

## IMPLEMENTATION 10

This chapter describes the steps necessary to implement this Specific Plan. It provides both comprehensive strategies to guide Downtown’s redevelopment and technical guidance on how to implement the Specific Plan. The following sections discuss economic development, implementation and financing, and include a series of “next steps” the City should take to set the Specific Plan in motion.

## **A. Economic Development**

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Upon adoption of this document, the City must work strategically to attract and steer appropriate development and visitors toward Downtown. This section describes key economic development strategies, strategic phasing recommendations, project feasibility and potential marketing efforts.

### **Key Economic Development Strategies**

During implementation, the following key economic development strategies should be followed.

#### ***High-Quality Design***

High-quality design for new buildings, streetscapes and public improvements is essential for positioning Downtown for redevelopment. Appropriate preservation and adaptation of historic features or elements is important to reconnecting Downtown with its role in the City's history. At the same time, the judicious introduction of modern design should help establish Downtown as being at the leading edge of design for new uses and businesses. The juxtaposition of historic and modern elements can help create an environment attractive to the residents and businesses most drawn to downtown-style living. By implementing the Downtown Streetscape Standards and Design Guidelines in Appendix A, the City can ensure that high-quality design is strongly considered for all future improvements, whether public or private.

#### ***Downtown Entertainment Anchor***

In order to initiate redevelopment activities in Downtown, it is recommended that the City prioritize the recruitment of a major entertainment use, such as a cinema. A Downtown cinema should be able to house eight or more screens to be viable. Based on interviews with operators, there is current market interest in locating a new cinema in Ceres.

A cinema or some other entertainment anchor is desirable for Downtown because the foot traffic it generates will energize retail on adjacent streets and help attract additional restaurants and other entertainment uses. The City should take an active role in attracting a developer and cinema operator to Downtown, and should try to refocus any proposals for cineplexes elsewhere in Ceres towards Downtown.

***Land Assembly***

The small size of existing Downtown parcels makes land assembly difficult, time-consuming, and prone to failure. As a result, developers are often unwilling to enter into projects that require significant land assembly. Land assembly is most effectively done on a willing-seller basis. Implementation of the Specific Plan would not involve the use of eminent domain, except for those cases where specific property is needed for critical public infrastructure and other improvements that cannot be obtained from a willing seller. The City's Redevelopment Agency (RDA) should take an active role in facilitating land assembly in Downtown through a combination of joint ventures between property owners and developers, option agreements, and to the extent funding is available, on an outright purchase basis. Investments in land can be recouped from future sales to developers. The current economic downturn may provide a near-term opportunity to acquire targeted parcels at a lower cost than would have been possible during the recent real estate boom.

***Incentives for Development***

Parking requirements have the most significant impact on the density, size and types of development that can occur on a given site. For mixed use development, small parcels can create inefficient parking layout and limit project size. The cost of providing new parking, particularly in expensive parking structure projects, is a major factor affecting project feasibility for developers. Mixed use development can generate significant efficiencies when uses have different peak periods (e.g., offices require daytime parking, while apartments require nighttime parking).

The Specific Plan significantly reduces development parking costs by creating new angled parking on Downtown streets that can help meet project parking requirements, requiring lower parking ratios, and offering incentives for the provision of shared parking in alleys. The creation of mid-block surface parking behind mixed use projects in alleys will help meet a project's parking requirements and increase parking availability for Downtown shoppers, residents and businesses. Incentives could also be used to enhance pedestrian circulation from mid-block areas to Downtown streets. There is also the potential to create one or more moderate size off-street public surface parking areas in order to assist developers in meeting some of their parking requirements. This could increase the feasibility of projects by allowing developers to construct a larger building on a given site. The cost of such a parking area could be recovered from sale of credits to developers that would be applied to their project parking requirements.

***Strategic Assistance for Catalyst Projects***

The pioneering nature of mixed use and other development types envisioned for Downtown may limit developer interest. Until examples of these projects are successfully developed, the Downtown area will be considered risky and unproven to developers. The RDA can address this by identifying and assisting selected “catalyst” projects, including providing targeted financial assistance to reduce developer risk. The successful implementation of catalyst projects should stimulate greater interest from other developers in similar new projects, which should not require further financial assistance from the RDA.

Potential projects that may be appropriate for assistance from the City include the cinema (or other Downtown anchor) and an initial mixed use project on Fourth Street. A mixed use catalyst project would be appropriate at several locations on Fourth Street, including the southwest corner of the Whitmore Avenue/Fourth Street intersection, the northwest corner of the North Street/Fourth Street intersection. Furthermore, a pure commercial project would be appropriate at the southern end of Fourth Street, where the Valero gas station is currently located.

