



Economic Development Implementation Plan

April 2014

Prepared By:
Kosmont Companies

- **Review of Economic Development Strategy
Summary of Findings**
- **E.D. Implementation Plan**
 - a) Key Steps for Implementation
 - b) Financing & Incentives Strategy

Review of E.D. Strategy Summary of Findings

Summary of Findings

Demographics & Employment

- Older, active local population with high HH incomes (mostly white)
- Significant visitor population and employees coming from neighboring Santa Barbara County jurisdictions and other areas
- Employment concentrated within accommodation and food services, manufacturing, retail trade, and agriculture

Market Demand – Households & Industry Growth

- Owner households projected to increase faster than renter households within City, and renter households projected to **decrease** within the larger trade area
- Industries tied to population growth are projected to **grow** within the County, including health care, retail trade, and accommodation and food services
- Industries dependent on technology and automation are projected to **contract** within the County, including manufacturing, transportation, and warehousing

Retail & Industry Retention & Recruitment

- City performs well relative to neighboring jurisdictions in terms of taxable retail sales per capita and capture of resident and non-resident spending (i.e. surplus)
- Higher performing sales categories include **automotive-related**, **restaurant**, and **hotel-related** sales, while lower performing retail categories include **general merchandise** and other **consumer goods**
- **Leverage community strengths** to attract quality retail tenants to identified Opportunity Sites within City to capture spending in current void categories, including casual restaurants, household furnishings, home improvement, clothing/apparel, discount department stores, dollar stores, and others

Economic Development without Redevelopment

- Dissolution of redevelopment agencies will continue to have a negative effect on most California Cities and impact to health of general fund
- Alternative economic tools should be explored for Buellton to retain and improve tax base and facilitate potential public-private transactions

Overview of Financing, Incentives & Other Economic Development Tools

Local Level

- Site-specific tax revenue (“SSTR”) pledges
- Impact fee reductions / waivers / deferrals
- Development opportunity reserve (“DOR”)
- Tax-exempt revenue & utility bonds
- Lease-leaseback financing
- Ground leases
- Operating covenants

State & Federal Level

- Small Business Administration (SBA) loans
- U.S. Economic Development Administration (EDA) grants
- New Market Tax Credits (NMTCs)
- CA Infrastructure Bank (I-Bank) loans
- EB-5 Immigrant Investment

Economic Development Implementation Plan

- a) **Key Steps for Implementation**
- b) **Financing & Incentives Strategy**

Key Steps for Implementation

- Based on evaluated opportunity sites and compatible retailer voids, City & Consultant Team should outreach to targeted retailers and developers:
 - **Refine and distribute marketing collateral material to promote Opportunity Sites**
 - **Refine targeted list of retailers for outreach**
 - **Continued outreach to targeted retailers (incl. email outreach, conference calls, meetings / site tours, conference participation at ICSC and other events)**
- Case-by-case preliminary analysis of fiscal impacts and economic benefits (e.g. fiscal revenue and job creation) of key potential projects
- Evaluation of financing, incentives, and other economic development tools on a transactional basis (e.g. sales tax, TOT pledges)

Initial Targeted Retailer List

Retailer	Category	Closest Location to City	Current Locations	Min SF	Max SF	New Locations Planned Next Year	New Locations Planned Next 2 Years
TJ Maxx	Discount Dept. Stores	24.51 Mi NW	956	25,000	30,000	10	20
Dollar General	Dollar Stores	82.00 Mi NE	10,000	7,500	10,000	300	600
Fitness 19	Fitness	42.00 Mi NW	1,500	3,000	5,000	125	250
Vons	Grocery Stores	15.27 Mi NW	325	42,000	55,000		
True Value	Home Improvement	23.25 Mi SE	4,000	5,000	25,000		
Petco	Pet Stores	15.19 Mi NW	1,000	10,000	15,000	50	100
Panera Bread	Restaurants-Bakery	25.00 Mi NW	1,493	3,500	4,500	100	200
Applebee's	Restaurants-Casual	25.50 Mi NW	2,000	5,000	6,000	5	10
Chili's	Restaurants-Casual	22.50 Mi SE	1,526	3,900	5,500		
Chipotle	Restaurants-Casual	22.56 Mi SE	1,095	1,800	2,800	165	330
Denny's	Restaurants-Casual	24.40 Mi SE	1,600	4,000	5,100	75	150
IHOP	Restaurants-Casual	26.05 Mi SE	1,504	4,000	7,000	5	10
Olive Garden	Restaurants-Casual	25.72 Mi NW	743	6,400	7,500	40	80
Outback Steakhouse	Restaurants-Casual	24.35 Mi SE	900	5,000	6,500	10	20
Dunkin Donuts	Restaurants-Coffee/Donuts	220.0 Mi SE	10,500	1,200	2,600	330	650
In-N-Out	Restaurants-Fast Food	25.60 Mi NW	267	3,000	4,000	14	28
Baskin-Robbins	Restaurants-Ice Cream	15.17 Mi NW	2,700	1,000	1,500	200	400
Ben & Jerry's	Restaurants-Ice Cream	31.38 Mi SE	400	100	1,500	10	20
Pinkberry	Restaurants-Ice Cream	31.31 Mi SE	115	1,000	2,000	5	10
Play It Again Sports	Sporting Goods	24.78 Mi NW	350	2,800	3,500		
Smart & Final	Wholesale	25.68 Mi NW	282	20,000	35,000	10	20

