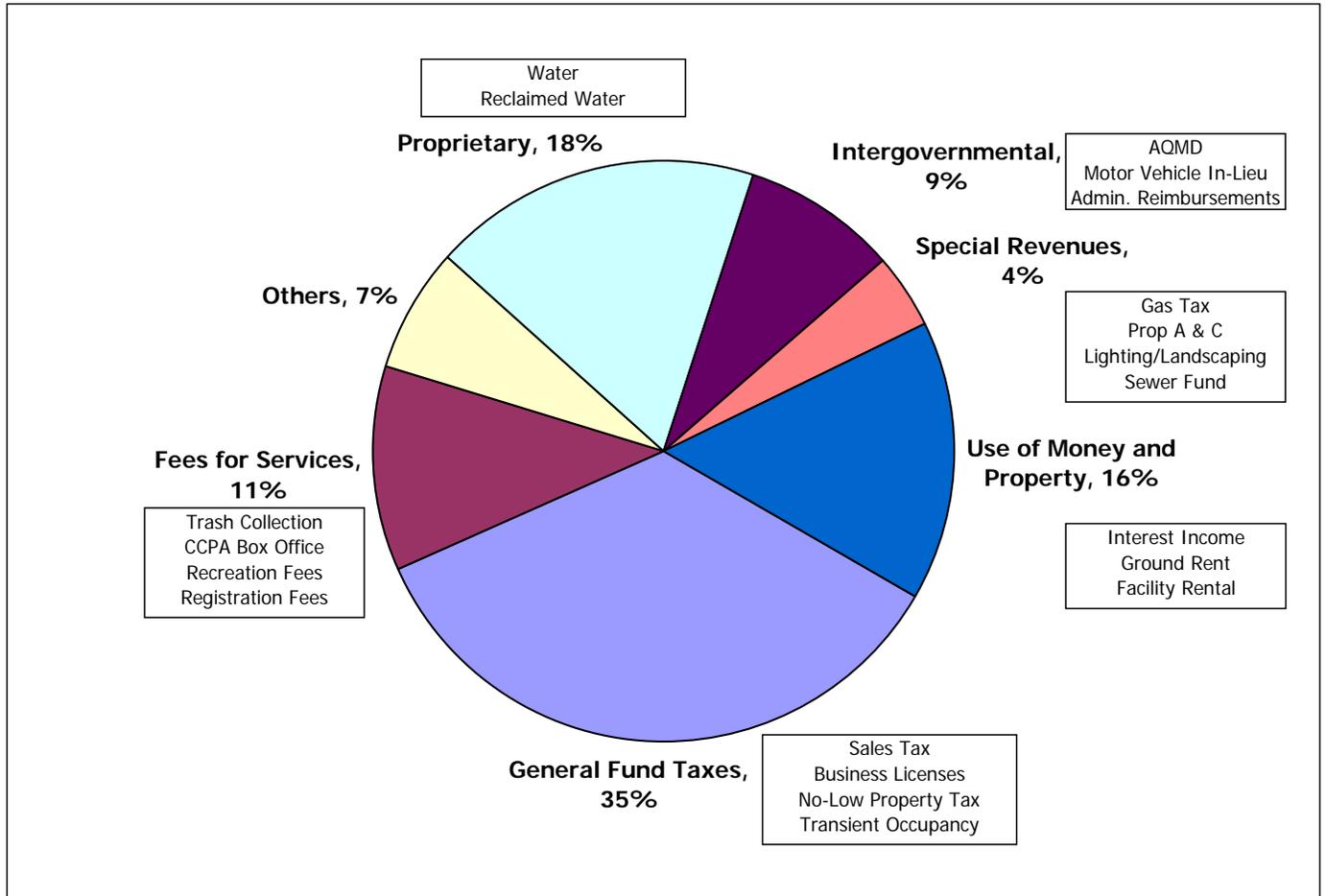
The second largest General Fund tax revenue source is property tax, which is projected to be only \$2.5 million for the same fiscal year. The non-redevelopment portion of the City comprises more than half of its total geographic area, but the property tax the City receives from this non-redevelopment assessed valuation is less than one-tenth the amount the Cerritos Redevelopment Agency receives from tax increment revenue. The reason the City's property tax revenues are low is that Cerritos is a "No/Low" property tax jurisdiction, meaning that Los Angeles County and other local taxing agencies receive the bulk of property taxes generated in Cerritos. Of the total tax base paid by property owners (one percent of assessed valuation), the City receives only about six percent of those property taxes. In contrast, the Agency receives about 97 percent of the property tax within the redevelopment project areas, due to the increase in assessed valuation of parcels within the project areas since they formed in the 1970's. If Cerritos did not have redevelopment, it would receive only \$2 million in property taxes from the same assessed valuation for which the Agency now receives more than \$27 million per year in property tax increment. The assessed valuations for properties in Cerritos and in the two redevelopment project areas are shown in Figure 40.

While the Agency receives an amount of property tax increment that is nearly equal to the General Fund sales tax revenues, the Agency funds are limited in their allowable uses. They cannot be used to fund general operating expenses for City services, but instead must be used for low-income housing development, repayment of debts incurred in undertaking redevelopment projects, pass-through payments, and County administrative charges.

Although the uses of Agency funds are limited, the Agency does support the City General Fund through payments on loans that the General Fund has extended to the Agency over a number of years to assist in operating the redevelopment program. The Agency has no staff of its own, so the City General Fund has loaned money to the Agency in the form of staff services and funds for direct operating expenses and project advances, which the Agency repays with interest. This interest constitutes a substantial revenue

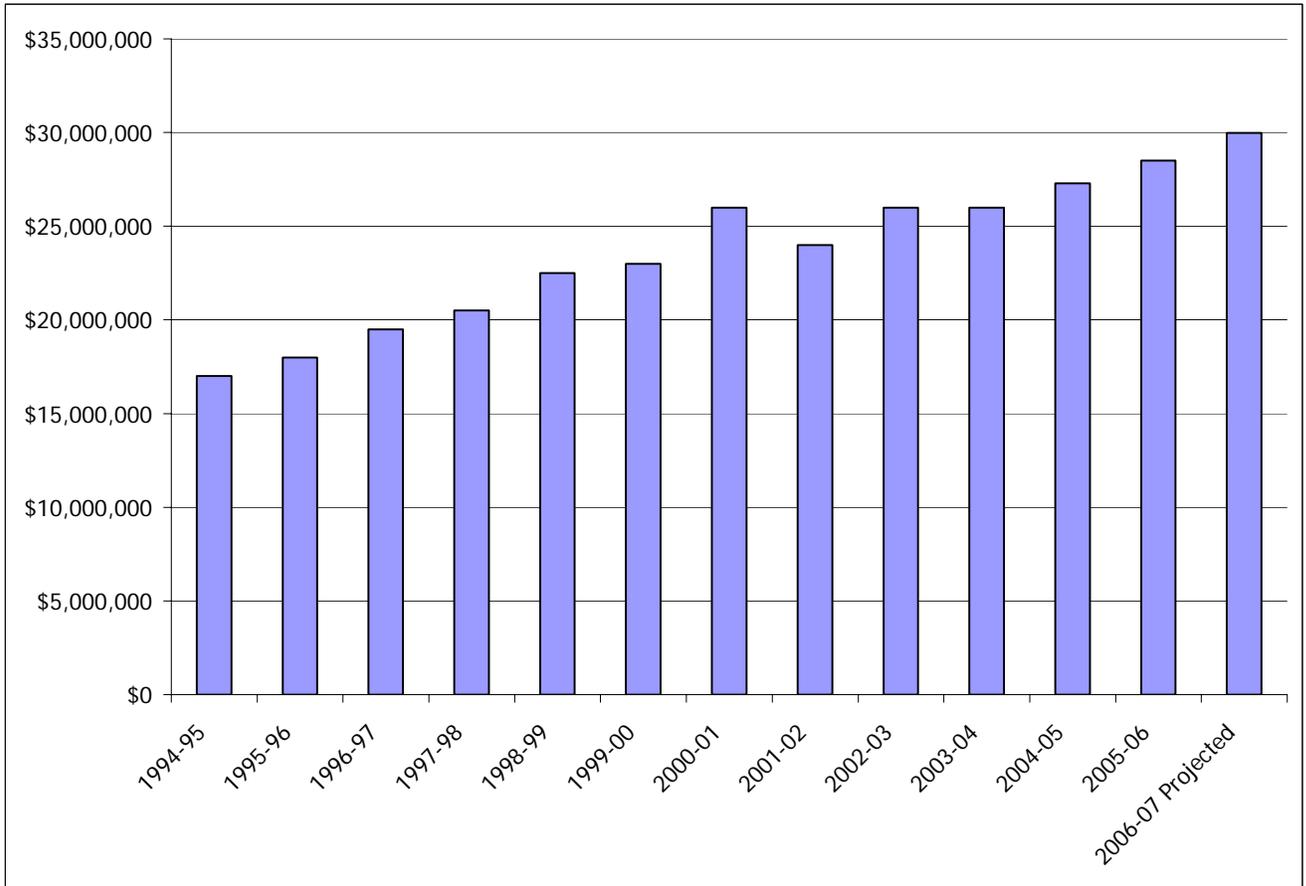
source for the City General Fund. Combined with returns on other investments that the City has made using its reserve funds and lease income on properties in City ownership, interest income and property use revenues are the second largest revenue source for the City and help pay for the cost of many City services.

