

Downtown Vision Feasibility Analysis

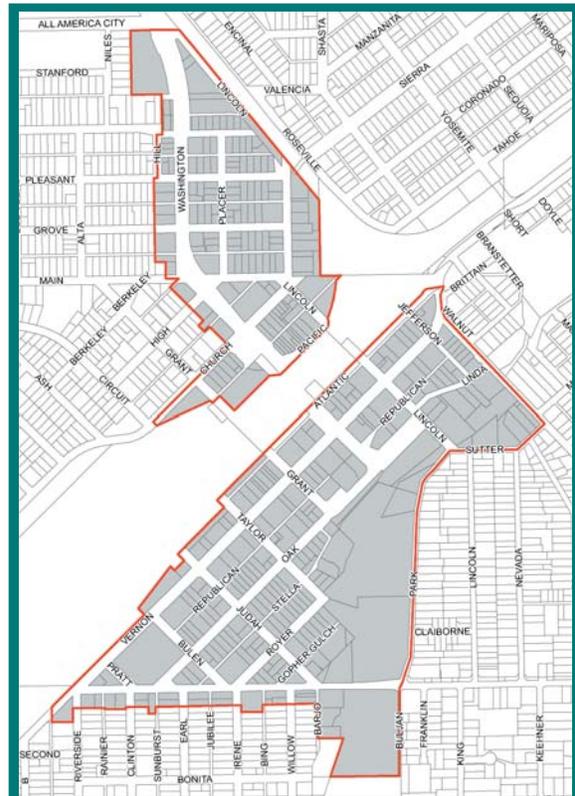
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Roseville recently completed a visioning project for Historic Old Town and downtown Vernon Street corridor (see study area map). As part of that process, this analysis tests the financial feasibility of, and market support for, envisioned development scenarios and proposed land uses for the area. The visioning process may be followed by development of a Specific Plan for the 158 acre area. The Specific Plan will set new zoning, identify preferred uses, and note infrastructure investments necessary to transform and revitalize Vernon Street and the Historic Old Town.

This analysis:

- 1) Explores demographic, economic and market conditions and trends in Roseville and the Study Area, and identifies current market support for new development;
- 2) Provides a general explanation of factors that influence the feasibility of all projects;
- 3) Tests development feasibility of specific projects in today's market;
- 4) Explores stakeholder concerns and recommendations for the area; and,
- 5) Makes recommendations for moving forward with revitalization.

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Study Area Map

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Executive Summary

Roseville is a rapidly growing retail, residential and commercial center in Placer County. By 2015, Roseville will add 42,000 jobs, 11,500 new households and 30,000 new residents. If properly harnessed, this significant economic growth has the potential to transform downtown Roseville into the vibrant and active heart for the Roseville community.

Current economic trends and market support position downtown Roseville for effective revitalization. Unlike many historic downtowns, Downtown Roseville is surrounded by an actively growing vibrant community with excellent economic and market conditions. As shown in Table 1, Roseville has strong market support and low vacancy rates for new retail shops, office space and condos in the downtown.

However, downtown revitalization also faces some regulatory, market and infrastructure challenges.

- ▶ According to this feasibility analyses, current parking and Floor Area Ratio (see page 14) requirements may be dampening opportunities for reuse and revitalization.
- ▶ Additionally, the current retail mix lacks some significant destination retailers, such as a cafe, book store and a quality restaurant.
- ▶ Finally, many downtown assets such as Royer Park and Dry Creek could be better leveraged to improve the pedestrian-friendly amenity-rich character of the downtown.

The new Downtown Roseville Vision Statement and Vision Plan are achievable given current positive market conditions and trends. Recommended next steps include:

- ▶ Development of a Specific Plan and Program EIR for the Study Area;
- ▶ Development of a Parking & Transportation Management Strategy for Vernon Street and Historic Old Town;
- ▶ Continue active redevelopment and revitalization of the streetscape in Historic Old Town and Vernon Street; and
- ▶ Proactive retail recruitment, technical assistance and retention efforts for Vernon Street and Historic Old Town retailers.

Table 1: Roseville Market Summary

	Price / SF	Vacancy Rate	Future Demand/Year
Condominium	\$305.00	NA	390 Units
Multi-Family	\$266.00	5.7%	600 Units
Retail	\$200.00	2.0%	380,000 SF
Office	\$281.00	2.0%	275,000 SF

Source: MJC, 2005



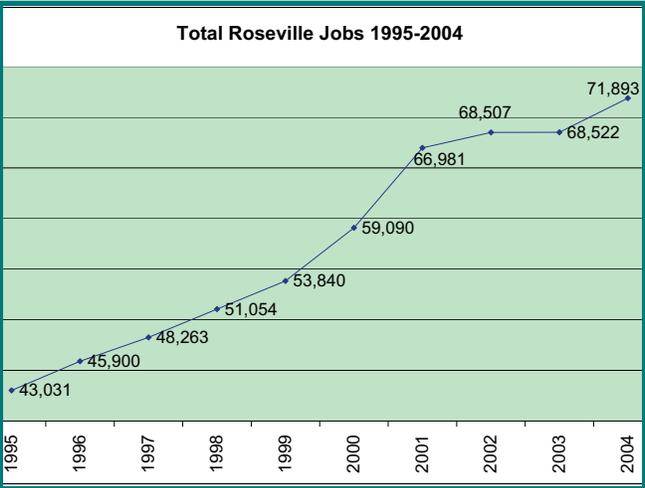
1.1 Roseville Economic Trends & Market Potential

Roseville is a Job Center

As a job center for Placer County, Roseville accounts for 50 percent of all jobs in the county. As a net importer of labor, Roseville’s economy employed over 72,000 people in 2004, while the city had only about 48,600 working residents.

Over the past ten years, Roseville has added new jobs at an average rate of 5.9 percent annually, and the number of jobs has increased from 43,000 in 1995 to over 72,000 jobs today (see Chart to the right).

Jobs are concentrated in the retail trade (9,135 jobs), health care (5,357 jobs), tourism (5,616 jobs), government, high-tech, construction, finance and insurance sectors, according to the 2002 Economic Census.



These same sectors are rapidly growing and are likely to account for most job growth in the future. Roseville’s economy will continue to grow at an annual projected rate of 4.8 percent, adding 19,000 jobs by 2010 and another 23,800 jobs by 2015.

Job Growth Drives New Development

Job growth will drive demand for additional office, institutional, and to a lesser extent retail development in Roseville. By 2012, the City will add approximately:

- ▶ 14,000 jobs in the retail, accommodations, food service and personal service sectors, which will create demand for roughly 3.8 million square feet of retail space.
- ▶ 13,600 office jobs in real estate & leasing, information, professional, scientific and technical services, and the administrative support sectors, which will create demand for roughly 2.8 million square feet of Office and R&D space.
- ▶ 8,300 institutional jobs in the education, health care, arts, entertainment and recreation sectors, which will create demand for roughly 2.4 million square feet of institutional space (See Table 2).

Table 2: Employment Projections and New Demand by Sector

	Job Growth '02-'12	SF / Job	New Demand (SF)	New Demand / Year
Manufacturing	804	500	401,833	40,183
Wholesale trade	-242	500	-121,211	-12,121
Construction, mining, transportation & warehousing, finance and insurance, government, management services (a)	397	NA	NA	NA
Total Industrial Uses	959		280,622	28,062
Retail trade	8,958	300	2,687,307	268,731
Accommodation & food services	4,242	200	848,435	84,844
Other services	848	300	254,353	25,435
Total Retail Uses	14,048		3,790,095	379,010
Information	184	250	46,074	4,607
Real estate & rental & leasing	537	250	134,171	13,417
Professional, scientific, & tech services	8,481	200	1,696,242	169,624
Administrative & support, waste management & remediation	4,441	200	888,136	88,814
Total Office Uses	13,643		2,764,623	276,462
Educational services	256	300	76,813	7,681
Health care & social assistance	6,924	300	2,077,144	207,714
Arts, entertainment, & recreation	1,148	250	287,071	28,707
Total Institutional Uses	8,328		2,441,028	244,103
Total	36,977		8,995,747	899,575

Source: Economic Census, 2002

Notes (a) The Economic Census does not provide data for these sectors at the City level.

