

State of the City
Michael S. Frank, City Manager
February 5, 2013

Chapter 1: The Pole Position

This is my fourth State of the City address. Things are looking better than they have in a long time.

- Retail sales and incomes are on the rise;
- Hotel vacancies are down with higher nightly room rates;
- Small businesses are opening at an increased pace;
- Real estate demand and prices are improving. Median home prices have jumped by almost 30%;
- Vacancy rates for Novato's industrial, office, and retail spaces are decreasing; and
- Marin County is experiencing broad gains in employment—5,500 jobs since 2010 and Marin's unemployment rate is the lowest in CA at 5.5%.

More telling, however, is that for the last couple of years I would go Downtown, walk into Morris and Co., and would have plenty of time to chat (or maybe more aptly, listen about the status of the recession). These days...Jan has handed Austin the glue gun; she is always helping a customer and Austin is too busy fighting with the wrapping paper to schmooze.

The roots of recovery are taking hold Downtown as well as other areas of the community. Whether you are a car or horse racing enthusiast, being in the “pole position” is the spot in the front row on the inside lane of the track. It is a position that promises an increased chance of success and possibility. We are sitting in the pole position.

Novato’s advantages are numerous:

- We have industries—like biotech and video gaming—that are looking to expand.
 - The Buck Institute has made nearly \$32M in improvements to its campus—and is about to submit plans for 130 residential units for its researchers.
 - BioMarin has made \$10M in improvements to the properties it leases and owns in Novato.
 - 2K Games—an international company specializing in interactive entertainment—expanded their corporate presence in Novato and are now up to 300 jobs here,
 - Toys for Bob—owned by Activision, the world’s first independent developer & distributor of video games for consoles—expanded their space and provides 75 jobs locally.
- We have developable land along the North Redwood Corridor from downtown to Birkenstocks.

- We have property owners throughout the City that are investing and tenanting their buildings or preparing plans to do so.
 - The completion of 999 Grant at Redwood (Umpqua Bank Plaza);
 - 7370 Redwood Blvd. where Peet's recently moved;
 - Pacheco Plaza which continues to get new tenants; and
 - The Square Shopping Center will get updated if I have to do the improvements myself.
- We have incredible land assets at Hamilton that we are actively positioning for investment
- Our entitlement processes and zoning code are improving and we continue to look for ways to streamline.
- We have made a commitment to keep Novato safe. We maintained police patrol officers during the staffing reductions, and with the use of grant and Measure F funds we have added a dedicated proactive problem-solving unit called the Novato Response Team or NRT. They have responded aggressively to any and all signs of gang activity in our community; the NRT provides a citywide integrated approach to crime prevention, intervention programs, and targeted enforcement operations. Despite perception to

the contrary, overall crime is down yet again and Novato has experienced a 13% decline in violent crime this past year and a 60% decrease from 20 years ago.

- Marin Transit is expanding its service routes with mini-buses, increasing frequency, and improving connections throughout town.
- And of course, the SMART train is coming with construction well underway and two stations being designed for Novato.

The City is ready to take off. We are primed for success in a whole host of arenas. As Richard Bach said in Jonathan Livingston Seagull, “Don’t believe what your eyes are telling you. All they show is limitation. Look with your understanding. Find out what you already know and you will see the way to fly.”

“Don’t believe what your eyes are telling you. All they show is limitation.” *Don’t believe everything you read on-line or the purveyors of mistrust.* “Look with your understanding. Find out what you already know...” *And what I know is this...*

Part and parcel of where we are now is a result of the way our leadership has coalesced over the past year. Those in the driver’s seat, our policy makers, Novato’s City Council are focused, working together as a team, and working with staff as valuable and essential elements of success. Council is providing

clear direction and leadership while modeling respect for all contributors to the public process.

I also know that we receive an extraordinarily high standard of service from our employees. We have the right people in the right jobs. Our employees are focused on the organization's mission and providing responsive and exceptional customer service. I watch staff regularly go above and beyond; not because their job requires it; not because they do or don't live in town; but because as public servants they know, and I know, it is the right thing to do.

Chapter 2: Powerful Intentionality

Intentionality is defined as the power of minds to be directed toward a collective goal. And that is what we have done. We stayed focused on pulling our City out of this difficult time and getting back on course.

What has been accomplished during this Recession has been nothing short of remarkable. As Gov. Brown said recently, "Fiscal discipline is not the enemy of our good intentions, but the basis for realizing them." Historically, Novato's City Councils have exercised repeated fiscal discipline. Our community never provided the enhanced pension formulas added by the State in the '90s, never paid for lifetime retiree healthcare, and has salaries 20 to 30% below comparable cities.

Nevertheless, due to the scale of the Recession, our Council and staff have needed to take bold, yet necessary steps to stabilize our City.