FIGURE 37
REVENUE SOURCES, 2005-06



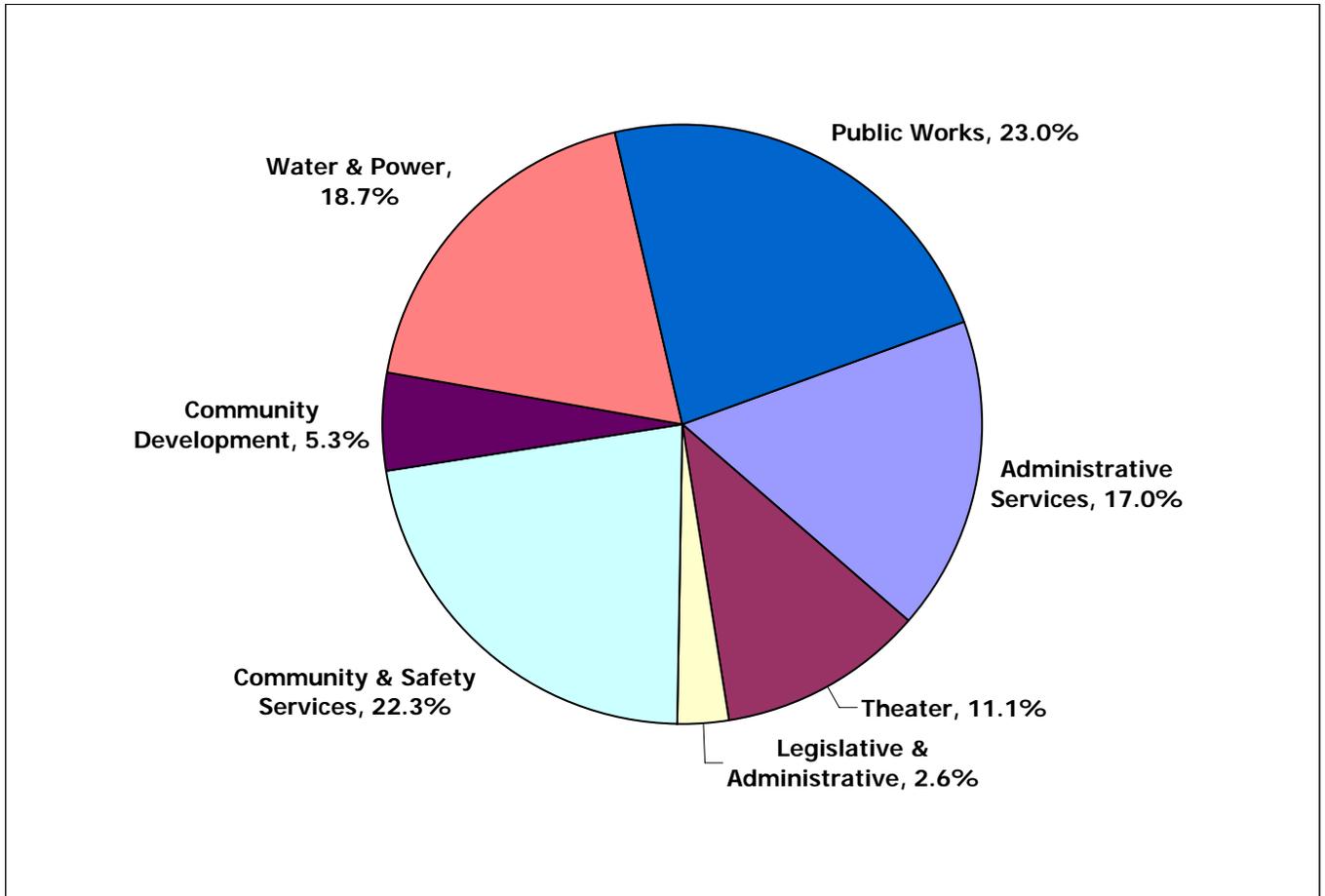
Source: ADE, data from City of Cerritos

FIGURE 38
SALES TAX REVENUE



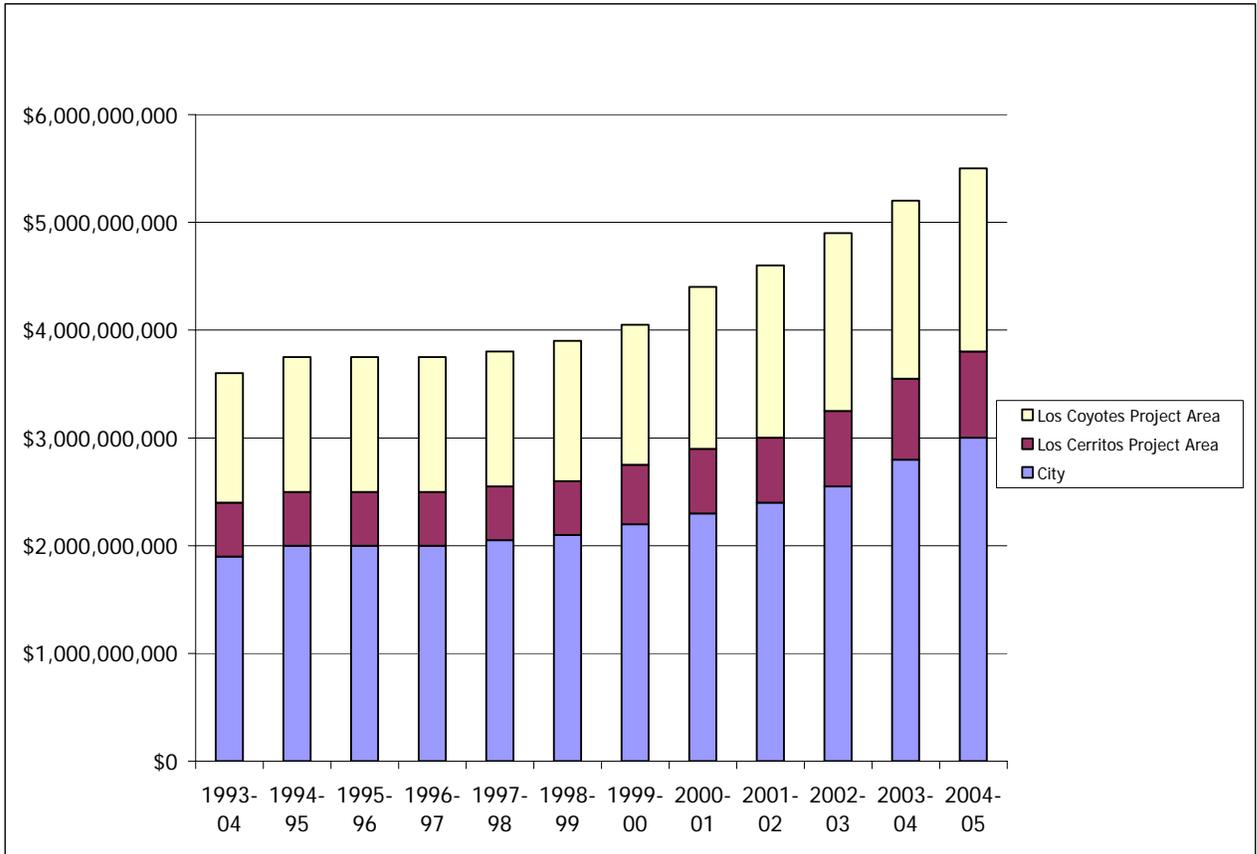
Source: ADE, data from City of Cerritos

FIGURE 39
BUDGETED EXPENDITURES BY DEPARTMENT, FY 2006-07



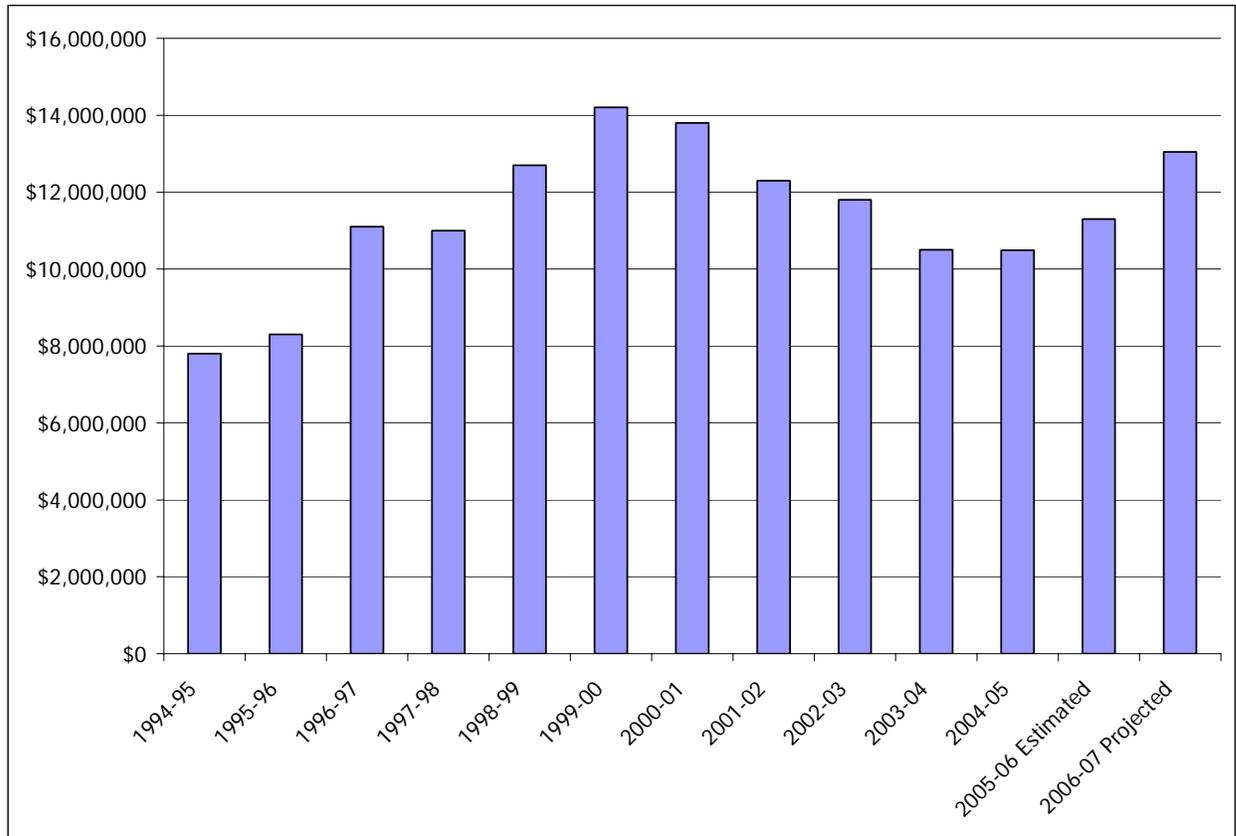
Source: ADE, data from City of Cerritos

FIGURE 40
CERRITOS ASSESSED VALUATION



Source: ADE, data from City of Cerritos

FIGURE 41
INTEREST INCOME



Source: ADE, data from City of Cerritos

The City expects to receive about \$13 million in interest income in the 2006-2007 fiscal year (see Figure 41). This revenue source fluctuates with economic conditions and interest rates, but because interest income is a vital component of the City's effort to provide services, it is not considered to be a supplemental or "excess" revenue source.

Redevelopment project areas exist only for specified time periods and provide a vital injection of public and private investment into areas that could not otherwise reverse their economic decline. When the redevelopment project area life is complete, the property tax increment that had been paid to the Agency is instead paid to the taxing agencies that levy property taxes on properties within the expired project areas, including the County, the school districts and a variety of special purpose jurisdictions.

Cerritos contains two redevelopment project areas. The Los Cerritos project area will terminate in four years (2011), although the Agency may continue to receive tax increment revenues until 2021 in order to pay off its indebtedness existing as of 2011, including its bonded indebtedness and loans from the City General Fund. The Los Coyotes project area terminates in 2016, and similarly the receipt of tax increment ends in 2026. Therefore, the City needs to plan for a major shift in its revenue sources.

8.2 LONG-TERM REVENUE REPLACEMENT

While part of the Economic Development Strategic Plan provides market projections and recommendations for business development strategies, these activities by themselves will be insufficient to significantly augment the City's revenue base. It is thus important that the City take action and explore its options to provide for an orderly transition from its historic use of redevelopment funds. Initiatives such as property acquisition, set-aside funds, and forming an economic development corporation can help provide the City with new streams of revenue to fund projects for which the City in the past has sought funding from the Cerritos Redevelopment Agency. It should be noted that the amount of funding generated will not likely completely replace tax increment revenues.

PROPERTY ACQUISITION

While the Agency remains active, it should pursue all available opportunities to acquire development properties, which the City can make available to private developers in long term leases. The City currently receives substantial revenues from ground leases on property it owns, along with service fees for maintenance of the properties. These properties represent a long term asset

that can help the City avoid a severe reduction in revenue as redevelopment ends.

SET-ASIDE OF FUNDS

The City should explore financial options for banking some portion of current ground lease revenues in a separate budget fund, in addition to any existing ground lease funds that the City already sets aside for specific activities. This would make funds available over the long term for development inducement activities such as property acquisition. If a portion of the ground lease revenues is earmarked in a special fund, it could be programmed to accomplish future economic development objectives that have historically been facilitated by way of public improvements funded by the Cerritos Redevelopment Agency.

ECONOMIC DEVELOPMENT CORPORATION

The City could consider creating a separate organizational entity, such as an Economic Development Corporation (EDC) that could assist in development inducement activities while also preserving certain operational flexibility that may not be available to the City government. This would not result in revenue replacement for tax increment funds, but it could provide an organizational framework from which activities currently administered by the Agency can continue to operate.

Typical EDC Characteristics

In general, EDCs are organized as non-profit corporations that serve a range of economic development functions such as marketing, business attraction, business retention, and workforce development. Typical EDCs cover a regional geographic area such as a county or multi-jurisdictional alliance that aggregates together multiple counties or cities. In Los Angeles County, the LAEDC serves as the primary regional economic development entity. Additional EDCs operate within Los Angeles County and serve specific sub-county areas such as the San Fernando Valley, San Gabriel Valley, Antelope Valley, and Harbor area. Cerritos is within the geographic area served by the Gateway Cities Partnership, which is the sub-county EDC that works with the 27 cities that comprise the Gateway Cities Council of Governments.

In addition to geographic differences, EDCs can also differ in their activities and organization. Almost all EDCs engage in joint marketing and business attraction activities. A large number of them also have business retention and expansion programs, and some of them administer loan and grant programs. Workforce training is another common EDC function.

Less common activities include real estate development and consulting services. For example, the LAEDC maintains an economic research division that provides contract consulting to cities in Los Angeles County.

EDCs are typically organized with significant private sector participation, while the level of involvement by public agencies varies. Private sector partners typically include local businesses, banks, non-profit organizations, and Chambers of Commerce.

City-Level EDCs

City-level EDCs exist throughout California, but are not very common. The California Association for Local Economic Development (CALED) identifies six city-level EDCs among its members, including the cities of Oxnard, Pittsburg, Arcata, Visalia, Folsom, and Gilroy.¹⁴ The other EDCs in their membership cover county or multi-jurisdictional areas.