Job Growth Drives Development in Roseville, but the Study Area Needs More than a Strong Market to Achieve Revitalization

Competitive Locations for Development

Numerous opportunities to develop competitive product in “green field” areas of Roseville will reduce demand for new retail and office development in the Study Area. Roseville has over 1,100 acres of undeveloped green field sites within City boundaries currently zoned for commercial retail, office and multi family residential uses (the most likely uses in a revitalized downtown study area) (see Table 3).

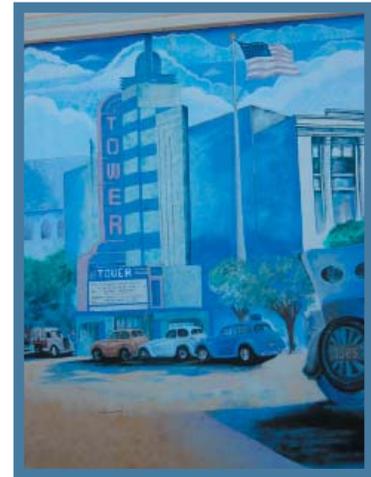


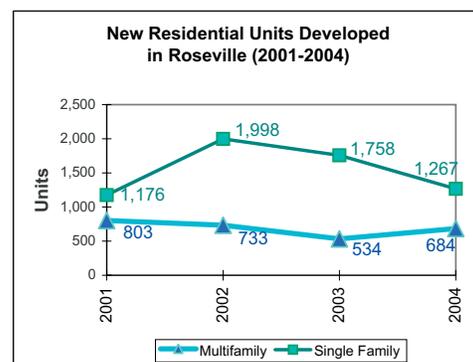
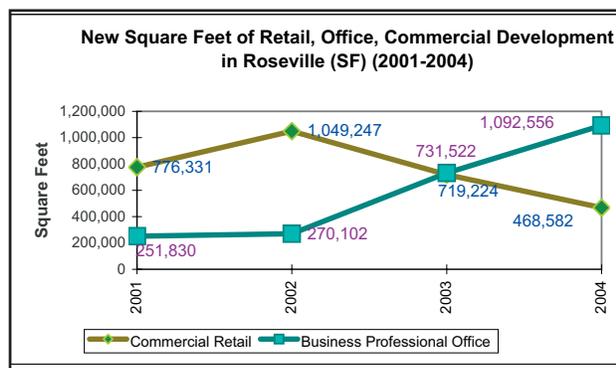
Table 3: Roseville Land Development as of March 2005

	Undeveloped		Developed	
	Acres		Acres	
Commercial Retail	535	12%	1,310	12%
Business Professional/Office	368	8%	530	5%
Industrial/Warehouse	1,211	28%	848	8%
Residential Single Family	2,082	47%	7,314	69%
Residential Multi Family	200	5%	577	5%
Total	4,396	100%	10,579	100%

Past Development Trends

Over the past four years, Roseville has added over 3 million square feet of commercial retail space and 2.3 million square feet of office space. While almost none of this development occurred within the study area, a developer is currently looking to build a 58,000 square foot office development on Vernon Street.

During these same four years, the City has added 2,754 multifamily housing units, and 6,199 single family units. The Infill Planning area, of which the Study Area is part, added 280 multi-family units and 201 single family homes -- a relatively small portion of total residential construction.



The Study Area has not revitalized even given the excellent overall demographic, economic, market and development trends in Roseville, indicating that the Study Area will require more than positive overall market conditions for successful renewal.

1.2 Demographic Trends & Retail Demand

Roseville Trends

A rapidly growing Community

Roseville is one of the fastest growing cities in California. The population increased by 123% between 1990 and 2004. Today’s population of 103,600 will increase by an additional 30,000 new residents by 2015. Population growth and demographic shifts will drive new residential and retail development in Roseville through 2015, when population growth is expected to slow as the available vacant land is built out.

According to the 2000 Census:

Roseville residents are well educated, largely Caucasian, with high incomes and low rates of poverty (see Table 4).

- ▶ 90 percent of residents (25 years and older) are high school graduates or higher, and 31 percent have a bachelors degree or higher.
- ▶ 86 percent of the population is White.
- ▶ 11 percent identifies as Hispanic.
- ▶ Median family income is \$65,929 per year.
- ▶ Only 3.4 percent of families live below the poverty level.

Study Area Trends

An Area of Stable Neighborhoods

As a built out area, downtown Roseville has experienced relatively limited growth relative to Roseville as a whole. In 2000, 3,358 people lived within the Study Area itself.

According to the 2000 Census:

Study Area residents are slightly less well educated, more likely to be Hispanic, and have slightly lower incomes and higher poverty rates than Roseville as a whole.

- ▶ 70 percent of residents are high school graduates or higher
- ▶ 6 percent have a bachelors degree or higher.
- ▶ 76 percent of the population is White.
- ▶ 38 percent identify as Hispanic.
- ▶ Median family income is \$35,345 per year.
- ▶ 15 percent of families live below the poverty level.
- ▶ 57 percent of housing is owner-occupied.

Table 4: Residential Demographics: Roseville, Study Area, Retail Trade Area

	Retail Trade		
	Study Area	Area (a)	Roseville
Population (2004)	NA	NA	103,609
Population (2000)	3,356	16,853	79,921
Population Growth (1990 - 2000)			123%
Total Households	1,422	6,621	30,783
Average Household Size	NA	2.55	2.35
Average Family Size	NA	3.13	3.03
Households with Children	NA	35.8%	36.4%
Owner Occupied	56.8%	58.1%	69.5%
Education			
High school Graduate or Higher	70%	71%	90.9%
Bachelor's Degree or Higher	6%	14%	31.4%
Race & Ethnicity			
White	76.0%	81.6%	86.0%
Black	1.0%	1.0%	1.3%
Asian	1.0%	2.0%	4.3%
Some Other Race	14.9%	10.9%	4.9%
2+ races	5.0%	4.5%	3.5%
Hispanic (b)	38.0%	23.0%	11.5%
Income			
Aggregate Household Income (\$millions)	\$44	\$329	\$2,153
Median Household Income	\$31,632	\$43,442	\$57,367
Median Family Income	\$35,345	\$48,421	\$65,929
Per capita Income	\$11,962	\$19,576	\$27,021
Families below Poverty Level (%)	15.0%	10.6%	3.4%

Source: Census 2000, MJC 2005
 Notes: a) census tracts included in this core analysis include Track 208 Block 2; Track 209.01 Block 2; 209.02 Block 2, 3 & 4; Track 210.03 Block 1 & 2, Track 210.08 Block 1

Retail Trade Area Trends

The Primary Source of Trade

In 2000, 16,800 people lived within a five mile radius of the Study Area, This makes up the retail trade area for Vernon Street. The demographic characteristic of this retail trade area drive the composition and growth of neighborhood serving retail and new residential development in the Study Area.

- ▶ 71 Percent of residents in the Retail Trade Area are high-school graduates. 14 percent have a bachelors degree or higher.
- ▶ 82 percent of the population is White.
- ▶ 23 percent identify as Hispanic.
- ▶ Median family income is \$48,421 per year.
- ▶ 10.6 percent of families live below the poverty level.
- ▶ 58 percent of housing units are owner occupied.

1.3 Roseville Retail Sales Trends and Market

Overall Roseville Retail Performance

- ▶ Between 1999 and 2003, total retail sales increased by 46 percent after adjusting for inflation. However, sales growth primarily results from population growth, as retail sales per capita increased by 15 percent during this same time period (see Table 5).
- ▶ Projected population growth (of 29%) from 103,783 residents today to 133,680 residents in 2015 will increase demand for both retail goods and retail facilities. Through 2015, new demand will support an additional 3.7 million square feet of retail (see Table 2, page 4).