***Public Private Partnerships***

The City should strongly promote the benefit of entering into public-private partnerships to achieve projects. The RDA may enter into Disposition and Development Agreements (DDAs) for publicly owned properties, leading to their sale or long-term ground lease for new development through public/private partnerships. The RDA may also enter into Owner Participation Agreements (OPAs) with private property owners to assist them in redevelopment of their properties, also setting the stage for public/private partnerships. As one of the terms and conditions of such partnerships, the City could seek to have developers perform streetscape improvements, make parking facilities on their properties available to off-site users as part of the creation of the mid-block parking system, or undertake other improvements.

**Development Phasing**

The Specific Plan envisions three five-year phases of development with a total plan implementation timeframe of up to 15 years. This section provides general direction for the phasing of development and public improvements. The phasing strategy is conceptual and should remain flexible in order to respond to future market forces.

**Phase 1**

The primary focus of Phase One is the development of an anchor cineplex entertainment use at the south end of Fourth Street, along with nearby retail and dining uses. Mixed income housing should be provided in an initial set of mixed use projects with ground floor retail, along with other townhouse projects. Phase One should also include the development of new buildings at designated Downtown gateways to catalyze revitalization. Total development in this phase would include approximately 125 residential dwelling units, including both rental and for-sale housing, and approximately 85,000 square feet of new retail and office space, including the cineplex.

**Phase 2**

Phase Two includes the development of additional mixed use retail, office, and residential development farther north along Fourth Street and elsewhere in Downtown. Residential development includes infill townhouses and multi-family residential projects. Public improvements include the rehabilitation of Downtown parks and the creation of paseos, as well as the redevelopment of the Civic Center area for City offices. Total development would be approximately 250 residential dwelling units and approximately 78,000 square feet of new retail and office space.

**Phase 3**

Phase Three includes the remaining buildout of the Specific Plan. Development in this phase includes remaining residential, office, and retail mixed use projects along Whitmore Avenue and at additional infill locations in Downtown. Residential development includes infill townhouses and multi-family residential projects. Class A office space along Central Avenue with visibility from State Route 99 is also included in Phase Three, along with the completion of redevelopment of the Civic Center area. Total development includes approximately 151 residential dwelling units, and 120,000 square feet of new retail and office space.

The anticipated phasing reflects a modest start to Downtown revitalization, recognizing the current economic challenges that are likely to persist through 2011 and beyond, as well as the challenges of attracting new development and investment activity to an unproven market. The development program is summarized in Table 10-1.

**TABLE 10-1** Ceres Downtown Specific Plan Private Development Phasing

RESIDENTIAL - Units (a)	Phase 1 Years 1-5	Phase 2 Years 6-10	Phase 3 Years 11-15	Total
Single-Family/Multi-Family	125	250	151	526
<b>NON-RESIDENTIAL - Sq. Ft. (b)</b>				
Commercial/Retail	30,000	44,000	60,000	134,000
Cinema	40,000	0	0	40,000
Office	15,000	34,000	60,000	109,000
<b>Total Non-Residential</b>	<b>85,000</b>	<b>78,000</b>	<b>120,000</b>	<b>283,000</b>

Private Development defined as property-tax paying projects, does not include new civic, school district, church, or other tax-exempt institutional uses.

(a) The total number of units shown represents the gross number of new residential units projected. It is assumed that approximately 31 existing units will be replaced by these new units.

(b) The total square footage shown represents the gross number of new retail and commercial square footage projected. It is assumed that 68,000 square feet of existing commercial/retail and 22,000 square feet of existing office will be replaced.

Sources: DC&E; BAE, 2009.

### Downtown Development Feasibility

This section describes Downtown’s market positioning for new development on a programmatic level, as well as for retail, office and residential uses.

#### Specific Plan Feasibility

Based on the relationship between 2008 market rents and sale prices for new development in Ceres, which is already lower than the market peak in the previous economic cycle, and development costs; new development as described in the Specific Plan appears to be financially feasible without substantial public assistance. While the current recession has lowered market rates and sale prices, recovery to 2008 levels is anticipated by the end of the first phase of Specific Plan implementation. The one exception would be podium mixed use development; rental rates and sale prices would have to rise considerably above current levels for this more expensive type of construction to be feasible.