How a Cerritos EDC Would Potentially Work

An EDC using revenues from municipally-owned properties as a funding mechanism would serve Cerritos at the city level, while organizing as a non-profit corporation separate from City government. Although this type of arrangement would be unprecedented in California, some of the aforementioned city-level EDCs have a history of enterprise management and entrepreneurial approaches to site development that would be very similar to how a Cerritos EDC could potentially operate. For example, the Pittsburg Economic and Housing Development Corporation (EHDC) developed spec buildings during an early phase of its industrial park. In addition to real estate development activities, the Oxnard EDC also offers project management services and hands-on assistance to local businesses and developers. In Arcata, the local EDC started up and operated a food industries incubator.

Conceptually, as the city-level Cerritos EDC would receive funding from the City government, the City Council members would also serve as the EDC Board of Directors. Cerritos could organize its EDC with a dedicated mission of administering city-owned properties, and also use the EDC as a mechanism for other economic development activities that EDCs would more typically handle, such as the implementation of a Business Retention and Attraction program. The Cerritos EDC would not, however, supplant or

¹⁴ This information was obtained via an interview with Kay Reynolds, CALED Vice President of Special Projects.

duplicate the activities of the Cerritos Chamber of Commerce, which is a business-run organization.

Since there are limited precedents for this type of EDC from other communities, the opportunities and limitations associated with using an EDC as a resource for public improvements and other projects that facilitate economic development will require further study. In particular, the study would need to look at the legalities and mechanics of the revenue sources, organizational structure, and activities of the EDC.

8.3 OTHER FUNDING SOURCES AND CONSIDERATIONS

The City has the option of exploring other avenues for revenue enhancement. These options include business-based revenues such as sales tax, State and Federal government programs, property revenues, and user fees.

SALES TAX (BUSINESS-BASED REVENUES)

This Economic Development Strategic Plan has recommended strategies for business growth and development in Cerritos, which will have positive fiscal implications for the City. The retail strategies described in this document will help to maintain and expand the City's sales tax revenues. This plan also recommends focusing on office development as a way of bringing local job opportunities into better alignment with the resident labor force. Office development typically has higher assessed values than does industrial development, and therefore would create more property tax revenues for the City. (However, given that Cerritos is a "No/Low" property tax city, as described earlier, the amount of additional revenue that this would create is likely not significant.)

Expanded office development can also help improve sales tax generation. Limited studies that ADE has been able to conduct in Cerritos suggest that office space is more likely than industrial space to house businesses that operate point-of-sale functions that generate sales tax, although the differences between office and industrial spaces are small in relation to the sales tax gain from retail development.

The available data¹⁵ indicate that office businesses in the Towne Center area generate approximately \$0.09 of sales tax per square foot annually, compared to approximately \$0.06 per square foot for the businesses in the Industrial Park. By comparison, retail businesses typically generate more than \$2.00 per square foot annually in sales taxes. Through its targeted business attraction program, the City can seek out businesses that have greater point-of-sale potential as tenants in its office developments; this should be an important component of its economic development program.

It is important that all taxable sales transactions that occur in Cerritos are properly designated to the City. City staff has already taken steps to ensure that the point-of-sale designations are recorded for Cerritos. This type of

¹⁵ Due to confidentiality requirements under State law, the City's sales tax database contains limited descriptive information regarding individual businesses, thereby limiting the accuracy of this comparison.

monitoring can also be integrated into the outreach process that would likely be part a Business Retention and Expansion program, as described in Appendix B.

In addition, because of Cerritos' large capture of taxable sales, the City should continue to keep abreast of any State legislation that would change how sales tax revenues are distributed. No major changes to existing procedures have been passed in the last few years, but the City should be aware of any proposals that would adversely affect its fiscal balance.

FEDERAL AND STATE FUNDING

As redevelopment funding phases out in Cerritos, the City may seek to make greater use of Federal and State funding programs, although many such programs are quite competitive and funding cannot be assured. A number of agencies have loan and grant programs available for local governments to finance economic development projects such as infrastructure improvements. A more detailed description of these funding sources is found in Appendix A. These agencies include:

- California Infrastructure and Economic Development Bank
- US Department of Agriculture Rural Development
- California Department of Water Resources
- US Economic Development Administration
- Community Development Block Grant Program
- California Statewide Communities Development Authority
- US Environmental Protection Agency
- CalTrans

PROPERTY REVENUE

The City currently receives revenue from ground leases on several properties in the Towne Center area as a result of the success of its redevelopment program. In the 2006-07 budget, the City anticipates receiving \$3.9 million in ground lease revenues and related site maintenance fees. To illustrate the significance of these ground leases, this revenue totals nearly twice the \$2.4 million of property tax revenue that Cerritos collected citywide in 2006-07.

During the remaining years of the Cerritos redevelopment project areas, the City should continue to seek opportunities to receive long-term revenue streams from new development in addition to normal tax revenues.

USER FEES

Because of its strong fiscal condition, the City of Cerritos has been able to keep business license and permit fees low, and part of Cerritos' desirability as a business location has been its commitment to a high level of public services. The City might need to consider changing its existing fee structure for such items as business licenses, entitlements, and building permits. Potential changes could include charging fees based on factors such as gross receipts or employment instead of and/or in addition to existing fees charged per-use or based on square footage.

OTHER SOURCES

For dedicated public facilities, some cities have also conducted capital campaigns in which donations from citizens and businesses help fund activities and venues such as downtown revitalizations, performing arts facilities, community centers, and other endeavors.

8.4 FISCAL CONCLUSIONS

The City has enjoyed tremendous success in economic development during its history, and it should ensure that its staff has sufficient resources to continue these successes. As access to redevelopment funding ends, the City needs to have in place a plan that will insure the long-term fiscal health of the City. This Economic Development Strategic Plan is designed to assist the City in developing that long-range plan for continued fiscal success, by way of looking to alternative funding sources, programs, and policies.

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9. ECONOMIC DEVELOPMENT GOALS AND STRATEGIES



9. ECONOMIC DEVELOPMENT GOALS AND STRATEGIES

This section outlines the strategic goals and implementation approaches that address the issues identified in the technical studies summarized in the prior sections of this plan. These goals and strategies address the following major topics:

- Retail
- Job Diversification
- Housing
- Fiscal and Services Delivery
- Internal Systems
- Business Retention and Attraction
- External Communications

In developing strategic goals for Cerritos, it is necessary to look at economic development in Cerritos from a variety of perspectives. First, the goals need to address the existing economic development context in Cerritos. This includes both market opportunities and finding ways of building from and enhancing existing strengths in Cerritos' business base and labor force.

Next, the goals need to assess current practices and suggest initiatives that improve the City of Cerritos' approach to economic development. This includes an assessment of the ways that business attraction, retention, and expansion are currently addressed.

Lastly, the strategic goals need to address future business opportunities and the monitoring of regional trends that can potentially impact Cerritos' economy. With these strategic needs in mind, the EDSP goals, strategies, and implementation approaches were drafted. Table 12 provides a summary of the goals outlined in this chapter.

TABLE 12
SUMMARY OF ECONOMIC DEVELOPMENT GOALS

Retail Goals	
R-1	Attract spending from higher income households by attracting higher-end retail and transitioning into "lifestyle" retail uses.
R-2	Stem the outflow of household spending by attracting local-serving retail, especially a large modern supermarket and warehouse club.
R-3	Leverage existing strength in auto sales. Enhance the auto mall by taking full advantage of market opportunities and addressing any competitiveness liabilities.
R-4	Leverage existing strength with Los Cerritos Center.
R-5	Encourage more restaurants to locate in Cerritos.
R-6	Intensify retail development areas by adding other uses, such as office and housing
Job Diversification Goals	
JD-1	Provide opportunities for local residents to work closer to home by building more office space in Cerritos.
JD-2	Diversify Cerritos' job base by focusing attraction efforts around businesses that support expanding core sectors, add to the diversity of Cerritos' retail base, and address the best local and regional market opportunities
Housing Goals	
H-1	Complement business attraction efforts by diversifying housing options.
H-2	Consider mixed use development to complement new business centers.
Fiscal and Services Delivery Goals	
F-1	Ensure continued high quality in public improvements and amenities by seeking new funding sources.
F-2	Explore the creation of a Cerritos Economic Development Corporation.
Internal Systems Goals	
IS-1	Address any barriers that currently exist within the City's information systems.
IS-2	Integrate geographic information with existing sales tax data in order to accurately identify fiscal trade-offs for potential land use changes.
Business Attraction and Retention Goals	
BAR-1	Identify the "best customers" among existing Cerritos businesses and initiate an outreach program.
BAR-2	Maintain core strength in distribution-oriented businesses.
BAR-3	Explore opportunities in the lodging and visitor-serving markets.
BAR-4	Identify independent entrepreneurs who want to transition into a storefront operation.
BAR-5	Maintain a proactive approach to addressing the needs of important businesses that might be looking to relocate out of Cerritos.
BAR-6	Use a targeted approach to business attraction.
BAR-7	Dedicate staff resources to tracking market trends.
External Communications Goals	
EC-1	Increase the usage of the City's website for communicating with prospective business leads.
EC-2	Establish a consistent and clearly defined protocol for new business prospects.

9.1 RETAIL GOALS

9.1.1 HIGHER END RETAIL

Cerritos has an opportunity to explore the attraction of higher-end retailers. The community's household income of \$87,700 (as identified in Section 4.2) and high proportion of college-educated residents represent attractive demographic assets that allow for the City to attract a wider range of retail stores than other communities with different demographic characteristics. While Cerritos' surrounding communities have lower concentrations of high income and educational attainment that are needed to support a higher end market, Cerritos also has a growing base of professional service businesses that provide further market support for higher end retailers.

Participants in the Economic Development Workshop held in March 2006 indicated a strong interest in attracting higher end retail stores to Cerritos. By adding these stores, Cerritos' retail base can continue to capitalize on the shoppers attracted by its existing regional retail centers. In general, higher end retail stores would increase the average sales per square foot. It should be noted that attracting higher end businesses depends on market support as well as interest by these types of retailers. Some previous efforts along these lines have been unsuccessful because the market within Cerritos alone is perceived by some businesses as insufficient to support higher end retail uses.

At a regional and national level, the population has undergone a steady aging trend, as the large baby boomer demographic group moves into an "empty nester" stage in which they are no longer raising children under the same roof. At the retail level, this has translated into a growing market for higher end retail stores beyond the discount stores and other big box retail categories that began displacing traditional mall-based retail during the 1990s.

Lifestyle centers represent the current retail growth paradigm, as the shift to power center retailing has begun to plateau in recent years. This type of development represents a natural evolution for Cerritos as the regional retail market evolves.

Goal R-1: Attract spending from higher income households by attracting higher-end retail and transitioning into "lifestyle" retail uses.

Implementation Approaches

- Support any efforts by the Los Cerritos Center management to attract more upscale shopping opportunities, and supplement those efforts

where applicable with active participation by both the City/Agency and the Los Cerritos Center management.

- Explore other options that might be available for higher end retail opportunities at the Cerritos Towne Center and other retail centers.

9.1.2 LOCAL-SERVING RETAIL

As identified in the retail market analysis, local serving retail anchor stores such as supermarkets and warehouse clubs are the most underserved markets in Cerritos. Even though these categories do not typically generate as high a proportion of taxable sales as other retail store types, they do serve as anchors for local-serving shopping centers that include a variety of other secondary retail tenants.

The existing supermarkets in Cerritos are not large enough to compete with newer and larger supermarkets located in the surrounding communities. Identifying a location for and attracting a modern supermarket with at least 60,000 square feet to Cerritos will help address a major source of retail leakage.

Goal R-2: Stem the outflow of household spending by attracting local-serving retail, especially a large modern supermarket and warehouse club.

Implementation Approaches

- Identify appropriate sites that can accommodate a modern supermarket with at least 60,000 square feet of floor area. In order to maximize the sales tax benefit to the City, the space should also be large enough to support other secondary retail tenants.

9.1.3 AUTOMOBILE DEALERSHIPS

Cerritos' biggest retail strength is with the Auto Square, which generates over half of the sales tax revenue to the City, and attracts car buyers from all over Southern California. Over time, the sales volume at the Auto Square has outstripped the existing storage capacity for vehicles at the dealerships. The City has provided assistance by arranging for the lease of Southern California Edison right-of-way property to the dealerships for car storage purposes. In addition, the City has maintained regular contact with auto dealership management and the Cerritos Auto Dealers Association. This dialogue has allowed the City to respond to some of the Auto Square's pressing needs.

