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Managed by the California Association for
Local Economic Development (CALED)

CITY OF PLEASANT HILL

LOCAL ECONOMIC ADVISORY PROGRAM (LEAP)

*A Study in the Vicinity of the City's Limited Industrial Park
Held on February 23, 2015*

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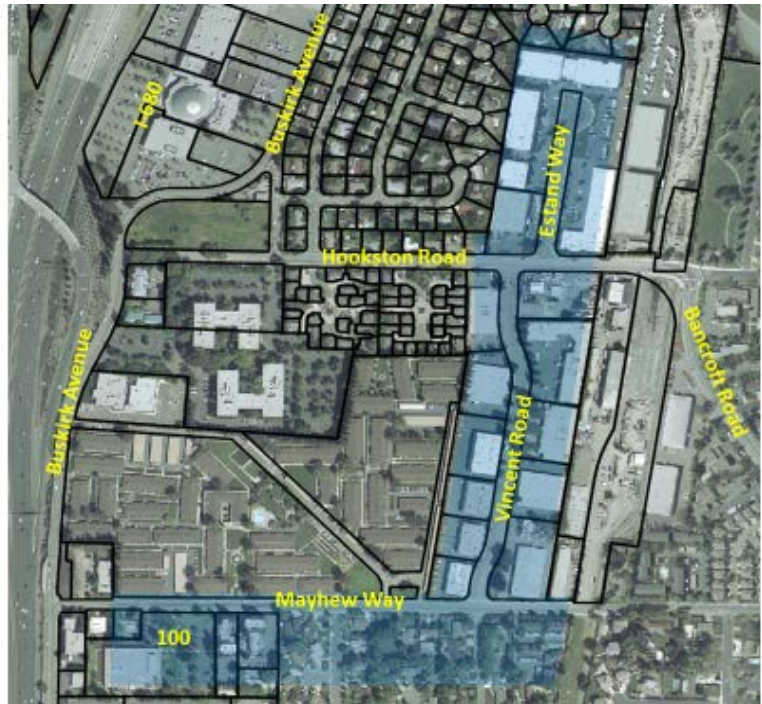
Overview

THE STUDY AREA AND THE PANEL'S ASSIGNMENT

STATEMENT OF THE PROBLEM

This project is a real estate and economic development analysis involving older Limited Industrial zoned areas of the City east of I-680 that have long been problematic due to limited access, and current location surrounded by residential uses. The City is a low property tax City and as such is highly dependent on sales tax revenues. With that in mind, City officials seek a better understanding of the area's economic future. The three specific sites studied are:

1. The Hookston Station (Limited Industrial Area) along Vincent Road is a smaller older industrial area with a prior history of oil and railroad uses. The tracks are long removed and are now designated as the Iron Horse Regional Trail. The area is zoned Limited Industrial with 16-20 small buildings -- many multi-tenant -- and is dominated by small independent service businesses such as automotive repair, propane supply, engineering, metal fabrication, and several small contractors. There are stagnant property values, circulation issues, prior soil and groundwater contamination, and perhaps substandard buildings. Some renovation has recently occurred. At one time the City considered including the area in its Redevelopment Project area, but decided against doing so. The City is seeking advice on Hookston Station's most appropriate future.



2. The newer industrial area on Estand Way north of Hookston includes a cross-fit gym that is exploring opportunities to expand by another 20,000 square feet. Also zoned Limited Industrial and generally isolated from the City's commercial areas. The City would like advice on whether allowing the expansion is desirable at this location.

3. A handful of properties within City limits along adjacent Mayhew Way, between Buskirk Avenue and the Iron Horse Regional Trail. This includes a vacant commercial property at 100 Mayhew Way, which the buyer desires to develop as multi-family housing. Zoning on Mayhew includes PAO (Professional &

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Administrative Offices) and residential. This area is also designated by the Association of Bay Area Governments (ABAG) as part of the Buskirk Avenue Corridor Priority Development Area (PDA), partly because of its proximity to the Contra Costa Centre/Pleasant Hill BART Station.