Note: Targeted retailers based primarily on retail categories illustrating leakage from City, retailer voids in local trade area, retailer demographic preferences, and recent expansion activity

Source: Sites USA, Kosmont Companies (2013)

Marketing Flyers

City of Buellton

Retail Development Opportunity

NWC McMurray Road & Damassa Road



~3.39 Acres Owned by Rancho Jonata Living Trust

FEATURES:

- Adjacent to Highway 101 with on-ramp and off-ramp access
- Excellent freeway visibility
- Commercial zoning
- Traffic counts (2012): 28,600 AADT Hwy 101 & Damassa Rd

DEMOGRAPHICS (ESRI):

2012	City	10 Miles	20 Miles	30 Miles
Population	4,867	21,124	78,405	335,079
Households	1,784	8,189	26,889	109,094
Avg. HH Inc.	\$79,240	\$93,107	\$72,259	\$73,793

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City of Buellton

Retail Tenant Opportunity

SEC Highway 246 and McMurray Road (Buellton Town Center)



4,000 SF Building Owned by Alan Porter (former Blockbuster)

- Highway 246 and McMurray Road
Shored shopping center
(former Blockbuster)
40,633 AADT Hwy 101 & Hwy 246

10 Miles	20 Miles	30 Miles
21,124	78,405	335,079
8,189	26,889	109,094
93,107	72,259	73,793

AREA TOUR:

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City of Buellton

Tenant/Redevelopment Opportunity

McMurray Road North of Highway 246



~0.56 Acres / 5,000 SF Building Owned by Motel 6 (former Baker's Square)

FEATURES:

- Strong intersection at Highway 246 and McMurray Road
- Directly adjacent to existing robust retail area
- Commercial zoning with freeway signage
- Suitable for restaurants pad user (5,000 SF building former Baker's Square)
- Traffic counts (2012): 40,633 AADT Hwy 101 & Hwy 246

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Outreach in Progress

Retailers / Developers / Brokers

- CBRE (Retail Broker & Crossroads Development Broker)
- Chick-Fil-A
- Chipotle Mexican Grille
- Dunkin Donuts / Baskin Robins
- Falcon Capital
- Former Baker Square Building Brokers
- In N Out
- Panera Bread (Broker)

Feedback / Progress Highlights

- Introductory discussions and meetings at ICSC Western Division Conference in San Diego (Sept 2013), Monterey Idea Exchange (March 2014) with retailers, developers & brokers
- Initial retailer interest in various sites within City
- Cooperation on planned / future potential development within City and related incentives / financing

ICSC 2014 Calendar of Events

Date	Event	Location
February 5, 2014	Southern California Idea Exchange	Los Angeles, CA
March 12-13, 2014	Monterey Idea Exchange	Monterey, CA
May 18-20, 2014	RECon Real Estate Convention	Las Vegas, NV
October 1-2, 2014	Western Division Conference	San Diego, CA

Financing & Incentives Strategy

Review of California in 2014 Q1

- Unemployment still 5th highest in U.S. with 1.6 mil out of work
- **State unemployment very uneven: 5% in Marin Co; 26% Imperial**
- Close to 25% of Californians live below the poverty line
- **Cities distracted by RDA dissolution activity**
- Enterprise Zones terminated in 2013, replaced by AB93
- **California remains high cost & unfriendly to business**
- Pensions remain underfunded with no practical solution in sight
- **State is “Not Focused” on Local Government**
 - Majority of Economic Development Bills died or vetoed
 - CA attempting to replace tax increment loss with less potent tax credits

RDA “lite”: New State Tools & Legislation (2014)

State has added new ED Tax Credit programs – *limited in scope*:

- **Sales & Use Tax Exemption / Manufacturing Equipment**
 - Existing sales tax credit for businesses expanded to *statewide* sales tax exemption on purchase of manufacturing or R&D equipment
 - Businesses allowed to exclude the first \$200 million equipment purchases from state share of sales tax (4.19%) from 7/1/14 through 6/30/22

- **Investment Incentive (attraction/retention credit)**
 - Businesses compete for tax credits based on # of jobs to be created or retained
 - Approval of any incentive by a five member committee composed Treasurer’s office, Department of Finance, GO-Biz, the CA Senate and CA Assembly
 - Approved credits may be recaptured if a business fails to fulfill contract

- **Hiring Credit**
 - For businesses in census tracts with top 25% in unemployment & poverty
 - Credit available for those who show a net increase in jobs
 - Equals 35 percent of wages between 1.5 - 3.5 times minimum wage for five years

Post-RDA Economic Development Tools

Cities have 5 BASIC TOOLS for Public Private Projects



Theses tools often work best when used together

Post-RDA Tools – Real Estate & Property



Real Estate as an E.D. Resource

Local Government-Owned Real Estate Types:

- Former RDA real estate – PMPs
- Real Estate with public use (civic centers, fire stations, recreation)
- Surplus Property (City, School District, Utility, other)
- Rights of Way / Streets / Alleys
- Parking Lots / Structures

