

# bae urban economics

## **FINAL REPORT**

### **Economic/Fiscal Evaluation of the Clayton Community Church Development Proposal**

**Submitted To:**  
David Woltering  
Community Development Department  
City of Clayton

**September 16, 2011**

# bae urban economics

September 16, 2011

Mr. David Woltering  
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Dear David:

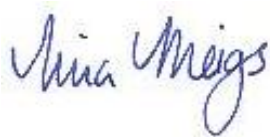
Attached, please find the Final Economic/Fiscal Evaluation for the Clayton Community Church development proposal. This final report incorporates revisions in response to Planning Commission comments, from the Commission's August 23, 2011 meeting. Revisions include an adjustment to the reported operating hours of the Clayton Community Library, addition of information regarding the Clayton Community Church's "Terrific Tuesdays" cross-promotions with local businesses, and additional discussion of the potential Clayton General Fund revenue impacts from an alternative sales tax revenue modeling scenario which was included in our original fiscal analysis.

Please don't hesitate to call if you have any questions as you review this report.

Sincerely,



Matt Kowta, M.C.P.  
Principal



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## Executive Summary

In March 2010, the City of Clayton deemed complete an application from Clayton Community Church to develop its 2.3-acre property, one of the largest and most visible development opportunity sites in the Town Center area. The proposed development would introduce substantial improvements and activity on the western end of Main Street, largely by hosting religious assembly uses unanticipated by the Town Center Specific Plan. In order to better understand the potential fiscal effects and other potential economic implications of the proposed development, the City retained Bay Area Economics (BAE) to conduct an independent review and fiscal analysis of the development application.

### Project Description

The proposed site for this development occupies a prominent position at the Oak Street entrance to the Town Center, occupying prominent frontage on Main Street and abutting Clayton Road to the north. At present, the site is unimproved with the exception of the historic former Pioneer Inn building and its associated parking lot. The property is located within the Town Center Specific Plan area as well as the Clayton Redevelopment Project Area, and is zoned as “Town Center Commercial,” defined to include retail sales, services, and offices, but not assembly uses.

The Clayton Community Church proposes to construct four buildings, including a large sanctuary building capable of seating almost 500 persons, a Teen Center building, a two story building to be occupied by church offices, classrooms, and some ground floor retail, and a two-story commercial building with ground floor retail and upper floor commercial office space. Although standard on-site parking requirements for the project would be 201 spaces<sup>1</sup>, the applicant proposes to provide only three new on-street spaces and an off-street parking lot with 54 spaces. Additionally, the applicant anticipates reaching a shared parking agreement with KinderCare, a childcare facility, which has 29 spaces in an adjacent off-street parking lot. The church proposes to rely on available on-street and off-street public parking in order to address the shortfall of 115 parking spaces.

The project would require amendments to the City’s General Plan, Town Center Specific Plan, and Zoning ordinance in order to allow for religious assembly uses in the Town Center Area in general and on the project site specifically. It would also require Specific Plan amendments and Zoning amendments in order to develop the project with less than the required number of parking spaces given the proposed types of development.

### Study Overview

BAE reviewed the Clayton Community Church development proposal, the Town Center Specific

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<sup>1</sup> LSA Associates, Public Review Draft Clayton Community Church Project EIR, May 12, 2011, page 104.

Plan, previous assessments of the Town Center's economic capacity, and other pertinent documents. BAE used this information to assess the Town Center's viability as a retail center and its potential commercial capacity in the future in the event that the project is developed as proposed. In order to better understand the potential effects that an active church may have on Clayton businesses, BAE conducted interviews with Town Center merchants and with merchants that have comparable physical relationships to other churches across the region. The study also projected the potential fiscal effects to the City of Clayton from development of the subject site under two scenarios, including the proposed development and an alternative scenario that is consistent with the current zoning of the site. Additional qualitative assessment is provided for a third, mixed-use alternative that is a hybrid of the two alternatives just mentioned.

### **Findings and Recommendations**

The Clayton Community Church application raises several important concerns regarding the proposed development's expected effect on the future viability of the Town Center as a commercial area. Existing land use planning efforts have clearly and consistently articulated the goal that the Town Center become a vibrant hub of pedestrian and retail activity. Any potential for the proposed development to hinder that vision deserves the City's close consideration, and appropriate measures to limit that potential should be discussed and incorporated into the project.

#### Parking Pressures

As currently proposed, the church project would contribute to a weekday parking deficit of 171 spaces and a Sunday morning parking deficit of 141 spaces, under a scenario involving existing development, plus the proposed project, plus anticipated future Town Center development. As indicated above, the church would be responsible for 115 spaces of the projected deficits, given that it would provide only 86 spaces out of 201 that would be required under current City parking regulations.

Should parking deficits as large as those projected materialize, there is concern that it would undermine the viability of nearby businesses and the Town Center's capacity to accommodate future development. The businesses most likely to be negatively affected by these parking demand patterns are those located on the western end of Main Street, and on the northern ends of Oak Street and Diablo Street. Nearby businesses that depend heavily on evening and weekend patronage, like Skipolini's Pizza and Moresi's Chophouse, are likely to be particularly vulnerable.

Beyond normal church operations, there is the possibility that special events like Friday Night Movie Night might regularly overwhelm the supply of public parking along Main Street and the western portion of the Town Center. It is BAE's understanding that special events, such as Friday Night Movie Night and the Soap Box Derby, would not be permitted under the entitlement being requested, but would instead require that the City issue a special event permit on a case-by-case

basis. This would be an important tool for the City to work with the church to minimize parking conflicts arising from special events. Additional periodic effects from events that might be considered part of routine church operations, which might include large wedding or funeral gatherings,<sup>2</sup> could be expected. If attendance increases significantly for the Saturday evening church service, this could have parking impacts beyond those projected in the EIR. If the City chooses to approve the proposed project, it will be important that the parking management mitigation measures recommended in the project EIR include contingencies for these types of parking demand situations that might not require a special event permit but have not been foreseen in the project EIR.

If the proposal is to be approved, the church should be required to develop a comprehensive parking management plan for implementation in accordance with Mitigation Measure TRANS-1 in the project EIR. This will be necessary to ensure adequate parking availability to meet the long-term needs of the church as well as other existing and future downtown development, including businesses and public uses. Prior to approving the parking management measures and issuing a building permit, the overall parking management approach should be reviewed for long-term viability, including the church's ability to secure shared parking agreements in perpetuity. The management measures should be structured so that any special events and other uses of the property that generate parking demand beyond that projected in the EIR would require a special event permit, so that their parking impacts may be reviewed and addressed appropriately.

#### Pedestrian Activity and Town Center Patronage

There is concern that assembly uses represent a substantial opportunity cost in that they occupy spaces that would otherwise be available to retail uses, but do not attract foot traffic or yield sales tax revenue in the manner of retail establishments. The proposed church has some potential to have a beneficial relationship with Town Center businesses by bringing shoppers to the area, but the overall effect is not likely to be sizeable. Businesses are likely to see some uptick in activity during peak special events, particularly when such activities take place during the evening or on Saturday when more Town Center businesses are open, but a limited number of retail establishments will be open to benefit from possible spillover shopping from congregants after Sunday services. While the church may have the capacity to contribute to the downtown in terms of pedestrian presence and night activities, it would be unwise to expect it to energize retail sales, as congregation members will not represent the bulk of regular consumer spending. One possible strategy to increase potential benefits would be for the City and the church to establish an agreement whereby the church would make available a small section of its weekly bulletin or other

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<sup>2</sup> Pastor Shawn Robinson of Clayton Community Church states that approximately 90 percent of the church's weddings and funerals occur at other venues, and not on church property. He states that he does not expect this to change, even with development of the proposed church facilities. Personal communication. Shawn Robinson, Pastor, Clayton Community Church, September 16, 2011.

announcement materials to the Clayton Business and Community Association, which could use the space to publicize special Town Center events or otherwise encourage churchgoers to patronize local businesses. Such a program could incorporate elements of the church's "Terrific Tuesdays" promotion, which drew participation from 12 local businesses during the summer of 2011.

#### Viability of the Site for Currently Zoned Uses

The property where the Church is proposing to build its sanctuary has mixed potential as a location for commercial development. It is the largest and most prominent development opportunity site in the Town Center, with relatively good visibility from the most heavily used road in Clayton and prominent frontage along Main Street, which boasts the highest level of storefront retail activity in the downtown. There are no comparable sites elsewhere in the Town Center. At the same time, the topography, and the existing public landscaping along Clayton Road render the site less visible and less immediately accessible to motorists traveling along the main thoroughfare. While it is possible to develop the site in a way that would create a hub of commercial activity along western Main Street, the site is currently in a less dynamic and less active corner of the Town Center. These challenges, though not insurmountable, may have undermined the interest of commercial developers in the past and will remain in place in the future even after the national economic recovery is well underway.

#### Opportunity Cost to the City

The findings from the absorption capacity analysis indicate that the construction of the Clayton Community Church development would not impair the City's ability to accommodate its full commercial absorption potential on other vacant or underutilized parcels within the Town Center. However, because the project will regularly reduce the availability of public parking in the Town Center on the weekends, its execution will limit the ability of the City to extend the existing Parking Waiver to future Town Center developers. The Parking Waiver is a tool that the City uses to leverage its Town Center public parking assets to "subsidize" or facilitate desirable development. If the City Council grants the development entitlements requested by the applicant, it will effectively be committing a sizeable portion of the Town Center public parking asset to the use of an entity that consists in large part of uses not currently prioritized in the Specific Plan. The City should consider this curtailed ability to use the Parking Waiver to assist targeted commercial development in deliberations over whether to approve the proposed project and whether it is appropriate for the church to offset all or a portion of its use of public parking spaces by making a parking "in-lieu" payment that would help the City to expand the supply of public parking in the Town Center area.

Although it appears that the City could still accommodate the estimated maximum Town Center retail and office development potential on other vacant parcels in the Town Center area, the development of the project site as proposed would represent a reduction in the flexibility of the

Town to accommodate future commercial uses. Some important considerations are worth noting in this regard. The first is that the proposed church site is the largest undeveloped Town Center parcel, meaning that if it is developed with the church, the Town will have a reduced capacity to accommodate larger developments in the future. A second consideration is that the particular location of the proposed church project is unique in that it has visibility to Clayton Road, and also would be a gateway to the Town Center. Based on these features, the site may be considered to offer the potential for development of a western commercial “anchor” for the Town Center area, which would help to make the Town Center area more visible and recognizable as a commercial destination, particularly for passers-by who travel past on Clayton Road. This can be considered an opportunity cost to the City, if the church proposal is approved.

In regard to potential fiscal effects, the key feature of the proposed project is the fact that the predominant use of the site would be tax-exempt uses, which limits the potential for the project to generate new property tax revenues, whether for the City of Clayton General Fund or for the Clayton Redevelopment Agency. While the baseline fiscal analysis does not project large-scale net fiscal benefits to the Clayton General Fund under any of the alternatives discussed in this report, the least potential is associated with the proposed project. Additionally, a more aggressive alternative sales tax modeling scenario assumes that any new retail space included in the proposed project or the Policy Consistent Alternative would successfully capture new taxable retail sales equal to an average of \$250 per square foot per year, without diverting any existing sales away from other retailers located in Clayton. Calculations for the alternative modeling scenario show that the Policy Consistent Alternative would have considerably greater upside potential for the City of Clayton (approximately \$100,000 in new sales tax revenues per year) versus the proposed project (approximately \$20,000 per year). Thus, this represents a potential opportunity cost to the City if the project moves forward as proposed.