QUESTIONS TO BE ADDRESSED BY PANEL MEMBERS

1. What is the economic contribution of these areas to the City's overall economy and quality of life?
2. Are there any lots in this area that would be more appropriately zoned as retail, mixed use or multi-family, recognizing the City's need for sales tax revenue?
3. If project area continues to be zoned as Limited Industrial, what actions should the City take to encourage additional redevelopment and private investment?

Methodology

The LEAP Team and City staff conducted the following activities:

1. Prior to the Event:
 - The Team worked with City staff prior to the event, including discussing the project, preparing the problem statement and reviewing literature relevant to the study;
 - City staff arranged the venue and schedule, and invited the participants
2. On the day of the event, the Team:
 - Met with City staff and two council members, including the Mayor
 - Went on a guided site tour with City staff;
 - Conducted individual and small group interviews, including two prior to the event
 - Convened to discuss what we heard and discussed our findings and recommendations
 - Presented the preliminary recommendations to the City Council
 - Conducted follow-up research to refine our recommendations
3. After the event, the Team:
 - Conducted follow-up interviews
 - Prepared and discussed the report
 - Are available to make follow-up presentations to Economic Development Committee and/or City Council.

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Observations

The Team offers the following observations based on all available information, including the interviews:

VINCENT ROAD, ESTAND WAY AND HOOKSTON ROAD

1. The City's Limited Industrial (light industrial) Zone has been in existence since 1991 and business has changed since then. In particular, the recession forced businesses to diversify in order to survive. More businesses now have broader mixes of manufacturing, assembly and retail. Examples include the Diablo CrossFit training establishment (manufacturing, training, and the desire for a café or juice bar), the restaurant supply store (wholesale and retail), the SPCA (animal boarding and public visits), and the wine storage facility (storage and wine tasting). Retail is less and less an ancillary use, and is becoming a major component of the business profile. The space is the same, but the area now sees more customer visits. The City has steadfastly held to its light industrial zoning, but could consider loosening its retail floor space limitations.
2. The market is here and the location is excellent. As the economy continues to recover, this park and the area are an important industrial/commercial asset for the region. The area is centrally located in the East Bay and is again becoming desirable to potential tenants.
3. This is the only affordable light industrial area in the 680 Corridor that is near BART, abuts the Iron Horse Regional trail, and is centrally located to labs, universities, and good housing. It has relatively easy access to I-680. It is affordable compared to other space in Concord and Walnut Creek. It is walkable/bikeable from a BART station, and is near local amenities used by the businesses, such as housing, hotels, restaurants, and shopping.
4. This park is a unique asset in the region. There is an eclectic creativity and vibrancy going on in the area, and some small local business groupings have naturally formed. There are multiple businesses in personal fitness, technology, just-in-time warehousing¹, R&D, and home improvement. Because of its location, there is an opportunity for an artesian² community to establish. This could include one or



¹ Just-in-time warehousing means keeping products and parts close by so they can be accessed by customers the same day. Two examples are the Friedman's furniture warehouse, and the auto parts/tool warehouse that serves local auto repair shops.

² "Artesian", or "Artisan" means craftsmen, persons skilled in specialty arts, construction, or fabrication.

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more microbreweries. These groupings are opportunities for the City and building owners to promote over time.

5. The area was often labeled an incubator because of its business mix and its attractiveness to smaller users. It is an affordable graduation space for home businesses seeking to expand, especially small research and service businesses. An incubator facility is a good idea in the area, but it should be privately funded. Publicly funded incubators often require continuous subsidies to operate.
6. The area contributes more to the community than sales and property tax numbers indicate. According



to ReferenceUSA®, there are 401 businesses and 1,777 employees on and within 0.3 miles of Vincent Road. The business mix promotes links to residents and downtown, and involves plenty of business-to-business commerce. The location attracts residents who take advantage of fitness, and also serves local businesses. Examples include wine storage, mini-storage, parts warehousing, ambulance staging, IT and server capacity, and automotive services;

7. There is little concern about water, sewer, drainage, streets. Fiber optics along Vincent and Estand were, however, mentioned several times. Individual appeals to the local cable provider would be less persuading than if several businesses and the

City approached them en masse.