Real Estate as an E.D. Resource

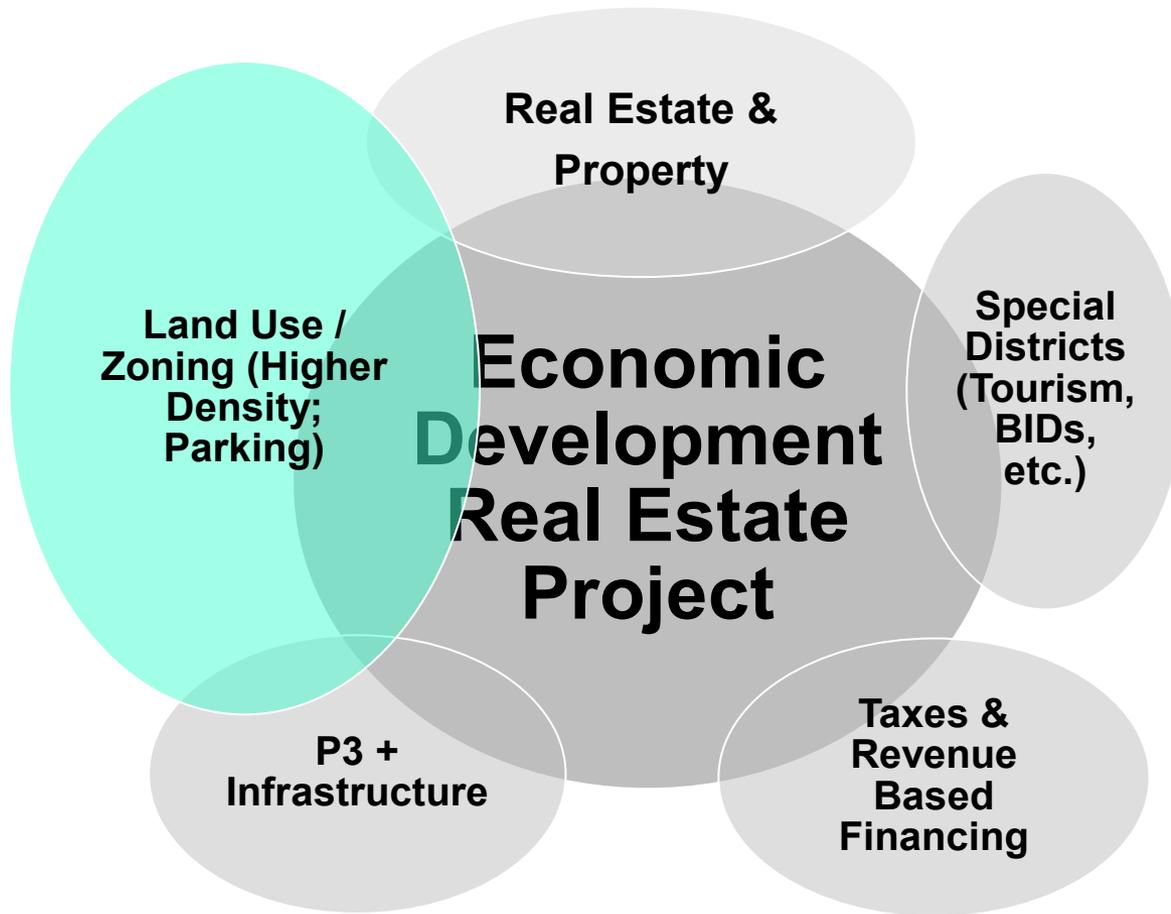
Land lends value to ED projects: can increase market/reuse value

- “Owned” land values can be propped up by zoning/use actions that add value
 - Density, reduced parking, hours of operation, height
- High commuting costs and transit lines have increased the “location value” of in-fill sites (e.g. parking lots, city / utility yards)

Public Agency land under-utilized;

- Existing zoning may not support highest & best use
 - Often needs work (entitlements, assemblage, env. remediation)
- Potential to increase value & property taxes (stable revenue source)
- Added “value” and/or lease revenue can be borrowed against (leverage)
- New funds from leverage can be used for Economic Development projects

Post-RDA Tools – Land Use / Zoning



Land Use & Zoning Tools

1. Expedited Processing of Entitlements and Permits:

- For the private sector *time is money*. Reduced processing time is a win-win
- Shorter timeframes for CEQA and other local Permitting requirements

2. Development Agreement (DA):

- Think “prenuptial agreement”
- DAs lock in benefits for public & private sector: e.g. fee deferral vs infrastructure

3. Specific Plans:

- Incorporate “ED” priorities and convert them to zoning policy objectives

4. Development Opportunity Reserve (DOR):

- Assign density for preferred uses (mixed use, retail, tax and job generators); Reward the Buyer/investor not the owner

5. Transfer of Development Rights (TDR):

- Specific Plans with an Economic Development “kicker.”

6. Post Construction Operating Covenants:

- Valuable for financing improvements made by a developer and/or tenant

Land Use/Zoning Options – Density as ED Tool

Development Opportunity Reserve (“DOR”):