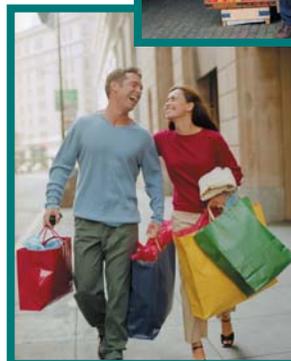
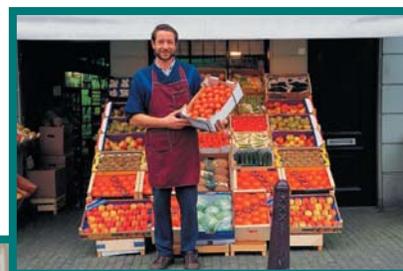
Table 5: Retail Sales Per Resident 1999-2004

Taxable Sales Revenue in 2003 dollars (a)						% Growth 1999-2003
1999	2000	2001	2002	2003		
Apparel Stores	\$510	\$913	\$1,401	\$1,420	\$1,418	178%
General Merchandise Stores	\$3,373	\$4,137	\$4,703	\$4,993	\$5,152	53%
Food Stores	\$883	\$874	\$843	\$907	\$1,028	16%
Eating and Drinking Places	\$1,783	\$1,902	\$2,249	\$2,328	\$2,365	33%
Home Furnishings/ Other Appliances	\$720	\$802	\$1,040	\$1,154	\$1,198	67%
Bldg Materials & Farm Implements	\$1,983	\$1,972	\$2,218	\$2,594	\$2,768	40%
Auto Dealers and Auto Suppliers	\$11,968	\$11,875	\$11,894	\$12,251	\$12,404	4%
Service Stations	\$941	\$1,139	\$1,153	\$1,065	\$1,260	34%
Other Retail Stores	\$2,926	\$3,695	\$4,325	\$4,494	\$4,547	55%
Retail Stores Total	\$25,086	\$27,309	\$29,825	\$31,207	\$32,140	28%
All Other Outlets	\$6,307	\$5,028	\$5,127	\$4,467	\$4,101	-35%
Total All Outlets	\$31,393	\$32,337	\$34,953	\$35,675	\$36,241	15%
Population	71,599	79,921	82,087	85,533	90,739	

(a) All figures are inflated to 2003 dollars using the Western United States not seasonally adjusted CPI for all urban consumers.

Current Retail Real Estate Market

- ▶ The very healthy Roseville retail real estate market includes roughly 4.8 million square feet of leasable retail space¹ and 9.8 million square feet total². The retail real estate market also has a very low vacancy rate of 2 percent and average asking rents of \$2.75 per square foot per month. 113,000 SF of new retail was leased in the first six months of 2005.



Recent New Supply

- ▶ In 2003, the City added over 500,000 square feet of new retail space that was leased by a wide variety of retailers including: Wal-Mart, Kohl's, Circuit City, a number of retail malls, In-N-Out, Krispy Kreme, and the Bird and Pet Clinic of Roseville to name a few.
- ▶ As of June 2004, over 292,000 square feet of retail projects were under construction.

Table 6: Retail Market Overview

Location	Leasable SF.	Vacant SF	Vacancy Rate	2005 2Q Net Absorption	YTD Net Absorption	Avg. Asking Rent	Market Share
Greater Sacramento Region	32,494,269	1,339,076	4.1%	96,559	439,578	\$1.98	100.0%
Roseville/Rocklin	5,418,915	109,594	2.0%	-8,128	112,932	\$2.75	16.7%
Citrus Heights/Fair Oaks	3,588,432	279,326	7.8%	63,104	49,378	\$1.80	11.0%
Study Area	NA	21,920	NA	NA	NA	\$1.04	NA

Source: CB Richard Ellis, 2005; MJC 2005

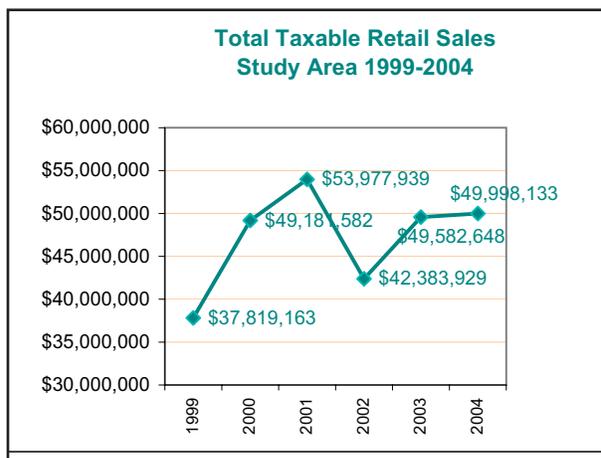
¹ According to CB Richard Ellis 2005

² According to the City of Roseville. Much of this space may be owner occupied and therefore not on the market.

1.4 Study Area Retail Sales Trends & Market

Overall Performance

- ▶ The Study Area is characterized by a diverse mix of over 180 retailers including: specialty stores, sit down and fast food restaurants, home furnishing stores, jewelers, second hand stores, hair and personal service providers, business services and non-profit organizations. Study Area retailers had total taxable sales of \$50 million in 2004, an increase of \$13 million over the 1999 (inflation adjusted) low of \$37.8 million, indicating some improvement in performance in the Study Area. However, Study Area retailers under-perform retailers in much of the rest of Roseville. **The Study Area captures only 1.5 percent of Roseville's \$3.2 billion total taxable retail sales.**
- ▶ The Study Area's Retail Trade Area (defined as residents living within five miles and therefore likely to complete some of their shopping in the nearby downtown, see page 8) includes some 16,800 people.
- ▶ The Study Area captures 23% or (\$50 million) of the market potential (\$215 million in sales) from residents in the Retail Trade Area (see Table 7). However, the Study Area has particularly strong home furnishings, auto dealers and restaurant retail sectors. On the other hand it performs poorly in the general merchandise store and other retail outlet categories.
- ▶ If the Study Area capture rate increases to 50%, achievable with effective revitalization and a strong retail sales mix, the Study Area should double its sales volume to \$107 million.



Study Area Retailers in 2004

Category	# of Retailers
Apparel	6
Art, Gift, Novelties	5
Sporting Goods	5
Florists, Music, Stationary, Books	6
Specialty Stores	33
Grocery, Specialty Food, Liquor Stores	9
Fast Food Restaurants	13
Restaurants, Clubs, Bars	17
Home Furnishings	10
Second Hand Stores	7
Auto Sales/Supply/Repair, Gas Stations	21
Health Services, Govt/Non-profit Orgs	8
Building Materials	5
Personal Services	15
Business Services	6
Other: Leasing, Non-Store Retailers, etc.	16
Total	182

Source: City of Roseville; MJC, 2005

Table 7: Taxable Retail Sales Market Potential (Leakage) 2003

	Per Capita Sales			Study Area Sales		
	Retail Trade Area	California	Retail Leakage	Current Sales	Market Potential	Market Potential Captured
Apparel Stores	\$62	\$422	-\$361	\$1,039,294	\$7,119,213	15%
General Merchandise Stores	\$0	\$1,407	-\$1,407	\$0	\$23,708,295	0%
Food Stores	\$96	\$540	-\$444	\$1,612,631	\$9,102,305	18%
Eating and Drinking Places	\$406	\$1,115	-\$709	\$6,839,254	\$18,783,174	36%
Home Furnishings & Other Appliances	\$333	\$420	-\$87	\$5,614,397	\$7,078,260	79%
Auto Dealers and Auto Suppliers	\$854	\$1,866	-\$1,012	\$14,396,067	\$31,447,529	46%
Other Retail Stores	\$1,192	\$3,141	-\$1,950	\$12,578,633	\$52,937,127	24%
Retail Stores Total	\$2,883	\$8,911	-\$6,028	\$48,581,832	\$150,175,903	32%
All Other Outlets	\$59	\$3,893	-\$3,833	\$1,000,817	\$65,603,168	2%
Total All Outlets	\$2,967	\$12,804	-\$9,837	\$49,998,133	\$215,779,071	23%

Source: State Board of Equalization, 2005; City of Roseville, 2005; MJC 2005

Study Area Retail Mix

- ▶ Vernon Street has a strong relative concentration of home furnishings, restaurants and specialty store retailers, which is fairly typical for a pedestrian oriented downtown. However, surprising for a downtown area, it also has a number of car dealers, repair shops and food stores.
- ▶ Since 2002, 21 retailers (12%) have left the Study Area (through closure or relocation), which is a typical turnover rate for an area composed primarily of independent retailers.