8. There is also little concern about its location surrounded by housing. Because it is a long-established smaller light industrial park, there are limited noise conflicts with the surrounding residential properties. According to City planners, Hookston Road is a heavily-used commute arterial with about 20,000 trips per day.
9. The existing buildings are generally well maintained and fully occupied. However, there are some issues:
 - The feed store can use a face-lift and improved access. As one of the original businesses in the area, it has been limited by its long, narrow parcel shape and has been hemmed in by development of the Iron Horse Trail.
 - Some properties are not as well maintained as others, and there is some reluctance among owners to upgrade or landscape. This is primarily because rents are affordable the investment would not be offset. Over time, as the City considers establishing Gateways on Hookston and Mayhew, the City may need to partner with landowners to make these areas more attractive.

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- More attention by the City to maintenance, mowing, patrolling on public rights-of-way, and on-going code compliance is recommended.
10. The Iron Horse Trail is an asset to the park, and as it is further landscaped will become an even more attractive amenity;
 11. One constraint to further development is the anxiety about site contamination among existing tenants, potential tenants, local residents and property owners. There is plenty of information about the extent of contamination, the sites that are listed on GeoTracker,³ and the extent of cleanup. The City can ease this anxiety by convening an informational meeting on this topic. The group, the City and individual owners can then take the initiative in establishing cleanup goals.
 12. Other constraints to development include some lack of awareness among businesses and brokers about the opportunities in this area. Promotion and meetings with brokers could improve awareness.
 13. The area benefits from a strong Community College (Diablo Valley College) and private university with a business focus (JFK). Some interaction occurs between businesses and these schools, but there are more opportunities for collaboration including intern programs, contract education, etc. The City has an opportunity to play a key broker role.

100 MAYHEW WAY

14. 100 Mayhew is a 3.2 acre site that was a former AT&T data center, now with a 40-year old 30,000+/- square-foot windowless tilt-up building with plenty of parking. It is currently unoccupied and fenced off. A study provided by the owner of the site and our own interviews and observations suggest that barring a unique user, non-residential development on the site will have to wait several years for the market to catch up:

- This is a good office site, but in this market it is not poised for quick commercial development. The site is good for a single office commercial user who could raze the building and build new, or could renovate the building, add windows and a new interior, and occupy it. However, neither that much space nor this location are in demand in the current market. It also lacks the nearby amenities that are more readily available in office developments in the area. Probably 10 years or more before office development would occur there;
- The site is adjacent to an office/medical complex with smaller units. This site could be developed similarly. However, the cost of demolition and site preparation vs. the revenue potential for this use may eliminate it as a possibility.



³ GeoTracker is a listing maintained by the State Water Resources Control Board. It tracks the status of known contaminated sites in California

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- The site generated some interest in the past year by six hotel developers, but all candidates passed. Three other candidate hotel sites in the area are more attractive. The site lacks direct visibility from I-680, lies within a less attractive neighborhood, and is not as close to employment and amenities⁴. There is an Extended Stay America hotel in the adjacent Pleasant Hill Shopping Center anchored by Best Buy. Probably 10 years or more before hotel development would occur at the site;
- Retail development is feasible if assembled with surrounding properties, especially those along Buskirk. To be viable as retail, the site needs visibility to I-680, access from Buskirk, and a rectangular shape. It also needs to be larger to accommodate a reasonable grocery-anchored or similar center. The back of the Best Buy retail development abuts the site, so a connection between the two would be problematic. While a multi-story building on the site would be visible from I-680, the site is currently screened from view by a 2-story building and a one-story building on the properties between it and Buskirk/I-680. Without better visibility the site still would have less-than-optimal development potential as a retail site or a hotel site even if multi-storied. Patronage at Best Buy and the hotel next door, for instance, almost certainly depends in part on their exposure to I-80 through an open parking lot, even if only for an instant.
- With land assembly, the site would similarly be suitable for mixed use development. The retail component of a mixed use project would be viable if set up along Buskirk. As is, the site is clearly more attractive to developers as multi-family space or high density single family housing. That appears to be the one use that has market viability right now.