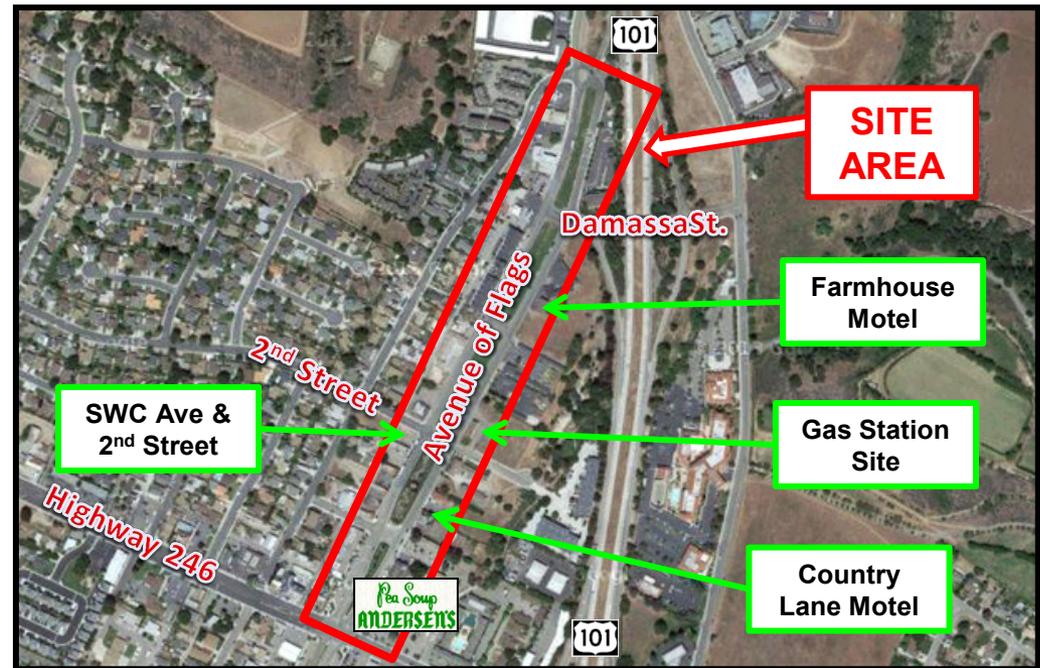
- **Problem: Up-zoning used to stimulate economic development often results in a windfall to existing landowners, not targeted users**
- **Bright Idea: Combine Specific Plans (SP) with Econ. Development “Kicker”**
- Zoning/Density should protect/advance community desires as per the SP
- Place ‘Added’ density into a “Reserve Account” but do not distribute per parcel
- Higher density to new projects that comply with pre- set “community objectives”
- Economic value of “DOR” density goes to desired projects vs. existing owners

Example: Burbank Media District Specific Plan

Burbank Media Overlay District Zone (1991-present) – allows more density through CUP process for projects that meet community goals (e.g. infrastructure)

DOR Opportunity: Avenue of Flags District

- Various potential Opportunity Sites under separate private ownerships
- Zoned general commercial (CR)
- **Potential for zoning / density as economic incentive**



Strengths

- Adjacent to Highways 246 and 101 with on-ramp and off-ramp access
- Central location within City
- Commercial zoning
- Strong household incomes

Challenges

- Low population density
- Consensus on vision
- Multiple owners

Opportunities

- Farmhouse Motel conversion
- Gas Station Site
- Country Lane Motel (Bach Hotel)
- SWC Ave of Flags & 2nd Street (Vacant Lot)

Case Study: Macerich – Mall of Victor Valley

The Challenge

- Lost several major tenants from a significant regional shopping mall; decline in sales tax revenue

The Post-RDA Tools Used

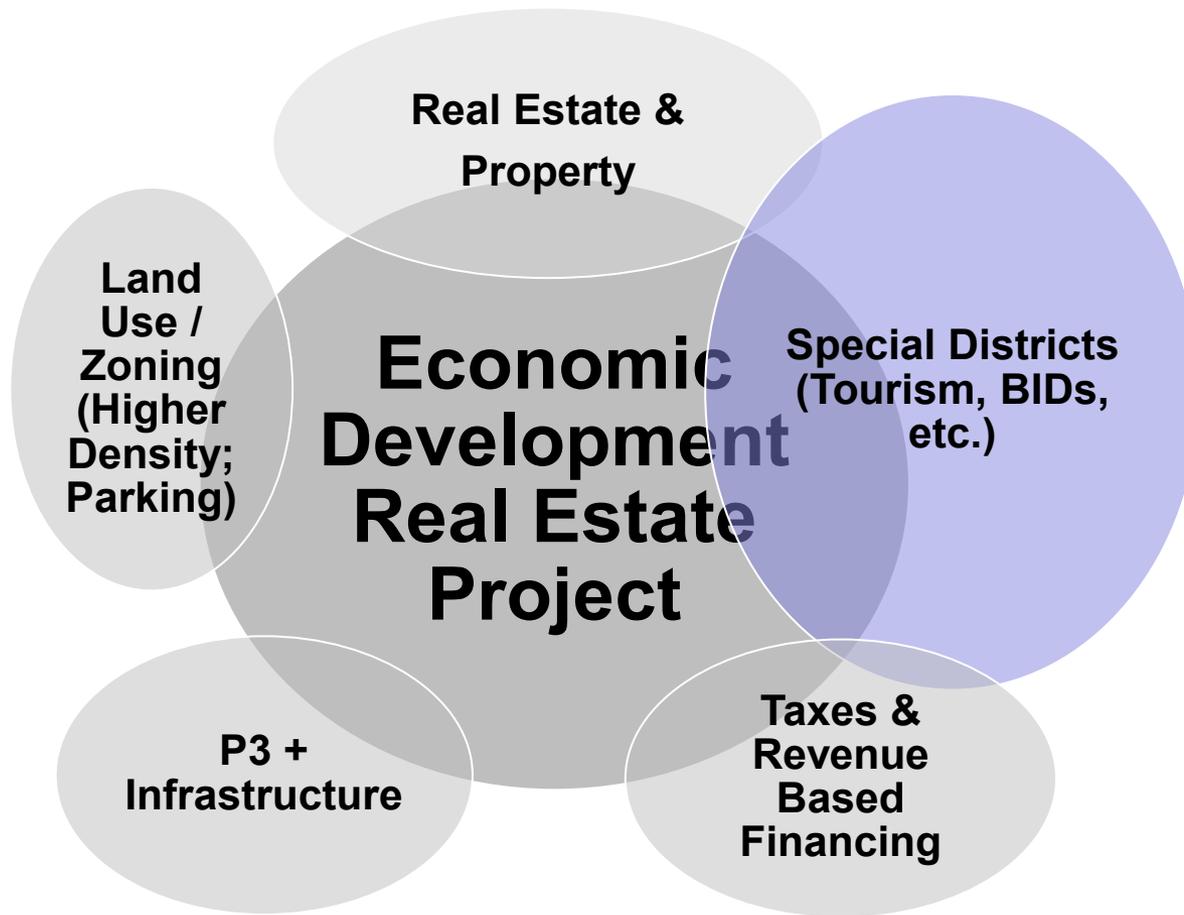
- Development Agreement
- Operating Covenant (Macy's)
- Site-Specific Tax Revenue (SSTR)