As a result, we've reduced our structural deficit by 90%, reduced expenditures by 20%, and enacted every legally-possible pension reform. Council adopted an emergency ordinance to get Measure F on the ballot to stop the bleeding and prevent further layoffs and reductions to vital City services. We re-tooled, re-organized, and re-focused by systematically considering every element of our budget and organization and made difficult and often painful decisions. We are presently at staffing levels last seen in 1995—when the City was 15% smaller in population and service needs. Our employees have participated in the solution with 4 years of financial sacrifices -- including furloughs, pay cuts, and benefit reductions.

In fact, I would go as far as saying these past couple of years were like nothing I have seen in my career and have pushed the boundaries of what I ever imagined possible, including the:

- Loss of redevelopment creating an immediate \$1M ongoing hole in our budget. The single most effective economic development tool for cities--missing from California municipal toolboxes indefinitely--with a sweep of the Governor's pen
- And deep and severe cuts to what was an already lean budget—including some small park closures and removal of amenities that can no longer be maintained, deferred

maintenance of facilities and street medians, and the loss of all recreational programs targeted at at-risk and low income youth.

We addressed the immediate fiscal crisis with powerful intentionality. So much so, that the bond rating agencies either upheld our bond ratings or in one case actually increased them!

We then turned our sights on long-term financial and organizational sustainability. Personally, I am ready to move beyond perpetually addressing structural deficits and to get to a place where we can provide the services most important to the community. We are developing a long-term plan—a blueprint of what we can accomplish and by what means—that will be completed this summer.

As fortunate as we are to have Measure F, it is a temporary fix. Looking ahead, we have to deliberate as a community—what level of services and infrastructure we want— and how we will pay for it.

Part of our challenge, which will be addressed in the long-term plan, is to identify revenue options. Not necessarily taxes, but revenue.

Incorporated after many special districts had already been formed, Novato does not have access to the same sources of revenue that most other municipalities do. We do not have a Utility Users tax, refuse franchise fees, or street impact fees. We, unfortunately, also have a low property tax rate which is

our largest revenue source. The City of Novato receives 7 cents for every \$1 of property tax paid, half, for instance of what the Novato Fire District receives.

But why? In the years prior to Prop 13, which froze our property tax rate and removed local control, Novato's City Council was fiscally conservative and repeatedly lowered its property tax rate (or what was called the mill rate in those days). Because of development growth at the time, total tax revenue continued to increase. Then Prop 13 came along and froze the low rate. In addition, in the late 1990's we instituted an urban growth boundary and now are mostly built out as a community.

Our lack of revenue is primarily the result of that 1978 ballot language removing local control and the significant unintended consequences it brought about.

In the long run we will need to address this lack of revenue either through economic development, creative use of City assets, or some other mechanism.

Measure F has been a godsend. Thank you Novato. It has allowed us to plug the budget hole following all the other reductions, and has given us time to methodically and thoughtfully consider what fiscal and organizational sustainability looks like.

The next 6 months will bring deep and thoughtful discussions and decisions about how we address this need for revenue and

balance 1) our need to invest in our assets and facilities for the long term, 2) the appropriate service levels expected by our community, and 3) employee compensation that allows us to retain and attract talent.

Tonight, the City Council will be exploring potential economic development options and strategies—I encourage all of you to be part of this ongoing discussion to shape our fiscal future. Expanding our local economy is critical to improving our budget and ultimately, your bottom line.

- We are launching an economic development program—with two talented individuals who will help us strengthen and expand the City’s economy and tax base by attracting investment and high-paying jobs, retaining businesses, promoting Novato as a destination, and creating vibrancy by expanding retail offerings for our residents;
- Unfortunately, our recent sales tax growth is less than half of that of the State and the Bay Area. Our leakage of retail sales to surrounding communities continues to be a major contributing factor. [All I have to say is that none of you better be caught at the new Targets in Petaluma or San Rafael.]

We are updating retail leakage data that will help us identify gaps, forecast opportunities, and explore emerging trends.

- We are working with property owners, developers, and brokers to tenant key commercial spaces and facilitate our development processes;
- And, we will be working on the General Plan update that will identify retail land use opportunities.

Of course the challenge is finding that sweet spot; that place where we can be most effective getting the revenue we need while maintaining the character we want as a community.

Despite the Great Recession and the focus on financial sustainability—there have been wonderful things happening:

- In and Out is about to start construction. [mmmm... double, double]
- Trek Winery is open for your urban wine tasting experience. [Get your tickets for the Academy Award event there for the Downtown Novato Theater]
- Muscio's and Left Coast Depot on Grant, Hopmonk Brewery in Vintage Oaks, and Beso's in Hamilton have all added to our culinary choices this year.
- Entitlements have been approved for Hannah Ranch to include office, restaurants, and a hotel.
- County Measure A to protect local parks, open space, and farmland passed by voters with a whopping 74%

approval—will generate approximately \$90 million countywide and over \$500,000 per year in Novato.