Table 8: Study Area Taxable Sales Per Retailer, 2003

	Average Sales/ Retailer
Apparel Stores	\$173,216
Specialty Stores	\$136,884
Food Stores	\$179,181
Restaurants	\$227,975
Home Furnishings & Appliances	\$561,440
Automotive Group	\$685,527
All Other Outlets	\$234,626
Total All Outlets	\$272,432

Source: State Board of Equalization, MJC, 2005

Table 9: Roseville and Study Area Retail Sales, 2003

	City of Roseville		Vernon St. Study Area		
	Sales Revenues	% of Total	Sales Revenues	% of Total	% of City
Apparel Stores	\$128,694,000	3.9%	\$1,039,294	2.1%	0.8%
General Merchandise Stores	\$467,494,000	14.2%	\$0	0.0%	0.0%
Specialty Stores (a)	NA	NA	\$6,707,313	13.5%	NA
Food Stores	\$93,286,000	2.8%	\$1,612,631	3.3%	1.7%
Restaurants	\$214,558,000	6.5%	\$6,839,254	13.8%	3.2%
Home Furnishings & Appliances	\$108,737,000	3.3%	\$5,614,397	11.3%	5.2%
Automotive Group	\$1,125,482,000	34.2%	\$14,396,067	29.0%	1.3%
All Other Outlets	\$1,150,209,000	35.0%	\$13,373,692	27.0%	1.2%
Total All Outlets	\$3,288,460,000	100.0%	\$49,582,648	100.0%	1.5%

Notes: (a) Specialty Stores data is not readily available for Roseville from the State Board of Equalization and is included in the all other outlets category

Source: State Board of Equalization, 2005; City of Roseville, 2005; MJC 2005

Study Area Retail Real Estate

- ▶ Vernon Street, as currently configured, has a relatively soft retail real estate market. Average asking rents are \$1.04 per square foot per month, indicating relatively high vacancy and a soft market. The study area has some vacant storefronts.
- ▶ Eleven retail buildings sold within one mile of Vernon Street over the past three years, with a median price per square foot of \$131, and a median price of \$540,000. These retail buildings are largely historic (built between 1901 and 1962) and small with a median size of 3,870 square feet.
- ▶ By comparison, only six retail buildings within a one to three mile radius sold over the past three years. But these retail buildings, located further from Vernon Street, sold for a considerably higher \$367/SF. These properties were also newer (built between 1992-1997), larger (median size of 5,837 SF), and more expensive (median sales price of \$3,352,500).



Table 10: Study Area Retail Sales Comps, 2003-2005

	1 Mile Radius	2-3 Mile Radius
Retail		
Median Sale Price	\$910,000	\$6,300,000
Median Sales Price / SF	\$200	\$254
Median SF	2,500	24,776
Median Year Built	1949	1993
(n)	10	3
Restaurants	1-3 Mile Radius	
Median Sale Price	\$2,407,500	NA
Median Sales Price / SF	\$509	Na
Median SF	4,687	NA
(n)	4	

Source: DataQuick, 2005; MJC 2005

1.5 Condominium & Multi-Family Trends & Market

Projected Condo Demand

▶ Roseville will add an estimated 11,515 new households by 2015.¹ Roughly 34 percent of all Roseville households can currently afford to purchase a market-rate condominium but not a single family home. If current incomes keep pace with current affordability levels, new households will create demand for roughly 3,900 new condominiums through 2015, or 390 condos/year.

Table 11: New Roseville Households & Housing Demand (2015)

New households that can afford:	New Households	
	(2015)	Percent (a)
A single family home	1,612	14%
A condominium	3,915	34%
To rent	5,988	52%
New Households	11,515	100%

Source: Census, 2000; DataQuick, 2005; MJC 2005

Notes: (a) assumes that current levels of affordability persist

Conditions for Development

▶ The condominium market is very sensitive to interest rate fluctuations. When interest rates rise the average condo price falls, as buyers qualify for a smaller mortgage.

Table 12: Study Area Condominium Market October 2005

	1 Mile Radius				3 Mile Radius			
	Sales \$/SF	Median Sales Price	Median SF	(n)	Sales \$/SF	Median Sales Price	Median SF	(n)
1 Bedroom 1 bath								
2005	\$285	\$242,500	851	3	\$289	\$242,500	851	11
2004	\$202	\$171,500	851	10	\$258	\$193,000	851	7
2003	NA	NA	NA	NA	NA	NA	NA	NA
2 Bedroom 1 bath								
2005	\$229	\$193,500	840	23	\$228	\$193,250	840	26
2004	\$184	\$152,250	840	20	\$184	\$157,500	840	21
2003	\$159	\$134,500	840	10	\$156	\$134,250	840	14
2 Bedroom 2 bath								
2005	\$305	\$310,000	1,016	14	\$280	\$297,455	1016	16
2004	\$284	\$289,000	1,016	13	\$270	\$274,000	1016	19
2003	NA	NA	NA	NA	\$168	\$183,000	1081	5
3 Bedroom 2 bath								
2005	\$270	\$326,750	1,211	8	\$257	\$310,500	1211	12
2004	\$252	\$305,000	1,211	3	\$222	\$291,000	1211	6
2003	NA	NA	NA	NA	\$162	\$213,500	1380	8

Source: DataQuick; MJC, 2005

Current Condo Market

▶ Current demographic trends and rapidly increasing single family home prices have created a strong market for condos among urban singles, couples without children, empty-nesters, and seniors.

▶ The median price for a condo has increased significantly in the past three years. Within a one mile radius that includes the Study Area, the median price for a condo in 2005 was \$285/SF or \$242,500 for a 1 Bedroom (see Table 12)



Projected Multifamily Demand

- ▶ Roseville will add an estimated 11,515 new households by 2015.¹ Roughly 54 percent of all Roseville households cannot currently afford to purchase a market-rate condominium or a single family home today (see Table 11). If current income and housing affordability levels persist, 54 percent of Roseville's new households will be renters who will create demand for 6,000 new multi-family rental units through 2015, or 600 units/year.

Current Multi-family Market

- ▶ Roseville's vacancy rate is 5.7% (Q2, 2005); though the vacancy rate in the Study Area is on a downward trend (see Table 13).
- ▶ The average rent in Roseville is \$1,036 per month

As shown in Table 14, monthly rents average:

- ▶ \$1.17/SF for a one bedroom, one bath unit;
- ▶ \$1.08/SF for a two bath, two bedroom unit; and
- ▶ \$1.07/SF for a three bedroom two bath unit.

Study Area Multifamily Real Estate Market

- ▶ The typical multi-family property sale in the Study Area is a small (less than 5,000 SF) building with four or five units.
- ▶ In 2005, the median sales price for a multifamily development was \$266/SF in the Study Area. Multi-family dwelling prices are also rapidly increasing (see Table 15).

Conclusions

The condominium and multi-family real estate markets are sufficiently strong to support additional demand for new mixed-use projects in Downtown Roseville. However, this market is very sensitive to increasing interest rates. If interest rates continue to rise (as the Federal Reserve seeks to check inflation), this market may weaken in the near term.

The long term outlook for condo and multi-family development is good because of projected population growth and the extreme affordability gap for middle and moderate income households in Roseville.

Conditions for Development

- ▶ Vacancy of less than 5 percent results in higher rents and new multi-family development.
- ▶ Multifamily development is highly cyclical because it is very sensitive to interest rates. With interest rates of 7 percent or less, hundreds of new units are built per year. Interest rates of 8+ percent typically stop new multi-family construction.

Table 13: Roseville Multi-Family Rental Market (1999-2005)

	Occupancy Rate	Average Rent	Total Units
2005	94.3%	\$1,036	
2004	91.7%	\$1,047	8,939
2003	91.7%	\$1,036	8,257
2002	94.7%	\$1,007	NA
2001	95.4%	\$977	NA
2000	97.4%	\$889	6,096
1999	94.2%	\$829	NA

Source: Realfacts, 2005; MJC 2005

Table 14: Roseville Multi-Family Market (2005)

	Average SF	Average Rent	Rent/SF
Apartments			
1BR/ 1BA	745	\$868	\$1.17
2 BR/ 1BA	917	\$971	\$1.06
2 BR /2 BA	1,022	\$1,100	\$1.08
3 BR / 2BA	1,226	\$1,314	\$1.07
Town House			
2 BR	1,172	\$1,357	\$1.16
3 BR	1,440	\$1,419	\$0.99

Source: Realfacts, 2005; MJC 2005

Table 15: Study Area Multi-Family Market

	1 Mile Radius			3 Mile Radius		
	Sales \$/SF	Average SF	(n)	Sales \$/SF	Average SF	(n)
2005	\$266	4,777	7	\$266	3,982	9
2004	\$216	2,565	5	\$153	3,291	11
2003	\$153	3,155	3	\$116	3,414	6

Source: Quickfacts, 2005; MJC 2005

1.6 Office Market and Trends

Projected Demand

- ▶ The strength of the office market is directly tied to job growth and interest rates. Rapid job growth results in lower vacancy, higher rents and more office development. Job losses result in rising office vacancy, lower rents and no development.
- ▶ Roseville will add roughly 1,400 new office jobs per year through 2015, which translates into new demand for about 280,000 square feet of office space per year (see Table 2). Roseville will also add 800 institutional jobs (education and health services) which will also include some office development. This projected demand is slightly less than past development trends, as the City has added, on average, 580,000 SF of new office space per year since 2001.

