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TECHNICAL MEMORANDUM

To:
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Copies:
Erhardt Werth

From:
Steve Stewart

Date:
20 August 2006

ARCADIS Project No.:
RD000101

Subject:
Report Summary

Dear Guy:

The purpose of this technical memorandum is to summarize the findings of the Initial Study prepared for Phase 1 of the Antioch Rivertown Waterfront Development. The Planning Team began the work in May 2006 and is based upon the scope-of-work dated March 31, 2006. This summary corresponds to the format of the report.

Introduction

The purpose of the planning study was to identify various opportunities for the redevelopment and revival of Antioch's downtown waterfront. The focus is to provide the community with a unique gathering place which will provide a diversified and active downtown. The assumptions set out in the beginning of the study included:

- The San Joaquin River should become a visual centerpiece to the Rivertown waterfront Development
- Develop clearly defined districts within the development area and provide a mix of compatible uses to create a vibrant community
- Provide a broad range of commercial, employment, housing and recreational opportunities as a part of the new Rivertown
- Create a plan that meets the vision of the community, yet is economically viable and can be implemented within strategic time-frames.

Site and Visual Analysis

The Planning Team spent a week in the City of Antioch in June 2006 and conducted an exhaustive site and visual survey of the study area. While in the City, members of the Planning Team interviewed City representatives, certain stakeholders, real estate professionals and developers to obtain valuable “institutional knowledge” and a better understanding of the growth patterns of East Contra Costa County in general and Antioch specifically.

In addition to the site analysis, the Planning Team reviewed over a dozen reports and previous studies that pertain to the existing condition of the City’s infrastructure as well as potential development in and adjacent to Antioch’s downtown. The results of the site analysis, meetings and data review were reviewed during a charette session with City Staff. The outcome of this charette identified many strengths, weaknesses, opportunities and threats for the Rivertown development. These are shown in detail in Section II of the report and formulate the basis of the Site Development Constraints and Potentials for Rivertown. These are generally characterized as:

- Potentials
 - River views and access
 - Good access and system of grid streets
 - An established, intimate downtown with mature trees
 - Residential in close proximity to the downtown core
 - Large “bookend” properties to the east and west side of the downtown core

- Constraints
 - Railroad bisecting the development area from the waterfront
 - Access to the Fulton Shipyard site
 - Small, fragmented City-owned properties
 - Economic disparity in the community
 - No “great” architecture or “attractor” in the downtown

Market Study

A thorough market study of the study area and East Contra Costa County was prepared by our Berkeley based subconsultant, Economic & Planning Systems (EPS), and is included as Section III in the report. The study is broken down into five major components including a Market Area Overview, Residential Market Analysis, Retail Market Analysis, Office Market Analysis and a Resort Hotel Market Analysis. The general findings of the market study include:

- Residential Market

Overall, a variety of residential product types and sizes are likely to be successful in Downtown Antioch over the long-term due to strong population growth trends. In the more immediate term, however, a single-family detached product is likely to be the most secure investment given the established nature of the market and the current economic and interest trends. The market for a higher density condominium product in the East County, which will be needed to maximize the profits given the price of the land, remains largely untested and thus represents a more risky prospect in the Downtown.

- Retail Market

With the overwhelming presence of traditional neighborhoods and regional power retail centers in the East County Market Area and the lack of freeway visibility, downtown Antioch would be an inappropriate location for conventional retail formats. In order for retail in Rivertown to succeed, it will need to carve out a niche that is less formula-based than what is being provided in the rest of the market area, reflecting the area's unique attributes and waterfront location. Economically vibrant downtown districts have managed to be successful but they must create a unique shopping alternative to power centers by providing a distinct and attractive mix of goods and atmosphere. There must also be an established market (roof tops) to help support the retail

- Office Market

Despite the significant office development planned in Eastern Contra Costa County, downtown Antioch is not currently viewed as a primary or even secondary destination for major office tenants. As a result, the office component of any downtown redevelopment should be viewed as a "follower" than a "leader." Specifically, office tenants are likely to become more interested in the area once the retail and residential components become more established and begin to create vitality. Nonetheless, the growth in market area employment, and significant level of planned development, suggests that the downtown office market can evolve – over time – into a viable niche.

- Resort Hotel Market

Overall, the viability of a resort hotel in or adjacent to downtown Antioch should be considered an operator-driven rather than market-driven prospect. In other words, at some point a motivated operator may come forward that is capable of providing a successful product. However, such a prospect is not suggested by current market conditions and not likely to materialize in the short-term. The absence of a resort-oriented facility in Eastern Contra Costa County is itself an indication that the market is not currently ready for such a use.

Concept Development

Section IV of the report describes the concept framework from which the subsequent development plans and pro-forma are derived. Concept development is where the overall vision and organizing structure for development is established. Through the charette process, the concept of three discrete yet connected villages, Marina Village, Downtown Village, and East Village, each linked by a waterfront walk, was proposed. In establishing this vision, several guiding principles are recommended and should be used in evaluating alternative development plans. These critical principles include:

- Making a Place;
- Mixing Uses;
- Creating a Flexible Plan;
- Incorporating Public Spaces; and,
- Remembering Access

Site Development Plans

During the planning study, two initial development plans were developed. These plans were reviewed and evaluated by the planning team and City representatives taking into consideration the constraints of the site, market conditions, difficulty of implementation, community desires and the concept guiding principles. Section V of the report illustrates and describes these two development concepts.

