

MEMORANDUM

To: City of Pleasanton

From: Jason Moody, Economic & Planning Systems

Subject: Downtown Pleasanton Specific Plan; Development Feasibility and Fiscal Considerations for Civic Center preferred Alternative; EPS#161114

Date: December 8, 2017

The Economics of Land Use



This memorandum provides a high-level overview of real estate development feasibility and fiscal considerations affecting potential reuse options and strategies for the City of Pleasanton's existing Civic Center and adjacent properties. It has been prepared by Economic & Planning Systems (EPS) as part of a multi-disciplinary consultant team retained by the City to complete a Specific Plan for the Downtown. The Civic Center site and several adjacent properties have been identified as a strategic opportunity to activate the City's existing downtown core and advance the goals of the Specific Plan.

The City is considering relocating all or portions of the Civic Center functions to an alternative location and is interested in identifying alternative land uses for about 13 acres located at the south end of Main Street (composed of the existing Civic Center and the former SFPUC site, now owned by the City of Pleasanton). The planning process has considered office, retail and related commercial development (e.g., movie theater, hotel) uses as well as housing. A preliminary land use program for this location is illustrated in **Table 1**.

This analysis of development feasibility and fiscal issues builds on EPS's recently completed market study as well as additional follow-up research related to the specific land use prototypes being considered for the Civic Center site. The actual development feasibility will depend on a variety of factors, many of which cannot be predicted with certainty or are beyond the scope of this analysis. These include, without limitation, the cost of site improvements and infrastructure (including demolition, relocation of existing City uses and need for utility upgrades), specific land use policies and requirements applicable to the site, and the level of public assistance provided.

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Table 1 Preliminary Land Use Program for Civic Center Site

Land Use Category	Units	
	#	Type
Residential	124	Units
Office	143,700	Sq.Ft.
Retail	41,800	Sq.Ft.
Total Non-Residential Parking	646	
Town Square	37,462	Sq.Ft.
Hotel	61,000	Sq.Ft.
Cinema	10,000	Sq.Ft.

Development Feasibility Overview

A summary of broader development feasibility issues affecting the Civic Center site and their implications for project implementation is provided below.

- 1. While the Civic Center site is well positioned from a market perspective, successful development will likely require a creative public-private partnership given the substantial public amenities and infrastructure associated with the proposed land use concept.***

The preliminary land use program envisions a significant investment in both public and private buildings, parks and plazas, parking facilities, and internal streets and as well as demolition and relocation of existing uses. While the finished market values associated with the private components (e.g., residential, retail, and office) will cover a portion of these costs, public financing tools and resources are also likely to be required to achieve successful development. Specifically, preliminary estimates suggest that the surplus land value generated from the level of private development envisioned under the proposed land use plan would be in the range of \$22 million to \$25 million. Meanwhile, the cost of identified project-wide infrastructure such as parking, new roads, and parks and open space is in the range of \$18 million to \$30 million at minimum. Consequently, the City will likely need to initiate a public-private partnership with prospective developer(s) that will include strategic cost sharing, project phasing, and related efforts to ensure financial feasibility.

It is important to note that both the project wide cost and land value analysis summarized above is based on current market conditions as well as preliminary assumptions. The cost estimates exclude a variety of unknowns, including site preparation and remediation (including demolition and disposal), the need for utility upgrades or off-site improvements (if any), and special facilities (e.g. iconic design features and amenities). Moreover, the analysis does not account for the cost associated with relocating the existing civic center uses

to a new location, estimated to be about \$200 million.¹ Consequently, as part of on-going implementation efforts, the City and other project participants will need to further investigate the costs for project wide infrastructure and related public amenities as well as fine tune specific development prototypes and phasing strategies. The effect of evolving market conditions on the optimal mix and potential value of various uses should also be considered.

2. Residential uses will likely generate the highest development value for the Civic Center site given strong local and regional market support and limited new product offerings.

A residential product, whether in the form of townhomes, condos, or multifamily apartments, would likely have the strongest market support and could maximize the land value of the site (but need not drive the desired land use program). Consequently, a land use program that allows for additional residential units is likely to require less in the way of public subsidy.

3. While not as valuable as stand-alone residential, office development is also likely to generate surplus value that could be used to cover a portion of project wide costs.

While current market trends are not conducive to the development of a conventional, corporate office campus, smaller scale and/or mixed-use office products may be viable and would also likely boost the overall economic value of development at the Civic Center site. However, the timing and economic value of office development in excess of 100,000 square feet is relatively speculative and long-term and unlikely to improve overall project feasibility in the short term.

4. Given more moderate market demand and intensive parking requirements associated with retail, hotel, and/or entertainment (e.g., cinema) uses, these project elements are unlikely to advance the overall development feasibility and may in fact require additional public subsidy.

While retail, hotel, and entertainment uses face different market dynamics, none is likely to generate significant surplus value to defray the cost of project-wide infrastructure or public amenities. In addition, these parking intensive uses generally require a large footprint that would reduce the site's ability to accommodate other complementary uses. Meanwhile, the cost of constructing a parking structure needed to accommodate peak demand, particularly for a cinema, would likely be prohibitive absent outside funding or cross subsidies.

5. The proposed development program for the Civic Center site would likely have a positive impact on the City's General Fund budget, with annual revenues from new property, sales and related taxes off-setting the on-going cost of providing municipal services (e.g., public safety and facility maintenance).

Building on fiscal analysis completed as part of implementation of the General Plan Update, EPS has estimated that the proposed development program would generate a net fiscal benefit of about \$450,000 per year upon full buildout. The largest contribution comes from the retail and hotel uses due to increases in sales and transient occupancy taxes, respectively. However, the buildout of these higher revenue generating uses are likely to occur later in the development program.

¹Based on recent City estimates, the total cost of relocating the existing Civic Center and library uses to the Bernal Property are estimated to be about \$200 million. In addition, initial City planning efforts associated with the Civic Center relocation have contemplated using surplus land value from sale of the existing site as one potential financing source. Based on a 2016 City memo, about \$21.6 million estimated from sale of existing Civic Center site (exclusive of former SFPUC site) could be used to for this purpose.