#### Overall Compatibility with Town Center Specific Plan Goals

It appears that the Clayton Community Church proposal could be made compatible with overall Town Center Specific Plan goals, if parking concerns are resolved. Specifically, the church could provide an additional “draw” of visitors to the downtown area, which may help to give existing and future downtown businesses exposure to potential patrons who otherwise might not visit the area. The church proposal also incorporates construction of commercial office and retail space on the ground floor, fronting on Main Street, which addresses the desire to have active businesses fronting on the street within the City’s main commercial district. The primary outstanding concern with regard to compatibility with Town Center Specific Plan Goals rests with the provision of adequate parking, and management of large church events so as to minimize conflicts with other Town Center activities. If adequate parking spaces and other parking management measures are not provided such that periods of peak parking demand cannot be managed to ensure sufficient parking for all other downtown activities, then this would undermine other efforts to revitalize downtown



Clayton. It will be very important for the City to review and confirm the appropriateness and long-term viability of a parking management plan to address the needs of the church as well as other current and future Town center land uses, prior to allowing the project to begin construction. While a shortage of parking availability in the Town Center may not lead to “urban decay” as defined for environmental impact report purposes, for downtown planning and economic development, including current and future business vitality and attraction of developers and tenants to fill available land and building spaces, providing adequate parking is critical.

# Introduction

The Clayton Town Center is one of the few areas within the City with remaining development potential. After receiving the application in December of 2009, in March 2010 the City of Clayton deemed complete the application from Clayton Community Church to develop its 2.3-acre property, one of the largest and most visible development opportunity sites in the Town Center area. The site is located in the northwest corner of the Town Center, bordering Clayton Road to the north and Main Street to the south. The proposed development would introduce substantial improvements and activity on the western end of Main Street, largely by hosting religious assembly uses unanticipated by the Town Center Specific Plan. In order to better understand the potential fiscal and other potential economic implications of the proposed development, the City determined that an independent review and fiscal analysis of the development application would be helpful as part of the project application evaluation process.

This report includes an overview of the Clayton Community Church development proposal and key concerns related to the entitlements requested, and continues with an assessment of the Town Center's viability as a retail center and its potential commercial capacity in the future in the event that the project is developed as proposed. In order to better understand the potential effects that an active church may have on Clayton Town Center businesses, Bay Area Economics conducted interviews with Town Center merchants and with merchants that have comparable physical relationships with other churches across the region. The study also examines the potential fiscal effects to the City of Clayton from development of the subject site consistent with the proposed church development and under an alternative scenario that is consistent with the current zoning of the site. The final section summarizes BAE's assessment of the project's likely effects on the Town Center's business community and its compatibility with the broader planning objective of creating a vibrant, pedestrian-friendly commercial hub in downtown Clayton.

## Development Proposal Overview

The proposed site for this development occupies a prominent position at the Oak Street entrance to the Town Center, commanding prominent frontage on Main Street. Although the property abuts Clayton Road to the north, its immediate accessibility from that main thoroughfare is hindered due to the topography of the area. The project site sits below the grade level of Clayton Road by approximately three to five feet. At present, the site is occupied by the historic 6,800 square foot former Pioneer Inn building and its associated parking lot, both of which are currently owned by the Clayton Community Church and used as offices and weekday gathering spaces. The remainder of the property is unimproved.

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**Table 1: Summary of Clayton Community Church Development Proposal**

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**Clayton Community Church Project Proposal**

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<b>Church Uses</b>	<b>Square Feet</b>	<b>Comments</b>
Sanctuary	22,244	Sanctuary capacity is up to 500 seats; main services on Saturday evening (1), and Sunday morning (2). Movie night on Friday evenings in summer may attract up to 500 persons.
Church classrooms	2,568	Maximum use of classrooms estimated at 150 on weekday mornings during peak summer months; approximately 90 on Sunday mornings.
Church offices	3,687	Occupancy of church offices estimated at approximately 15 during weekdays, a.m., and during weekday evenings.
Church Teen Center	1,200	Occupancy of teen center estimated at up to 50 on one weekday evening per week.
<b>Non-Church Uses</b>		
Retail	7,957	Standard ground floor retail occupancy and use.
Office	4,508	Standard upper floor office retail and use.

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Source: Clayton Community Church Development Application, 2010.

As summarized on Table 1, the proposed development would involve the construction of four buildings on the property, including a 22,244 square foot sanctuary building with a 486-person seating capacity. A second building of 8,516 square feet would host 2,261 square feet of commercial retail space fronting Main Street, 2,568 square feet of church classrooms in the rear, and 3,687 square feet of church office space on the second floor. A third building, also fronting Main Street, is planned for the site currently occupied by the former Pioneer Inn. This 10,204 square foot building would be occupied by commercial retail space on the ground floor and commercial office space above. Finally, a 1,200 square foot Teen Center building would be constructed on the edge of the property closest to KinderCare, separated from the main development by the parking lot. In total, the project would construct 42,164 square feet of building space, of which 29,699 square feet would be for church use (70 percent), 7,957 square feet would be for commercial retail use (19 percent), and 4,508 square feet would be for commercial office use (11 percent). The applicant also proposes to subdivide the property from two parcels into four parcels, so that each building would stand on a separate legal parcel.

According to the project EIR, standard on-site parking requirements for the project as proposed would be 201 spaces.<sup>3</sup> As currently presented in the application, the development includes a dedicated on-site parking lot with 54 spaces and three new on-street spaces along Main Street. The applicant expects to handle part of the anticipated shortfall by means of a shared parking agreement with KinderCare, an adjacent childcare facility, which has 29 spaces in its private off-street parking lot.<sup>4</sup> Based on the church's expected usage patterns, the church and the childcare center are not likely to have overlapping peak parking needs. During the church's peak events, the timing of which is described in detail below, the church proposes that the remaining parking shortfall would be met by public on-street and off-street parking spaces within the Town Center area, including public parking across Clayton Road, at the Clayton Library and Heritage Trail parking lots.

### ***Applicant's Parking Study***

On behalf of the applicant, TJKM Transportation Consultants prepared a parking study that assessed the availability of public parking in the Town Center during peak periods of church activity (see details on anticipated church usage patterns in the section below). The study found that the peak operating hours for a church do not coincide with Town Center peak traffic hours and that, therefore, the project would not create parking shortages. Specifically, the study indicated that the Town Center has an estimated 370 unoccupied public parking spaces during Sunday morning services, which would be sufficient to accommodate the church needs while still maintaining a surplus of 154 spaces for other downtown users. The study also suggested that the church could implement valet parking should parking availability become an issue in the future.

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<sup>3</sup> LSA Associates. Public Review Draft Clayton Community Church Project EIR, May 12, 2011, p. 104.

<sup>4</sup> It should be noted that the KinderCare agreement has a limited term, and therefore cannot be relied upon in its current form as a long-term guarantee of availability of parking for the church's use.

As discussed elsewhere in this report, LSA has conducted additional updated analysis of the projected future balance of supply and demand for parking in the downtown area which comes to different conclusions.

### ***Applicant's Suggested Public Benefits***

The Clayton Community Church project application outlines a number of public benefits that may result from the development. These include adding leasable commercial space to the Town Center per the Specific Plan, activating a hub of daytime and nighttime activity that could generate spinoff business for Town Center merchants, completing the Main Street corridor with consistent built environment features designed to encourage pedestrian gatherings, providing an architectural landmark at a key intersection, and creating a space that can host social and cultural events such as public meetings and school plays.

### ***Anticipated Church Usage Patterns***

Table 2 summarizes the church-related usage patterns anticipated by the applicant, detailing both regular weekly usage expectations as well as peak periods associated with high profile annual events. Peak attendance is likely to be Sunday morning services, drawing approximately 450 adults, adolescents, and children between the hours of 8:45 a.m. and 1 p.m. Other important usage times include Saturday evening services, which are expected to draw 200 persons from 6 p.m. to 8 p.m., and weekday evening activities, which may draw between 30 and 95 persons depending on the type of activity. Additionally, the Church anticipates an increase in regular usage during the summer months, when it hosts day programs on Wednesdays for 100 children and a Friday night movie night that is anticipated to attract 500 persons.

In addition to these regular activities, the church expects to draw substantially higher numbers for religious holiday services and annual special events. Two of the largest events, Easter Sunday and Christmas services, which are expected to draw 2,000 and 800 attendees respectively, likely occur at times when most Town Center businesses are closed or not anticipating considerable business traffic. On the other hand, many of the church's other events with peak attendance are likely to take place on Saturdays or on weekend evenings, which downtown Clayton merchants interviewed for this study regard as the Town Center's busiest times of the week. The church's Soap Box Derby currently draws 1,000 people to the Town Center on a Labor Day weekend morning; the Church Banquet draws another 1,000 persons on a weekend evening in April; weddings are conventionally scheduled for Saturdays<sup>5</sup>; and the church hopes to attract 400 persons for concerts and community theater events, which are frequently scheduled on weekend afternoons or evenings. The overlap between merchants' open hours and these large church events may in some cases

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<sup>5</sup> According to Pastor Shawn Robinson, approximately 90 percent of the church's weddings and funerals are not held on church property and he does not expect that pattern to change if the proposed project is developed. Personal communication. Shawn Robinson, Pastor, Clayton Community Church, September 16, 2011.

promote patronage of local businesses by congregation members, and in others may also result in competition for parking among the downtown's various users.

In using the above data to estimate Town Center traffic patterns, it is important to note that all peak activities are targeted at families, and therefore related traffic is likely to be characterized by higher ratios of persons per vehicle than traffic related to activities targeted at specific demographic groups (such as men's bible study or leadership council meetings). It is also important to note the caveat that the church hopes to expand its membership and its capacity to serve the local community and, therefore, may seek to introduce new activities and events over time and attract a higher number of event attendees should those expansions occur.

**Table 2: Anticipated Church Usage Patterns**

Time of Day	Regular Weekly Usage Patterns (Number of Attendees)						
	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
Morning	24 - 54	14	194 (a)	49 - 64	14	50	450
Evening	-	95	30 - 40	35 - 50	500 (b)	200	20

Annual Peak Usage Trends			
Special Event	Estimated Attendance	Approximate Date	Time of Day
Soap Box Derby	1000	Labor Day Weekend	Weekend Morning
Christmas Eve Service	700-800	24-Dec	Evening
Super Bowl Party	30	February	Sunday Evening
Daddy/Daughter Dance	150	February	Weekend Evening
Easter Services	2000	March-April	Sunday All Day
Church Banquet	900-1000	April	Evening
Spring Formal	100	May	Evening
Concerts	300-400	varies (c)	Evening
Community Theater (c)	300-400	6/year	Evening
Weddings (c)	50-475	varies	varies
Funerals (c)	50-475	varies	varies

**Notes:**

(a) Includes 100 children during peak summer months

(b) Expected attendance for Movie Night, summer months only

(c) Usage patterns estimated by BAE. In all other cases, figures were provided in the Development Proposal

Sources: Clayton Community Church Development Proposal, 2010; BAE, 2011.

## **Land Use Planning Context**

### ***Town Center Specific Plan***

The proposed project site is located within the area covered by the Town Center Specific Plan, which provides a framework for all development in Clayton's Town Center. The City adopted the Specific Plan in 1990 and most recently revised it in 2008. It covers the same subjects as the City's General Plan but in greater detail and for the smaller area, defined below. The Specific Plan provides a clear set of policies and regulations for Town Center land uses, standards of development, and location and size of streets, sidewalks, and other infrastructure.