The Auto Square still has space constraints, and maintaining the pre-eminence of Cerritos' auto dealerships will likely require some additional planning, whether that includes adding vertical space on-site, or shifting

auxiliary functions such as servicing to off-site locations. The future continued success of the Auto Square will primarily rely on the ability of existing dealerships to expand their operations, and much of this will come with finding new space for more vehicles on-site.

Building off of the Auto Square's advantage can also include adding dealerships, diversifying into other types of vehicles, and moving into higher end brands.

Goal R-3: Leverage existing strength in auto sales. Enhance the auto mall by taking full advantage of market opportunities and addressing any competitiveness liabilities.

Implementation Approaches

- Support expansion efforts by existing dealerships.
- Continue to actively address competitiveness issues facing Auto Square tenants.
- Explore market opportunities for the former ROP site along Studebaker Road. Having a new vehicle dealership in place could also extend how the public perceives the Auto Square, and open up opportunities for future development north of the San Gabriel Freeway (Interstate 605) underpass up to Artesia Boulevard. This should be done with active City/Agency participation.

9.1.4 REGIONAL RETAIL

Even though the traditional enclosed shopping mall has steadily seen its retail market share erode over the past decade with the shift in retail to power centers and more recently lifestyle centers, Los Cerritos Center remains a viable regional shopping destination with relatively high retail sales per square foot and a strong set of anchor stores. Moreover, as surrounding communities have responded to retail market trends by opening their own power center developments, Los Cerritos Center remains a unique asset in the area that cannot be easily replicated by competing areas. The key issue with the mall is how to keep it competitive as traditional malls elsewhere have reinvented themselves to stay viable.

Because of its strong attraction as a shopping destination, Los Cerritos Center represents a current asset as well as a potential engine for future growth opportunities. For example, the parking area on the mall property does not currently have any multilevel parking structures; parking structures can free up land area currently used for parking for conversion into other uses. The existing mall is built out, and utilizing the mall property's

expansion potential will rely on the Center’s ability to accommodate additional parking spaces.

In addition, many of the new lifestyle center developments arise from the renovation or expansion of existing shopping mall properties. The Paseo Colorado project in Pasadena entailed demolishing an existing enclosed mall structure and redeveloping the property into an outdoor lifestyle center while retaining the original anchor stores. Taking a different approach, the Mills Corporation is currently adding an outdoor “lifestyle wing” to the otherwise enclosed Del Amo Center in Torrance by demolishing a vacant anchor store and mall wing. The lifestyle center concept is one of several opportunities available to Los Cerritos Center if it pursues expansion.

Goal R-4: Leverage existing strength with Los Cerritos Center.

Implementation Approaches

- Continue to support efforts by Los Cerritos Center to expand and reposition the existing mall and surrounding spaces.
- Explore reuse options for the mall and its large land assets, as these represent the most attractive opportunity for new development and renovation. The recent closure of the Robinsons-May store at Los Cerritos Center has opened up space for either re-tenanting or repositioning. The mall management has been exploring reuse options for this space.
- Emphasize potential opportunities with lifestyle center uses.

9.1.5 RESTAURANTS

Cerritos’ restaurant base serves local residents, visitors from surrounding communities, and commuters who work in Cerritos and live elsewhere. Residents have indicated that Cerritos does not have enough higher end full-service restaurants, nor a variety of mainstream restaurants. The income levels within the residential population, and the slight amount of existing retail leakage of local household spending in this category, indicate that Cerritos can support new restaurants. In addition, new restaurants would also attract additional spending from Cerritos Center for the Performing Arts patrons by providing higher end dining options near the theater.

Goal R-5: Encourage more restaurants to locate in Cerritos.

Implementation Approaches

- Look into opportunities to develop higher end restaurants in conjunction with efforts to attract higher end retail to Cerritos.

- Use new residential and mixed use developments as opportunities to attract new restaurants, and more upscale establishments in particular.
- Identify potential attraction candidates by looking to upscale regional/national chains, entrepreneurs elsewhere in Southern California that already operate high end restaurants, and successful local restaurant owners looking to reposition or expand upon their existing operations.

9.1.6 RETAIL-RESIDENTIAL LINKAGES

By adding housing and office development, Cerritos can expand the market support for existing retail uses, and create the potential for new retail stores. These new stores can be integrated into new housing and office development and meet the new demand for retail services that new residents and workers create.

In addition, as Cerritos creates more office space for higher income professionals, the demand for higher end retail services and restaurants also increases. By increasing housing and office space, the City will be able to attract a greater variety of restaurants.

Goal R-6: Intensify retail development areas by adding other uses, such as office and housing.

Implementation Approaches

- Explore opportunities to integrate residential and office spaces into new retail spaces as new developments arise. This would serve new workers and residents while adding to the community’s retail mix.
- Ensure that the land use designations allow for market-supported retail spaces, particularly those operating in a mixed use environment.

9.2 JOB DIVERSIFICATION GOALS

9.2.1 OFFICE SPACE

With the development of Cerritos Towne Center, the City has planned and developed a significant core of office space. This type of development corresponds more closely with the residential population in Cerritos, which has a comparatively high concentration of residents that work in technical and professional occupations. In addition to the benefits of better balancing between jobs and housing, creating space for office workers, including engineers, software developers, lawyers and insurance workers, will increase demand and support for local-serving businesses.

Goal JD-1: Provide opportunities for local residents to work closer to home by building more office space in Cerritos.

Implementation Approaches

- Direct business attraction efforts towards addressing market opportunities in basic industries that complement the existing business base and growing economic sectors regionally.
- In conjunction with business outreach efforts, identify existing office uses (including home-based businesses) that need new business space.

9.2.2 LOCAL AND REGIONAL MARKET OPPORTUNITIES

Cerritos’ diversification opportunities come from two primary sources: the existing business base and the regional economy. The existing business base is largely built around distribution services, professional services, and retail trade. All of these businesses maintain supplier relationships with other businesses. For example, distribution businesses require close relationships with transportation service providers. A potential business attraction strategy that builds on this strategic advantage could include a combination of attracting new core businesses that are already highly concentrated in Cerritos, and attracting the businesses that serve as suppliers to those types of businesses.

In addition to businesses that are already located in Cerritos, the City can also look to attract businesses that have shown growth elsewhere in the Los Angeles/Orange County region, but have yet to attain a strong local presence. Industries fitting this description include information, health care, finance, real estate, education, and arts & recreation services. Even though these types of basic industries generally create less sales tax revenue per square foot than retail uses (see Section 8.3), they are vitally important to Cerritos’ economy because they are export oriented (i.e. they serve a global market area) and tend to create higher paying jobs than the retail sectors.

Goal JD-2: Diversify Cerritos’ job base by focusing attraction efforts around businesses that support expanding core sectors, add to the diversity of Cerritos’ retail base, and address the best local and regional market opportunities.

Implementation Approaches

- Industry attraction efforts should focus on those sectors that have the best growth prospects in the region.
- Target businesses that complement large industries that already have a strong presence in the Cerritos. For example, distribution businesses are drawn to Cerritos due to its central location and quality spaces. In turn,

they generate demand for supplier businesses that provide support services and equipment. Attracting the supplier businesses is one way of capitalizing on an existing advantage.

9.3 HOUSING GOALS

9.3.1 DIVERSIFYING HOUSING OPTIONS

About one-third of businesses responding to the Cerritos Business Survey indicated that housing costs affected their ability to recruit workers locally. Currently, Cerritos' businesses primarily employ commuters, while local residents generally work outside of Cerritos. Diversifying the housing options in the community addresses a competitiveness issue that will benefit businesses in Cerritos.

It should be noted that Cerritos' high-quality single-family residential neighborhoods make the community a desirable place to live. As such, any efforts to diversify Cerritos' housing base should not detract from the character of existing residential neighborhoods.

Goal H-1: Complement business attraction efforts by diversifying housing options.

Implementation Approaches

- Integrate a diverse mix of housing options into new planning areas.
- Emphasize quality of housing as part of promoting the City's status as a prime business location.

9.3.2 MIXED USE

As Cerritos develops new business centers with office uses, the potential for mixed use development is greatly enhanced. In general, office-related uses have shown more growth regionally. If Cerritos wants to add to its existing base of office developments, these types of uses are generally more amenable to integrated developments that include housing. This is because their generally higher densities and less land-intensive urban form allow for more walkable spaces that are compatible with residential uses.

Goal H-2: Consider mixed use development to complement new business centers.

Implementation Approaches

- Encourage new approaches to multi-family housing and mixed use development.

- Work with a willing developer to allow for housing or mixed use development in the Cerritos Towne Center. If deemed successful, this model can potentially be applied to other appropriate areas in Cerritos through the land use planning process.

9.4 FISCAL AND SERVICES DELIVERY GOALS

9.4.1 FUNDING SOURCES

A very important consideration in maintaining the existing level of public services in Cerritos is increasing the citywide sales tax collections. The sales tax advantage can be maintained by expanding the existing retail sales base and by attracting new businesses that generate potential for point-of-sale transactions. In addition, as noted throughout this report, the need for additional sales tax and other sources of revenue arises from the pending loss of redevelopment tax increment as a funding source for public improvements and capital projects.

Cities with a balanced land use mix—that is, a strong business base to complement their residential neighborhoods—generally enjoy a more positive fiscal picture. Retail businesses contribute sales taxes and office and industrial uses boost the assessed value and property tax for the City. Since Cerritos is a “No/Low” property tax city, it must maximize its sales tax gain while supplementing General Fund revenues with other sources of income. For example, the City may consider establishing an assessment district for future residential developments, which would generate assessments to pay for services that would serve the new residential neighborhood. This is a very good way to provide for adequate public services, but it does impose added costs for homeowners and businesses in the form of special taxes or assessments.

Finding replacement funding for the type of projects currently funded through redevelopment will likely require identifying dedicated funding sources for specific activities. Even though there are numerous sources available, including property revenues and sales tax, these sources will not replace the existing levels of redevelopment funds in the near term. Other funding sources could include special assessment districts, fundraising campaigns, corporate foundations, and private donations for dedicated public facilities. A mechanism to solicit these alternative funding sources and to administer economic development activities could potentially include the formation of an Economic Development Corporation.

Goal F-1: Ensure continued high quality in public improvements and amenities by seeking new funding sources.

Implementation Approach

- Maximize revenue as redevelopment revenues phase out by identifying and generating the best combination of replacement revenues such as sales tax (business-based revenues), Federal and State funding, property revenue, and user fees.

Goal F-2: Explore the creation of a Cerritos Economic Development Corporation.

Implementation Approach

- Initiate a study that explores the administrative, operational, and revenue benefits of an EDC. This study would also assess any legal issues associated with using a non-profit corporation that administers City-owned property and uses revenue from those properties to finance its activities.

9.5 INTERNAL SYSTEMS GOALS

9.5.1 INFORMATION SYSTEMS

In order to address economic development goals, the City needs to make sure that departments that serve an economic development function communicate with one another on a regular basis, and ensure that the data and information maintained through these departments are compatible and consistent with one another. Currently, not all of the City’s electronic databases fully communicate with one another. For example, the City’s business license database is maintained separately from the sales tax data, and the individual data records between the two databases do not always match up. This limits the City’s ability to cross-check and analyze common data from different sources.

While the City has made efforts to integrate these databases, there are ongoing concerns about the privacy of the data, which potentially limits the degree to which it can be freely shared between staff members and/or departments.¹⁶ In general, specific data such as sales tax receipts need to be aggregated so that information regarding individual businesses cannot be discerned.

¹⁶ Pursuant to State law, sales tax data can only be used for City governmental purposes. This data can only be disclosed if steps are taken to ensure that information about individual businesses remains confidential.

A confidentiality protocol is needed to ensure that internally maintained data can be used for purposes such as tracking retail sales trends geographically, integrating the data that the City tracks into an online query and/or GIS application, and identifying home-based businesses that might be growing to the point that they will soon need a business space. In light of State-mandated legal limitations regarding access to, and the distribution of, sales tax data, any potential effort to integrate sales tax data with a GIS application would need to be mindful of these constraints.