Downtown is mostly suited to smaller-scale development by virtue of its smaller blocks and parcel sizes. The City should capitalize on these urban design characteristics by targeting development that will not occur elsewhere in the area, rather than trying to duplicate types of larger-scale development that would be inappropriate for Downtown. Although some land assembly may be required to make

projects feasible, very large sites are not necessary for most development types envisioned for Downtown. Smaller-scale development in Downtown can be complemented with uses that benefit from freeway visibility and access on selected sites with freeway proximity at Fourth Street and Whitmore Avenue. Creating a unique mix of development types can help establish a distinctive identity for Downtown and establish it as a destination.

### ***Retail Feasibility***

Retail products should be targeted to small (1,000-5,000 square feet) and medium-sized (approximately 10,000 square feet) retailers. Small and mid-sized retail spaces are well suited to a mix of high quality local retailers as well as regional retailers interested in a downtown setting. The City should target independent retailers who have been successful in Downtown Modesto and other Central Valley downtowns, and would be interested in adding a location in an emerging downtown retail setting.

Larger retailers (e.g. 20,000 square feet or larger) would be difficult to accommodate within Downtown's existing street grid without providing either a large amount of nearby surface parking, which would negatively impact Downtown's attractiveness, or a parking structure that would be prohibitively expensive and undesired by such a retailer. These types of retailers are typically larger, regional and national chains that would be difficult to attract to Downtown until it is a well-established retail location.

### ***Office Feasibility***

Office spaces should consist of a variety of smaller spaces oriented towards professional services, local creative services and other types of local businesses. Another possibility is the development of office condominiums of 5,000 square feet or less, which are targeted at firms that want to own their own space. Office condominiums are spaces within office buildings that are sold space-by-space to individuals.

### ***Residential Feasibility***

For-sale and rental multi-family housing (with 15 percent inclusionary units per Community Redevelopment Law requirements), townhouses, and live/work units are recommended for Downtown. These units can be targeted at a range of households, including young singles and families seeking more affordable units, "empty nesters" looking to downsize, and area artists, craftspeople, and others looking to combine work and living spaces in a live/work unit.

## **Downtown Marketing**

### ***Visibility, Identity and Critical Mass***

Downtown currently suffers from a lack of visibility and identity due to its obsolete structures and limited and weak tenant mix. The City should encourage additional promotional and community events, particularly as new Fourth Street streetscape improvements are completed. Fourth Street should be designed and programmed as Ceres' "living room," a setting for large-scale public ceremonies and events, as well as live entertainment, arts events, festivals and other similar activities.

The Specific Plan Area should be referred to as "Downtown Ceres" in publicity materials, event descriptions, marketing activities and other media to promote Downtown's branding. It is recommended that these measures be taken in the early stages of implementation.

As the City assembles parcels, provides assistance to catalyst projects, and makes phasing decisions, it should also seek to cluster new development geographically. Dispersing development over a larger area can reduce its visibility and impact. Promoting nodes of new development in each phase helps those projects become more successful and encourages developers and investors to seek out the next nodes for redevelopment.

The key node for Phase One is around the cineplex site and adjacent buildings. Phase Two should focus on the blocks between the Whitmore Mansion and the Civic Center. Phase Three should focus on Central Avenue, which is identified for office development.

### ***Developer Recruitment***

The Specific Plan envisions a range of small to medium-sized development projects with values of approximately \$10 million to \$30 million. This is too small to attract larger developers, but in many cases would also be too large for smaller developers. To overcome the challenges of creating a market for development in Downtown, it will require developers with previous experience successfully completing similar projects.

There are a number of small to mid-size developers that specialize in creative revitalization of smaller downtown areas in California. The City should work to compile a mailing list to target developers it would like to attract, and commence a marketing program to introduce the Specific Plan, offer familiarization tours, assist with identification of prospective sites and available properties, and provide continuing updates on Downtown's progress, activities and evolving opportunities.

***Retailer Recruitment***

The Specific Plan envisions a dynamic mix of existing Downtown retailers, new high-quality local and regional retailers, and an appropriate number of California and national retailers. To support this, retail recruitment should begin in Phase One.

Local retailers with experience operating one or more locations and that have the potential to expand their businesses, are prime prospects for the early rounds of leasing in Downtown. This includes existing retailers in Ceres and nearby cities, such as Modesto and Turlock, as well as retailers elsewhere in the Central Valley. These retailers often have the experience and knowledge needed to attract customers, and understand local residents and their interests. At the same time, these are not the types of retailers who may be identified or respond to typical leasing activities for new centers, nor are they the types of tenants that leasing brokers necessarily target. As a result, the City must take a proactive approach to recruitment.