Broadly, the goal of the Specific Plan is to establish the Town Center as an attractive, pedestrian-friendly commercial area with a vibrant mix of uses. Of particular relevance to this study is the Specific Plan's objective of enhancing retail and restaurant uses. The Specific Plan envisions establishing the Town Center as the City's focus for economic development in the community. Protecting local historic resources is another stated goal. The feasibility of these goals is discussed in the next chapter.

The Town Center is defined roughly by Oak Street to the west, Clayton Road to the north, Center Street to the east, and High Street to the south. The historic Civic Center and the library north of Clayton Road are also included in the Town Center Specific Plan area. The Specific Plan designates much of the area as "Town Center Commercial," defined to include retail sales, services, and offices. The only areas excluded from this designation are public facilities, including the library, Endeavor Hall, and Grove Park, as well as the residential Mitchell Creek Place development east of Marsh Creek Road and select residential parcels along the southern boundary of the Town Center area. The Town Center Specific Plan originally identified property for development of a neighborhood shopping center, with a supermarket and other convenience retail where Mitchell Creek Place is currently located, but upon recommendation from a 1998 study prepared by Keyser Marston Associates, Inc. (KMA), the area was rezoned to residential and the Town Center's boundaries were redrawn to focus commercial development in the historic Town Center. The KMA study as well as other assessments of the Town Center's commercial capacity are reviewed in the next chapter.

### ***Redevelopment Area***

The proposed project site, along with the entire Town Center, is also within the City of Clayton Redevelopment Project Area, which encompasses approximately half of the City's urbanized land. The Town Center is one of three commercial areas included in the Redevelopment area, the others being Clayton Station, the neighborhood shopping center located on the City's border with Concord, and a small commercial property on the southerly side of (old) Marsh Creek Road just west of Mountain Parkway. This smaller property is developed with a patio and garden supply



business.

The Redevelopment Agency's activities are focused on community enhancements, economic development, and affordable housing development within the Redevelopment Project Area. According to the Agency's 2008/09 to 2012/13 Implementation Plan, a core Agency goal for the time period is to increase the vitality of Clayton's Town Center, which it hopes to accomplish by implementing programs to address the needs of existing businesses, enhancing the City's ability to attract new businesses, fostering private commercial investment, and cultivating a sense of community in the area. More specifically, the Agency envisions activities such as the acquisition and redevelopment of vacant and underutilized properties into vibrant, attractive mixed use developments, the distribution of economic incentives and loans for storefront and façade improvements, the hosting of promotional programs and activities in the Town Center, and the enhancement of public facilities and gateway entrances. By undertaking these activities, the Agency hopes to draw residents, workers, and visitors to patronize businesses in the Town Center. Examples of existing Town Center improvements undertaken with Redevelopment funds include the development of Grove Park, the construction of a second municipal parking lot, and partnering with a private developer to redevelop a vacant lot.

The Clayton Redevelopment Agency projects that it will receive approximately \$30.1 million in gross tax increment revenues between FY2007/2008 and FY2013/2014, of which approximately \$2.6 million is available for economic development and another \$2.6 million is available for community enhancements.

Although the future of the City's Redevelopment Agency is uncertain due to the passage of AB 1X 26 and AB 1X 27 which were enacted as part of the 2011/2012 State budget (as is the case with all California Redevelopment Agencies at this time), it is likely that the City's revitalization and economic development goals for the Town Center area will not change. Should the Redevelopment Agency cease to exist due to this recent legislation, the City will need to seek other tools and mechanisms to help bring about the desired changes.

### ***Parking Waiver***

In response to a 2006 parking study prepared by SAS Planning Consulting, the City established a Town Center parking waiver period, during which time the number of off-street parking and loading spaces required for Town Center commercial development is reduced. The goal of this measure is to encourage the development of retail, restaurant, office, and personal service uses in the Town Center. Parcels with lot size equal to or smaller than 10,000 square feet may qualify for a 100 percent reduction in required parking spaces, and those with lot sizes greater than 10,000 square feet may qualify for a 75 percent parking reduction for retail and restaurant uses and a 25 percent parking reduction for second floor personal service uses. Initially set to expire in 2010, the

parking waiver period was extended through 2014 and, therefore, would potentially be applicable to the commercial retail and office components of the Clayton Community Church proposal.

## **Entitlements Requested**

In order to develop the project as currently proposed, the applicant is requesting a number of discretionary planning approvals. The project would require amendments to the City's General Plan, Town Center Specific Plan, and Zoning ordinance in order to allow for religious assembly uses in the Town Center Area in general and on the project site specifically. It would also require Specific Plan amendments and Zoning amendments in order to develop the project with less than the required number of parking spaces given the proposed types of development. A Tentative Parcel Map approval is required to subdivide the property into four parcels. Finally, the proposal requires a Use Permit approval and a Development Plan approval before proceeding. An Environmental Impact Report (EIR) is currently being prepared for this project by LSA Associates.

## **Key Town Center Planning Concerns**

The Clayton Community Church application raises several important concerns regarding the proposed development's expected effect on the future viability of the Town Center as a commercial area. Existing land use planning efforts have clearly and consistently articulated the goal that the Town Center become a vibrant hub of pedestrian and retail activity. Any potential for the proposed development to hinder that vision should be seriously evaluated and any applicable mitigation measures discussed, as appropriate.

These concerns include the development's potential to reduce the availability of parking to serve downtown users. As currently proposed, the development would build only 57 out of 201 parking spaces required by the Zoning Ordinance and the Town Center Specific Plan. Given the levels of congregant turnout predicted by the church, the proposed off-street parking spaces will be totally occupied during peak activity periods, including weekend services and special annual events. Depending on the measures put in place to handle spillover parking, there is the possibility that congregation traffic might regularly overwhelm the supply of public parking along Main Street and the western portion of the Town Center. Should such a situation materialize, there is concern that it would undermine the viability of nearby businesses and the Town Center's capacity to accommodate future development.

Though the TJKM traffic study submitted by the applicant asserts that no such parking-related conflicts are expected, the following chapter contains a review of prior economic analyses conducted by Keyser Marston and Economic Development Systems, as well as BAE's own assessment of the Town Center's commercial capacity, in order to review the quantitative assumptions and methodologies employed by the TJKM Associates study. The goal of this review is to evaluate whether TJKM's conclusions regarding the absence of future parking shortages are

reasonable.

In addition, there is concern that the introduction of an assembly use into a highly visible and important part of the Town Center might detract from the overall commercial viability of the area. The Town Center Specific Plan was amended in 2008 to remove assembly uses from the list of allowed uses in the area, under the premise that such uses represent a substantial opportunity cost in that they occupy spaces that would otherwise be available to retail uses, but do not attract foot traffic or yield sales tax revenue in the manner of a retail establishment. The Clayton Community Church proposal represents precisely the sort of development that the 2008 amendment sought to disallow. As a result, a use amendment is likely to be seriously considered only if there is reason to reevaluate the connection between assembly uses and reduced commercial area viability, a question which this study addresses in its third chapter.

A fourth chapter evaluates the potential fiscal effects of the proposed project as compared to the potential fiscal effects of a “Policy Consistent Alternative” which has been defined for the purposes of the project’s environmental impact report (EIR), and which is meant to represent a scenario under which the project site is developed in a manner consistent with the applicable Town Center Specific Plan regulations. Qualitative discussion is provided on the potential fiscal ramifications of a third Mixed-Use/Church alternative that is a hybrid of the two other alternatives.

Finally, there is some concern that the existing building on the property, the former Pioneer Inn, may have historic importance as a cultural resource. As currently proposed, the new development would replace the Pioneer Inn with a two story mixed-use commercial building. This economic analysis does not address this issue; however, it is a topic that is addressed in the project environmental impact report (EIR).

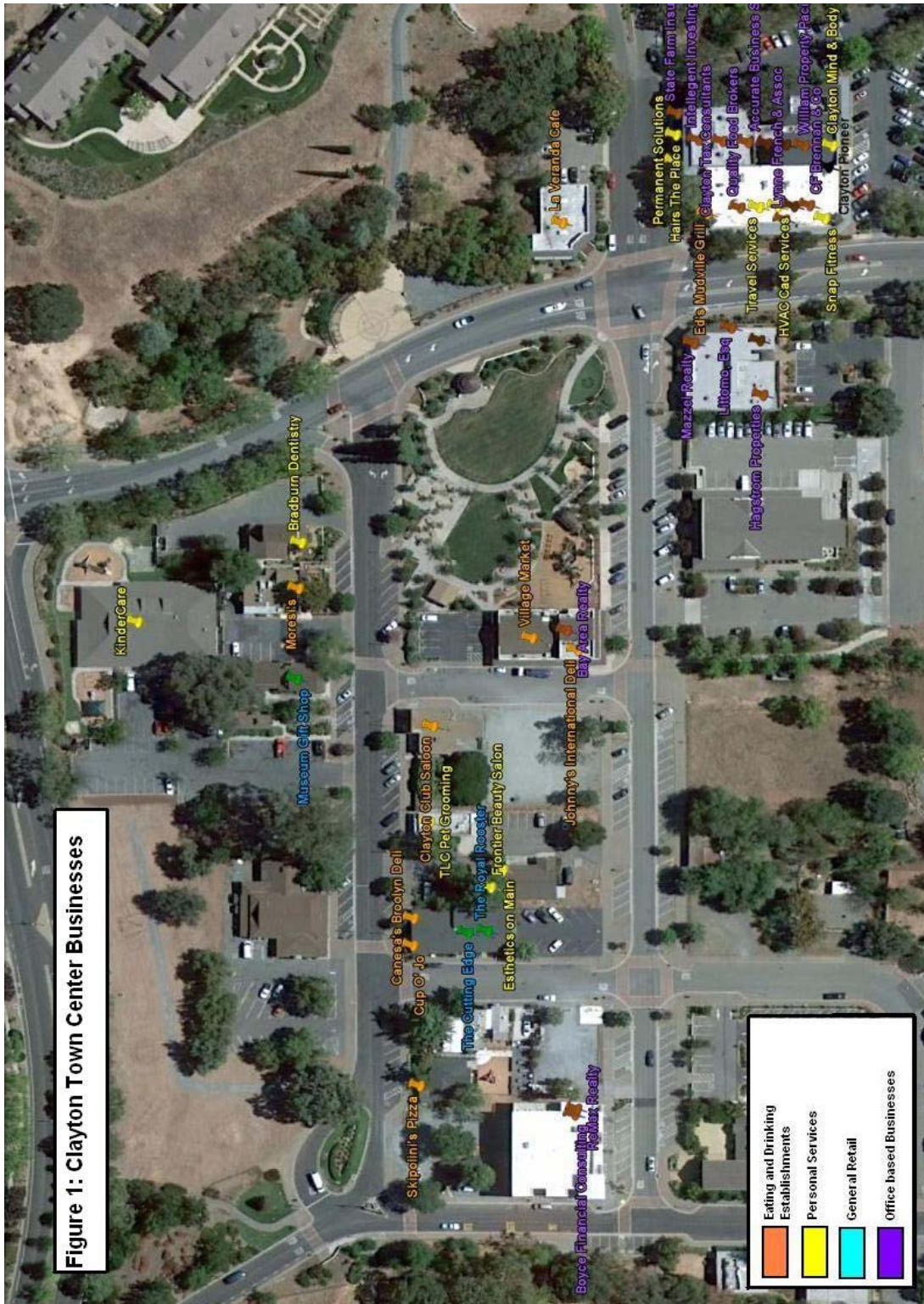
# Status and Outlook for Town Center Development

This chapter evaluates the Town Center's current and potential commercial capacity, based on information from the Clayton Community Development Department, prior Town Center economic analyses prepared for the City by Keyser Marston and Economic Development Systems, and BAE's own evaluation of the Town Center area in the context of the larger sub-regional commercial market in which the Town Center competes for tenants and shoppers.