Conditions for Development

- ▶ An office market with less than eight percent vacancy is primed for additional office development. At eight percent vacancy the market switches from a lessor's to an owner's market and rents begin to rise as tenants compete for limited space. Lease rates of \$3/sq. ft. will encourage speculative office development in most markets.
- ▶ Typically one-third of a project's office space must be pre-leased to quality tenants prior to construction financing, and sixty percent of office space should be pre-leased prior to permanent financing. In a hot market pre-leasing requirements are ignored and speculative office buildings are built.

Roseville Office Market

- ▶ Currently Roseville's office vacancy is 10.3 percent (see Table 16).
- ▶ Currently, lease rates average \$2.10/SF in Roseville, a very competitive rate with surrounding areas.

Study Area Office Market

- ▶ The Study Area zip code has a relatively healthy lease rate at \$1.81/SF.
- ▶ Sales prices of office projects within the study area have risen steadily over the past three years, reaching \$281/SF in 2005.

These are healthy figures for a strong and growing office market. However, all of the current office product in the study area consists of smaller spaces. The market and absorption rate (the rate at which new spaces are leased or bought) for a large office project within the study area will depend on how much competitive office space is developed in the rest of Roseville and the relative desirability of a downtown location. A large office project has not yet been tested in the study area market.

Table 17: Study Area Office Sales (2003-2005)

	Median Sales Price/SF	Median Size	Median Sales Price	(n)
2005	\$281	2,880	\$775,000	7
2004	\$152	6,250	\$686,250	8
2003	\$141	900	\$170,000	5

Source: DataQuick, 2005; MJC 2005

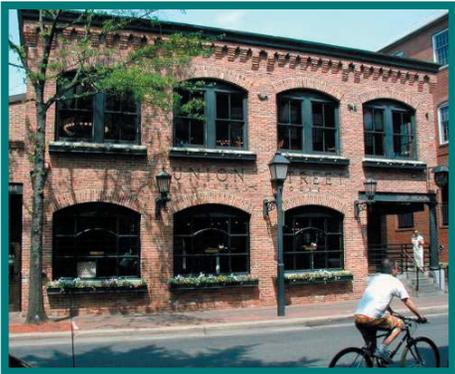


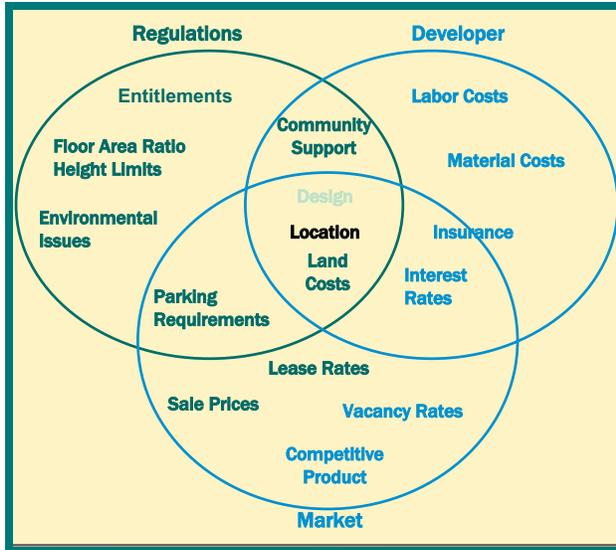
Table 16: Roseville Office Market Overview

Location	Leasable SF	Vacant SF	Vacancy Rate	2005 2Q Net Absorption	YTD Net Absorption	Lease Rate	Under Construction	Market Share
Suburban Sacramento	34,743,574	4,605,305	13.3%	532,985	618,595	\$1.65	1,291,243	100.0%
Roseville/Rocklin	4,568,437	470,062	10.3%	238,771	314,536	\$2.10	743,586	13.1%
Citrus Heights/Fair Oaks	1,056,649	92,165	8.7%	-1,675	-15,437	\$1.40	0	3.0%
Study Area Zip Code: 95678	NA	20,272	NA	NA	NA	\$1.81	101,680	NA

Source: CB Richard Ellis; MJC 2005

2.1 Analyzing Feasibility

While all projects face similar development feasibility issues, no two projects are alike. A specific project's feasibility is impacted by local real estate market characteristics, zoning requirements, design issues, construction costs, and a range of other variables. These factors are summarized in the diagram below, and grouped into three main overlapping categories: regulation, market support, and developer capability.



1. Market Forces

Section 1 of this document discussed market trends and support for various types of uses in the Study Area. Market support drives revitalization feasibility. The local market must achieve threshold rental rates and vacancy levels for successful revitalization.

- ▶ **Lease rates / sale prices** must cover the cost of land, construction, all soft costs, and developer profit in order for revitalization to proceed.
- ▶ **Low vacancy rates and a high absorption rate** indicate a strong market with the capacity to absorb new development and economic activity.
- ▶ **Amenities & design**, dictated by local planning codes, tastes and market forces, can significantly impact the cost of construction.
- ▶ **Land values** are influenced by a location's market strength, land use regulations and the quality of its infrastructure.
- ▶ New **competitive projects** may slow absorption or require the developer to lower lease/sale prices depending on the market.

- ▶ **Interest rates** significantly impact development feasibility. When interest rates are high, income properties such as office, industrial, retail and multi-family don't generate enough cash to finance construction. Low interest rates precipitate intense development activity.

2. Regulatory Control

The City of Roseville exercises considerable leverage over the revitalization process through its land use controls, regulations and fee structure. Some key regulatory features that impact revitalization and redevelopment are outlined below.

- ▶ The **entitlement process** consists of obtaining all necessary regulatory approvals and permits prior to the start of construction, including zoning variances, design approval, building permits, etc.
 - ▶ A long and/or uncertain entitlement process increases the cost of a project and reduces feasibility.
 - ▶ **Community support** and a certain regulatory process will encourage development.
- ▶ **Land use** and zoning regulations influence development feasibility by determining allowable uses, design requirements, set-backs, height limits, FAR and parking requirements.

- ▶ The **Floor Area Ratio (FAR)** for a project defines how many square feet of floor area is allowable under zoning codes given a specific land area. Thus, with an FAR of 400%, a 2,000 square foot lot could accommodate up to 8,000 square feet of floor space. Increasing the FAR allows more compact development on a site and thereby increases the feasibility of development.

- ▶ **Parking requirements** impact development feasibility. Excessive parking requirements can make quality projects financially infeasible. Parking is expensive to build: \$1,500/space for surface parking, \$10,000-\$15,000/space for structure parking, and \$16,000-\$24,000/space for underground parking, exclusive of land costs. Study Area land costs of \$25 - \$35/SF will further increase the cost/space by \$8,750.

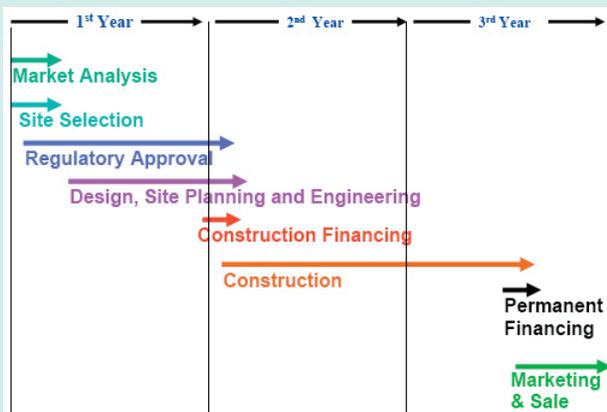
3. Developer and Construction Industry

- ▶ **Experienced developers** can often obtain lower interest rates from lenders and are more skilled at creating a successful development project.
- ▶ **Construction and material costs** can rapidly change due to unforeseeable impacts such as hurricane Katrina and rapid development in China.