The Outcome

- Extreme Mall Makeover: Net increase of 47,000 retail SF (531,000 total SF)
- New Macy's and JC Penney (replacing shuttered Gottschalks and Mervyns)
- JCP opened in OCT. 2012
- MACY's opened in Mar. 2013



Post-RDA Tools – Special Districts



Post RDA Tools - Districts Overview

- **California Law allows creation of various specialized districts**
 - Located within a city that apply economic development programs on an area-wide scale vs. site-specific level
 - Districts may use taxes, assessments, exactions, and other funding sources for projects in the district
- **Popular Types of Districts:**
 - Business Improvement District (BID)
 - Property Improvement Business District (PBID)
 - Tourism Improvement District (TID) – *Buellton part of Santa Ynez Valley TBID*
 - Community Facilities District (CFD)

BID/PBID Characteristics

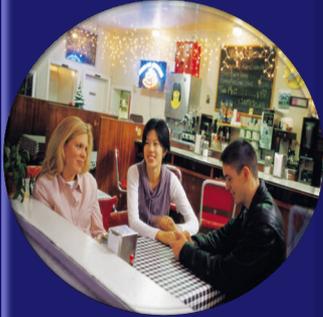
- **Business Improvement District (BID):**
 - Surcharge on business license taxes
 - Fund business marketing, promotions/events, parking improvements
 - Benefit assessment fee independent of business license taxes
- **Property Business Improvement District (PBID)**
 - Setup for 5 years at a time (renewable in 10 year increments)
 - Fund clean and safe programs, capital improvements, management
 - 100 plus PBIDs created around State
 - Requires 50.1% weighted owner ballot approval
 - Can assess vacant land, buildings, gov properties, public utility properties, churches, non-profits but not residentially zoned properties

TID Characteristics

- **Tourism Improvement Districts:**
 - Funds raised through an assessment on lodging stays
 - Provides services directly benefitting businesses within district
 - As of 2013, there are over 50 local tourism improvement districts in CA
 - Noticeable TID is San Diego; TID funds programs /events to attract overnight visitors to San Diego Convention Center (i.e. Comic Con)