Goal IS-1: Address any barriers that currently exist within the City's information systems.

Implementation Approaches

- Ensure that City business license, GIS, and sales tax databases are fully integrated.
- Ensure that the City's sales tax records are consistent with other databases that the City maintains.
- Verify and cross-check data across different databases for consistency, such as business names, addresses, and contact information.
- Add the Standard Industry Classification (SIC) and North American Industry Classification System (NAICS) codes to the sales tax data. This will provide a more consistent means by which to track non-retail sales tax revenue by business type. Currently, the business license database tracks businesses by using SIC and NAICS codes, while the sales tax database is tracked by Board of Equalization codes.

9.5.2 GEOGRAPHIC INFORMATION SYSTEM (GIS) INTEGRATION

As the City of Cerritos proceeds with planning for its economic future, the City will be faced with important decisions, including whether or not to transition existing land uses into different uses. A key consideration in these decisions is the fiscal tradeoff that rezoning might entail. In order to conduct these studies, the City of Cerritos' databases need to allow for a complete accounting of fiscal tradeoffs by fully integrating the sales tax database into the City's GIS system and ensuring consistency with other databases. By integrating the sales tax data with the City's GIS system, the City can more quickly tabulate the sales tax revenue tradeoff that would result from land use re-designations. In addition, while the City already does some aggregation with its retail sales data by subarea, integrating the data with the GIS system would allow for more specific aggregations by area, and identify potential economic development opportunities within these areas.

Goal IS-2: Integrate geographic information with existing sales tax data in order to accurately identify fiscal trade-offs for potential land use changes.

Implementation Approach

- Integrate the City’s various information databases (e.g., business license, sales tax, land use, parcel, County Assessor, property tax) into the City’s GIS system. This can help provide a means by which to evaluate how much revenue existing land uses generate, and compare those totals with any proposed changes.

9.6 BUSINESS ATTRACTION AND RETENTION GOALS

This section focuses on approaches to business attraction and retention. These recommended goals and implementation approaches center on developing a comprehensive Business Retention and Expansion (BRE) program. The BRE program steps are described in detail in Appendix B.

9.6.1 BUSINESS OUTREACH

This goal entails attaining increased familiarity with the businesses that are most responsible for generating jobs and sales tax revenue in Cerritos. In order to take a customer service-oriented approach to economic development, the City needs to first identify who the “best customers” are in a variety of different industry groups.¹⁷

Currently, the City of Cerritos does not have a coordinated business retention outreach program. In conjunction with identifying the “best customers,” an outreach program provides the informational base and relationship with the business community necessary to engage in business retention. Outreach efforts should focus on how the City can better serve the needs of businesses.

Outreach includes identifying and distributing regional economic development and business assistance information. It also involves maintaining communication with businesses about local and regional issues that affect the business climate and market conditions. Currently, the City places a quarterly “Business News” full-page advertisement in the local newspaper *Los Cerritos Community News*, and this information can be included with the advertisement.

¹⁷ This approach to business outreach was originally presented at the International Economic Development Council’s 2005 Business Retention and Expansion training course, which was administered by Executive Pulse.

Goal BAR-1: Identify the “best customers” among existing Cerritos businesses and initiate an outreach program.

Implementation Approaches

- Initiate a comprehensive Business Retention and Expansion (BRE) program that targets the business sectors and specific businesses that provide the base for Cerritos’ jobs and tax revenues. Use the sales tax data and regional employment data to identify these targets.
- Use the existing ongoing outreach with the Auto Square as a model for how to implement a business outreach program that emphasizes the “best customers.”
- Implement outreach steps and coordinate them with other BRE program activities, as described in Appendix B.

9.6.2 DISTRIBUTION RETENTION

Even though the regional economy presents many opportunities for Cerritos to transition into a variety of different service and office-based industries, a core strength for Cerritos remains its high concentration of distribution businesses. Cerritos’ freeway access and central location for distribution uses is a natural advantage that will continue to serve the City. In addition, the City’s proximity to airports and seaports means that as international trade expands, Cerritos is in an advantageous location to benefit from this expansion.

In general, other types of industrial uses such as manufacturing have not fared nearly as well throughout the region. However, distribution businesses are likely to remain a competitive core sector for the foreseeable future. As Cerritos seeks to diversify its business base and develop a strong base of service and office businesses, the distribution businesses will continue to play a major role in the local economy. In the interim, it is important to include distribution businesses with any business retention initiatives, especially because many of these businesses generate taxable sales. Despite the trend towards converting industrial spaces into other uses such as housing, strengthening the remaining industrial areas in Cerritos will enhance the viability of Cerritos as an attractive location for these distribution uses as well as other market-driven light industrial activities.

Goal BAR-2: Maintain core strength in distribution-oriented businesses.

Implementation Approaches

- Use a targeted outreach effort to identify general economic development issues that affect distribution businesses.

- Integrate this step with other BRE program activities, as described in Appendix B.

9.6.3 LODGING AND VISITOR MARKETS

Cerritos’ lodging market consists of one full-service hotel. The Sheraton Cerritos has 203 rooms along with 10 meeting rooms for conferences and events. Currently, the hotel primarily serves business clients, with some overflow tourist traffic from Anaheim and social groups on weekends. The existing facility has a high occupancy rate, which makes it a good candidate for expansion.

The visitor-serving market has not yet materialized in Cerritos, at least not for visitors requiring overnight stays. The Cerritos Center for the Performing Arts is a regional attraction that draws visitors from the South Bay, San Gabriel Valley, and Orange County. Despite assets such as the CCPA and the Auto Square that attract customers from a wide area, Cerritos has not yet developed a base of attractions that appeal to the overnight visitor market. In addition, Cerritos has not yet defined itself as a day-visit destination. As a long-term goal, Cerritos might need to identify what image it projects to visitors, if any, and clearly define how the community defines itself as a destination for business travel and/or other overnight visitors.

Goal BAR-3: Explore opportunities in the lodging and visitor-serving markets.

Implementation Approaches

- Work with existing hotel management to identify expansion opportunities that can link with other activities at Cerritos Towne Center
- Identify potential “gateway” lodging opportunities as the I-5 expansion project moves forward.
- Integrate this step with other BRE program activities, as described in Appendix B.

9.6.4 INDEPENDENT ENTREPRENEURS

In addition to retail stores, service providers, and industrial businesses, the City of Cerritos also derives taxable revenue from home-based businesses. Many of these home-based businesses might grow to a point that an individual entrepreneur will need to add staff and open a new business location. The City can maintain communication with these home-based entrepreneurs, and identify the ones that would like to eventually expand into a storefront operation. This type of outreach also helps to keep these business owners, and their sales tax revenue, within Cerritos.

Goal BAR-4: Identify independent entrepreneurs who want to transition into a storefront operation.

Implementation Approaches

- Ensure that contacts with the City and inquiries for business space are directed to the appropriate contact person.
- Use the sales tax database to identify those home-based businesses that generate significant revenue, and take a proactive approach to offering assistance and identifying resources for business expansion.
- Integrate this step with other BRE program activities, as described in Appendix B.

9.6.5 PROACTIVE APPROACH

Through the outreach process and a proactive approach to business retention, Cerritos can potentially address any issues that might affect a business’ ability to compete and remain viable in the city. As with the outreach process, the priority given for the mobilization of City resources might depend on the business’ role in the local economy.

Goal BAR-5: Maintain a proactive approach to addressing the needs of important businesses that might be looking to relocate out of Cerritos.

Implementation Approaches

- Use the outreach process to better understand local businesses (i.e., the “customer,”) as this understanding can create a competitive advantage for Cerritos.
- Proactively address issues identified in the outreach process.
- Integrate this step with other BRE program activities, as described in Appendix B.

9.6.6 TARGETED APPROACH

The City of Cerritos maintains an active marketing and communications division. This division’s functions include the dissemination of information and creation of marketing materials that promote Cerritos. These materials are updated periodically and are provided to prospective businesses. The message that these materials communicate focuses on the general and tangible benefits of locating in Cerritos, such as the location, the quality schools, and a well planned community. The theme conveyed through these marketing materials portrays Cerritos as an innovative and visionary city.

A targeted approach to business attraction would focus on a specific message for a specific audience. For the purposes of business attraction, this message can differentiate based on the type of industry. For example, the marketing message for regional retail stores will differ from the message that the City might present to distribution businesses because a retail store will likely see more benefit to Cerritos' household shopping and income patterns whereas a distribution business will see Cerritos' attractiveness in terms of its access to major transportation facilities such as the San Pedro Harbor ports and Los Angeles International Airport. This targeted approach would also entail producing separate marketing packages that depend on the type of business prospect.

Goal BAR-6: Use a targeted approach to business attraction.

Implementation Approaches

- Develop targeted marketing materials and messages for specific business types. Descriptions of potential approaches to take are found in Appendix B, Section 2.
- Integrate this step with other BRE program activities, as described in Appendix B.

9.6.7 TREND TRACKING

This goal entails using City staff resources to monitor the market conditions and sales trends for existing and new retail businesses. This would help appropriate the necessary resources to those businesses that would benefit the most from additional assistance. This function could also include keeping track of business space vacancies and matching those leads up with businesses that might be looking to relocate into a larger or smaller space, or just move to a different location. In addition, the staff resources would go towards tracking employment trends.

Goal BAR-7: Dedicate staff resources to tracking market trends.

Implementation Approaches

- Continue ongoing efforts by City staff to track market trends, and assign additional resources to track additional market trends as needed. Descriptions of these market trends are found in Appendix B, Sections 8, 9, and 10.
- Contact the EDD Labor Market Information Division and request the city level CEW (ES202) employment database on an annual basis, as described in Appendix B, Section 8.

- Keep close contact with land and building owners to maintain an updated inventory of available spaces and parcels.
- Monitor regional retail activities, with a particular emphasis on new large-scale retail centers that would potentially compete with Cerritos.
- Integrate this step with other BRE program activities, as described in Appendix B.

9.7 EXTERNAL COMMUNICATIONS GOALS

9.7.1 CERRITOS WEBSITE

The City of Cerritos maintains an award winning website that contains a wide variety of information. This website focuses on providing information regarding the many resources available to local residents. The City currently uses its website in a more limited capacity for communicating with prospective businesses. While the Cerritos website contains basic information about the City, it does not provide current information about vacant properties and available business space. Links to additional resources could be provided on the website focused on both existing and prospective businesses.

Other communities such as Rancho Cucamonga, Stanislaus County, and San Joaquin County compile their available properties into a searchable online database. Other websites also integrate the property data with an online GIS application that ties the property leads with the County Assessor database. Stanislaus and Merced counties currently maintain this capacity through their website.

Goal EC-1: Increase the usage of the City’s website for communicating with prospective business leads.

Implementation Approaches

- Update the City’s website so that it includes specific links to targeted economic development topics, specific resources of interest to existing businesses, and information for prospective businesses.
- For existing businesses, update the website so that it provides links to local and regional economic development resources such as the Chamber of Commerce, Small Business Development Center, Regional Occupational Program and other educational resources, trade organizations, funding sources, and other business assistance organizations.
- For prospective businesses, update the website so that it includes updated information on property and business space available in Cerritos. This information can also be integrated into a searchable web-based

database application. In addition, the website should also post any targeted marketing materials aimed at specific types of business prospects.

- The City of Cerritos should explore the development of a web-based GIS application that would integrate the real estate and property database into visual maps.

9.7.2 BUSINESS PROSPECT CONTACTS

First contacts with new business prospects are currently handled by a variety of parties, including the City Manager, the Community Development Department, the Chamber of Commerce, and the City’s business license office. While the vast majority of new business contacts go through the business license officer first, there is currently no protocol for raising attention to when a prospective business might require additional assistance. In order to ensure that business needs are fully met from the outset, there should be a consistent protocol for handling business prospects, along with clearly designated roles and responsibilities for all of the City departments that might come in contact with business prospects.

Goal EC-2: Establish a consistent and clearly defined protocol for new business prospects.