Measuring Feasibility: the Internal Rate of Return

▶ The Internal Rate of Return (IRR) is the standard financial calculation used to measure all development projects. The IRR is the project's cash flow summary, adjusted to reflect the time value of money. It includes the initial investment of equity by the developer, the income that the property generates over a holding period and the profit from the sales of the project. Essentially an IRR tells the developer the average annual return of the project spread over the holding period. Most developers want an IRR that is 12 to 15 percent higher than what they would obtain from risk-free government bonds. Currently Treasury Bills are returning 2.5 percent annually, so an IRR of at least 16 to 17 percent is acceptable in today's climate for most projects.

The Development Timeline



Developers Take Risks

- ▶ Developers risk their own money in their projects. Banks typically finance 50 to 75 percent of a project, with equity investors and the developer covering the remainder. The developer pays for up-front costs: site control, feasibility analysis, conceptual design plans, and the entitlement process for building approvals.
- ▶ Most developers do not see a return on their investment for at least three years, as the developer takes the last money out of a project, after the bank, contractor, architect and others have been paid.
- ▶ Most developers require an internal rate of return (see definition above) of at least 16 percent to undertake a project. Office development is more risky than industrial or residential development, so developers require a higher (23 percent) IRR for office development.

Calculating Feasibility

To calculate the financial feasibility of each project, Marie Jones Consulting (MJC) undertook the following steps:

1. Identified and estimated all “hard costs”

- Land purchase price and site demolition costs for existing structures and infrastructure
- Site work costs (landscaping, curbs, sidewalks, etc.)
- Project construction costs (buildings & parking)
- Environmental mitigation costs
- City taxes
- Construction escalation (10%) & contingency (10%)

2. Identified and estimated all “soft costs”

- Architectural: architect, structural, mechanical & electrical engineers, the feasibility study, geo tech and soils, and testing & special inspections
- Cost estimator
- Environmental assessment
- Construction interest, fees, title & recording
- Legal expenses
- Condo liability insurance (if relevant for the project)
- Permits: planning fees, building permit fees, environmental fees, school fees, park & recreation fees, transportation fees, sewer and water hook-up fees, etc.
- Construction manager and project manager
- Other costs: fire, liability & course of construction insurance, property tax, accounting and management set-up
- Soft cost contingency (10%)

3. Analyzed current market conditions for:

- Project program requirements, unit size & amenities
- Sales prices and absorption rates
- Sales costs: real estate commission, transfer taxes, property taxes, etc.

4. Developed the Operating Proforma

- A detailed build and sell proforma was used to evaluate the financial feasibility of a project. The “proforma” illustrates the relationships between development cost, project financing, sales costs and price, and the final profit from the project.
- A detailed cash flow models these relationships over the development and sales time line (three years) and calculates the Internal Rate of Return for the project.

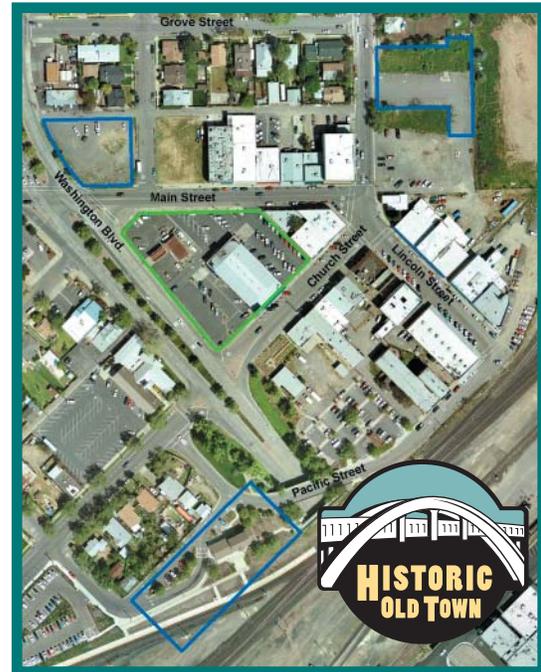
2.2 Development Opportunity Sites

Downtown stakeholders, downtown visioning participants and the consultant team identified opportunity sites in Historic Old Town and along Vernon Street that should be revitalized to create new interest in the downtown. The sites indicated in the two maps below were selected according to the following criteria:

Under-utilized sites (low-quality uses, vacant, and/or surface parking lots) were selected because they provide a good opportunity for attractive re-use and are less expensive.

Larger sites were selected because developers are generally more interested in completing in-fill projects which can accommodate a mid-sized mixed-use project that includes retail and at least 50 condo units or 50,000 SF of office.

Sites with excellent amenities, such as sites adjacent to Royer Park, along Vernon Street or in Historic Old Town were selected because they are likely to draw developer interest.



Map Legend

- Opportunity Site
- Feasibility Study Site

2.3 Dry Creek/Oak Street Project Feasibility Analysis

Dry Creek Project

- City-owned property
- Current use: surface parking lot
- Amenities: excellent access to downtown, Dry Creek and Royer Park
- Site size: 78,592 SF
- Land Use: Central Business District and Open Space
- Zoning: Community Commercial & Open Space
- Parking Requirements: Riverside standard
- Height Limit: 50 feet
- Floor Area Ratio: 400% (the large public plaza makes this FAR easy to achieve).

Project Assumptions

- Purchase price of \$35/SF
- Project to include a large public plaza that is owned, developed and maintained by the developer.
- Current parking would be lost (but with mixed-use, many spaces would be available during the day).
- Use proposed Riverside parking requirements.
- Sale price assumptions include:

Table 18: Dry Creek Price Assumptions

	Cost/SF	1 Mile Radius
Condos	\$350	\$305
Retail	\$200	\$200
Restaurants	\$450	\$509
Office	\$280	\$281

Feasibility Analysis Findings

As shown in Table 19, the site was analyzed for a mixed-use condo residential project and a variety of project sizes. Some key findings of the analysis include:

- ▶ The largest project, with 100 condo units, 15,000 SF of Retail, 10,000 SF of restaurant, and a 15,000 SF plaza is feasible because of the strong market for residential condos. This project provides a return of 23%.
- ▶ The medium-sized 80 unit condo project, with 8,000 SF each of retail and restaurant space and a 30,000 SF Plaza is marginally feasible with a 16% IRR. However, without the public plaza the project would become a feasible project.
- ▶ A two story mixed-use project with retail below and office or residential above is not currently feasible given land costs and parking requirements.



Implications

- ▶ This site is fairly unusual for downtown Roseville, due to its large size and excellent location. Other downtown sites are likely to be more difficult to develop because they are smaller and many have obsolete structures.
- ▶ The City can influence and improve development feasibility through its regulatory powers, namely by modifying parking requirements, height limits, and/or FAR requirements.
 - The site and land price can accommodate a developer owned and managed public park or current parking requirements, but not both. If the site is developed to an FAR of 400%, without a public park, it can support current parking requirements.
 - If the plaza is funded and developed by the City, the medium and small projects are both feasible with Riverside parking requirements.

Table 19: Dry Creek Condominium Mixed-Use Project

	Large Project	Medium Project	Small Project
Open Space/ Plaza (SF)	15,000	30,000	40,000
Total Stories	3.4	3.4	3.3
Floor Area Ratio	250%	192%	152%
Development Mix	196,758	150,793	119,708
Total Residential (Units)	100	80	60
Office Space (SF)	0	0	0
Retail Space (SF)	15,000	8,000	8,000
Restaurant (SF)	10,000	8,000	8,000
Parking Spaces	162	122	99
Development Cost	\$37,374,414	\$30,169,939	\$24,542,834
Land Costs*	\$2,850,720	\$2,850,720	\$2,850,720
Construction Costs	\$25,600,908	\$20,192,506	\$16,157,411
Soft Costs	\$9,022,786	\$7,226,713	\$5,634,703
Developer Equity	\$11,212,324	\$9,050,982	\$7,362,850
Rate of Return	23%	16%	9%
Feasibility	Feasible	Possible	Infeasible

Historic Old Town Project Feasibility Analysis

Historic Old Town Project

- Privately owned site
- Current use: parking, gym, vacant buildings
- Site size: 75,805 SF
- Land Use: Central Business District
- Zoning: Historic District
- Height Limit: 50 Feet
- Floor Area Ratio: 400%