Types of Districts Expanding



Restaurants



Golf



Attractions



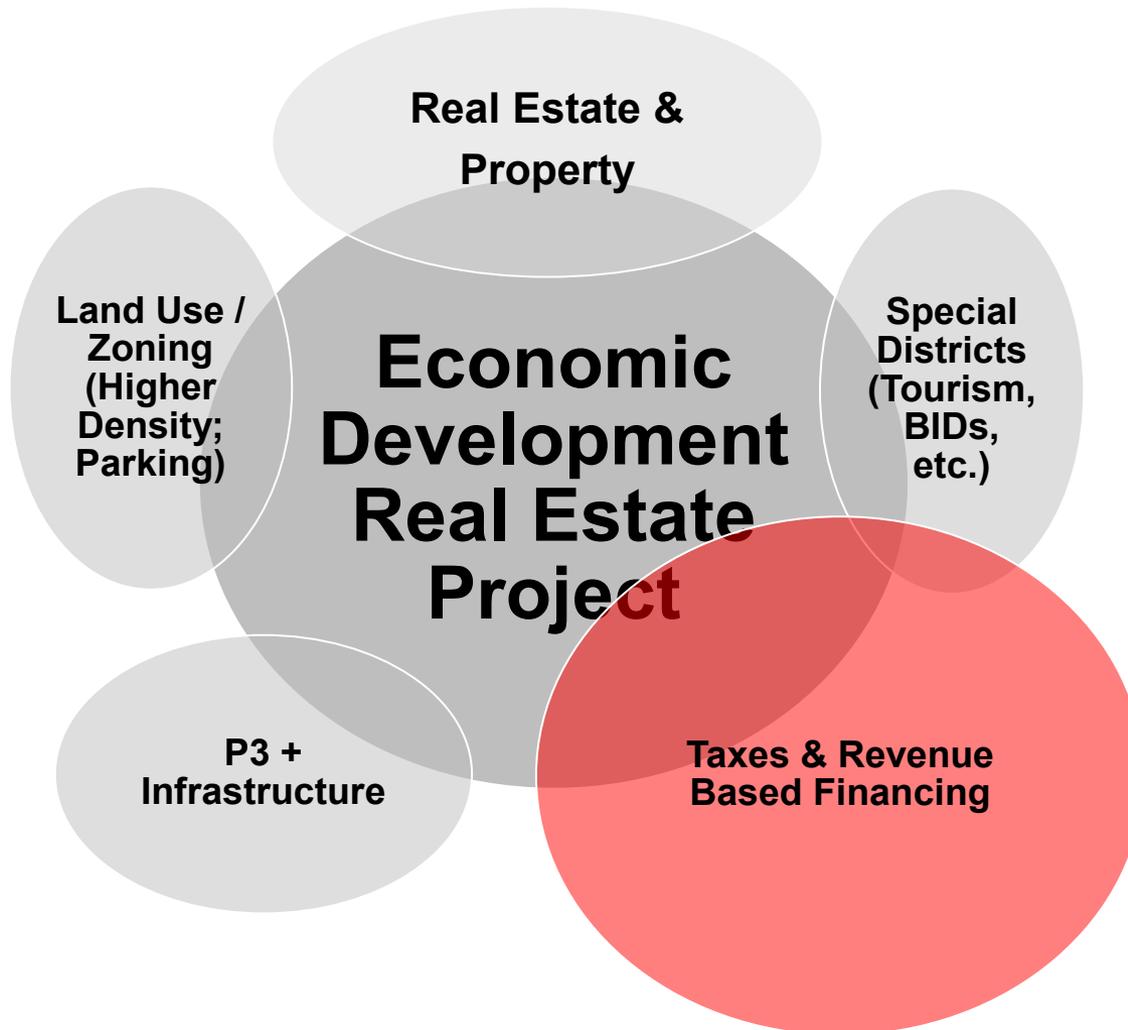
Wineries



Auto



Post-RDA Tools – Taxes & Revenue Financing



Post RDA: Basic Tax & Financing Tools

Financing Tool	The Basics
<p>Lease Revenue Bonds</p> <p><i>*Potential for Buellton* (Water Revenue)</i></p>	<ul style="list-style-type: none"> Public agency income stream (utility, parking) set up in long-term lease obligation & borrowed against <u>Example</u>: leverage of utility lease revenues in South Gate for publicly owned infrastructure improvements to accommodate retail center
<p>Lease-Leaseback</p>	<ul style="list-style-type: none"> Lease/sublease of asset between two public agencies enables lease payments to be leveraged (borrowed) <u>Example</u>: Existing building facility, lease payments can start immediately without the need to fund capitalized interest
<p>Site Specific Tax Revenue Pledge (SSTR)</p>	<ul style="list-style-type: none"> Tax revenue (sales, hotel) generated by a specific project and applied to reduce gap by lowering project debt or equity Contributes amount calculated each year based on actual increment of public revenues produced that year by project

Special Purpose Financing Authorities

- **Parking Authorities**

- Commission-led local government entity (law enacted in 1949)
- Manages parking operations and revenue citywide
- May be used to acquire property and fund new parking facilities
- Landlord for parking leases and concession agreements

- **Infrastructure Financing Districts – A “D.O.A.” District**

- Established in 1990 to finance public works in suburban areas
- Has been used 3 times (Lego-land, Rincon Hill in SF)
- Uses Tax-Increment Financing
- Requires 2/3rd public vote for district formation and bond issuance
- Cannot be used in prior RDA areas
- Governor proposed modification reduces vote to 55% - not enough for cities to use in most cases

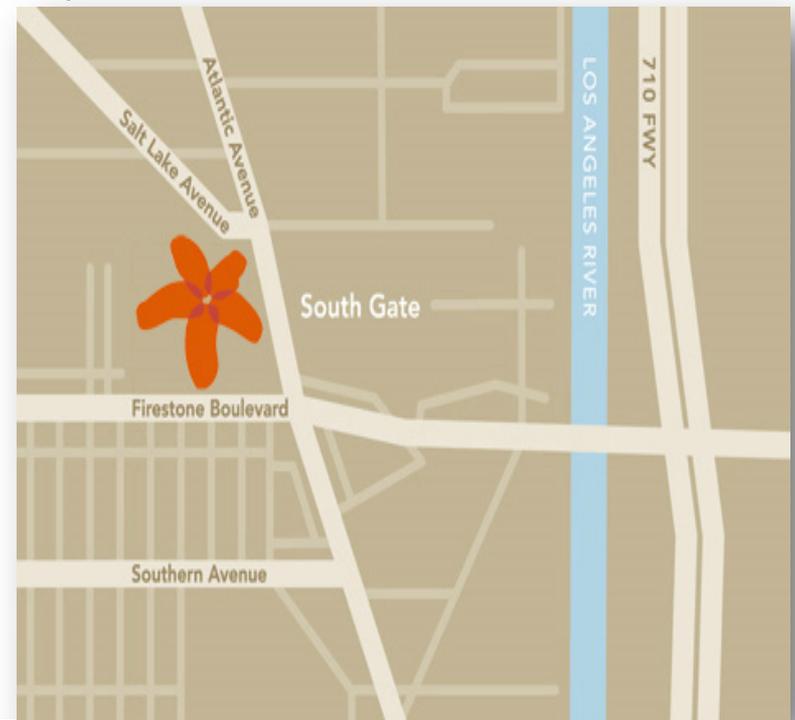
Case Study: South Gate – “azalea” Retail Center