Implementation Approaches

- Designate specific roles for Cerritos City staff to address outside business inquiries, and have the necessary information on hand to address these inquiries.
- Ensure that the City’s business license office can provide information on City departments and specific personnel contact for particular inquiries. This is important because most business inquiries go through the City’s business license office first.
- Work in conjunction with the Chamber of Commerce to systematically address any inquiries that originate through the Chamber.
- Assign a point person within the Community Development Department to keep track of existing building vacancies and land parcels. Any outside inquiries regarding space for a new business or a larger space for business expansion should go through that person. This role can also be divided up by type of land use (i.e. retail, industrial, or office).
- Assign designated protocols to inquiries into funding assistance, city-owned property, infrastructure, permit assistance, fee waivers, and other economic development tools that might be applied on a case-by-case basis.

9.8 STRATEGY SUMMARY

The strategic goals and recommended implementation approaches are intended to provide an action program that the City can use to address its short- and long-term economic development challenges and opportunities. The retail goals address market opportunities and the need for Cerritos to maintain its existing strategic advantages by adjusting to a changing market.

The job diversification goals are intended to tie Cerritos' business attraction efforts more closely to market opportunities presented by the regional economy, and build on the existing momentum that the City has created with its growing office base. Housing diversification ties into the job creation goals because of how housing impacts labor force recruitment.

The fiscal and services delivery goals address the central issue of revenue replacement for redevelopment tax increment, while exploring new organizational options for economic development activities through the formation of a local EDC.

The remaining goals pertaining to internal systems, business retention and expansion, and external communications look at existing economic development practices by the City. Many of these goals and implementation approaches primarily involve reorganizing existing resources, such as information systems and databases, so that they can complement one another. Other suggested changes to existing practices involve creating a dedicated BRE program and focusing the City's marketing message by creating targeted approaches for different business sectors.

Taken together, these goals and implementation measures will help Cerritos maintain its strategic advantages while addressing market opportunities and useful changes to existing practices.

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10. CONCLUSIONS



10. CONCLUSIONS

Cerritos is a community that has benefited tremendously from prescient decisions made many years ago. These decisions included establishing high standards for development and public spaces, pursuing regional retail as a means by which to create a large sales tax base, and taking advantage of the opportunities afforded by adopting redevelopment plans over 30 years ago. As Cerritos moves forward in its innovative programs and services, the City needs to be equally forward thinking in a strategic approach to its current and future economic development challenges.

The recommendations presented in the Economic Development Strategic Plan view Cerritos as a community whose business base and economic opportunities will in the coming years increasingly reflect the affluence of its residents and its desirability as a place to live. The market opportunities support this type of transition into a more upscale retail base and more space to create professional office jobs.

These transitions have occurred elsewhere in the Los Angeles/Orange County region, and Cerritos is well positioned to benefit from these trends. However, a significant portion of Cerritos' existing job base relies on industries that are in decline regionally. The challenge is in identifying locations for new business development to occur, and strategically focusing business retention resources so that the City does not prematurely erode its existing economic strengths.

This transition also represents a challenge to Cerritos' long-established strength with its regional retail centers. Building on the strength and viability of these centers is vital to maintaining the sales tax base that Cerritos retailers have provided to the City.

Concurrent to the overarching trend towards more fully taking advantage of the community and region's growing affluence, the EDSP also focuses on the importance of locally generated business opportunities. Many of Cerritos' best economic development opportunities originate from its existing business base and underserved retail markets. By instituting a comprehensive process of business retention and outreach, the City can help ensure that important businesses remain competitive. Moreover, existing businesses provide opportunities for other comparable businesses that might serve as suppliers. In addition, the retail market shows opportunities for local-serving development.

As Cerritos' business base continues to grow, a planning effort is currently underway that would include new housing. A growing residential population will help bolster the market for retail uses, and it will also allow for Cerritos to retain more of the workers who currently commute. In addition, new housing can also allow the City to explore different housing configurations such as mixed use development, which can help attract the types of professionals and entrepreneurs that would want to start up companies in Cerritos.

Cerritos has a very strong foundation already in place from which to engage in economic development activities. The labor force, housing, and existing business base all provide a multitude of opportunities for business development, while providing a high quality of life for residents. The challenge facing Cerritos is in maintaining its strong competitive position and taking advantage of new business opportunities, while ensuring continued success for its strongest industry sectors and businesses. Forward thinking has helped build Cerritos into a desirable place to live and conduct business. A continuation of this tradition will help Cerritos maintain and build upon that status.

APPENDIX A: STATE AND FEDERAL GOVERNMENT REVENUE SOURCES

This section provides a further description of the government programs identified in Section 8.3 of the Economic Development Strategic Plan as potential funding sources for economic development activities in Cerritos.

California Infrastructure and Economic Development Bank (I-Bank): Infrastructure State Revolving Fund Program (ISRF)

Through the Infrastructure State Revolving Fund Program, I-Bank provides loans to cities, counties, redevelopment agencies, special districts, assessment districts, joint powers authorities, and non-profit corporations formed on behalf of a local government. This program uses a competitive application process. Loan funds may be used for projects in the following categories:

- City streets
- County and State highways
- Drainage
- Water supply and flood control
- Educational facilities
- Environmental mitigation measures
- Parks and recreation facilities
- Public transit
- Sewage collection and treatment
- Solid waste collection and disposal
- Water treatment and distribution
- Public safety facilities
- Power and communications facilities

Economic Development Administration (EDA)

The U.S. Economic Development Administration (EDA) offers planning funds as well as grants and loans for infrastructure development associated with business and job growth. These funds are competitive and cannot replace the magnitude of redevelopment funds for Cerritos, but they can provide a strategic incentive to assist certain business development projects. Through the Public Works Program, EDA makes grant funds available to states, cities, counties, higher education institutions, Indian tribes, and other

political subdivisions for investments in water and sewer system improvements, industrial access roads, industrial and business parks, port facilities, railroad sidings, distance learning facilities, business incubator facilities, redevelopment of Brownfields, eco-industrial facilities, and telecommunications infrastructure improvements needed for business retention and expansion. The funds may be used for acquisition, rehabilitation, design and engineering, or improvement of public land or publicly-owned and operated facilities.

To apply for the funds, the applicant, or the county it is located in, must have a Comprehensive Economic Development Strategy (CEDS) approved by EDA. After an approved CEDS has been adopted and a local project is identified, prospective applicants must meet with an EDA Economic Development Representative to discuss the applicability of the project.

CA Department of Water Resources (DWR): Local Water Supply Construction Loans

DWR provides loan funds for cities, counties, districts, and political subdivisions of California involved in water management to finance canals, dams, reservoirs, desalination facilities, groundwater extraction facilities, and other construction or improvement projects for water supply purposes. Applications are accepted on a continuous basis.

State Community Development Block Grant (CDBG) Program

Although the City of Cerritos has not been eligible in the past, future opportunities may exist in California's CDBG Program, which is administered through the Department of Housing and Community Development as Federal pass-through funds that originate with the U.S. Department of Housing and Urban Development (HUD). California's program is divided into two allocations: "General" and "Economic Development." According to the 2005-06 Notice of Financial Availability (NOFA), Cerritos was not eligible for the Economic Development and Over-the-Counter components of the CDBG program. However, Cerritos should continually check with CDBG on its eligibility to participate in the programs that they administer. Cerritos is currently an entitlement city and has exchanged CDBG funds with other cities in the past.

California Statewide Communities Development Authority (CSCDA): Statewide Community Infrastructure Program (SCIP)

The Statewide Community Infrastructure Program (SCIP) is a pooled funding vehicle for communities to finance infrastructure development prior

to the collection of impact fees. The financing occurs through the issuance of 30-year tax-exempt bonds. The program seeks to reduce the need to construct projects incrementally as fees are paid. Underwriting (credit analysis) of the development projects must occur, with entitlement completed. A lien is placed on the property, using current appraisals and a 3:1 value-to-lien ratio. There must be: no prior tax or bond delinquencies, clean property owner credit and title reports, a developer due diligence questionnaire completed, and the approval by an SCIP underwriter. There are two programs within SCIP.

The Impact Fee Prefunding Program finances impact fees up front in amounts large enough to fund the infrastructure construction necessary for development. Through this program, the City would need to partner with a developer. The City would then apply to SCIP to receive, up front, the total impact fees the developer will pay upon completion of his/her entire development. As development progresses and the developer pays the impact fees, the SCIP funds received are repaid.

The Impact Fee Reimbursement Program, as with the Prefunding Program, requires a developer to be on board. However, this program does not provide the impact fees up front. With the Reimbursement Program, the developer pays the impact fee out-of-pocket at the time of building permit issuance. The developer applies to SCIP to have the fees reimbursed.

To be eligible for these programs, the City must be a member of CSCDA. Membership is free and requires the adoption of a Resolution by the City Council. Communities interested in joining CSCDA can contact the organization to receive the Resolution and materials needed for reference and administration of the program.

The Prefunding Program would allow the City to construct larger portions of infrastructure at a time in conjunction with development projects. Because the program is relatively new, it remains largely untested. That does not mean that this program does not provide a useful financing vehicle for infrastructure development; it simply means that there could be complications associated with utilizing these funds that have not been identified because relatively few projects have actually utilized the programs.

State Transportation Improvement Program (STIP)

This program is allocated every two years and begins with the release of a proposed funding estimate in July of odd numbered years. The funds are allocated to on and off-highway transportation projects. Cerritos should check with its regional transportation planning agency to ascertain the eligible

activities that can be funded through this program. CalTrans and the regional transportation planning agencies prepare transportation improvement plans for submittal on December 15 of odd numbered years.

US Environmental Protection Agency (EPA): Brownfields Assessment, Revolving Loan Fund, and Cleanup Grants

In the event that there are Brownfield issues related to any development sites, EPA provides funds for assessments, Revolving Loan Funds for private developers to clean-up their sites, and grants for communities to fund publicly-owned site cleanup.

CalTrans

There are funding programs currently available through CalTrans focusing on environmental and safety improvements related to existing street infrastructure. As the Interstate 5 widening project progresses, additional funds for impact mitigations could also become available.

APPENDIX B: BUSINESS RETENTION AND EXPANSION (BRE) PROGRAM DESCRIPTION

The primary purpose of a business retention and expansion (BRE) program is to identify business climate issues and individual actions that would improve upon the operating conditions for existing businesses. It also provides a mechanism by which to identify “at risk” businesses and respond to their specific needs. By appropriately directing business assistance resources, the ultimate goal of a BRE program is to expand the job base provided by existing businesses and to address the competitiveness issues that businesses might face.¹⁸

1. Targeted Approach to BRE Program

In initiating a comprehensive BRE program, the City of Cerritos should assist any business that wishes to participate, but a BRE program should begin first by targeting the business sectors and specific businesses that provide the base for Cerritos’ current jobs and tax revenue. The Economic Base Analysis identified those sectors that account for the largest share of jobs and sales tax. In addition, the sales tax data identifies the individual businesses that generate the most taxable sales in Cerritos. These groups of businesses comprise the starting point and focus for a BRE program.

The City already has an ongoing relationship with the Auto Square, recognizing the importance that its tenants represent to the Cerritos economy. In addition to regular meetings with the Auto Square management and representatives from the dealerships, the City has engaged in a process of identifying new space for activities that have outgrown the Auto Square’s available space. This effort helps the Auto Square maintain its competitiveness, and can potentially serve as a model for a more comprehensive BRE program.

2. Targeted Marketing Message and Materials

Business attraction efforts for Cerritos should include a set of targeted marketing messages with materials that will include specific information for different audiences. The existing materials provide a visionary statement for what Cerritos represents as a community, but they would be enhanced by a

¹⁸ This section contains information that was originally presented at the International Economic Development Council’s 2005 Business Retention and Expansion training course, which was administered by Executive Pulse.

complementary message that focuses on the business location requirements for specific economic sectors.

