



Catalyst Project Action Plan

Appendix C

**ECONOMIC DEVELOPMENT STRATEGY
AND ACTION PLAN**

for the

HOLLISTER DOWNTOWN ASSOCIATION

as subconsultant to

RBF CONSULTING

Prepared By

CONLEY CONSULTING GROUP

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Today, downtown Hollister generates only moderate levels of economic activity. Hollister residents conduct most economic activities, including shopping, outside of the downtown. The Downtown Plan seeks to draw people to the downtown for work, shopping and entertainment. Four catalyst projects were identified jointly by the Hollister Downtown Association (HDA) and RBF Consulting to direct activity to the downtown.

The four catalyst projects are as follows:

- **The Pendergrass Hotel** (historic rehab). This historic rehab project was chosen as a catalyst because of locally expressed interest in developing a new hotel within the Downtown. Although it is not possible at this stage of the project to quantify its economic feasibility, it is presumed that a range of financial assistance will be needed to fund adaptive reuse of the historic structure.
- **The Granada Theatre** (historic rehab and reuse). This adaptive reuse of a historic building would serve as a cultural venue to attract both residents and visitors to the City of Hollister. Currently, it is not possible to quantify the financial feasibility of this project. However, it is reasonable to assume that outside financial assistance will be needed to fully fund the costs of reconstructing and operating the historic theater.
- **The Sally Street Project** (new mixed use construction). The Sally Street project, which would develop a vacant, triangular site near the train station, was chosen as a catalyst project to demonstrate the feasibility of adapting an industrial site for to a mixed use development. The feasibility gap for this project is estimated at \$11 million.
- **The Plaza** (new mixed use construction). This catalyst development of a key publicly owned, vacant site at 4th Street and San Benito is located in the heart of the Downtown and would create a local gathering place. The financial feasibility analysis showed a relatively small financial feasibility. Given currently supportable rents an estimated \$706,000 subsidy would make the project feasible.

A. Next Steps

Implementation steps for each of the Catalyst projects are outlined below.

1) Pendergrass Hotel Project

For this project the key next step is to identify a market feasible development concept for reuse of the historic hotel. This step will determine the direction of future action steps for the project, which are outlined below:

- a) Engage a market study to determine the market sectors of demand to be tapped for the project, identify a viable market concept for the hotel, and project operating results.
- b) Solicit boutique hotel operator.
- c) Test economic feasibility of hotel development, given market concept and operating agreement.
- d) If there is a financial feasibility gap, identify gap financing sources.
- e) Enter into owner participation agreement (OPA) with Redevelopment Agency. If tax increment financing anticipated, prepare public documentation of any Agency investment prior to OPA.
- f) Secure Historic Preservation Tax Credits.
- g) Commence construction phase.
- h) Project opening and hotel operation phase.

2) Sally Street Project

This privately owned site is suitable for mixed use development including residential and retail uses. The key next step is to determine the property owner's interest and capacity to undertake the project. Residential uses may be more immediately marketable as affordable housing, and appropriate dedicated subsidy sources for affordable housing should be explored. Implementation Action Steps are outlined below:

- a) Meet with property owner to determine interest in development concept, based on catalyst project feasibility analysis.
- b) Evaluate feasibility of affordable housing development at Sally Street site, including availability of any affordable housing financing.
- c) Secure public commitment to Sally Street project.
- d) Enter into OPA to govern project development.
- e) If redevelopment is an anticipated source of feasibility gap financing, develop public documentation of rationale for any Agency investment.
- f) Secure private financing commitments.
- g) Commence construction phase.
- h) Project opening and operating phase.

3) Granada Theater Catalyst Project

There is potential for this property to serve a greater role in downtown revitalization efforts than it does today. As a key next step, the property owner, the current tenant, and the Downtown Association should work together to create a viable business plan, including both a use and funding program for a renovated Theater. Implementation action plan steps are outlined below:

- a) Develop theater marketing and operating plan, including both community and commercial uses.
- b) Develop renovation plan consistent with historic preservation guidelines and intended use (s).
- c) Project operating revenue and costs.
- d) Test project feasibility: determine any need for development and/or operating subsidy, assuming availability of historic preservation tax credits.
- e) Identify resources available to fill feasibility gaps.
- f) Secure operating agreements for theater use(s).
- g) Secure preliminary public commitment to project.
- h) Enter into a OPA to govern project development.
- i) Secure historic preservation tax credits.
- j) Secure private financing.
- k) Secure any public financing.
- l) Commence construction phase.
- m) Project opening and operating phase.

4) The Plaza Catalyst Project

This publicly owned site is available for near term development. A mixed use development program has been identified for the site that requires minimum public subsidy. The residential component would be most marketable in the near term as affordable housing. The key next step is to secure public commitment to the mixed use development program, and to engage in a public-private partnership to develop the site. Implementation action plan steps are outlined below:

- a) Secure Redevelopment Agency commitment to project, based on catalyst project feasibility analysis. Identify public development objectives and project priorities.
- b) Consider impact of adding affordable housing to project, including identification of available dedicated affordable housing funding resources.
- c) Redevelopment Agency to issue RFQ/P: Solicit developers to construct/operate project.
- d) Select developer to implement project.
- e) Enter into exclusive negotiating agreement with selected developer.
- f) Negotiate disposition and development agreement (DDA).
- g) Prepare Reuse Appraisal and Section 33433 report to document consistency of property disposition transaction with Redevelopment Law.
- h) Developer satisfies pre-conveyance requirements.
- i) Land conveyed to developer at terms stated in DDA.
- j) Commencement of construction phase.
- k) Project opening and operating phase.