## Overview of Town Center

The historic Clayton Town Center is located in the center of Clayton, a community in central Contra Costa County with approximately 11,000 residents, situated at base of Mount Diablo. The commercial area is located just off the City's main thoroughfare, Clayton Road, which connects the City with larger neighboring cities and with regional transportation infrastructure that links Clayton to other parts of the Bay Area. Though the Town Center's proximity to regional parks has allowed it to capture some outdoor recreation visitors, its "cul-de-sac" location remains a constraint to capturing sales from regional residents. The fact that Clayton Road skirts the edge of the downtown and the lack of motorists' visual access from Clayton Road to the downtown limits the draw for regional residents. Because of its physical location, the base of consumers for whom downtown Clayton is the most convenient dining and shopping location is also small. These challenges remain largely unchanged since the Town Center Specific Plan was put into place in 1990. The downtown's locational characteristics relative to the surrounding market area have been discussed in depth in the prior economic studies mentioned above.

The Town Center itself has an eclectic mix of small retail stores, ranging from long established food and drink establishments like Skipolini's Pizza and Clayton Club Saloon to small beauty salons. Appendix A includes a list of all businesses currently operating in the Town Center, while Figure 1 contains an aerial map that color codes business locations by type. Most of the older establishments are situated on Main Street, to the north and west of Grove Park, including a sizable cluster of eating and drinking establishments and several personal services businesses. The new Grove Park has become the community focus for the Town Center, and is regularly occupied by families with young children during the day and on weekends. Another cluster of businesses is located at the intersection of Marsh Creek Road and Center Street, with frontages visible to the park. On one corner is the La Veranda Café, on the other is Village Oaks Center, a two-story 22,000 square foot commercial complex that hosts ground floor retail uses like Ed's Mudville grill and upper floor professional offices. The third corner is occupied by the B&B Commercial building, a single story office building that hosts small professional businesses like a law firm and a realty office. Both office buildings have dedicated off-street parking lots in the rear.



Though the new Grove Park has helped to create a continuous flow of downtown activity between Main Street retail storefronts and the Marsh Creek office uses, there remain a number of vacant or underutilized parcels on the western end of Main Street and along much of Center Street. As a result, these sections of the Town Center boast very little pedestrian traffic and activity. It is possible that these areas will be revived once the new ground floor retail tenants of the Flora Square take residence, but these tenants remain physically and visually isolated from the main clusters of Town Center activity.

In a City that is generally built out, these vacant and underutilized parcels represent some of the few areas within the City's limits with remaining development potential. While the 1990 Specific Plan envisioned establishing the Town Center as the City's focus for economic development in the community, the plan did not foresee that regional development and shopping trends would shift in ways that would ultimately make that objective difficult to realize. The Clayton Station neighborhood shopping center, which is located along the City's border with the City of Concord and came online in the early 1990s, has proven successful at capturing demand for convenience retail uses from shoppers within and outside Clayton. The realignment of the Clayton Road such that it bypassed the Town Center reduced the visibility of local merchants and limited the number of visitors that are drawn to the commercial area. Finally, since 1990 the retail market became increasingly dominated by national chains and franchises, which require larger store spaces, higher traffic counts, and larger surrounding consumer bases than the Town Center can offer.

These factors, when taken together, have undermined the City's ability to attract commercial developers to the area. Since 1990, almost all improvements in the historic Town Center have been undertaken by public bodies or by residential developers, the only exceptions being the 6,645 square foot B&B Commercial office building, the renovation of the two-story Village Market building adjacent to Grove Park, and the construction of the two-story, 13,580 square foot Flora Square building. Further, the difficulties experienced by Flora Square in securing tenants for the completed space highlight the challenges posed by the Town Center's location, low visibility, and usage patterns.

In general, Town Center businesses are small establishments owned by individuals who have been operating in the community for a decade or more, a characteristic that discourages turnover and, therefore, likely benefits commercial property owners by keeping vacancy rates reasonably low. Based on interviews with local merchants and reviews of market studies undertaken at regular periods over the last two decades, it seems that most merchants rely on a small but loyal customer base of primarily local residents. Common market groups noted by local business owners include stay-at-home parents, high school students, golfers, and community groups. Most businesses rely on word-of-mouth marketing, and have benefited slightly from the arrival of the Internet and the dissemination of positive reviews on well-trafficked web sites like Yelp, Inc. Some such retailers

have been successful in becoming destinations for patrons from outside the City, including Skipolini's Pizza, the Royal Rooster, and Moresi's Chophouse. This might indicate that, for businesses that are interested and capable of undertaking electronic media outreach, there is some potential to overcome the weak visibility of a Town Center location and instead highlight the unique business mix and pedestrian-friendly setting that differentiates the Town Center from the more common suburban-style strip shopping centers that proliferate elsewhere in the region.

Peak activity among Town Center businesses appears to occur largely on weekends, in part because Clayton is a bedroom community and most working adults commute outside of the City. Many family-oriented businesses do not even open until later in the day, including Skipolini's Pizza, which opens only at 4 p.m., and Moresi's Chophouse, which opens at 3:30 p.m. Notable exceptions are the personal services establishments, particularly those targeted at women, such as hair and nail salons. These businesses are often quite busy during weekdays. Restaurants do the majority of their business on weekend evenings, but most stores are closed on Sunday morning. This indicates that, under current usage trends, increased activity associated with the proposed Clayton Community Church would benefit from the fact that there would be reduced parking demand from other downtown users during Sunday morning services. On the other hand, few retail establishments will be open to benefit from possible spillover shopping from congregants.

## **Competitive Retail Market**

Appendix B displays the neighborhood and community shopping centers that are located within six miles of the Clayton Town Center, and Table 3 notes the approximate quantity of retail square footage and a selection of anchor tenants contained in each. This information indicates that there are over 1 million square feet of comparison and convenience retail space within six miles of the Town Center, most of which are situated along the major roads that connect Clayton residents to the regional highway and public transit infrastructure. Within these shopping centers, large supermarkets, chain drug stores, franchise restaurants, and fast food options are very well represented. Local home improvement consumption demand is met by a large format Ace Hardware store and a Home Depot located within four miles of the Town Center. A Big Kmart, a Ross Dress for Less, a Dollar Tree, a TJ Max, and a Big 5 Sporting Goods store have also located nearby to satisfy local residents' general retail and apparel needs. Though the tenants of nearby shopping centers are predominantly franchises and national chains, some independent businesses occupy smaller spaces and specialize in a narrower range of convenience retail products and services. Such stores located within two miles of the Town Center include Clayton frameworks, the Clayton Bicycle Center, the Concord Feed and Pet supply, and Clayton Sonset Flowers.

**Table 3: Nearby Shopping Centers**

Map #	Center Name	Type	Address	City	Zip	Miles (a)	Total SQFT	Sample Tenants (b)
1	Clayton Valley Shopping Center	Neigh	5404-5458 Ygnacio Valley Rd	Concord	94521	1.8	260,671	Home Depot, Ross, CVS Drug Store, Fresh & Easy
2	Clayton Station Shopping Center	Neigh	1536 Kirker Pass Road	Concord	94521	1.7	120,000	Safeway, Walgreens, Wells Fargo, Blockbusters
3	The Vineyard Shopping Center	Neigh	5100 Clayton Rd	Concord	94521	2.3	226,366	Lucky's, Big Kmart, and McCaulou's
4	Dianda Plaza Shopping Center	Neigh	4451 Clayton Road	Concord	94521	3.5	90,000	FoodMax, Ace Hardware, El Pollo Loco
5	Safeway Market Place	Neigh	4305 Clayton Road	Concord	94521	3.6	48,829	Safeway and Buttercup Restaurant
6	Bel-Air Shopping Center	Neigh	4300 Clayton Road	Concord	94521	3.6	97,600	Staples, U.S. Post Office, Citibank
7	Treat Plaza Shopping Center	Neigh	4425 Treat Blvd	Concord	94521	3.9	44,572	Togo' s, Little Caesar' s, Supercuts, UPS Store, Caffino
8	Terminal Center Shopping Center	Neigh	2693-2787 Clayton Road	Concord	94520	5.8	25,416	CVS Pharmacy, Big 5 Sporting Goods, Wachovia Bank
9	Encina Grande Shopping Center	Neigh	2817-2995 Ygnacio Valley Rd	Walnut Creek	94598	5.8	102,413	Safeway, Walgreens, Applebee's

Notes:

(a) Distance from Clayton Community Church offices, by road

(b) Not an exhaustive list.

Source: Brokerage Agents, 2011; BAE 2011.



Based on the existing retail landscape, the competitive potential of the Town Center can be characterized as limited with regard to comparison retail, convenience retail, and general retail. Only modest quantities of new growth in these sectors can be expected or supported by the market. It is unlikely that another convenience shopping center like that envisioned in the Town Center Specific Plan would be successful. However, neighboring shopping centers do not supply a collection of independent specialty stores, entertainment venues, or other unique “boutique” retail. As noted in the following section, the most recent market analysis of the Town’s Center competitive positioning suggests that business attraction efforts should focus on the aforementioned specialty offerings.

## **Review of Town Center Retail Studies**

At key junctures in the past three decades, three separate studies commissioned by the City of Clayton have sought to quantify the Town Center’s development potential and make recommendations regarding the types of retail businesses that would most likely flourish in the area. The first was a market analysis prepared in 1988 by Mundie and Associates, whose evaluations helped shape the vision captured in the 1990 Town Center Specific Plan. The Mundie study estimated that the Town Center could support a total of 100,000 to 135,000 square feet of retail and office development. The recommended new commercial uses included: a 20,000 square foot grocery store; 16,000 square feet of new restaurant space; a 15,000 square foot drug store; 8,500 square feet of convenience retail; 7,000 square feet of general merchandise and home improvement; 6,500 square feet of personal services; 5,000 square feet each of comparison retail and financial institutions; and 3,000 square feet of prepared food. It should be noted that these predictions were based on the somewhat outdated assumption that residents located within 1.5 miles of the Town Center would make between 50 percent and 75 percent of their purchases there.

In July 1998, Keyser Marston Associates Inc. (KMA) prepared *Downtown Development Potential, Clayton California*. The impetus for the study was to evaluate whether the commercial potential of the Town Center would be reduced if a five-acre site at Oakhurst and Main Street was rezoned from commercial to residential. The authors concluded that the rezone would not harm the commercial potential of the area, as future retail development could concentrate along Main and Center Street frontages. In total, the KMA study found that the commercial absorption potential of the Clayton Town Center was 100,000 to 180,000 square feet, with a slightly higher proportion of small office space than retail development.