⁴ From “Market Demand Analysis, Proposed Hotel, Pleasant Hill, California” September 2014, by PKF Consulting www.pleasanthillca.org/hotelstudy

Recommendations

The Team Formulated the following recommendations based on all available information:

1. Uses that bring revenue to the City are important, and the City should continue to optimize revenue opportunities. That being said, the area is fully developed with existing buildings and uses, which limit opportunities for significant new revenue from this area. Encouraging renewal along Iron Horse Trail and the development of 100 Mayhew have the greatest opportunity for new revenues,
2. No major re-purposing is needed. The park is now about as economically productive as it can be for its size and age. As the market for commercial buildings improves, we recommend refinement and incremental improvement of what's already there;
3. The Team recommends a re-branding of the area, some joint promotion, and outreach to local brokers to increase awareness and interest. These are extensions of business retention, which should continue in this area;
4. The Limited Industrial Zone is generally fine. However, a zoning review is desirable. In particular, Zoning may need to be more flexible with regard to how much retail is allowed in a building. This will better reflect the mixed uses now desired by existing tenants and actual demand in the area. One approach may be to allow one or two individual retail uses within the entire area such as cafe, deli or convenience store. Small delis in existing industrial spaces that serve the area for breakfast, lunch and snacks are a common and important amenity in areas like this;
5. The City could help ease anxiety about site contamination by facilitating a meeting with the property owners to help them establish cleanup goals. Brokers should also be included.
6. 100 Mayhew. The City should encourage assembling this property with those along Buskirk to create a larger rectangular property that is more attractive to retail users. Alternatively, the City will have to choose whether it prefers: 1) a quicker return of the property to productive use by allowing it to develop as housing (current market demand), or 2) keeping it vacant perhaps for several years while the market for single office, retail and hotel development grows (future market demand). Because of its future revenue and economic development potential, the Team leans towards the patient approach;
7. Increase outreach to tenants and property owners. Set up regular sessions to discuss fiber, site contamination, gateways, maintenance and patrols, increasing the percentage of retail uses, incentives for renovations, and other topics.
8. Encourage increased linkages between local tenants and the Chamber, the Small Business Development Center, Diablo Valley College, JFK University, the Workforce Investment Board and employment services agencies.
9. Begin planning and implementation of City Gateway signs/features on Hookston and Mayhew. This activity will also increase awareness of the area.

Persons Interviewed

Ken Carlson, Mayor
Sue Noack, Councilmember
June Catalano, City Manager
Kelly Calhoun, Economic Development Manager
Greg Fuz, City Planner
Mario Moreno, City Engineer

Pello Walker, Business Owner
Jonathan Kandler, Property Owner
Tom Capler, Property Owner
Dr. Oswald Siegmund, Business Owner
Chris Thomas, Chamber of Commerce
John Mathesen, Resident and Educator
Sam Patti, Property Owner
Steve Coff, Property Owner

Bill Bankert, Planning Commissioner
Craig Howard, Business Owner
Ed Del Beccarro, Real Estate Broker
David Bowlby, Property Owner
Oscar Dominguez, Small Business Development Center
Becky & Michael Ashley, Property Owners
Judy, local farmer
Tim Toomay, Business Owner
Larry Pines, Property Owner
Jim Bonato, Planning Commissioner
Bob Burke, Property Owner
Ann Luke, Chamber of Commerce
Thomas Gearing, Attorney

Special thanks to Kelly Calhoun, Pleasant Hill Economic Development Manager, and the City staff for the great work organizing the day and inviting the participants.

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About the Local Economic Advisory Program

A LEAP is a one- or two-day long event that helps community leaders and other stakeholders understand their local economy, learn about economic development, and build consensus for action. LEAP events are customized for each community's specific needs. Each LEAP team is built from CALED's database of experienced professionals from outside the community who can provide advice on the specific problem, whether it be economic development strategies, recruiting new businesses, downtown revitalization, industrial park assessments, and much more.