Other small retail districts have successfully engaged retail recruiters to develop and implement retailer recruitment strategies. Strategies identify and engage strong local retailers and determine the retail business types that are most appropriate, and then match retailers with available spaces. Retention by the City of a retailer recruitment specialist could complement the leasing activities that would be undertaken by individual developers.

Priorities for retailer recruitment include entertainment, arts-related, restaurant and unique types of retail uses that can complement the cinema anchor. Later phases could focus on specialty grocery and services that serve as amenities for new Downtown residents and businesses. It may also be appropriate to attract national retailers in later phases of implementation once Downtown redevelopment has developed significant momentum and becomes more attractive to these retailers.

***Ceres Downtown Revitalization Area Board***

Expand the role of the Ceres Downtown Revitalization Area Board to undertake an enlarged marketing, promotion and special events program. This will help increase resident and visitor awareness of Downtown, as well as promote future business in Downtown.

## **B. Specific Plan Implementation and Financing**

This section provides a detailed description of the technical steps that must be taken by the City to implement this Specific Plan. This section also provides an overview of potential funding sources and a conceptual financing strategy.

### **Specific Plan Implementation**

This section describes the technical steps necessary to adopt the Specific Plan and certify the associated Environmental Impact Report (EIR).

#### ***General Plan Amendments***

Adoption of this Specific Plan requires an amendment to the City’s General Plan to make the following changes:

- Include new General Plan Land Use Designations for Downtown Mixed Use, Downtown Office and Downtown Residential.
- Revise the General Plan Land Use Diagram (Figure 1-2) and the “Summary of Land Use Designations and Standards” (Table 1-1) to reflect the new designations from the Specific Plan.
- Revise the Bicycle Routes Diagram (Figure 2-2) to show Lawrence Street as a Class III bike route.

#### ***Specific Plan Overlay Zone***

Adoption of the Specific Plan will require the following amendments to the City’s Zoning Code:

- Add a new zoning classification called “Downtown Specific Plan Overlay Zone.” This amendment must include clarifying text stating that the Downtown Specific Plan will govern development standards in most cases and also provide direction for those provisions that are not accounted for in the Specific Plan.
- Revise the Zoning Map to replace existing zoning in the Specific Plan Area with the Specific Plan Overlay Zone.

#### ***Review of Future Projects***

The concepts recommended in this Specific Plan have been approved by the City and studied in the Initial Study prepared for the Plan. Future development applications that adhere to the concepts recommended in this Plan may only be subject to minor additional environmental review.

No subdivision map, use permit, design review application or other entitlements will be issued for development projects in the Plan Area until a finding has been made that the proposed project is consistent with the Specific Plan.

## **California Environmental Quality Act (CEQA) Requirements**

### ***Certification of CEQA Document***

The City of Ceres certified the EIR for the Downtown Specific Plan on XXXX, 2010. The City's action to certify the EIR did not constitute approval of the Specific Plan. Rather, it indicates that the EIR has been completed in compliance with CEQA, and that the EIR was presented to and reviewed by the City's decision-makers and the public prior to Specific Plan approval.

### ***Mitigation Monitoring Program and CEQA Findings***

Public Resources Code Section 21081.6 requires that a "reporting or monitoring program be designed to ensure compliance during project implementation." The adopted program shall apply to changes made to the project or conditions of project approval in order to mitigate or avoid significant effects on the environment. The monitoring program provides a brief summary of the required mitigation for impacts attributable to the project, identifies the party responsible for monitoring the project's compliance with the mitigation measure, and identifies at what point or phase of the project the mitigation measure is to be completed. The City has prepared a mitigation monitoring program in conjunction with the preparation of the EIR for the Specific Plan. The EIR identified several environmental impacts that could be reduced to less than significant with the implementation of the mitigation measures.

## **Funding Sources and Financing Strategy**

While private development is the primary mechanism for revitalization of Downtown, it cannot occur without assembling parcels to create large enough sites for new projects, as well as public improvements, such as streetscape enhancements and the provision of parks and paseos, parking and infrastructure, including storm drainage, sewer and water systems. These public actions and improvements are needed to help leverage private investment and reduce the perceived risk for developers and their investors. Public investment and assistance for catalyst projects should be prioritized in early phases of implementation.