- City offices are coming downtown after 50 years of effort. [I'm just happy it is no longer a swimming pool!] The foundation is almost completed and the steel structure is about to start going up...a beautiful building in the heart of our community – accessible and representative of all. A place that will provide our community with decades of civic discourse, public celebration, and pride.
- In partnership with the School District, the first gym in 30 years—the Hamilton Community Gym—was opened. [Where my 11 year old daughter won two awards on Thursday.]
- The construction of the Bay Trail is currently underway at Hamilton, along the nation's largest wetland restoration project.
- In partnership with our committed and community-building local non-profits and volunteers: the City was able to transfer the Downtown Theater for restoration and operation; we reached agreement for a 2 acre community garden abutting Dogbone Meadow; and are on target for a new American Indian Museum building in Miwok Park.
- Our street maintenance and improvements—funded in part by Measure B (*Passed in 2000*) allows the quality of our roadways to rank high among other Bay Area Cities.

- Our City has been able to secure millions of dollars in grant funding to support everything from afterschool programs to alcohol abuse prevention to the construction of bike paths and sidewalks on Olive, as well as around Lynnwood and Schools.
- In partnership with the Bank of Marin, we were able to act swiftly and refinance the bonds used to purchase the Marin Valley Mobile Home Park at a very low rate.
- We were able to add additional parking and control a key downtown parcel containing our Historic Train Depot and are presently working on a land transfer with SMART
- 32,000 people used the Hamilton Pool this past summer, and nearly 90,000 times last year someone benefitted from a Parks Dept class, program, or event.

This steady partial list of collective accomplishments—from both the public and private sectors—is why our quality of life continues to be so good in Novato—despite the Recession.

Chapter 3: The Necessity and Tradition of Coming Together

Our City Council and staff commit themselves to ensure the safety, health, and development of our children, the condition of our streets, sidewalks, and storm drains, the emergency preparedness of our community, the vibrancy of our economy, and that our fiscal health is strong for future generations. And a

healthy community is one that comes together collectively to address issues and where mutual respect is fostered.

There is no shortage of examples where this community has mobilized to accomplish something, solve a problem, or help each other.

In 1922, the Novato Advance wrote about the Community House, “It is hoped and expected that this...will be to the community what a real home is to the family – a place where the needs, interest and happiness of each one is the concern of all the rest.” The building of the Community House was the coming together of the business community, residents, volunteers, and the Presbyterian Church who assisted with the financing of the project. Like the restoration of City Hall, this community will mobilize to restore our Downtown Novato Theater, the Train Depot, and will collectively determine what great things the next incarnation of the Community House will hold.

During the Depression, at the urging of the Chamber of Commerce and the community, the railroad donated a couple of railway cars to house a kitchen and caretaker to feed the many people out of work.

That community spirit continues strongly today – in our residents, nonprofits, businesses and staff alike. During our fiscal crisis, the Gymnastics Club for instance stepped up and agreed to raise an additional \$25,000 per year to support the

program. And the three Little Leagues in town have agreed to take over maintenance of the City fields they use.

We need to make sure that we continue to come together to solve problems and pursue initiatives for the greater good. As part of our everyday work, we have been committed to open government, transparency, and inclusiveness. For the last couple of years, we weathered the housing element process. I say “weathered,” as there were many stormy moments. Some as a result of our missteps, and others due to a lack of trust for the City to do the right thing on behalf of the community. Yet, we are now on target to have a certified housing element by the end of the year, which I believe, will meet the policy goals of the City Council, the community, and the State. Nevertheless, trust between some in the community and their government was damaged.

Granted, it is not just Novato. There has been a decline of public trust in government overall. Only 35 percent of Californians say they trust local government to “do what is right.”

Community is based on a series of one-on-one relationships where mutual respect is developed. Disagreement is part of democracy and is inevitable. The key is being able to disagree yet still have enough trust to be able to move forward. Ernest Hemingway said “the best way to find out if you can trust somebody is to trust them.”

I am personally committed to rebuild that trust and to ensure that you are informed and included. We are committed to providing you with timely, accurate, and helpful information using a host of vehicles: through our local media, our website, social media outlets like Facebook and Twitter, our e-notify system, our televised Council meetings, and most importantly—directly from your representatives on Council and from our staff. And by staying informed, and participating in the discussion, you will make our City, our community, stronger.

This year, I will be offering office hours monthly—by appointment or walk-in—at City Hall, to all who are interested in sharing ideas and dialogue about shaping a better future for our City.

Not only as a City Manager, but as a Novato resident, and a parent of a child who attends Novato Unified’s Hamilton School, I am personally invested in the quality of our life in Novato. I know that many of you share that goal. Collectively, we can make a difference.

Being in the pole position does not guarantee that we will succeed. Nevertheless, it is a great place to be. Working together, with Council, staff, and the community, with powerful intentionality, with earned trust; and with our tradition of coming together; we will lead our City into a period of prosperity, health, and community pride.

As my 11 year-old daughter said last evening, “We are one community, no matter our disagreements.” Together, we will

find the best solutions, the premier opportunities, and realize the unlimited potential of our sweet home, Novato.

Thank you.

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