Unlike the 1988 study, the KMA study assumed that most of area residents’ convenience shopping would be captured by Clayton Station and other shopping centers in Concord. The authors noted that the general poor retail environment downtown is due to locational weaknesses, which limit the Town Center’s potential to capture sufficient market support from outside of Clayton to support a large scale retail complex or non-destination outlets. They stated that retail chain outlets are

unlikely to move in until the retail area is successfully expanded and there is evidence of successful performance for more stores. Even then, the study found it unlikely that the Town Center would ever become a major convenience shopping center, as envisioned in the Specific Plan. Instead, the study recommended that business attraction efforts focus on restaurants, casual dining, food for at-home consumption, personal services, small specialty stores, and unique destination retail stores. The study also encouraged the development of small scale office space along Center Street to cater to existing home-based businesses, and noted that community serving uses, such as a daycare center, would help to generate traffic and support revitalization.

The third Town Center retail study was prepared by Economic Development Systems (EDS) in September 2008. Although it did not issue new assessments of the total future commercial capacity of the Town Center, the study did suggest a reorientation of the City's business attraction targets. Instead of attempting to recruit comparison retail or convenience retail, needs which were deemed already served by nearby shopping centers and the Internet, the study recommended that outreach efforts focus on creating a unique niche market with destination retail and restaurants. The goal was to attract retailers that are unique within a 10-mile radius, including possibilities such as gourmet food retail and restaurants, entertainment venues, and home furnishings. The study indicated that particular attention should be given to expanding the operating hours of the downtown, by attracting establishments that have later evening hours.

In conjunction with these efforts, the EDS study stipulated that some convenience retail could be supported by captive customers such as residents of new Town Center housing units and employees working in new professional office developments. Additional residential and office development would also have the added benefit of decreasing Town Center businesses' dependence on attracting outside customers, with the resulting increases in parking pressures.

These three studies offer a common assessment that the Clayton Town Center should aim to increase, upgrade, and diversify current retail tenant mix. They differ in their assessment of the specific types of retail that are most likely to be viable in the commercial area; however, the common theme shared by the two most recent studies is a focus on attracting unique businesses to the Town Center, rather than competing with typical shopping centers for national chain tenants.

## **Future Downtown Commercial Absorption Potential**

As mentioned in the previous chapter, the TJKM parking study submitted along with the Clayton Community Church development proposal asserts that the church's usage patterns are not likely to generate any parking-related conflicts, either now or in the future when the Town Center is built out. In order to estimate the parking demands at buildout, the TJKM study cited a 2006 Town Center Parking Study, which identified 11 vacant or underutilized parcels and assumed that they would be developed in accordance with current General Plan provisions. Figure 2 contains a copy

of the 2006 map that highlights these 11 opportunity sites. Accordingly, the 2006 parking study and the TJKM traffic study both assume that the Town Center has the capacity to accommodate an additional 62,235 square feet of commercial space.

In order to assess whether these future development assumptions and traffic conclusions are reasonable, Bay Area Economics performed a review of Town Center retail and office absorption progress based the relevant studies and data, as summarized in Table 4. This analysis relied on the most thorough inventory of existing development available, that of the 2006 SAS Planning Consulting parking study, and adjusted that inventory to reflect development changes since 2006. As a result, the analysis assumes that the Town Center currently consists of approximately 42,000 square feet of commercial office space and 71,000 square feet of commercial retail space.

Table 4 further compares the existing office and retail development to the KMA projections of total absorption potential and identifies the remaining projected supportable development. Then, the table subtracts the quantities of additional commercial office and retail space proposed as part of the Clayton Community Church's development proposal, to estimate the net absorption potential remaining, based on KMA's projections of supportable space. This set of calculations indicates that, based on KMA's projections of supportable commercial space, the Town Center could capture demand for an additional 53,000 square feet of office space, but only 854 square feet of additional retail space, beyond that proposed in the Clayton Community Church project.

To evaluate the Town Center development potential from a physical capacity standpoint, setting aside KMA's projections of market demand for the moment, BAE then reviewed the inventory of vacant and underdeveloped sites upon which the TJKM study was based and updated the inventory based on development that has occurred since the 2006 study. In this process, BAE adjusted development assumptions on a number of sites to reflect an urban, mixed use development pattern of two stories with roughly 35 percent lot coverage that is more consistent with Town Center design objectives and which would, consequently, have the potential to accommodate a greater quantity of floor area than assumed in the 2006 parking study. This updated inventory is shown on Table 5, and indicates the physical potential for the Town Center to accommodate approximately 88,000 square feet of additional commercial development, including approximately 44,000 square feet of ground floor retail space, and up to 44,000 square feet of upper story office space.

Figure 2: Vacant/Underutilized Parcels, per 2006 Parking Study by SAS Consulting.



**Table 4: Clayton Town Center Development Capacity Analysis**

	Existing Space Per 2006 Inventory (a)	Plus New Since 2006 (b)	<b>Total Existing 2011</b>	Max. Potential Absorption (c)	Max. Remaining Absorption Potential	Less CCC Proposal	Max. Remainder to Accommodate Elsewhere	Est. Additional Capacity At Sites #2-11 (d)	<b>Maximum Est. Shortfall</b>
Office	34,250	7,990	<b>42,240</b>	100,000	57,761	4,508	53,253	2,995	(50,258) shortfall
Retail	64,850	6,340	<b>71,190</b>	80,000	8,811	7,957	854	38,975	38,122 surplus
Residential	-	-	-	-	-	-	-	10,690	-
<b>Total</b>	<b>99,100</b>	<b>14,329</b>	<b>113,429</b>	<b>180,000</b>	<b>66,571</b>	<b>12,465</b>	<b>54,106</b>	<b>41,970</b>	

**Notes:**

(a) See 2006 Town Center Parking Study, Table 2-1 and 2-2. Includes restaurant outdoor seating, where applicable.

(b) Plus Village Market Deli Office addition (1,200 sqft) and Flora Square (13,579 sqft), less the Hair by Jim Beauty Salon (450 sqft). Per Town Center Development Chronology.

(c) Per 1998 Downtown Development Potential Study, maximum.

(d) See Table II, applicant's TJKM Parking Study. Existing development square feet (as reported by SAS Planning Consulting) was subtracted, so as to calculate the net new square feet. Estimated potential development for site #4 was not considered, as the current square feet of the Flora Square building exceeds the estimated potential development for the site as indicated by TJKM.

Sources: Keyser Marston Associates, 1998; SAS Planning Consulting, 2006; TJKM Transportation Consultants, 2009; Town Center Development Chronology, Jan 2011; BAE, 2011

**Table 5: Updated Inventory of Vacant and Underutilized Site**

<b>Site # (a)</b>	<b>Parcel Lot Size (sqft)</b>	<b># of stories</b>	<b>Estimated FAR</b>	<b>BAE Estimated Development Capacity</b>	<b>TJKM Estimated Dev. Capacity</b>	<b>Difference</b>
2	4,600	2	0.7	3,220	3,200	20
3	5,000	2	0.7	3,500	3,500	-
5	8,550	2	0.7	5,985	5,990	(5)
6	18,550	2	0.7	12,985	6,495	6,490
7	18,550	2	0.7	12,985	6,495	6,490
8	9,950	2	0.7	6,965	6,970	(5)
9	14,685	2	0.7	10,280	7,710	2,570
10	27,800	2	0.7	19,460	9,740	9,720
11	18,550	2	0.7	12,985	6,495	6,490
<b>Total</b>	<b>126,235</b>			<b>88,365</b>	<b>56,595</b>	<b>31,770</b>

**Notes:**

(a) Site number based on Table II Estimated Parking Demand for Vacant Parcels, TJKM Parking Study for Clayton Community Church  
Please refer to Figure 2 in this report for a map showing the location of these sites.

Sources: TJKM Transportation Consultants, *Parking Study for the Clayton Community Church*, Table II, Dec 2009; BAE, 2011.

## **Planning Considerations for Future Parking Supply**

According to the TJKM analysis based on the 2006 assessment of potential development, if the City were to allow the Clayton Community Church proposal to proceed with the reduced off-street parking requirements as proposed, it may be the case that there would not be any shortage of Town Center parking if an additional 62,235 square feet of commercial space were developed; however, this might not allow for sufficient parking if the Town Center were built out with the estimated physical capacity of 89,000 additional square feet of commercial space, as updated by BAE.

At this juncture, an important consideration for the City of Clayton is the level of additional Town Center commercial development for which the City should plan, including provision of adequate parking. For planning purposes, the City should recognize that the error that is more difficult to correct is to underestimate the Town Center's development potential, and provide inadequate parking to address future needs. Conversely, if the City finds in the future that it has planned for more parking than is necessary, it will have ample opportunity to identify alternative uses for excess parking sites. As a result, BAE recommends that the City plan for sufficient parking to meet the needs of at least the amount of additional office demand that would be necessary to achieve KMA's projected total Town Center office absorption potential, which is equal to approximately 53,253 additional square feet beyond that proposed in the Clayton Community Church proposal. This is based on KMA's 1998 office absorption estimate of up to 100,000 square feet of office space, minus 42,240 square feet existing, minus 4,508 square feet that would be included as part of the proposed church project. For retail space, the 1998 KMA projection of up to 80,000 square feet of total retail absorption potential, less 71,190 existing, less 7,957 proposed as part of the proposed church project suggests only 854 square feet of additional retail development potential are needed in the Town Center area; however, the figures in Table 5 suggest that the remaining physical development potential for retail is about 44,000 square feet.

BAE recommends that the City plan adequate parking for the larger amount of future commercial development as indicated by the physical development capacity estimates contained in Table 5. This would provide the opportunity to accommodate the City's unmet office absorption capacity, based on the KMA projections, and also to develop the remainder of the physical development potential with additional retail and restaurant uses. This would ensure that the City has additional downtown development capacity to accommodate additional retail and office users. In particular, it is important that the City plan for a buffer of retail development potential that provides the opportunity to attract the additional destination dining and retail development as recommended by the EDS study. Although commercial absorption has been moribund during the economic recession of the last couple of years, the City should not foreclose the opportunity to capitalize on the unique identity of downtown Clayton and try to bring in additional commercial uses that will draw more visitors to downtown Clayton to shop and dine, and encourage Clayton residents themselves to conduct more of their specialty shopping and dining in downtown. This could bring

important benefits to the City in terms of new property taxes, sales taxes, and job creation. In addition, if the City is successful in expanding the quantity and diversity of retail activity in the Town Center area, this should help to create critical mass and synergy with existing businesses, and enable the Town Center to better establish itself as a shopping and dining destination within central Contra Costa County. Absent additional retail and dining development, Clayton Town Center will continue to struggle with a lack of regional identity to attract shoppers, and a limited dining and retail selection to offer those who do visit.

## **Conclusion**

Based on the above analysis, there remains unrealized commercial development potential in the Town Center, despite shifts in shopping patterns and a rise in regional retail competitors during the past twenty years. Low turnover rates on the part of locally-owned business and the ample supply of similar convenience and comparison retail offerings in nearby community shopping centers supports the assessment of Economic Development Systems, namely that niche destination retail could represent an important business attraction opportunity; however, it will not be possible to fully test the viability of this strategy until the national economic recovery is better established.

While the Town Center has a number of constraints to competing with commercial nodes in locations which are beyond the City's control, the City does have the ability to ensure that inadequate parking is not a deterrent to future development and commercial vitality in the Town Center. The Draft EIR for the project has determined that without implementation of a comprehensive parking management program for the Town Center, the area will have inadequate public and private parking to avoid recurrent parking shortages if the Town Center builds out as expected under current land use regulations, including the current Parking Waiver program. Failure to incorporate provisions in the development of the proposed project to ensure adequate parking for all users would undermine the City's efforts to achieve the vision for the Town Center.