There are a variety of financing tools available to cover the cost of City actions and public improvements. These include developer-financed improvements and land dedications pursuant to development agreements, public-private development partnerships that reimburse the City's cost of assembling developable sites, and other types of public-private partnerships (as described in Section A) that result in improvement projects, such as parking lots that increase the feasibility of development on nearby properties.

There are also a variety of public financing sources that utilize a combination of debt (e.g., bonds) and grant sources that would be considered for the financing plan. These sources would utilize new fiscal revenues generated by redevelopment in Downtown, such as property taxes, sales taxes and transit occupancy taxes, new fees or funds from federal, state or regional grant programs for eligible projects.

There are, in addition to the sources shown below, other bonding sources that could be used. However, since these would rely upon commitments from existing General Fund sources, they are not included here because of the impact upon current activities supported by the General Fund.

## Public Funding

- **Tax Increment Financing (TIF).** The Specific Plan Area boundaries coincide with a Redevelopment Project Area. The City's RDA has recently obtained significant funding for the redevelopment Capital Improvement Program (CIP). However, to avoid competition with planned projects, this implementation strategy evaluates the tax increment that would be generated from new Downtown development.
- **Affordable Housing Set-Aside Funds.** Community redevelopment law requires that 20 percent of all new tax increment funds be set aside for affordable housing production. These funds can be used for either rental or for-sale housing for low and moderate income households. The RDA is currently using these funds to support affordable developments, but expects to have approximately \$1 million in available funds for other projects. The affordable housing set-aside fund will be augmented by the 20 percent share of tax increment from new Downtown development.

Existing plans for an affordable multi-family project Downtown, an area which has not seen recent new housing investment and in a market that has not developed significant market-rate multi-family ownership housing, could help generate interest by market-rate developers.

Using the Specific Plan’s projected amount of new development over the next 15 years, and assumptions from previous pro forma analysis of potential projects, projections were prepared to estimate the increase in assessed value, available tax increment to support redevelopment, and set-aside funds for affordable housing development. These projections are summarized in Table 10-2.

**TABLE 10-2** Projected Downtown Ceres Project Area Tax Increment Distribution by Specific Plan Phase

Figures are for the end of each phase, except as noted. Increment is calculated for new Downtown development, reassessment upon sale of existing Downtown buildings, and Proposition 13 annual 2% increase for all properties.									
Plan Phase / Years	Total Assessed Value	Annual Gross Tax Increment	Annual Housing Fund 20%	Annual Statutory Pass-Throughs				Annual County Fee 1.2%	Annual Net Increment at End of Phase
				Tier 1 Payments 25%	Tier 2 Payments 21%	Tier 3 Payments 14%	Total Annual Statutory Pass-Through		
1 Year 5	\$54,200,000	\$569,269	\$113,854	\$113,854	\$95,637	\$0	\$209,491	\$6,547	\$239,378
2 Year 10	\$153,477,823	\$1,611,996	\$322,399	\$322,399	\$270,815	\$0	\$593,215	\$18,538	\$677,844
3 Year 15	\$244,059,332	\$2,563,384	\$512,677	\$512,677	\$430,649	\$287,099	\$1,230,425	\$29,479	\$790,804

Note: Per AB 1290, Tier 1, Tier 2 and Tier 3 pass-throughs are applied after the Housing Fund pass-through is deducted from the Gross Tax Increment.

Sources: City of Ceres Redevelopment Agency; Bay Area Economics, 2009.

New development by the end of Specific Plan implementation would increase the assessed value of Downtown property by \$244 million in current dollars. The annual increment available for redevelopment activities would be just slightly under \$800,000, with approximately \$500,000 per year generated for the affordable housing set-aside fund. To the extent possible, available tax increment from the Specific Plan Area should go directly to improvements in the Specific Plan Area, including infrastructure financing. This is typically a key source of income for projects in the redevelopment area to have the City commit tax increment financing (TIF) to repayment of infrastructure. It should be noted that these amounts are considerably lower than the gross tax increment because of the age of the Project Area, which was established in 1991 and results in a larger share of new tax increment going to other taxing jurisdictions as pass-throughs, pursuant to the provisions of California Community Redevelopment Law. However, the larger pass-through amount means that the City’s General Fund portion of the pass-through amount is higher.