Project Assumptions

- Land price of \$25/SF, although the relative lack of recent vacant parcel sales make valuation difficult.
- Project conforms to current zoning requirements, except for use of new Riverside parking requirements.
- The analysis includes a 10% construction escalation, a 10% construction contingency and a 5% soft cost contingency.
- Construction loan: Interest rate of 7%, 16 month term, loan to value ratio of 70%
- Sales price assumptions:

Table 20: Historic District Price Assumptions

	Historic District Price /SF	1 Mile Radius
Condos	\$305	\$305
Retail	\$180	\$200
Restaurants	\$350	\$509
Office	\$250	\$281

Table 21: Historic District Mixed-Use Projects w/ Riverside Parking

	Two Story Retail with Residential	Medium Residential	Large Residential
Total Stories	2.0	3.0	4.4
Floor Area Ratio	178%	275%	397%
Development Mix	135,251	208,666	300,763
Total Residential (Units)	70	130	185
Office Space (SF)	0	0	0
Retail Space (SF)	10,000	2,000	4,000
Restaurant (SF)	6,000	2,000	4,000
Open Space/ Plaza (SF)	6,891	6,891	6,891
Parking Spaces	111	158	229
Development Cost (\$1,000)	\$25,008,288	\$37,455,739	\$52,424,866
Land Cost*	\$2,274,150	\$2,274,150	\$2,274,150
Construction Cost	\$16,402,548	\$25,573,523	\$36,757,270
Soft Cost	\$6,331,590	\$9,608,067	\$13,393,446
Developer Equity	\$7,502,486	\$11,236,722	\$15,727,460
Rate of Return IRR)	Loss	14%	20%
Feasibility	Infeasible	Infeasible	Feasible

Source: MJC, 2005

Feasibility Analysis Findings

As indicated in Table 21, the site was analyzed for a two, three and four story project.

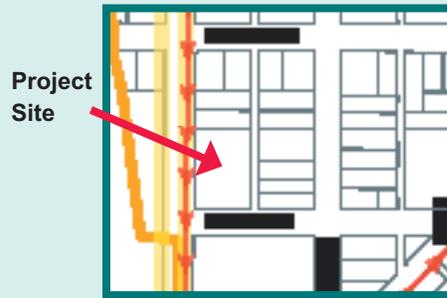
- ▶ At this time only the four story project is financially feasible, which is possible with a Floor Area Ratio of 400% (see page 14). The strong residential market makes this Historic Old Town project feasible.
- ▶ Development is possible because lower land costs counteract relatively lower residential, retail and restaurant prices. A relatively modest increase in market values for condos (\$325/SF), retail (\$200/SF) and restaurant (\$400/SF) would significantly improve feasibility and allow for a smaller project.
- ▶ Parking regulations, height limits and the FAR are all key features that the City can control to improve project feasibility.

- ▶ Revitalization will likely occur at a slower pace in Old Town than along Vernon Street because Old Town has lower rental and sale prices, access issues (through the Washington Street Underpass), and fewer opportunity sites.
- ▶ Investments in public infrastructure may improve the speed of Historic Old Town revitalization.

Vernon Street Project Feasibility

Vernon Street Project

- Privately owned site
- Current use: parking and retail
- Site size: 37,500 SF, with 6,500 SF of retail
- Land Use: Central Business District
- Zoning: General Commercial
- Height Limit: 50 Ft
- Floor Area Ratio: 400%



Project Assumptions

- Land price of \$25/SF or \$150/SF for buildings.
- The analysis includes a 10% construction escalation, a 10% construction contingency and a 5% soft cost contingency.
- Construction loan: Interest rate of 7%, 16 month term, loan to value ratio of 70%
- Sales Price Assumptions:

Table 22: Vernon St. Price Assumptions

	Vernon Street Cost/SF	1 Mile Radius
Condos	\$325	\$305
Retail	\$180	\$200
Restaurants	\$450	\$509
Office	\$280	\$281

Feasibility Analysis Findings

As indicated in Table 23, the Vernon Street site was analyzed for financial feasibility of a:

- 1) One story commercial project, which is the allowable size under current site zoning;
 - 2) Four story project with current parking requirements and;
 - 3) Four story project with Riverside's parking requirements.
- ▶ The one story retail project, with the required FAR of 50%, is not a financially feasible project.
 - ▶ The four story mixed-use retail and residential project with current parking requirements is also not financially feasible. (Likewise two and three story projects are also not feasible).
 - ▶ The four story mixed-use retail and residential project, with Riverside Parking requirements, is financially feasible with a solid IRR of 26%.

Table 23: 627 Vernon Street Mixed-Use Project

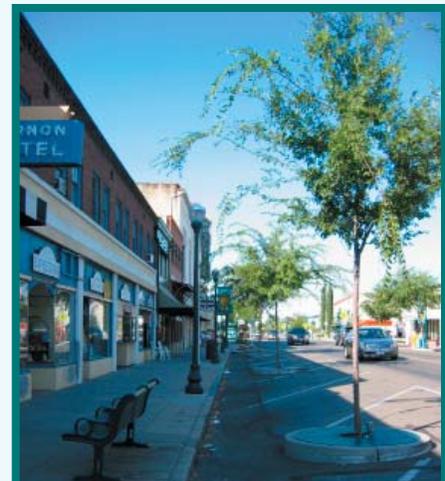
	Retail Only (Current Zoning)	Residential & Retail (Current Parking)	Residential & Retail (Riverside Parking)
Total Stories	1.0	4.0	4.0
Floor Area Ratio	27%	399%	400%
Development Mix	9,800	142,370	142,725
Total Residential (Units)	0	69	78
Office Space (SF)	0	0	0
Retail Space (SF)	5,300	6,000	7,000
Restaurant (SF)	4,500	2,700	6,000
Open Space/ Plaza (SF)	1,786	1,786	1,786
Parking Spaces	69	155	114
Development Cost (\$1,000)	\$3,494,555	\$22,806,343	\$25,475,350
Land Cost*	\$1,050,000	\$1,050,000	\$1,050,000
Construction Cost	\$1,886,826	\$16,143,492	\$18,204,445
Soft Cost	\$657,729	\$5,712,851	\$6,320,905
Developer Equity	\$1,048,366	\$6,841,903	\$7,642,605
Rate of Return IRR)	Loss	13%	26%
Feasibility	Infeasible	Infeasible	Feasible

Source; MJC 2005

3.1 Stakeholder Insights: Study Area Assets

Developers and business owners identified a number of key assets which strengthen the Study Area, listed in priority order:

- ▶ **The Civic Center.** Vernon Street houses City government offices and the main Post Office for Roseville. Both the Post Office and City Hall increase foot traffic in downtown.
- ▶ **Community support.** The Community's interest in and motivation to make downtown a better place.
- ▶ **Revitalized streetscape.** Vernon Street has recently been updated with streetscape improvements, including: street trees, historic markers, two gateways, angled parking, and new street furniture (benches, planters, trash receptacles, and street lights.)
- ▶ **New economic activity.** Demographic and market trends, and the City's positive progressive attitude, are starting to strengthen and revitalize the downtown.
- ▶ **Entertainment amenities.** Downtown Roseville is home to a variety of theaters and museums.
- ▶ **Dry Creek, Royer Park and other nearby recreation amenities.** Dry Creek could become an excellent and accessible amenity for downtown visitors, shoppers and workers.
- ▶ **Easy access to Interstate 80.** The study area is within easy access to Interstate 80. Traffic congestion on I-80, is transforming downtown into an alternative destination for entertainment, shopping and dining. Vernon Street currently acts as a commuter bypass, attracting about 15,000 cars per day. Some of these drivers would stop (or return) if more active retail, dining and entertainment venues were developed.
- ▶ **Historic buildings and historic character.** Many buildings with historic character grace the streets of Historic Old Town and Vernon Street. These buildings provide an engaging sense of place, which is augmented by an array of unique museums and points of interest.
- ▶ **Centralized public parking facility.** The Redevelopment Agency is currently building a 550 car centralized free public parking garage.



3.2 Stakeholder Insights: Challenges of the Study Area

Thirteen study area stakeholders (business owners, property owners and developers) were interviewed to obtain a **subjective** perspective on the Study Area's strengths and weaknesses as well as recommendations for improvement. These stakeholders offered a number of important insights.