# **Analysis of Potential Effects on Town Center Real Estate Viability**

As mentioned previously, in 2008 the Clayton City Planning Commission and City Council opted to remove assembly uses from the list of uses allowed in the Town Center. Based on a review of Planning Commission minutes, it appears that this decision was influenced by the view that assembly uses can undermine the viability of nearby businesses and thereby threaten the area's ability to become the vital, pedestrian-friendly hub of commercial activity envisioned in the Specific Plan. In order to evaluate the connection between church presence in a given retail area and the commercial viability of that area, BAE conducted a series of interviews with Clayton Town Center businesses and retail businesses located near churches in other similar commercial areas across the region. The objective was to assess how a church's presence affects retail businesses, positively or negatively, and to determine whether any mitigations or modifications to the existing Clayton Community Church proposal might increase the net benefits likely to be experienced by City if the application is approved.

## **Interviews with Town Center Businesses**

In order to understand how the Clayton Community Church's proposed use of the project site may fit with overall Town Center patronage patterns, BAE conducted interviews with several Town Center businesses. The purpose of these interviews was to understand existing customer shopping patterns and consider local merchants' perspectives on whether these shopping patterns might change if a church were to locate nearby. Interviewees were asked about possible "spillover" effects of church patrons patronizing their commercial establishment, and whether church operations would have an effect on their customers' ability to park. Merchants were also invited to suggest any modifications to the development proposal that might increase the net benefits experienced by their business in relationship to the future user of the site.

In selecting Town Center merchants to target for interviews, BAE prioritized locations in close proximity to the proposed development site, types of businesses that cater to personal consumers, and businesses that rely on the availability of street parking to meet the needs of their clients. Accordingly, outreach was not conducted to Village Oaks Center office users, which cater to business clients, have access to a dedicated off-street parking lot, and are located on the opposite end of the Town Center from the development site. Rather, staff sought to interview retail, restaurant, and personal services businesses located west of Grove Park.

Interview outreach to Town Center businesses proved more difficult than anticipated. BAE attempted to interview 15 businesses, making up to four attempts to contact each; however, only five business owners were willing to discuss the Clayton Community Church proposal. Four other owners explicitly stated that they did not wish to comment on the topic, and the remaining six were

unable or unwilling to make time available. There appears to be broad concern in the Town Center merchant community that voicing an opinion one way or the other regarding the proposed development could negatively affect their businesses. However, the businesses that did consent to share their perspectives belonged to a range of sectors. Interviewees represented the eating and drinking sector, the personal services sector, and the general retail sector. Some owners were very familiar with the details of the church proposal; others were unaware that any development was being seriously considered for the site at this time.

When asked whether the increased levels of Church-related activities might translate into spillover business, one merchant noted that she has not experienced any increase in patronage from congregation members who currently attend the weekday bible studies, Saturday evening services, or other activities that Clayton Community Church currently hosts at its (former) Pioneer Inn location on Main Street. Two owners felt unqualified to speculate about the potential for spillover business in the future; a third said that his business rarely served “walk-in” clients or convenience shoppers and therefore doubted that his patronage patterns would be affected. Only one interviewee noted that the church had directed noticeable business to his establishment in the past and he expected those trends to continue as the church grew.

Business owners differed in their assessment of the current parking situation in the Clayton Town Center. One business owner observed that the existing level of church activities can make it difficult to find parking on Main Street on certain weekday mornings. That business owner benefits from a dedicated off-street parking lot, but worried that additional parking pressures might prompt church-goers to use that dedicated lot. A different business owner voiced concern that church-related peak events would affect his business in the same way as the Wine and Art festival, an annual special event that brings thousands of people to the Town Center and generates exceptional parking pressures on the community. He noted that his business is forced to close during the festival, because festival-goers have no interest in his services and his regular clients are unwilling to brave the crowds. A third business owner felt that her business was unlikely to be seriously affected by the church’s parking needs, because there was little overlap between their peak activity times. The remaining two interviewees were concerned at the potential for parking conflicts, but ultimately felt that the problem would “work itself out.”

Interestingly, one business owner was less concerned with the Church’s presence on the development site than with the construction of additional retail space as a part of the proposal. She worried that such commercial spaces would either bring in competitors at a time when her business could not afford to lower prices, or would remain vacant and thereby generate a “ghost town vibe” and deter new visitors from returning. This business owner felt that a vacant lot could appear “quaint” and “old-fashioned” but that a vacant storefront made potential shoppers feel uncomfortable and unsafe. Another business owner also doubted that the Town Center had the

market support to fill additional retail spaces, pointing to the difficulties experienced by the owners of the new Flora Center development on Center Street.

Overall, the five Town Center business owners who were willing to discuss the proposed development project were generally apprehensive about the possible ramifications for their business. Some were cautious and aimed to provide neutral responses; others strongly opposed the project and feared the impacts of change while the economy has not yet recovered from a national recession.

## **Case Studies from Other Commercial Districts**

To assess the likely future interaction between the proposed Clayton Community Church development and Town Center businesses, BAE also researched four case study sites where an active church congregation occupies a central location within a larger retail corridor or center. In selecting sites for case study research, it was important that the sites be as comparable as possible to the Town Center in terms of business mix, shared parking layout, estimated use of church facilities both on Sundays and during the week, and the relative prominence of the church in terms of both activity and visibility. As a result, sites with pedestrian-friendly streetscapes or substantial quantities of shared parking received special consideration, as did churches that represented evangelical denominations. During the site selection process, BAE welcomed site suggestions from the City of Clayton and the Clayton Community Church, and surveyed aerial maps, planning documents, and local church listings in order to determine the most appropriate matches. The four sites ultimately selected are located in communities with density levels comparable to that of Clayton. With one exception, all are located in eastern Contra Costa County.

Once the four sites were selected, BAE staff conducted site visits in order to document the operating hours, activity levels, and parking needs of both the local church and nearby businesses. BAE staff then conducted follow-up interviews in order to determine what effect, if any, the local church's presence had on nearby businesses, and whether that effect differed according to business type or days of the week. Overall, BAE conducted 15 interviews, speaking with three businesses at every site and, at all but one site, an interview with the leasing office or business association that oversees the commercial center in question. BAE sought to interview a mix of small-scale businesses comparable to those present in the Clayton Town Center and ultimately conducted interviews with: five food and drink establishments, five personal services establishments (day spas, hair and nail salons, and fitness centers), and two retail stores. The findings and details on sites' comparability to Clayton Town Center are below. Figures 3 through 6 are aerial maps of the chosen case studies.

The section also includes information about Harvest Church, a non-denominational church that purchased a movie theater in an aging but prominently located strip center in Concord with the intent to redevelop it into a sanctuary with church-related classroom and office space. The

church's development proposals have generated controversy in the community and the City of Concord has twice had to defend its decisions in court. The site was not selected as a case study because the church does not yet occupy its space within the shopping center, but the relevance of its experience to Clayton prompted BAE to interview Concord city staff about the planning concerns posed by the development and why the City's stance on the project changed over time.

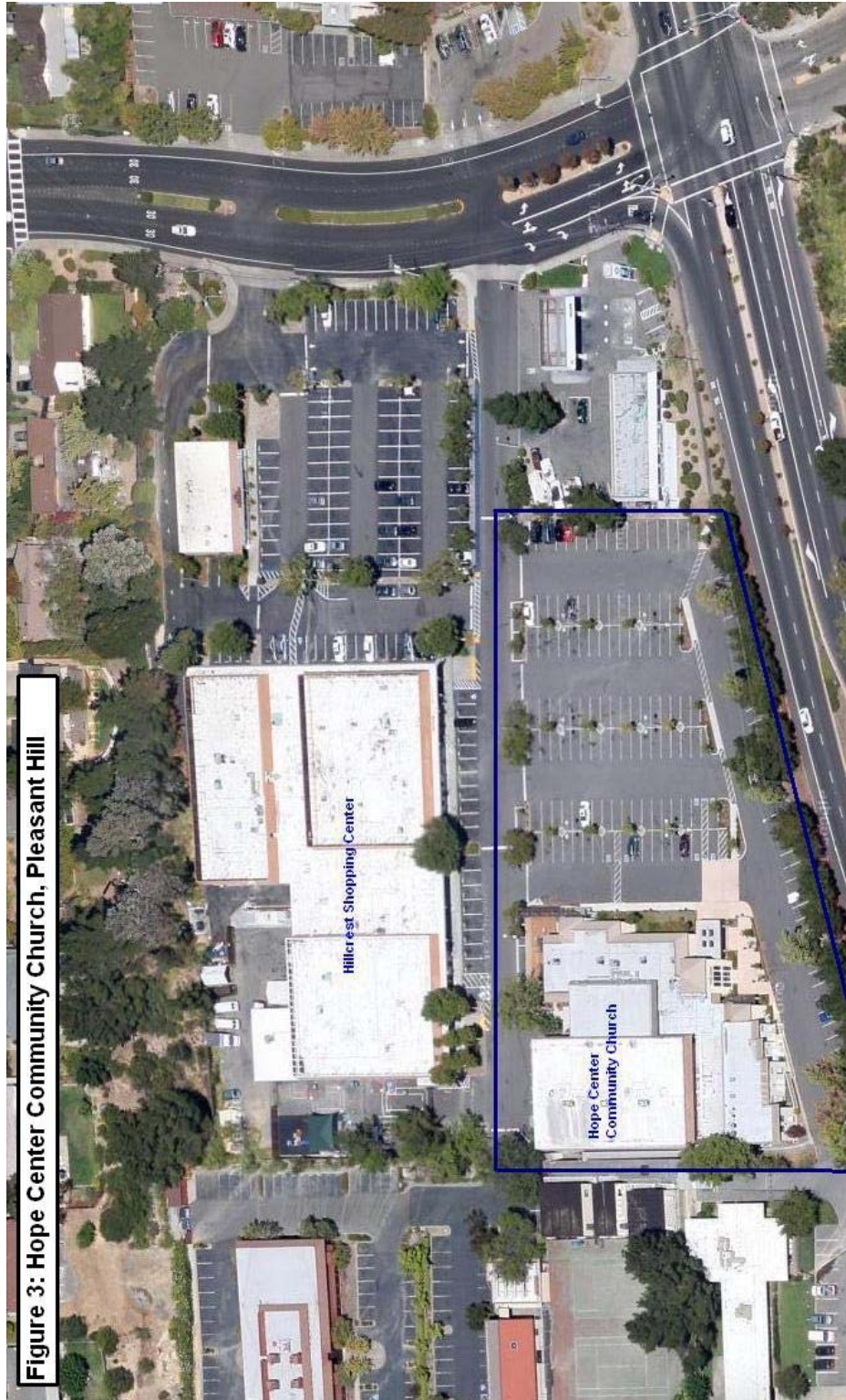
### ***Hope Center Covenant Church, Pleasant Hill***

#### **Context**

Hope Center is located adjacent to the Hillcrest Shopping Center in a predominantly residential area of Pleasant Hill. Like downtown Clayton, Hillcrest is located away from major commercial centers but on a thoroughfare with high traffic counts. A majority of local shoppers set out to visit the shopping center, rather than passing by it when traveling between other destinations. The site also resembles the Town Center in that, while both the church and the shopping center share an entrance off of Morello Avenue, the church parcel is located immediately adjacent to the busier thoroughfare, Taylor Boulevard, and is therefore more visible to through-traffic than the shopping center.