- **Local Share of New Sales Tax Receipts.** A new cinema and other new Downtown retail would generate substantial new amounts of sales tax receipts for the City’s General Fund, based on the one-percent share received by local governments. These proceeds could be used to help finance some of the public improvements for Downtown revitalization that help attract those businesses.
- **Utility Connection Fees.** The City has an existing program of utility connection fees for sanitary sewer and domestic water systems that helps cover the cost of improvements to these systems. Except for a new well or a major water transmission main on Central Avenue, the fees that would be generated by new Downtown development would not be used to help cover some of the costs for needed improvements to these systems under the City’s current fee structure. As a result, it is anticipated that and recommended that the City’s utility fee structure be amended to ensure additional funds are targeted toward Downtown in Phases 2 and 3. Connection fees assumed to be collected for new development are estimated and included in the Table 10-3, which is presented later in this chapter.
- **Development Impact Fees.** Impact fees are fees levied upon new development to mitigate the effects of that development. Establishment of an impact fee requires documentation through a study that meets the requirements of AB 1600 to establish a clear nexus between the fee to be collected and the improvements that will mitigate the impact of development.

Certain public improvements in the Specific Plan are well suited to use of impact fees, such as traffic improvements. It is estimated that improvements at the El Camino Avenue/North Street/Highway State Route 99 Ramps intersection described in Chapter Eight, Circulation, will cost \$1.2 million. Although the current traffic impact fee does not include this improvement, these new transportation improvements could be targeted to mitigate impacts created by new Downtown development and could be funded with the collection of a traffic impact fee, which would be subject to completion of a nexus study. The City also currently collects an impact fee for land acquisition and construction of park capital improvements. Since the nexus study for that fee did not anticipate new Downtown development at the scale envisioned in the Specific Plan, it may be possible to use the capital improvements portion of the park impact fee collected from new Downtown development to finance rehabilitation and improvement of Downtown parks. This will require further evaluation.

Other Specific Plan improvements may not be as well-suited to impact fees because the work required includes dealing with existing capacity and condition issues, as well as expansion of facilities to support new development. This applies

to infrastructure work for storm drainage, sewer and water system improvements, which would be primarily funded through new connection fees paid by developers. If gaps in infrastructure financing are experienced, an impact fee for infrastructure may be appropriate, but would require a nexus study and should be at a rate that will not significantly discourage development.

- **City Capital Improvement Program (CIP).** The City’s ongoing CIP program could be used to close financing gaps that cannot be addressed through use of other sources. This is a “last resort” source because the existing CIP program is underfunded. However, increases in the City’s tax base from new Downtown development after needed improvements have been made could ultimately generate money for the City’s General Fund that could be used to finance CIP work elsewhere in the City.

### Additional Funding Opportunities

The following funding opportunities may also be appropriate to assist in financing improvements in Downtown:

- **Transportation Funding.** Federal funds for transportation and congestion-related improvements that benefit transit and encourage alternative modes of travel. Federal sources often have a 20 percent local matching funds requirement.
- **Economic Development and Neighborhood Grants.** Economic development and neighborhood improvement grants for public facilities, including those addressing blight and benefiting lower- or moderate-income persons.
- **State Initiative Funds.** Proposition 1C provides funds for transit-oriented development, housing and parks. Proposition 1B provides funds for congestion-related improvements.
- **Environmental Enhancement Funds.** Environmental enhancement programs, such as those that address air quality or highway landscape, may provide opportunities for the future transit corridor.
- **New Markets Tax Credit.** The census tract for Downtown Ceres is eligible for use of the New Markets Tax Credit (NMTC). This federal program provides a structured financing technique that can enhance the returns of investors and/or lenders to stimulate new development and businesses in disadvantaged areas. However, unlike other federal tax credits such as the historic preservation tax credit or Low Income Housing Tax Credits, the NMTC program does not effectively provide no-cost equity to development projects. Thus, NMTC only works for projects that are able to generate somewhat of a return on investment, and can use the tax credit to augment that rate of return to a competitive level. NMTC may

be an appropriate tool for both prospective developers and new business owners in Downtown to obtain by working with eligible community development entities that distribute the credits.

Certain General Fund sources were not considered for this implementation strategy. Existing demands on the General Fund do not permit expenditures to support Downtown development except as a last resort to close financing gaps. Furthermore, new property tax increment that flows from Downtown development to the City's General Fund needs to be reserved to cover increased public service costs for new residents and businesses. Excess impact fees collected from development would also not be appropriate for use in Downtown. Impact fees would generate in excess of \$7 million, however, aside from a portion of capital improvement park impact fees, these funds will be used to offset development impacts elsewhere in the City created by Downtown development.