Stakeholders operate a business, own property and/or are interested in undertaking a development project in downtown because of: (in order of priority)

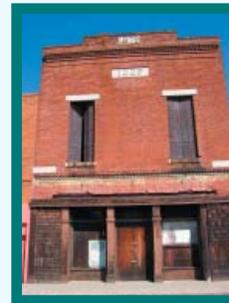
- ▶ The historic qualities of downtown;
- ▶ Affordable rents and a good location for owner-occupant businesses;
- ▶ The economic potential of the area and their interest in working in niche markets in areas of transition;
- ▶ The small town, smart growth, and pedestrian-friendly aspects of downtown; and
- ▶ A personal connection to the area.

Challenges to Revitalization

According to stakeholders impediments to business success and revitalization include (by priority order):

- ▶ **Risks and uncertainties** such as the cost of environmental remediation, the entitlement process, and hidden costs of building rehabs and in-fill development.
- ▶ **The difficulty of being the “first developer in”** to start the process and have the vision and commitment to see the first project through. Transformation of an infill area, such as Vernon Street or Historic Old Town, can be inhibited by poor property maintenance, lower quality uses, and vacant store fronts. Revitalization, left to market forces, can take many years, as developers and businesses may be wary of being the first to take a risk in an area with an uncertain future.
- ▶ Relatively **few sites are big enough** for effective mixed-use development. Small parcels make development more difficult, are less desirable and often take longer to attract a developer, as they can take just as long to develop as a larger parcel. Smaller projects must be relatively more profitable to attract a qualified developer. Small lot sizes insure that most projects are and will continue to be owner-occupied.

- ▶ Retail **stores which are inappropriately configured** (too long and thin) for effective retailing.
- ▶ **Low rents** that attract marginal businesses that fail to attract a customer base, and result in vacant store fronts, business turnover and lost opportunity.
- ▶ **Uninvolved property owners** who are holding out for “a big cash-out” and not investing in their properties, and property owners who lack interest, knowledge, and/or power to redevelop their properties and turn around the district.
- ▶ **Railroad lines** that physically separate Vernon Street from Historic Old Town and create a barrier between the two districts. This physical barrier reduces the ability of the two districts to function synergistically as one destination.
- ▶ **Over 4,300 acres of competitive green field sites** for commercial, retail, office, industrial and residential development outside of the Study Area, which is favored by developers, because large sites allow for efficient development of planned communities, retail centers and office parks.
- ▶ **High water and sewer connection fees**, which impacts development feasibility in the study area even though pipes are already in place.



3.4 Stakeholder Insights: Recommendations

Key Opportunities

Stakeholder identified Study Area opportunities, include:

- ▶ Opportunities for more residential development: live-work lofts and condos for seniors and young people.
- ▶ The power of mixed-use development to revitalize.
- ▶ The potential of the JC Penny Building as an entertainment destination.
- ▶ The possibility of providing better connections to Dry Creek and Royer Park.
- ▶ The variety of city-owned parcels which could provide flexibility in revitalizing downtown, particularly the Oak Street parking lot, the library and the fire station.

Recommended Key Improvements

According to business owners, developers, and property owners, Vernon Street would benefit from a continued coordinated strategy for revitalization that includes a number of key actions:

- ▶ Develop a central meeting place – A plaza/park/public space surrounded by cafés, restaurants with outdoor seating, and entertainment uses. A new heart for the downtown.
- ▶ Improve the connections between Royer Park, Dry Creek and downtown, by replacing the bridges, building trails and encouraging retail and restaurant uses along Dry Creek.
- ▶ Revitalize the retail core, starting with and building upon the downtown's "100% corners" (e.g. intersections with retail on every corner, such as Lincoln & Vernon, Washington & Vernon).
- ▶ Develop additional pedestrian-friendly qualities, such as: 1) the closure of some side streets to create public spaces (e.g. Lincoln between Atlantic and Vernon); 2) development of a plaza and opportunities for outside dining; 3) landscaping, lighting, fountains; and 4) trails along both sides of Dry Creek.
- ▶ Improve pedestrian friendliness of the traffic triangle in Historic Old Town, along Oak Street, and on the Washington Street underpass.
- ▶ Build upon the historic character and design of the downtown and historic district through the Specific Plan process.
- ▶ Encourage more arts: public art, live/work lofts, galleries, art festivals, etc.
- ▶ Provide public rest rooms and public parking.

- ▶ Activate Atlantic Street as an entry into downtown as it is a shorter and more pleasant entry way than Riverside Drive.
- ▶ Upgrade the sewer line on Vernon Street.

Recommended City Actions

The City will continue to play a key role in revitalization. Stakeholders suggested the following steps (by order of importance):

- ▶ Continue to proactively purchase properties that are key to achieving vision. Reduce the risks associated with developing problem properties (earthquake retrofitting, asbestos abatement, etc.).
- ▶ Reduce parking requirements for new desired uses in downtown (residential, restaurant, entertainment), and/or provide more off-site parking (through public parking structures, a parking in-lieu fee, and/or by using portions of the Atlantic Street right-of-way as a parking lot).
- ▶ Allow live-work and residential development in Historic Old Town.
- ▶ Allow higher residential densities (30 units/acre) in parts of the Historic District and on Vernon Street.
- ▶ Continue to improve the permitting process.
- ▶ Engage in proactive economic development and business attraction to fill vacant store fronts with higher quality businesses, such as:
 - Businesses that attract an evening crowd (good restaurants and a live music venue)
 - A book store
 - A quality outdoor café
 - Unique stores that are not found at the malls (wine bar with appetizers, a furniture store such as Z Gallery, boutique clothing, etc.)
- ▶ Build better partnership between the business community, the City and property owners to improve the retail mix and downtown. Work with property owners to consolidate small thin lots, and educate property owners about the potential up-side of up-grading/ redeveloping their properties.

4. Conclusions & Recommendations

The City should continue to play a key role in revitalization by undertaking the following key steps:

Regulatory Changes

- ▶ **Zone for mixed-use, compact residential and live-work development** to improve project feasibility and demand for retail and entertainment businesses.
- ▶ **Develop an effective parking and transportation program and policy** for downtown Vernon Street and Historic Old Town. Consider adopting a parking in-lieu fee, reducing parking requirements, and/or providing public parking to improve project feasibility in downtown Vernon Street and Historic Old Town and speed revitalization.
- ▶ **Consider updating Floor Area Ratios** to encourage revitalization of under-used sites. Current FAR requirements effectively limit development along Vernon Street and in Historic Old Town to much below current height limits. Current land costs mean that sites can be feasibly developed only with structured parking, which generally requires more compact development (higher FAR).
- ▶ **Consider undertaking a specific plan** for the Study Area with a program EIR to facilitate a fair and predictable entitlement process.
- ▶ **Consider waiving, reducing or deferring some development fees** to improve feasibility of highly desired reuse and development projects.

Redevelopment Actions

- ▶ **Work with the private sector to develop a central meeting place** – a plaza, park, or public space surrounded by cafés, restaurants with outdoor seating, and entertainment uses – to become the heart of the downtown.
- ▶ **Improve connections between key amenities**, such as Royer Park, Dry Creek, Historic Old Town and Vernon Street.
- ▶ Continue to **improve the pedestrian friendly** qualities of downtown Vernon Street.
- ▶ Proactively **purchase properties that are key to achieving the vision** and resolve development obstacles (such as toxic contamination, earthquake retrofitting, lot consolidation, etc.).
- ▶ **Improve the feasibility of highly desirable projects** (as outlined in the community vision).

Economic Development Actions

- ▶ **Develop a more focused retail core** that starts with and builds upon the downtown's key corners (Lincoln & Vernon, Washington & Vernon). Engage in proactive business attraction to fill vacant store fronts with higher quality destination businesses that attract residents and visitors to downtown, such as:
 - Good restaurants
 - Live music venues
 - Book stores
 - Outdoor cafés, and
 - Unique stores that are not found at the malls.
- ▶ **Continue to hold downtown events** such as Downtown Tuesdays Nights and engage in proactive marketing of the downtown to residents, visitors and potential businesses.
- ▶ **Continue to improve the permitting process.**
- ▶ **Continue to build partnerships** between the business community, the City and property owners to improve the retail mix of downtown. Work with property owners to consolidate small thin lots, and educate property owners about the potential up-side of up-grading/ redeveloping their properties.
- ▶ **Provide grants and loans** to small businesses for façade improvements and more effective merchandising.