During the review of the Alternative Development Plans, substantial discussions on the positive and negative aspects of each were considered. During this review, general consensus included:

- Accommodations should be made for waterfront activity and the inclusion of a museum or other “attractor” in the downtown.
- There was a strong concern in having “high rises” along the waterfront and in the downtown core particularly. It was decided that mid-rises (no more than 6 stories) may be appropriate on the east and west ends of the study area.
- Need to have provisions to replace parking that is programmed to be displaced to accommodate mix-use development in the downtown core
- Denser residential is preferred in the core area
- Include a mix of uses including residential, office and retail.

Taking into account the comments provided during the review, a Test Development Plan was developed. The Test Development Plan, as detailed in Section V of the report, calls for the development of 989 residential units, 101,000 SF of office and 137,500 SF of additional retail.

Implementation Issues

One of the critical components in supporting redevelopment is the ability of the public infrastructure to accommodate the influx of new residents and businesses. This infrastructure includes roads and parking; mass transit; water and sanitary sewer services; electric and natural gas; and, communications. Other services that may be impacted include public safety (police and fire), schools and waste disposal.

During the analysis of the essential services, it was noted that new lines for water and sanitary have recently been installed in the downtown core. Due to the recent improvements, there does not seem to be any issue with providing water services, except for possibly mid- to high-rise structures where booster pumps will be needed for pressure and fire protection. There seems to be adequate production and transmission. New lines will need to be installed to accommodate the larger development parcels, but it is anticipated that the developer will address these needs. However, there does appear to be a potential problem associated with the sanitary sewer system. Although new lines have been installed, our investigation noted that there may be an issue of capacity at the treatment plant. It is recommended that additional study be done to determine what, if any, adverse impact there may be on development regarding the wastewater treatment.

Based on our preliminary review of the study area, it does not appear that there are insurmountable engineering issues which would prevent the implementation of the Test Development Plan. However, there are several issues of special concern which will require additional consideration and study, including:

- Potential remediation of the Libitzky parcel (based on use of property)
- Soil conditions in and around the area of MV-6 and MV-7
- Soil conditions within the San Joaquin River which may impact the development of the Village Landing
- Potential remediation of the Hickmont site (based on reports)
- Potential remediation of the Fulton Shipyard site (based on use of property)
- Drainage in and around the Hickmont site

The construction estimate to achieve the Test Development Plan as shown is estimated at over \$585 million. Of this amount, \$30.6 million, or 5.3%, would be for public improvements and not funded by private development. A detail estimate of probable development cost is show in Section V of the report (Tables VI-1, -2 and -3).

The financial feasibility of new development in the Rivertown development area will depend on a variety of factors, including market rents and sales prices, development costs, interest rates, regulatory requirements and the investment priorities of individual property owners. For the purpose of this analysis, a cash-flow pro forma to assess the financial feasibility of a condominium project developed on a vacant downtown parcel was performed as a test case. Based on the pro forma analysis on this test case, the

financial feasibility of private development in downtown Antioch could be characterized as indefinite at best given prevailing market conditions. Success will depend on a variety of factors that are difficult to predict or control. Thus, it is not surprising that new, high-density or mixed-use development has yet to occur in the Rivertown Project area. Indeed, the only recent market-rate high-density project anywhere in Eastern Contra Costa County, the Vidrio in Pittsburg, is receiving a \$20 million subsidy from the City.

Table VI-5 documents the \$30.6 million in project-wide costs compared to about \$29.5 million in potential revenue sources identified in Table VI-6. On the positive side, a \$1.1 million funding gap appears manageable. However, as is typical for large scale redevelopment projects, the key challenge for the Rivertown Waterfront Development will be project phasing and timing. Specifically, the identified funding sources are expected to be generated over a ten-year period with more than half of the total unavailable for at least six years after project initiation. However, many of the improvements and public facilities will be sought for early to in the process to stimulate the development. Bridging this funding gap will require a strategic approach.

Critical to the redevelopment effort will be the permit process. In California, the development permit process is coordinated with the environmental review process under CEQA. Development projects not exempt from CEQA must be analyzed by the lead agency to determine the potential environmental effects of the projects. For the Rivertown Waterfront Development Project, the time period for analysis and approval can be expect to range from 12 to 16 months. Table VI-7 in the report provides the anticipated regulatory requirements for this project. The five phases in the regulatory process will include:

- Pre-CEQA
- Scoping
- Draft EIR
- Final EIR
- Permit Completion

Recommendations

In order to make the redevelopment of Rivertown viable, successful and attractive to developers, we offer the following recommendations which will better position the City in its redevelopment efforts.

- Consider the possibility of establishing a fund to provide a development subsidy in the event that market demand alone does not provide the financial incentives to meet the City's need in a timely fashion.
- Identify one or more potential "draws" or "attractors" and begin planning to realize their existence in the downtown area.
- Initiate efforts to create Tax Incremental Financing (TIF) that is available to support the creation of an "attractor" sooner rather than later in the development process.
- Reconsider the creation of a Master Plan as such a framework typically accelerates the creation

- of value and associated development interest.
- If a Master Plan is not a likely near-term action, consider creating an Urban Overlay which assigns density ranges to each property and acceptable product mixes.
 - Issue a full set of Design Guidelines consistent with the vision and, ultimately, the Master Plan.
 - Develop a new fee structure for all development within the district to help pay for infrastructure needed along with the development.
 - Consider using existing railroad programs to obtain railroad financing for vibration and noise controls along the tracts adjacent to downtown as well as to upgrade railroad crossings.
 - Make certain that development outside the district is consistent with the plan and does not unfairly compete with the redevelopment projects.