### **Conceptual Financing Strategy**

The Specific Plan identifies a series of street, streetscape, transportation, park, paseo and infrastructure improvements that are needed for implementation. The estimated total cost of these improvements is approximately \$22.5 million, including hard and soft constructions costs, as well as a 25 percent cost contingency. These costs also include land acquisition for public improvements, such as parking lots and paseos, however it does not include land acquisition for land assembly to create development sites, as it is assumed most of these costs would be recovered from sales to developers.

Analysis was conducted to determine how these costs could be phased over time, to better match the timing and types of expected development, as well as available funding sources. It is believed that the first phase of Specific Plan development would require an expenditure of approximately \$7 million in public improvements, the second phase would require approximately \$11 million, and the third phase would require approximately \$4 million.

Table 10-3 shows projections of funding sources by phase, as well as needed expenditures by phase.

The projected TIF bond amount of approximately \$7 million is a conservative estimate based on the amount of increment projected to be available for debt service by the end of the second phase. An allowance of \$3 million has been identified for potential federal and state grants, however the actual amount will be determined by future grant offerings, City applications and funder actions.

**TABLE 10-3** Downtown Ceres Specific Plan - Potential Sources & Uses of Funds (*Estimates in Constant 2009 Dollars*)

SOURCES OF FUNDS	Phase 1 Years 1-5	Phase 2 Years 6-10	Phase 3 Years 11-15	Total
New Tax Increment Bond (a)	\$0	\$7,000,000	\$0	\$7,000,000
Local Share of New Retail Sales Tax	0	0	1,400,000	1,400,000
Utility Connection Fees (b)	500,000	1,250,000	800,000	2,550,000
Water & Sewer Enterprise Funds (c)	625,000	625,000	0	1,250,000
Park Development Impact Fees (d)	200,000	300,000	300,000	800,000
New Transportation Dev. Impact Fee	300,000	400,000	500,000	1,200,000
City Redevelopment Bond Funds (e)	5,300,000	0	0	5,300,000
Grants (f)	1,000,000	1,000,000	1,000,000	3,000,000
<b>Total Sources</b>	<b>\$7,925,000</b>	<b>\$10,575,000</b>	<b>\$4,000,000</b>	<b>\$22,500,000</b>
<b>USES OF FUNDS (g)</b>				
Transportation Improvements (h)	\$0	\$350,000	\$850,000	\$1,200,000
Street & Streetscape Improvements (i)	1,750,000	1,350,000	1,800,000	4,900,000
Park Rehabilitation	0	5,100,000	700,000	5,800,000
New Paseos	0	2,100,000	0	2,100,000
New Public Parking Lot	0	600,000	0	600,000
Storm Drainage Improvements	3,800,000	300,000	500,000	4,600,000
Sewer Improvements	1,200,000	1,000,000	300,000	2,500,000
Water System Improvements (j) (k)	300,000	400,000	100,000	800,000
<b>Total Uses</b>	<b>\$7,050,000</b>	<b>\$11,200,000</b>	<b>\$4,250,000</b>	<b>\$22,500,000</b>
<b>OTHER FUNDING SOURCES</b>				
Affordable Housing Set-Aside (l)	\$1,400,000	\$1,300,000	\$2,700,000	\$5,400,000

See narrative for additional assumptions and limiting conditions:

- a Potential tax-exempt bond financed from new tax increment from new Downtown development. Approximate figure for 20-year bond, 5% rate, with reserves and underwriting costs.
- b Based on existing connection fees for sewer and water system. Use for Phases 2, 3 will require Council change to approved utility improvement program.
- c Funding from City's existing water and sewer enterprise funds to cover costs to correct deferred maintenance.
- d Allowance of up to 50% from existing park impact fee for capital improvements portion, generated from new Downtown housing units not in original nexus calculation.
- e Allocation of City's approved Redevelopment Bond Funds for Phase 1 work.
- f Allowance for combination of federal and state grants. See text for explanation.
- g Cost figures from DC&E, Jacobs Engineering, includes hard and soft costs, 25% contingency. Also includes land acquisition for Paseos, new City lot. Expenses for site assembly assumed to be recovered from sale to developers in the same phase, with no write-down, resulting in minimal net expense.
- h Transportation improvements are described in Chapter Eight, Circulation.
- i Utility undergrounding costs are included for North Street, Fifth Street and Whitmore Avenue.
- j Water system costs reflect Option 2, as discussed in Chapter Nine, Public Facilities, Services and Infrastructure.
- k Includes Phase 3 cost reduction from water tank construction no longer required.
- l Statutory set-aside of 20 percent of available increment from new development; Phase 1 includes projected available balance. Funds can be used to meet statutory requirement for 15 percent affordable housing production in project area.