The Challenge

- Formerly a pipe mfg plant, the 32-acre site lay fallow & blighted for years
- City purchased the land in 2006 to revitalize community with a quality regional retail & entertainment center
- South Gate has highest population density in LA County; residents must drive great distances for basic retail goods and quality restaurants

The Post-RDA Tools Used

- Utility Bonds for off-sites
- Infrastructure & Fee Waiver Agreement
- New Market Tax Credits (NMTC)
- EDA Grant



Case Study: South Gate – “azalea” Retail Center

The Outcome

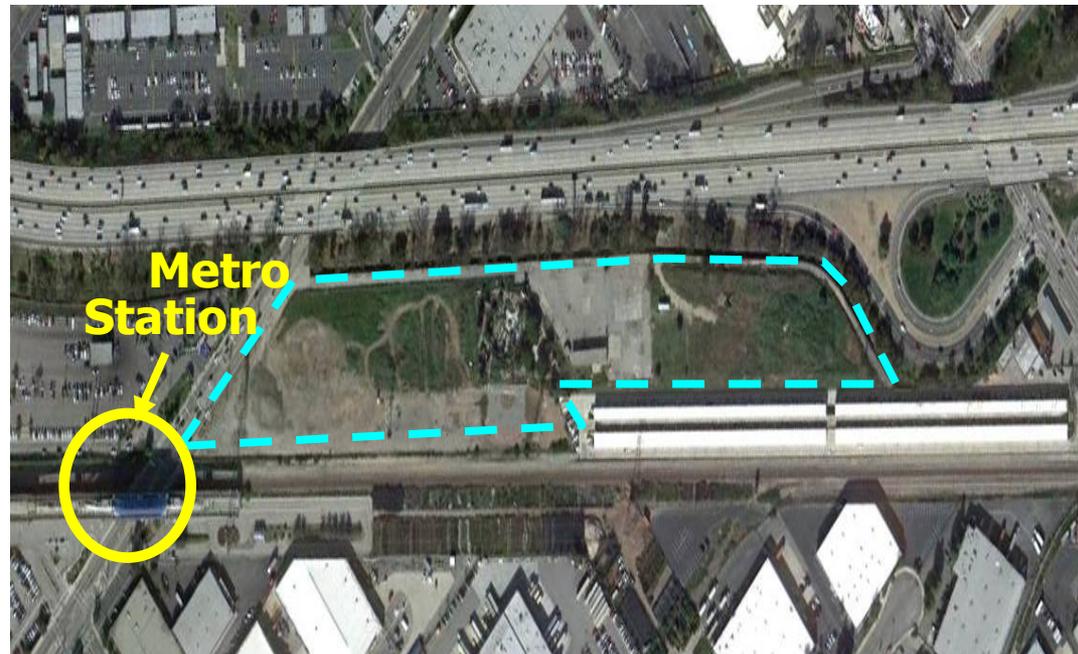
- 372K sf regional retail center (Walmart, Ross, Marshalls)
- Opens June 2014
- Public Plaza & Events Center, City Services Annex
- Project will generate \$2.6m per year in sales (2% sales tax rate)
- Enables City to recapture sales tax leakage & create ~600 jobs



Case Study City of Redondo Beach – Marine Ave. Hotels

The Challenge

- City desired to utilize area near Metro station
- Odd lot size & shape; multiple ownership; and vacant condition has deterred private development
- Developer proposes 147-room Hilton Garden Inn, 172-room Marriott Residence Inn and 180 Room Extended Stay Hotel located adjacent to the Metro station



The Post-RDA Tools Used

- ✓ *Ground Lease / Lease-Leaseback*
- ✓ *Site-Specific Tax Revenue Pledge (Prop & TOT)*
- **Mezzanine Reserve Fund**