Retail

With retail uses, the marketing materials need to focus on the affluence and spending power of local residents, and the extent of Cerritos' current regional market reach. Cerritos is a regional shopping destination that has consistently stayed ahead of the curve, and that message needs to be conveyed to prospective retail stores and developers. Other themes that Cerritos can hit upon include:

- Ethnic diversity
- Quality of existing retail centers
- Proximity to freeways and centrality of location
- Sites for future retail construction

Industrial Uses

Even though many industrial categories have not performed well in the L.A./Orange county region, they remain a strong presence in Cerritos, and the community is well situated to take advantage of opportunities related to global trade. In addition, industrial space can also be used for technology and R&D types of businesses. The marketing message with these types of uses should focus on Cerritos' central location, the quality of its labor force, its proximity to the deep water ports and airports, and the presence of many large industrial companies. Other bits of information that Cerritos can use to market itself to industrial users include:

- Existing industrial space
- Multilingual business community
- Low fees compared to other communities
- Proactive approach to meeting infrastructure needs
- Quality of existing development

Office Uses

Office uses represent an expanding part of Cerritos' job base, with plans underway for additional office development in the Cerritos Towne Center. The marketing message with office uses should appeal to Cerritos as a high end residential community and place to do business. Because much of the office development has occurred in and around the Towne Center, the amenities of the Towne Center should be included as part of the marketing

message. Other information that should be included for prospective office tenants and developers include:

- Location of existing office space
- Location of vacant parcels
- Low fees compared to other communities
- Existing and future telecommunications infrastructure

Lodging and Visitor-Serving Uses

The lodging and visitor-serving market tap mostly into the business travel market. The marketing message here is Cerritos' central location, facilities, and proximity to other attractions. In addition, a big part of Cerritos' visitor-serving market originates with local groups and families hosting events. This constituency would be interested in knowing about the meeting and banquet spaces that are available in Cerritos. Another potential market that Cerritos can explore is its regional reach with the Auto Square, and how some car shoppers travel from long distances and stay overnight in Cerritos. The marketing message for Cerritos' lodging and visitor-serving uses could contain the following components:

- Cerritos' central location from freeways, airports, rail stations, and deep water ports
- Local arts facilities
- Local amenities such as public art and the Cerritos library
- Available lodging facilities
- Available meeting/conference facilities and banquet rooms (including those at restaurants and retail centers)
- Proximity to Southern California visitor attractions
- Cerritos' major shopping destinations and its world-class auto mall

3. Customer Orientation

The City of Cerritos should take a long-term view in implementing a BRE program, and structure the program by taking a proactive customer service perspective. A customer orientation is more of a mindset that should be consistent throughout the BRE process. This approach simply looks at economic development from the perspective of proactively asking the business community, "How can we serve you?" and then addressing the response and resources accordingly. This entails a lot of one-on-one contact with business owners, managers, and executives; and building relationships and constant feedback loops.

4. Outreach

Outreach represents the most important component of a BRE program, because it represents the action that goes along with the “customer” orientation. A comprehensive outreach process serves as an opportunity for contact and facilitates two-way communication between the business community and the City. The primary goal of outreach is to understand the “customer.” This understanding of local businesses creates a competitive advantage for Cerritos, because other communities that might want to attract businesses away from Cerritos will not have the same understanding of their needs.

The outreach should have a clearly designated point person, in addition to other staff members trained and assigned to build one-on-one customer relationships with businesses. This process should be constant and ongoing. Successful BRE programs will often set a goal for the number of businesses contacted every week—typically 5-10 contacts per week. However, specific activities would need to be prioritized such that the greatest amount of outreach is achieved without triggering a need for increased staff resources.

Another vital function of the outreach process is to quickly identify “at risk” businesses – i.e. businesses that are looking to either move out of the area or shut down. The outreach process can hopefully identify those businesses before they finalize any relocation or closure decisions. Very often, a local government will learn that a business is at-risk of closing or relocating a major facility after the decision has already been made.

If the conditions that led these businesses to consider relocating or closing down can be addressed by the City, this can provide an opportunity for an at-risk business to learn about resources or programs that might provide incentive for them to continue operating in Cerritos. The most important aspect of this process is that it lets the City communicate with an at-risk business before the decisions are finalized. Even if the City is not in a position to influence the final locational decision, this process can help the City to identify any business climate issues that it can influence.

Very often, BRE programs also include active participation from business organizations such as the Chamber of Commerce.

5. Survey and Feedback

The outreach process should include an open-ended survey that gauges business climate issues in the community and that also provides a means by which to measure the performance of the BRE program. Information collected by a survey would potentially include business climate factors,

workforce issues, sales trends, market reach, funding and technical assistance needs, and short-term plans. This data should be continually maintained in a customer database that can be aggregated to track trends on a citywide level, and tracked for individual businesses to see if their business conditions improve with each successive contact.

6. Team Approach

In addition to assigning Community Development resources to business retention and expansion outreach, the program should include an expanded response team that can address specific needs. For example, a liaison with Cerritos College can help address labor force training needs, and a representative from the local Small Business Development Center can respond to technical assistance issues.

The team can also include staff members from other City departments, such as public works and finance, that can rapidly respond to issues and needs that come out of the outreach process. This is particularly important when mobilizing to assist “at risk” businesses.

7. Ongoing Commitment and Flexibility

A BRE program typically takes more than a year to get off the ground, and should be regarded as an ongoing process. In addition to a long-term commitment to a BRE program, the process of outreach and soliciting feedback will allow for the program to adjust to business needs and adapt as the program moves forward. It is important to ensure that personnel assigned to BRE activities are kept up to date and continuously trained for the outreach.

8. Employment Tracking

Requisitioning the CEW (ES202) data from the State Employment Development Department (EDD) will allow the City to track the employment by industry on an annual basis. This confidential data represents the most comprehensive and accurate source for tracking private sector employment at the city level, and obtaining it requires a formal request from the City to the EDD Labor Market Information Division. The other sources that provide city level employment data, such as the ZIP Code Business Patterns and Dun & Bradstreet, have numerous limitations at the city level with respect to their level of detail, data accuracy, compatibility of the industry coding with other sources, and/or time consistency (i.e., the data is not updated at regular intervals, which negates using the data for time series analysis).

9. Real Estate Tracking

In conjunction with any outreach efforts targeted to the business community, the City should also keep close contact with land and building owners to maintain an updated inventory of available spaces and parcels. By posting this information on the City's website and including it with targeted marketing materials, it can more quickly match new business prospects and current expansion candidates with available spaces in Cerritos.

10. Retail Tracking

In addition to tracking the taxable sales data by store type, the City should continue to monitor trends and changes in the regional retail market, and continue ongoing tracking of retail sales trends by existing businesses. This would include any new types of retail centers and store types that have opened for business, and any new retail developments that neighboring communities have planned.

BRE Program Conclusions

A comprehensive Business Retention and Expansion program in Cerritos will require implementing several different ongoing activities, many of which already exist within the City at some level. The most significant departures from existing practices are targeting the marketing messages to specific audiences, and more broadly implementing a business outreach process. The purpose of a BRE program to a large degree is to more systematically implement and expand upon activities in which the City and organizations such as the Chamber of Commerce are already engaged. The ultimate success of a BRE program is in the communication process that it provides, and the ability to more rapidly respond to changes to the business climate or regional economic conditions.

APPENDIX C: CERRITOS BUSINESS SURVEY RESULTS

As part of the EDSP process, a Business Survey was sent to a randomly selected sample of 500 businesses in Cerritos in November 2005. These businesses were selected from the Cerritos business license database. This survey was designed to provide a profile of Cerritos' business community, identify business climate concerns, and provide primary data that would be used in the technical tasks, particularly the Retail Market Analysis. In order to obtain a larger sample from retail businesses, an additional 360 surveys were sent only to retail stores in January 2006. Overall, a total of 98 Cerritos businesses responded to the survey. The key findings from the Cerritos Business Survey are described below.

Composition of Survey Respondents

- More than half of the survey respondents were either professional service establishments or retail stores (including restaurants and fast food/take-out establishments). About 20 percent of the respondents were industrial businesses involved in manufacturing and distribution. (Table C-1)

TABLE C-1
WHAT TYPE OF BUSINESS DO YOU OPERATE?

Business Category	Responses	Percentage of Responses
Retail Store	20	20.4%
Sit-down Restaurant	7	7.1%
Fast-food Restaurant	6	6.1%
Personal Services	4	4.1%
Manufacturing	7	7.1%
Wholesale/Distribution	13	13.3%
Professional Services	25	25.5%
Other	16	16.3%
Total responses	98	

Source: ADE, data from Cerritos Business Survey

Notes: Percentages might add up to more than 100 percent due to multiple responses.

Business Tenure

- Most of the respondents have been in business at their location for more than five years. About 10 percent of the respondents have been at their current business location for less than a year. (Table C-2)

TABLE C-2
HOW LONG HAVE YOU BEEN IN BUSINESS AT THIS LOCATION?

Number of Years at Current Location	Responses	Percentage of Responses
Less than one year	10	10.2%
1 to 3 years	14	14.3%
3 to 5 years	12	12.2%
Over 5 years	62	63.3%
Total responses	98	

Source: ADE, data from Cerritos Business Survey

Notes: Percentages might add up to more than 100 percent due to multiple responses.

- About one-third of the responding businesses are subsidiaries or franchise operations. The remainder consists of unique establishments with no other locations. About 22 percent of the businesses are owned by Cerritos residents. (Table C-3)

TABLE C-3
IS YOUR BUSINESS A UNIQUE ESTABLISHMENT OR PART OF A CHAIN/FRANCHISE?

Type of Business	Responses	Percentage of Responses
Unique establishment owned by a resident of Cerritos	22	22.9%
Unique establishment with owner that lives elsewhere in Los Angeles/Orange Co.	35	36.5%
Unique establishment with owner that lives outside the area	7	7.3%
Business is part of regional chain/franchise	5	5.2%
Business is part of national chain/franchise	18	18.8%
Business is a unique establishment with more than one location	9	9.4%
Other	9	9.4%
Total responses	96	

Source: ADE, data from Cerritos Business Survey

Notes: Percentages might add up to more than 100 percent due to multiple responses.

- About 85 percent of the respondents lease or rent their business space. About five percent of responding businesses indicated that they are home-based businesses, and the remaining 10 percent own their place of business. (Table C-4)

TABLE C-4
DO YOU OWN OR RENT/LEASE YOUR BUSINESS SPACE, OR ARE YOU A HOME-BASED BUSINESS?

Business Space Tenure	Responses	Percentage of Responses
Own	10	10.8%
Lease/Rent	79	84.9%
Home-based Business	5	5.4%
Total responses	93	

Source: ADE, data from Cerritos Business Survey

Notes: Percentages might add up to more than 100 percent due to multiple responses.

- About 82 percent of responding businesses indicated that they do not have room to expand at their current location.
- Among the businesses that rent or lease their space, more than 36 percent indicated that they have more than three years remaining on their lease. Only about four percent of the respondents have a month-to-month arrangement. (Table C-5)

TABLE C-5
IF LEASING YOUR CURRENT SPACE, HOW MUCH TIME DO YOU HAVE LEFT ON YOUR LEASE?

Time Remaining on Lease	Responses	Percentage of Responses
Month-to-month lease	3	4.2%
Less than 12 months	13	18.3%
Between 1 year and 3 years	29	40.8%
More than 3 years	26	36.6%
Total responses	71	

Source: ADE, data from Cerritos Business Survey

Notes: Percentages might add up to more than 100 percent due to multiple responses.

- When asked why they located in Cerritos, respondents cited access to customers, freeway proximity, availability of business space, and quality of business space as the most prominent reasons for operating in Cerritos. (Table C-6)

TABLE C-6

WHAT ARE THE PRIMARY REASONS THAT YOUR BUSINESS CHOSE TO LOCATE IN CERRITOS INSTEAD OF OTHER LOCATIONS?

Primary Reason to Locate in Cerritos	Responses	Percentage of Responses
Access to customers	32	34.8%
Freeway access	29	31.5%
Availability of business space	23	25.0%
Quality/suitability of business space	23	25.0%
Close to where owners/employees live	20	21.7%
Acquired existing business in Cerritos	19	20.7%
Cost of business space	13	14.1%
Close to where employees live	12	13.0%
Other	5	5.4%
Access to suppliers	3	3.3%
Local government assistance	2	2.2%
Incentives	1	1.1%
Total responses	98	

Source: ADE, data from Cerritos Business Survey

Notes: Percentages might add up to more than 100 percent due to multiple responses.

Business Location and Expansion Plans

- Businesses in the survey generally expect to stay in their current location, with 85 percent of respondents indicating no intention of relocating. Only about eight percent of businesses in the survey indicated that they might relocate out of Cerritos. (Table C-7)

TABLE C-7

WHAT ARE YOUR BUSINESS LOCATION INTENTIONS DURING THE NEXT THREE YEARS?