Sources: City of Ceres; DC&E; Jacobs; BAE, 2009.

There is an overall shortfall of approximately \$5.3 million between the sources of funding and identified public expenditures. To bring the sources and uses into balance, it is assumed that the \$5.3 million could be funded over the three phases from the City's Redevelopment Bond Funds if it is amended or prepared to accommodate proposed improvements.

The financing strategy shown in Table 10-3 should be considered preliminary, and subject to revision and refinement based upon further evaluation of funding source availability and suitability.

### C. Next Steps

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This section presents a series of next steps that could be undertaken in the near term to begin the Specific Plan implementation process. All of these actions should be initiated in Phase One of Specific Plan implementation.

#### **Develop Specific Branding and Marketing Strategy**

The City should immediately begin working on a strategy to brand and market Downtown. The strategy should be comprehensive and cover branding and marketing efforts to potential visitors, developers and retailers. This effort will be critical to the successful revitalization of Downtown. In the early stages of this process, a branding and marketing campaign will show the City's commitment and desire to initiate positive change in Downtown. As part of this effort, the City of Ceres should create a comprehensive Economic Development and Marketing Plan that establishes a clear strategy for marketing Downtown to developers and the general public.

#### **Adopt and Implement Standards and Guidelines**

Ensure high-quality design, both for projects by new developers and businesses, as well as for public improvements. Seek to combine the preservation of historic elements with more modern design. This can be achieved by following the development standards in this Specific Plan and by requiring new development and public improvements to follow design guidance in the Downtown Streetscape Standards and Design Guidelines in Appendix A.

#### **Initiate Design Processes for Public Improvements**

Although this Specific Plan proposes several conceptual public improvements, additional design must be carried out for key projects, such as streetscape improvements. Once funding is secured, commence more detailed design processes for public improve-

ments as appropriate, including more detailed design proposals, cost refinements, and evaluation of opportunities for phasing and identification other funding sources.

### **Design a Wayfinding and Signage System**

Design should commence to develop a comprehensive Downtown wayfinding plan and signage system. The design work should result in a plan that details sign design and locations so as to improve visibility and access to Downtown.

### **Initiate Efforts to Revise Infrastructure Fee Structure**

Revisions to the current infrastructure fee structure need to be considered in order to support Downtown infrastructure improvements to support new Downtown development envisioned in the Specific Plan. City departments should work together as development takes place in the Specific plan Area to ensure that both citywide and Downtown-specific infrastructure needs are adequately addressed under any potential revision.

### **Initiate Recruitment Efforts for Downtown Anchor**

Create a public-private partnership to establish a cinema as the anchor entertainment use for Downtown, locating it at the South end of Fourth Street, and preclude its being located at another new center outside Downtown.

The City needs to be proactive in attracting this use to Downtown, including initiating discussions with interested cinema operators and working with the numerous affected property owners on land assembly for the project. Other near term steps related to a Downtown anchor include conducting project-specific feasibility analyses and schematic design to identify and address development issues, and exploring the potential public role in a public-private partnership for this anchor project.

### **Initiate Land Assembly**

The City should be proactive in assembling potential development sites in Downtown. Assembly of land for Downtown projects will be a difficult challenge, so the City should undertake thorough review when land acquisition and consolidation opportunities arise.

### **Explore Potential Incentives for Development**

Provide incentives to developers to facilitate the creation of mid-block parking in alleys and on-street parking to meet developer parking requirements, thereby enhancing project feasibility. Density bonuses may also be an appropriate incentive to offer

developers to increase project feasibility, and could also result in new amenities that would be accessible by the public. The Specific Plan already has policies in place for providing incentives for development that provides shared parking. The City should remain open to and consider what additional incentive programs might be appropriate for Downtown.

### **New Downtown Development Fees**

A Downtown Traffic Impact Fee is already recommended as part of this Specific Plan to fund intersection improvements to support traffic generated by Downtown growth. The City should consider if other impact fees may be appropriate. For any impact fee, the City must perform a nexus study that finds a relationship between new development and identified improvements. It is recommended that total impact fees for new development do not exceed five percent of total development costs.

### **Ongoing Evaluation**

Continue to evaluate the policy, legal, and other issues associated with the reallocation of existing park impact fees; the creation of a new transportation improvements impact fee for Downtown; and other funding sources.