Case Study City of Redondo Beach – Marine Ave. Hotels

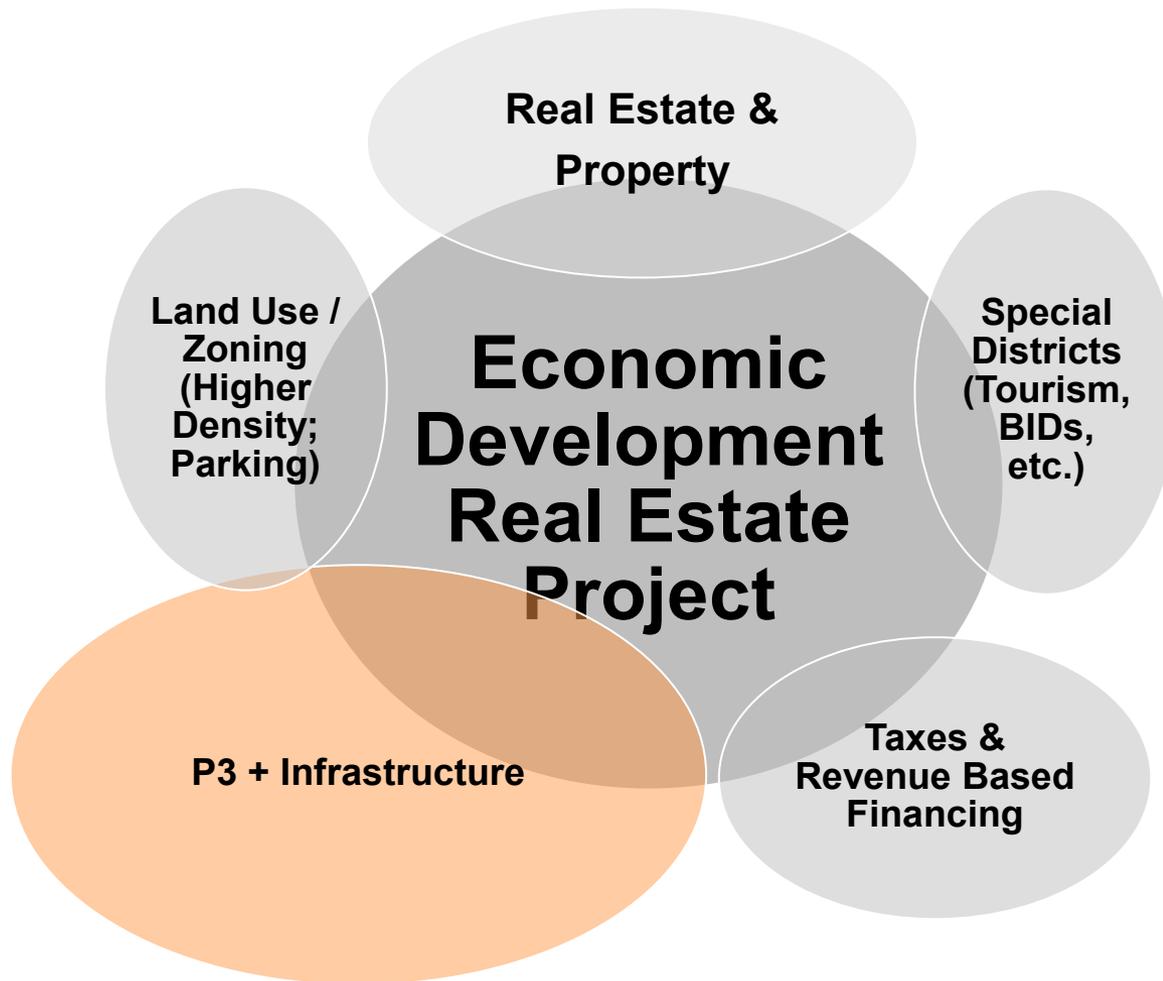


The Outcome

- Site Specific Tax Revenue is key; without project does get financed
- Will add over \$3.5 million/year in TOT & create ~150 jobs
- Brings three quality hotel operations to the City's "front door"
- TOD project across street from Metro Green Line station



Post-RDA Tools – P3 + Infrastructure



P3 Infrastructure Overview

- **What is Infrastructure P3?**

- Contractual Agreement between a public agency and a private sector entity to deliver facility for the use of the general public
- P3s offer government agencies in CA an alternative mechanism for financing vital infrastructure projects
- AB 164 - Authorizes local government agencies to use P3s to design, finance, and maintain fee-producing infrastructure facilities

- **Types of Infrastructure P3**

- Transportation: roads, bridges, tunnels, rail
- Defense: Military housing, Utilities, Reuse of Military Base
- Health: Hospitals, Schools, Prisons
- Water: Collection, Desalinization and Distribution
- Social: Civic Houses, Court Houses

Summary of Local P3 Opportunities

- **Local P3 Projects to assist in the following:**
 - Local-Serving Infrastructure
 - Water/Wastewater Projects, Parks, Municipal Buildings
 - (e.g. Long Beach Courthouse, Oxnard Fire Station)
 - Economic Development Programs
 - City's owned Real Property Assets/LRPMP can lead to ED opportunity
- **Why Public Private Partnerships?**
 - Shortened Procurement Cycle
 - “Free up” public funds for other purposes
 - Transfer project risks to private partner
 - Quicker access to financing for projects
 - Minimize general fund debt and keep off city financial statements

City of Oxnard – P3 Infrastructure Delivery

The Challenge

- City struggled to find a financing source and a project delivery method to build a much needed fire station on vacant 2.49 acre parcel

The Post-RDA Tools Employed

- P3 Infrastructure Delivery
- Revenue Bonds

The Outcome

- Established a California Municipal Finance Authority to issue two bonds to fund project
- Bonds financed design, acquisition, construction and equipping of a “turn-key” fire station to be transferred to the City of Oxnard after 24 months
- Revenue bonds earned an “A+” rating from S&P despite the bonds assuming construction risk



Next Steps for Econ. Dev. Implementation

- **Economic Development Projects w/o RDAs are more challenging but achievable; cities such as Buellton will need well conceived strategy**
- **Next Steps for Economic Development Implementation:**
 - Continue to market available Opportunity Sites and pursue targeted retailers/developers
 - Evaluate fiscal impacts and economic benefits (e.g. fiscal revenue and job creation) of key potential projects on a case-by-case basis
 - Review Basic Tool Kit: Real Estate, Zoning, Districts, Revenue/Tax, and P3
 - Determine which tools City is willing to use (e.g. **DOR, Water Rev. Bonds**)
 - Create Inventory of potential E.D. projects & determine feasibility
 - Review initial opportunities (Post RDA Properties, potential to create districts and/or use zoning & DORs, P3 Projects)
 - ED & Public Finance complexities demand a highly skilled team – review steps above and work with recognized professionals