About the California Academy for Economic Development



The California Academy for Economic Development (Academy) is a center devoted to Economic Development training, education, and research. By emphasizing innovation as well as tested methods, we strive to educate economic developers and communities on the best ways to grow healthy, vibrant communities. We are a 501(c)3 non-profit, managed by the California Association for Local Economic Development (CALED).

Our mission:

- Educate economic development professionals, officials and others about the critical processes and strategies needed to improve California's communities so they can succeed in the global economy.
- Provide new business information and resources to local economic development professionals so that they, in turn, can pass this information on to entrepreneurs in their communities.
- Conduct supportive research, data development and analysis.
- Strengthen the link between economic development and educational institutions.
- Make economic development professionals more productive by bringing new technologies to the field.

Contact Information

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APPENDIX A

PLEASANT HILL COMMUNITY PROFILE 2015

APPENDIX B

Web Links to Relevant Documents

February 23, 2015 City Council Meeting Agenda <http://www.ci.pleasant-hill.ca.us/Archive.aspx?ADID=1952>

Pleasant Hill Zoning Map <http://www.ci.pleasant-hill.ca.us/Index.aspx?NID=93>

Preliminary Report, Pleasant Hill Commons Redevelopment Project Plan Amendment
<http://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=4&ved=0CDIQFjAD&url=http%3A%2F%2Fwww.ci.pleasant-hill.ca.us%2FDocumentView.asp%3FDID%3D876&ei=XQ4DVZbKAY63ogSN9oCABA&usg=AFQjCNGiix9mN73PiOcyawXVNUKLES86Lw>

Pleasant Hill Commons Plan Amendment Draft Environmental Report
<http://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=0CB4QFjAA&url=http%3A%2F%2Fwww.ci.pleasant-hill.ca.us%2FDocumentView.asp%3FDID%3D1132&ei=XQ4DVZbKAY63ogSN9oCABA&usg=AFQjCNGwLVpyheMpP-BGQHzplTlqrygg4Q&bvm=bv.88198703.d.cGU>

Feasibility Study Hookston Station (Site Contamination Report) July 2006
http://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=4&ved=0CDIQFjAD&url=http%3A%2F%2Fwww.swrcb.ca.gov%2Fwrqcb%2Fwater_issues%2Fprograms%2Fsitecleanup%2Fhookston%2Fhookston_fs_text.pdf&ei=Ij8DVdfSE43qoAS9loG4Bg&usg=AFQjCNEWI9kygWbwFjR1SibdEzjer6gO5w

Pleasant Hill Zoning Code Chapter 18.25
<http://www.codepublishing.com/CA/PleasantHill/html/PleasantHill18/PleasantHill1825.html#18.25>

Contra Costa Economic Forecast by Caltrans
http://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=0CB4QFjAA&url=http%3A%2F%2Fwww.dot.ca.gov%2Fhq%2Fftp%2Foffices%2Ffeab%2Fsocio_economic_files%2F2014%2FContraCosta.pdf&ei=a_gCVfzZF8nyoAT2-oHwDw&usg=AFQjCNGf_IYWXrEpOrOhLjxQI90SxfAnMQ

East Bay Economic Outlook 2014-15 by East Bay EDA
<http://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=0CB4QFjAA&url=http%3A%2F%2Feastbayeda.org%2Febeda-assets%2Freports%2F2014%2FEDA-Outlook-2014-2015.pdf&ei=2PcCVausIsHxoATzkYKQDA&usg=AFQjCNF4-riEHeutZqdvk5EYknO4TSfg8Q>

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ABAG Jobs-Housing Connections Strategy, 2012

http://www.planbayarea.org/pdf/JHCS/May_2012_Jobs_Housing_Connection_Strategy_Main_Report.pdf

Appendices to ABAG Jobs-Housing Connections Strategy

http://www.planbayarea.org/pdf/JHCS/May_2012_Jobs_Housing_Connection_Strategy_Appendices_Low_Res.pdf