B. Action Plan

A schedule showing a timetable and responsibilities for these next steps is shown below. Staffing requirements are shown for the HDA only.

I. Months 1-6

Solicit Owner Participation - ⊖ Downtown Association

- ❖ The Downtown Association has a key role to play in recruiting owners of the Pendergrass Hotel, Grenada Theater, and Sally Street sites to actively engage in development projects that will benefit the downtown. The HDA should facilitate discussions between property owners and the City/Redevelopment Agency. The HDA need not necessarily have a direct role in those discussions, which will lay out a time table for actions leading to successful project development. This task will result in MOU agreements between the parties to move forward with the implementation process.

Level of effort (LOE): 0.05 Full Time Equivalent HDA Staffing Requirement (FTE)

Hotel Market Assessment - ■ HDA, Pendergrass Hotel

- ❖ A hotel market study should be performed to determine the appropriate market niche and to project operating results for a boutique hotel in downtown Hollister. It is also typical precondition for soliciting potential hotel operators, investors, and lenders. The market study should be commissioned by the property owner. HDA to monitor progress.

LOE: 0.025 FTE

Resource Need: \$20,000-30,000 for specialized consultant

Theater Business Plan - ■ HDA, Property Owner, Tenant

- ❖ A business plan for the theater should be based on a realistic assessment of the potential utilization of the facility, potential box office and related revenue from operations, and the required building improvements for this use. Since box office receipts do not typically cover both capital and operating costs for these facilities, other similar projects have included expert assessments of the potential financial support from the likely fundraising support base.

LOE: 0.05 FTE

Resource Need: \$15,000-30,000 for fundraising/audience assessment consultant

Prepare Developer Solicitation - ● Redevelopment Agency

- ❖ The Redevelopment Agency should prepare and distribute a developer solicitation in the form of request for qualifications or request for proposal, or a combination, for the Plaza site. The RFQ/P should clearly state development objectives, availability of any public resources, and developer requirements. In the current housing market, affordable housing is a more readily marketable development concept for the site.

LOE: 0.00 FTE (for HDA)

I. Months 6-12

Select Developer - ● Redevelopment Agency

- ❖ Select Developer and enter into an exclusive negotiating agreement for the Plaza site. Initiate predevelopment activities.

LOE: 0.0 FTE (for HDA)

Affordable Housing - ● Redevelopment Agency, with Sally Street, Plaza Developers

- ❖ The developers of the Sally Street project along with the Redevelopment Agency, should initiate applications for funding any affordable housing components of the mixed use development projects.

LOE 0.0 FTE (for HDA)

Hotel Operating and Funding Plan - ● Hotel Owner, Redevelopment Agency

- ❖ The Hotel owner should enter into an agreement with an experienced small hotel operating entity to operate the renovated property as a boutique hotel. A capitalization and operating plan should be prepared, documenting any need for outside funding. Use of tax increment funding will require full public disclosure of deal terms and development economics in the documents required by California Redevelopment Law, prior to commitment of tax increment funds to the project. HDA provide statement of public support for the project as it relates to downtown revitalization goals.

LOE: 0.01 FTE

I. Year 2

Select Developer - ● Redevelopment Agency

- ❖ Select Developer and enter into an exclusive negotiating agreement for the Plaza site.

LOE: 0.0 FTE (for HDA)

Predevelopment Planning - ● Property Owners

- ❖ A business plan for the theater should be based on a realistic assessment of the potential utilization of the facility, potential box office and related revenue from operations, and the required building improvements for this use. Since box office receipts do not typically cover both capital and operating costs for these facilities, other similar projects have included assessments of the potential financial support from the likely fundraising support base.

LOE: 0.0 FTE (for HDA)

Owner Participation Agreements - ■ HDA, Property Owner, Tenant

- ❖ Redevelopment Agency to enter into agreements with property owner/developers of the Hotel, Theater, and Sally Street sites. The Owner Participation Agreement includes the specific development parameters, confirms its conformance with the Redevelopment Plan, and defines any public roles in the development. HDA role is limited.

LOE: 0.005 FTE

I. Years 3-5

Hotel - ● Developer

- ❖ Secure financing, including Historic Tax Credits and construction loan. Initiate and complete building renovations. Open and operate hotel.

LOE: 0.0 FTE (for HDA)

Theater - ■ HDA, Property Owner, Tenant

- ❖ Secure operating agreement(s). Secure financing, including Historic Tax Credits, construction loan, and philanthropic grants. Complete building renovations. Open and operate theater.

LOE: 0.05 FTE

Sally Street Project - ● Developer

- ❖ Secure financing, including any affordable housing financing and construction loan. Initiate and complete construction. Lease retail component. Open and operate project.

LOE: 0.0 FTE (for HDA)

Plaza Project - ● Redevelopment Agency, Property Owner

- ❖ Secure financing, including permanent and construction loans. Complete predevelopment requirements. Initiate and complete construction. Lease retail component. Open and operate project.

LOE: 0.0 FTE (for HDA)