Business Location Intentions During Next Three Years	Responses	Percentage of Responses
Intend to continue operating at current location	78	84.8%
Intend to move elsewhere in Cerritos	4	4.3%
Expect a rent increase that will make it difficult to continue operating at current location	4	4.3%
Would like to expend the business but cannot expand at this site	6	6.5%
Would like to move to another location in Cerritos but there is no suitable space	3	3.3%
Would like to move to another location in Cerritos but costs are too high	5	5.4%
Might move out of Cerritos	7	7.6%
Other	1	1.1%
Total responses	92	

Source: ADE, data from Cerritos Business Survey

Notes: Percentages might add up to more than 100 percent due to multiple responses.

- Among the 33 businesses that had considered relocating at some point, they generally considered nearby locations such as Artesia, Norwalk, Santa Fe Springs/La Mirada, and North Orange County. (Table C-8)

TABLE C-8

IF YOUR BUSINESS HAS CONSIDERED RELOCATING OUT OF CERRITOS, WHAT OTHER LOCATIONS HAVE YOU CONSIDERED?

Other Business Locations Considered	Responses	Percentage of Responses
Artesia	9	27.3%
Norwalk	7	21.2%
Lakewood	2	6.1%
Bellflower	2	6.1%
Santa Fe Springs/La Mirada	7	21.2%
North Orange County	6	18.2%
Other 91 Corridor	4	12.1%
Other 605 Corridor	1	3.0%
Other Orange County	3	9.1%
Other Los Angeles County	2	6.1%
Other California	2	6.1%
Total responses	33	

Source: ADE, data from Cerritos Business Survey

Notes: Percentages might add up to more than 100 percent due to multiple responses.

- Businesses with intentions to expand generally are looking for spaces under 5,000 square feet, with a median space requirement of 3,500 square feet. (Table C-9)

TABLE C-9

IF LOOKING FOR A NEW BUSINESS LOCATION, HOW SPACE DO YOU ANTICIPATE NEEDING?

Anticipated Space Needed	Responses	Percentage of Responses
Under 2,000 square feet	12	30.0%
2,000 to 4,999 square feet	12	30.0%
5,000 to 9,999 square feet	3	7.5%
10,000 to 19,999 square feet	4	10.0%
20,000 to 49,999 square feet	5	12.5%
50,000 square feet and over	4	10.0%
Median (Sq.Ft.)	3,500	
Mean (Sq.Ft.)	15,552	
Total responses	40	

Source: ADE, data from Cerritos Business Survey

Notes: Percentages might add up to more than 100 percent due to multiple responses.

- Only about 33 percent of surveyed businesses have not expanded and do not intend to expand their businesses. 42 percent of businesses report recent expansion activities, and 34 percent have expansion plans. (Table C-10)

TABLE C-10

HAS YOUR BUSINESS EXPANDED OR HAVE YOU PLANNED TO EXPAND IN THE PAST TWO YEARS?

Expansion Plans	Responses	Percentage of Responses
Yes, business has already expanded	37	42.0%
Yes, I plan to expand	30	34.1%
No	29	33.0%
Total responses	88	

Source: ADE, data from Cerritos Business Survey

Notes: Percentages might add up to more than 100 percent due to multiple responses.

- Among those businesses with expansion plans, 20 percent of them are looking to relocate, while 38 percent are looking to expand by adding new products or services, and 33 percent intend some form of physical expansion. (Table C-11)

TABLE C-11

IF YOUR BUSINESS HAS EXPANDED OR PLANS TO EXPAND, WHAT TYPES OF EXPANSION HAVE YOU COMPLETED OR PLAN TO COMPLETE?

Planned Business Expansions	Responses	Percentage of Responses
Physical expansion on same site	21	32.8%
New services and/or retail products	24	37.5%
Relocation to different site	13	20.3%
Other	11	17.2%
Total responses	64	

Source: ADE, data from Cerritos Business Survey

Notes: Percentages might add up to more than 100 percent due to multiple responses.

- Among those businesses that have completed or intend to complete business improvements, the majority of them (62 percent) added or will add new employees. Other prominent business improvement investments include new equipment, interior remodeling, and technology upgrades. (Table C-12)

TABLE C-12

IF YOUR BUSINESS HAS DONE OR WILL DO CAPITAL OR OTHER BUSINESS IMPROVEMENTS, WHAT TYPES OF ACTIONS HAVE YOU COMPLETED OR PLAN TO COMPLETE?

Business Improvements	Responses	Percentage of Responses
Hired new employees	47	61.8%
New equipment	37	48.7%
Interior remodeling	28	36.8%
Increased use of technology	21	27.6%
Streamlined business practices	13	17.1%
Structural improvements	6	7.9%
Facade improvement	4	5.3%
Other	7	9.2%
Total responses	76	

Source: ADE, data from Cerritos Business Survey

Notes: Percentages might add up to more than 100 percent due to multiple responses.

Marketing and Promotion

- Word of mouth is by far the most prominent form of business promotion identified in the survey, with 84 percent of respondents. Other forms of promotion identified by at least 30 percent of survey respondents include brochures, mailers, phonebook ads, and the internet. (Table C-13)

TABLE C-13

WHICH OF THE FOLLOWING DO YOU USE TO PROMOTE YOUR BUSINESS?

Type of Business Promotion	Responses	Percentage of Responses
Word of mouth	79	84.0%
Brochures	42	44.7%
Internet	39	41.5%
Mailers	37	39.4%
Phonebook ads	29	30.9%
Advertise in newspaper	25	26.6%
Trade shows	23	24.5%
Radio ads	13	13.8%
Chamber of Commerce events	12	12.8%
Event sponsorships	12	12.8%
Television ads	11	11.7%
Other	6	6.4%
Total responses	94	

Source: ADE, data from Cerritos Business Survey

Notes: Percentages might add up to more than 100 percent due to multiple responses.

- Only about 35 percent of respondents identified themselves as members of the Cerritos Chamber of Commerce.

Housing Affordability

- 35 percent of respondents indicated that lack of affordable housing in Cerritos has affected their ability to recruit workers.

Labor Force Recruitment

- About 37 percent of respondents indicated that they were unable to recruit the skilled labor force they need locally.

Internet Usage

- 80 percent of businesses in the survey have internet access, and 56 percent of them have websites.

Sales Tax and Point-of-Sale

- About 59 percent of survey respondents indicated that they pay sales tax, while 46 percent of the businesses could confirm that their point-of-sale was the City of Cerritos.

Recent Sales Trends

- Recent sales trends generally showed a positive trend with 59 percent of businesses reporting either moderate or significant revenue growth over

the past two years. Only 15 percent of businesses reported sales declines. (Table C-14)

TABLE C-14

HOW DO YOU GENERALLY PERCEIVE YOUR SALES TRENDS WITHIN THE PAST THREE YEARS?

Business Category	Responses	Percentage of Responses
Significant Growth (More than 10%)	18	20.0%
Moderate Growth (Less than 10%)	35	38.9%
Minimal Change	16	17.8%
Moderate Decline (Less than 10%)	10	11.1%
Significant Decline (More than 10%)	4	4.4%
Sales Have Fluctuated	7	7.8%
Total responses	90	

Source: ADE, data from Cerritos Business Survey

Notes: Percentages might add up to more than 100 percent due to multiple responses.

Business Languages

- About 48 percent of survey respondents reported that they also conduct business in Spanish, while 30 percent conduct business in Korean. (Table C-15)

TABLE C-15

BESIDES ENGLISH, IN WHAT OTHER LANGUAGES DO YOU CONDUCT BUSINESS?

Languages In Which Business Is Conducted	Responses	Percentage of Responses
Spanish	47	48.0%
Cantonese	9	9.2%
Japanese	11	11.2%
Korean	29	29.6%
Mandarin	14	14.3%
Tagalog	14	14.3%
Vietnamese	8	8.2%
Other	10	10.2%
Total responses	98	

Source: ADE, data from Cerritos Business Survey

Notes: Percentages might add up to more than 100 percent due to multiple responses.

Business Climate Strengths

- According to survey respondents, Cerritos' most prominent business climate strengths pertain to its central location and access to transportation. Each of these business climate factors were identified by more than 70 percent of the total survey sample. Other major business

climate strengths cited by at least 25 percent of the survey sample include Cerritos' diverse ethnic population, quality of life, the overall business climate, and the high local income. (Table C-16)

TABLE C-16

WHAT ARE THE PRIMARY STRENGTHS OF CERRITOS AS A PLACE TO DO BUSINESS?

Primary Strengths	Responses	Percentage of Total
Easy access to freeways, airports, railroads, and public transit	85	86.7%
Central location	70	71.4%
Diverse ethnic population	35	35.7%
Quality of life	32	32.7%
General business climate	31	31.6%
High local income	28	28.6%
Shopping opportunities and local service businesses	24	24.5%
Access to markets and consumer spending	22	22.4%
Diverse and healthy local economic base	20	20.4%
Education	19	19.4%
Spending from customers outside of Cerritos	15	15.3%
Strong presence of other businesses	14	14.3%
Commitment of local govt. to solve problems	14	14.3%
Public services (recreation activities, parks, and libraries)	14	14.3%
Community involvement	13	13.3%
Area growth potential	12	12.2%
Work force availability	11	11.2%
Large daytime worker population	10	10.2%
Land costs/rents	10	10.2%
Quality of local labor force	8	8.2%
Arts presence	6	6.1%
Housing costs	5	5.1%

Source: ADE, data from Cerritos Business Survey

Notes: Percentages add up to more than 100 percent due to multiple responses.

Business Climate Weaknesses

- High land costs/rents and high housing costs were cited as the most prominent business climate weaknesses. In general, fewer businesses identified business climate weaknesses than those that identified strengths. (Table C-17)

TABLE C-17

WHAT ARE THE PRIMARY WEAKNESSES OF CERRITOS AS A PLACE TO DO BUSINESS?

Primary Weaknesses	Responses	Percentage of Total
High land costs/rents	39	39.8%
High housing costs	28	28.6%
Local business regulations	19	19.4%
Work force availability	11	11.2%
Lack of exposure/high profile	9	9.2%
Problems with local government	9	9.2%
Transportation access	8	8.2%
Business vacancies	6	6.1%
Lack of growth potential	5	5.1%
Distance from supplier businesses	4	4.1%
Quality of local labor force	3	3.1%
General business climate	3	3.1%
Distance from markets	2	2.0%
Shopping opportunities and local business services	2	2.0%
Community apathy	1	1.0%
Education	1	1.0%
Lack of parking	1	1.0%
Mall is outdated	1	1.0%
Need higher quality retail	1	1.0%
Legalize u-turns on 166th	1	1.0%
Customers have left the area	1	1.0%
Ethnic exclusivity	1	1.0%
Lack of health care	1	1.0%
Costs too high	1	1.0%

Source: ADE, data from Cerritos Business Survey

Notes: Percentages add up to more than 100 percent due to multiple responses. Tabulation also includes open-ended responses.

City Actions to Improve Business Climate

- When asked about actions that the City of Cerritos should take in order to improve the business climate, the most prominent responses were to make Cerritos more business friendly and provide more assistance with permitting. Other actions identified by at least 10 percent of the total survey sample include increased sensitivity to the needs of ethnic minority business owners, promoting the City’s image, business taxes, increasing availability of retail business space, and improving the quality of the local labor force. (Table C-18)

TABLE C-18

IN WHAT AREAS SHOULD CERRITOS TAKE ACTION TO IMPROVE THE BUSINESS CLIMATE?

Actions to Improve Business Climate	Responses	Percentage of Total
More business friendly	20	20.4%
Permit assistance	19	19.4%
More sensitive to the needs of ethnic minority business owners	15	15.3%
Promote the city's image	14	14.3%
Business taxes (compared to other locations)	12	12.2%
More available retail business space	12	12.2%
Improving the quality of the labor force	10	10.2%
Education/job training	9	9.2%
Develop workforce housing	9	9.2%
Better inform businesses about public projects and services	8	8.2%
Clean-up and maintenance of public areas	7	7.1%
Increase cultural arts initiatives	5	5.1%
Financing	4	4.1%
Resolve signage issues	3	3.1%
Difficulty of working with City Hall	2	2.0%
Develop more park and recreation facilities/programs	1	1.0%
More stringent laws for hooliganism	1	1.0%
More responsive City services	1	1.0%

Source: ADE, data from Cerritos Business Survey

Notes: Percentages add up to more than 100 percent due to multiple responses. Tabulation also includes open-ended responses.