With several family-owned restaurants, a salon, and small recreational service establishments, the business mix corresponds to the retail environment that is existent and is likely to continue in Clayton. Hillcrest's principal building features two rows of inline stores. While the eastern facing ones front onto the shopping center's parking lot, the southern facing row, which faces the church, is served primarily by a single row of parking spaces directly adjacent to the building. Since there are no physical obstructions between the church parcel and that of the shopping center, to the average eye, the properties would appear to be one and the same, with all parking shared. Nevertheless, they are legally separate and feature their own separate parking: approximately 150 spaces belong to the shopping center and approximately 170 belong to Hope Center. A cross-easement agreement between the church and the shopping center allows for shared parking, providing ample spillover space for Hillcrest customers into the church parking lot when Hope Center Church is not busy. Though business owners are aware that the church's parking lot and that of the shopping center are distinct, customers and churchgoers are reportedly rarely cognizant of which spaces belong to which owner.

Hope Center Covenant Church and Clayton Community Church are similarly sized, though Hope Center has substantially more dedicated parking than is planned for Clayton. Both congregations draw 400 to 500 church-goers on Sunday mornings, and host a range of activities on weekdays. Wednesday evenings are particularly busy at Hope Center, when adult bible studies and youth group activities regularly draw 100 persons, a number comparable to the busiest weeknight



**Figure 3: Hope Center Community Church, Pleasant Hill**

expected at the proposed Clayton Community Church development. Both churches experience a noticeable increase in day usage during the summer months, when activities are offered for children on vacation from school. Finally, with the exception of religious holidays, special annual events at Hope Center are often held on weekend evenings and draw crowds that are usually comparable to Sunday morning attendance. A notable recent exception was the funeral of a local firefighter, which drew more than 1,000 persons. Overall usage patterns at Hope Center are very similar to those expected at Clayton Community Church.

BAE interviewed the owners or managers of three Hillcrest businesses, including a restaurant, a fitness center, and a salon. All three businesses face the church on the side of the shopping center with parking constraints. In addition, BAE interviewed the owner of the Hillcrest shopping center, who has also served as the leasing agent since designing center in the 1960s.

#### *“Spinoff” Patronage Effects*

Businesses located in the Hillcrest Shopping Center report that their proximity to the Hope Center brings in a varying but overall limited number of customers. One personal services business gets very few if any customers from the church. Another reports that the amount of new customers brought in by the church is “not overwhelming,” but concedes that the church brings a relatively large number of potential shoppers to the plaza and thereby improves business visibility in an otherwise fairly remote location. The restaurant manager agrees that he “doesn’t get much return” from congregation members, but notes that congregation members do frequent the business after church activities on Sunday, when business is otherwise slow. In addition, the restaurant occasionally sees a substantial increase in business following large church events, like a recent large funeral. This synergy between the restaurant and the church has prompted the owner to arrange a fundraiser, whereby a percentage of congregation member receipts are donated to the church. In general, all of the businesses interviewed indicate that there are very few days of the year in which special activities at Hope Center lead to spillover patronage.

Interviewees offered two possible explanations for the limited returns from spillover patrons: conservative spending on the part of congregation members and existence of a dining hall with food services within the Hope Center church. The latter may dampen the ability of nearby restaurants to capture increased sales. The owner of Hillcrest shopping center notes that the church parcel was previously occupied by a movie theater and an ice cream store, both of which yielded more spin-off benefits to his tenants. The ice cream store, in particular, benefited the restaurants.

#### *Effects of Church Parking Demands on Overall Area*

As mentioned above, parking sharing between Hillcrest and Hope Center is codified in a cross-easement agreement between the plaza, the church, and the City of Pleasant Hill. The City instigated the agreement because of a previous experience in which a church located close to retail

sold its site to a different type of user, which then created unanticipated parking conflicts by attracting customers at less complementary times of the week. The Hillcrest/Hope Center agreement hedges against the risk that the site will be used in the future by a business or organization that will negatively effect the shopping center tenants.

Local businesses report that this agreement has effectively limited any potential conflict. The added capacity provided by the church ensures that parking along the otherwise constrained southern facing row of stores is “absolutely no problem.” The manager of one business emphasizes that Hope Center “has always been more than gracious and generous with [overflow] parking,” and that her customers frequently take advantage of the additional spaces in the church’s lot.

On occasion, peak church activities will cause Hope Center’s lot to fill, thereby accentuating the plaza’s parking shortage. This occurs on Sunday mornings, but this rarely presents a conflict because the businesses interviewed are either closed or slow at that time. It is only on Wednesday evenings, when the church hosts bible study and other activities aimed at youth groups and adults, that the absence of vacant parking spots in the church lot can hamper business patrons’ ability to park. On an annual basis, the occasional very large church event can create conflicts; however, when such peak events are predictable (such as a funeral), church staff reported attempting to “be good neighbors” by visiting each shopping center tenant in person to provide them with advance warning.

### **Conclusion**

Overall, interviews with Hillcrest businesses indicate that the congregation members of Hope Center do not provide a substantial increase in patronage for the inline stores facing the church. This may be due to the fact that many congregation members dine within the church itself, or due to lower overall patterns of consumer spending by Hope Center’s membership.

In terms of parking, however, Hope Center has a net positive spillover effects for Hillcrest’s tenants. By providing overflow parking during most peak retail times during the course of the week, the church relieves parking pressures more often than it creates them. Several interviewees indicate that an alternative user, such as a supermarket or the former movie theater, would create far more parking conflicts due to overlapping peak times. Hillcrest’s owner offers that by discussing the potential for such conflicts up front and negotiating a solution, a solid, working relationship was created between adjacent users that has since persisted.

### ***First Presbyterian Church, Concord***

#### **Context**

First Presbyterian is located in downtown Concord, one block off of Todos Santos Plaza, which

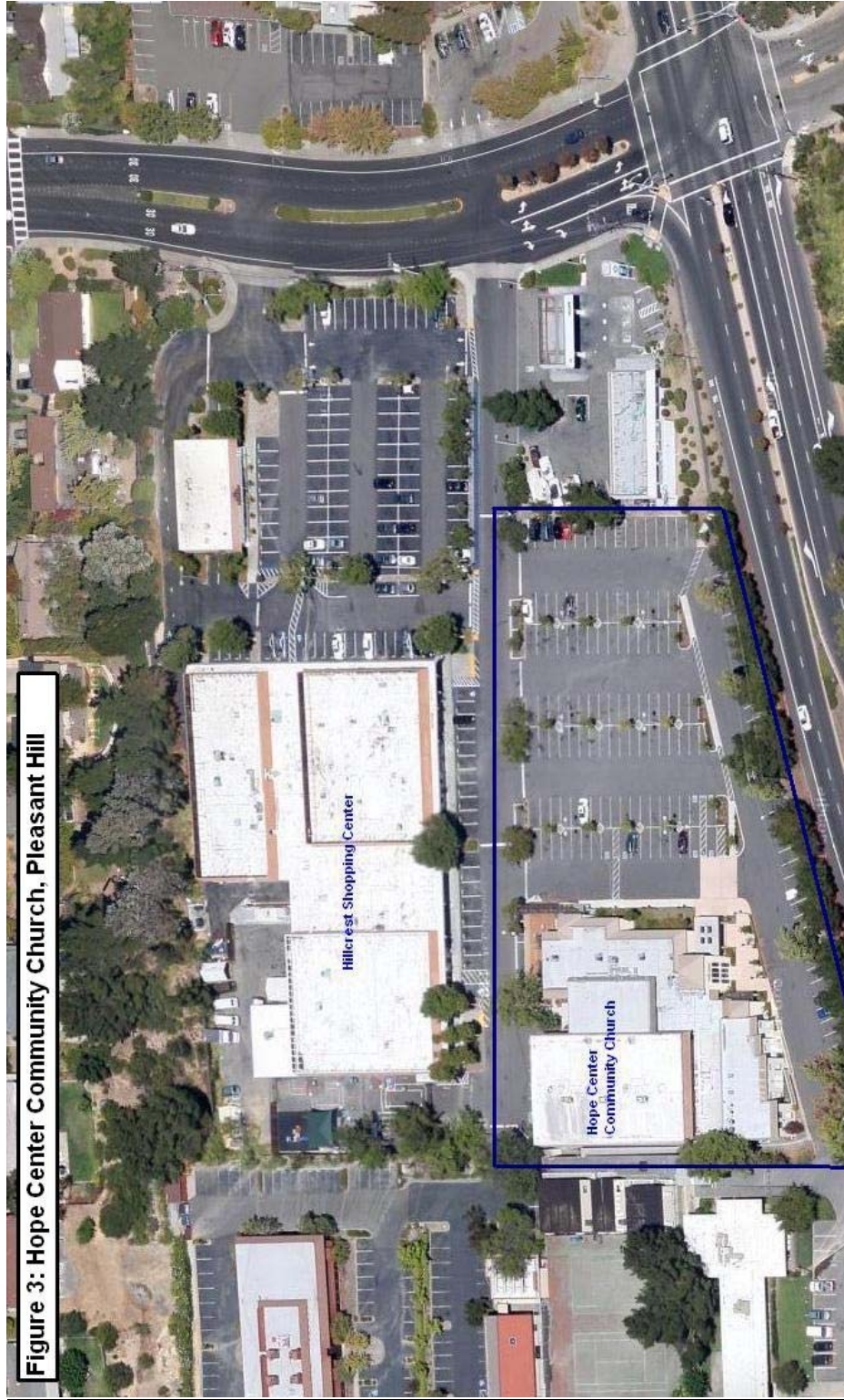
serves as the focal point for the downtown retail environment and new business investment. While the church entrance is located on a street dominated more by surface parking than retail, business activity intensifies as one approaches the Plaza to the west. It should be noted that First Presbyterian owns another structure directly abutting the Plaza, which is currently sublet to a separate ministry named Shelter Covenant Church. This case study discusses both churches.

Like the Clayton Town Center, the scale of Todos Santos Plaza and its vicinity is designed to be compact and pedestrian-friendly. Both churches are integrated into their urban block, and form continuous elements of the street wall. Area businesses are split between small shopping centers with dedicated off-street parking and low commercial buildings that are flush with the sidewalk. The retail blend is comparable to that of Clayton, marked by several restaurants, cafes, and small retailers seeking to capitalize on walk-in convenience shoppers. That said, the area around Todos Santos Plaza is a more dense central business district environment than the Clayton Town Center, commanding more office and retail investment and drawing greater numbers of area residents on a regular basis. Further, the area is well-served by street parking and by a free, 523-space garage around the corner on Salvio Street. This garage is owned and operated by the Concord Redevelopment Agency, and provides enough capacity to satisfy even high-demand periods.

First Presbyterian Church draws approximately 250 persons to regular Sunday morning services, a smaller number than that expected by Clayton Community Church; however, First Presbyterian is very active during weekdays, with a daily preschool and adult fellowship opportunities that draw 80 persons to the building on a regular weekday. Most weeknights are quieter than those expected by Clayton Community Church, but both would draw around 100 persons to Wednesday night activities. In contrast, Shelter Covenant is relatively inactive, drawing at most 50 persons or fewer to Sunday evening services and only rarely hosting weeknight activities in its storefront location. In terms of parking, First Presbyterian can offer its congregation members only 36 spaces in a surface lot that it owns across Colfax Street, and Shelter Covenant does not have any dedicated parking. As a result, the majority of church-goers use the free elevated parking garage on Salvio Street or public street parking. This dependence on public parking availability is another similarity between these churches and Clayton Community Church.

BAE interviewed the owners or managers of three downtown businesses, including two restaurants and a salon. All three businesses are located within one block of both First Presbyterian and Shelter Covenant, as well as the parking garage. One of the restaurants also has its own dedicated lot. In addition, BAE interviewed the City of Concord's Downtown Program Manager, who works closely with the Todos Santos Business Association (TSBA) and local business owners to improve the overall retail environment in the area.





**Figure 3: Hope Center Community Church, Pleasant Hill**

### *“Spinoff” Patronage Effects*

The relationships between First Presbyterian and Shelter Covenant and the patronage of businesses in downtown Concord differs depending on the type of business. The restaurants see a small to moderate increase in business from the churches, mostly after Sunday services. Congregation members from First Presbyterian tend to visit both of the interviewed restaurants at midday on Sundays after the conclusion of worship. One restaurant on Todos Santos Plaza also reports that groups of 30 to 40 congregation members from Shelter Covenant will frequently stop in for dinner on Sunday nights after their services let out. This tends to benefit the restaurant because Sunday nights are otherwise slow; however, without ample warning, wait staff can find themselves understaffed and ill-equipped to deal with the rush. The management has discussed this with church leaders and now someone from Shelter Covenant typically alerts the management earlier in the day so that they can staff the proper number of servers.

While the restaurants are not noticeably affected by church activities at other times during the week, one manager has noticed that several congregation members have become repeat customers who patronize the restaurant independently of scheduled church activities. He also reports an increase in patronage around major Christian holidays. Finally, the restaurant has partnered with the church to fundraise by donating a percentage of receipts to Shelter Covenant during Oktoberfest. This arrangement has resulted in some additional business.

On the other hand, the owner of a salon located around the corner from both churches indicates that, over the past 13 years, only a handful of congregation members have become customers. She has the impression that congregation members are not local and therefore do not have ties to local businesses and services. Her salon receives more customers from Queen of All Saints Church, which is located four blocks away, is attended by some of her stylists, and appears to draw from more locally-based congregants. Though located further away than First Presbyterian or Shelter Covenant, Queen of All Saints has benefited the salon to a greater extent by inviting it to participate in charity events, such as haircut-a-thons, which has given the business more exposure within the church community.

It should be noted that the City of Concord’s Downtown Program Manager feels that Shelter Covenant’s location on the Plaza harms the downtown retail environment. The church hosts addiction recovery meetings on a weekly basis in order to minister to needy congregation members. In her view, this presents a “double whammy,” because the church’s low levels of activity render a prominent frontage inactive most of the time and, when in use, the church attracts people that harm the image of the retail environment. That said, none of the business owners/managers interviewed confirmed this view.

### *Effect of Church Parking Demands on Overall Area*

Despite the fact that First Presbyterian has its own off-street parking lot and that downtown Concord features a free, 523-space garage, two of the interviewees report that church activities generate parking pressure. These complaints pertain only to First Presbyterian, which has a larger congregation and more weekly activities than Shelter Covenant. Customer parking at the restaurant near Shelter Covenant is not affected by church activities.

The salon owner reports that Wednesday morning events at First Presbyterian regularly attract enough congregation members to occupy the first three stories of the parking garage. In addition, Easter Sunday, the Christmas season, and other peak church calendar days present a consistent problem. Her customers have adapted by waiting to schedule appointments until Wednesday afternoon. While the salon is considering a move to open on Sundays, she claims that she won't open until after midday so as to avoid the same problem.

The manager of the restaurant closest to First Presbyterian, which has its own off-street lot, also reports conflicts due to spillover parking demand. On occasion, congregation members will park in the restaurant's lot, which is adjacent to the church parking. While this occurs most frequently on Sundays, he reports that it can happen whenever a church event is scheduled, which occurs every day of the week.

### *Conclusion*

Overall, the churches in downtown Concord do provide an increase in patronage to surrounding businesses. The restaurants seem to benefit in particular, although, if the salon's relationship to Queen of All Saints is considered, then all of the businesses interviewed enjoy some spinoff patronage from nearby churches. This effect is largely limited to Sundays and holidays.

Parking, however, presents somewhat of a conflict. First Presbyterian has a pre-school on site and holds events every day of the week. This creates daily parking pressures for adjacent businesses, and on Wednesday and Sunday mornings these pressures affect the shopping district more broadly. Parishioners impede local businesses by either occupying those business' dedicated parking spots or crowding the shared garage. Yet, this effect is not perceived universally. One of the restaurant managers feels that his customers are always able to find parking regardless of church activities.

Additionally, though this concern was not echoed by the other interviewees, the Downtown Program Manager worries that Shelter Covenant represents an inappropriate use in a retail district. She would prefer to see that storefront occupied by a retailer that could attract additional consumers to the area. In the past, the City has made presentations to leaders at First Presbyterian about how they could activate that site by moving religious activities upstairs and freeing the ground floor for retail. However, due to fluctuations in First Presbyterian's elected leadership

body, the City has not had any success in building a partnership to promote mutual interests along the Plaza.

### ***Harvest Worship Center, Vacaville***

#### **Context**

Harvest Worship Center is located in a one-story commercial structure situated on the western edge of historic downtown Vacaville. While downtown Vacaville covers a more expansive area and is denser than Clayton's Town Center, both downtowns rely on historic urban form to create a sense of place and attract visitors. Downtown Vacaville is a pedestrian-friendly environment with storefronts facing onto two-lane streets with free on-street parking. The church's storefront faces Parker Street, which is currently suffering from a high degree of vacancy and hosts an empty lot immediately adjacent to the church storefront. Most congregation members enter through the building's back entrance, which opens up onto a free municipal parking lot with approximately 100 spaces. Aside from street parking, this lot supplies the majority of parking in the vicinity. As in Clayton Town Center, the surrounding business mix includes small personal service businesses, real estate offices, and gift stores.

Harvest Worship Center is a smaller congregation than Clayton Community Church, drawing approximately 100 persons to Sunday morning worship. The church also hosts a Sunday evening service during the school year, which draws up to 80 people. Even more than Clayton Community Church, the main gathering times for Harvest occur on weeknights, drawing 40 – 60 persons. Weekdays represent very low levels of activity. Harvest does not staff its office full-time, and holds many small group gatherings in congregant homes. The storefront location only rarely draws more than 100 persons to special events during the year outside of religious holiday services. That said, the fact that Harvest does not have any dedicated parking makes it more similar to the proposed Clayton Community Church development than some of the other places of worship profiled in this report.

BAE interviewed three businesses located within one block of the church, including a restaurant, spa, and gift shop. Since none of the businesses have dedicated parking, their customers use the same parking lot as Harvest's congregation members. In addition, BAE interviewed the Executive Director of the Downtown Vacaville Business Improvement District (BID).



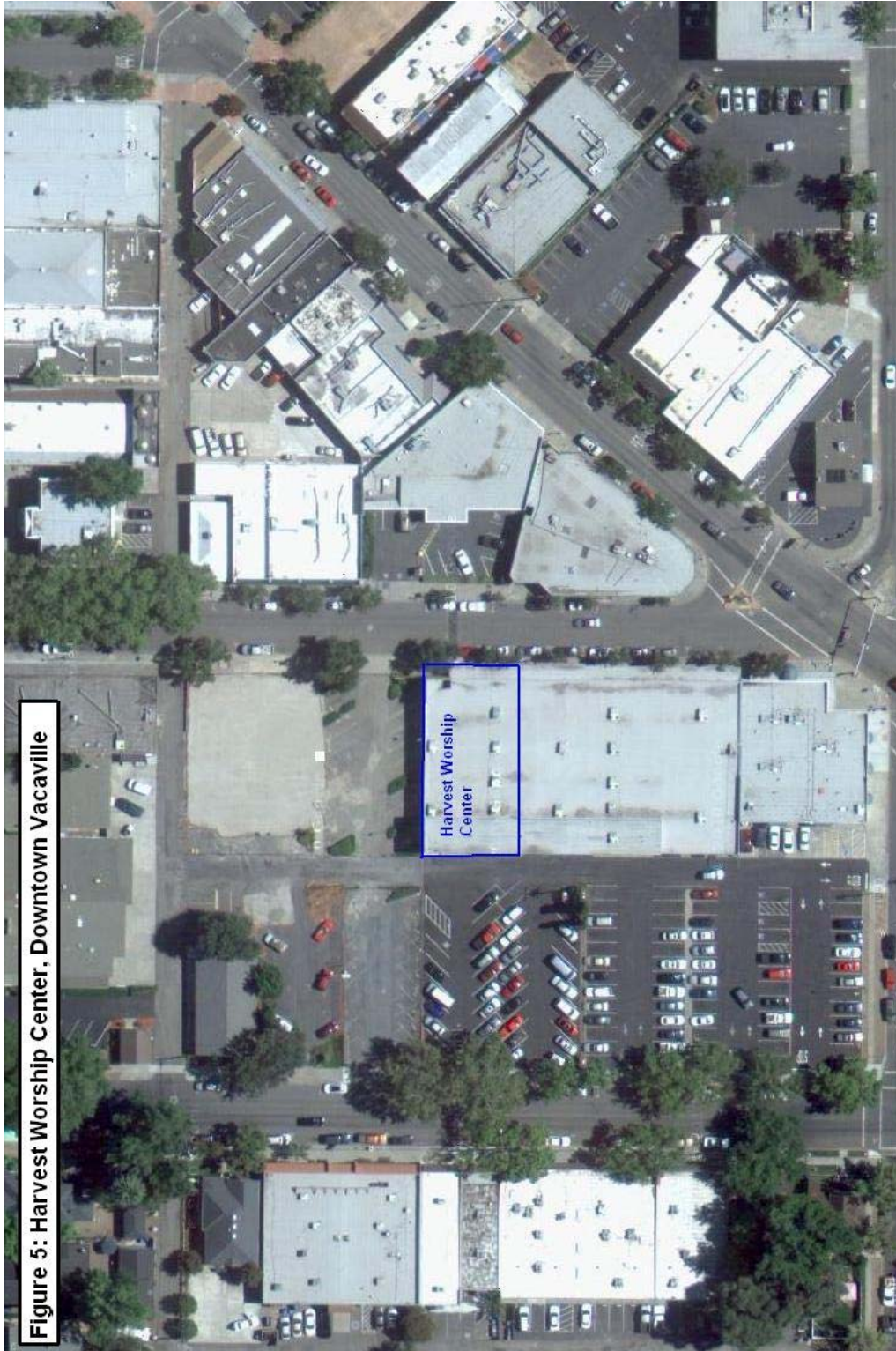


Figure 5: Harvest Worship Center, Downtown Vacaville

### *“Spinoff” Patronage Effects*

While the day spa experiences a moderate increase in patronage as a result of its location near Harvest, the remaining interviewees feel that the church has a neutral to negative effect on business patronage. A long-time employee of the day spa, which is located across the street from the parking lot, reports that a notable number of congregation members have become customers after noticing their sign. A bulk of this spinoff business occurs on Sundays after worship, though she also reports an uptick in sales around high-volume churchgoing days, such as Easter. On the other hand, the manager of an adjacent restaurant indicates the post-service spillover effects on his business are “not overwhelming,” in part because congregation members are more conservative spenders than his regular clientele.

On the street-side of the Church, the high tenant vacancies and the empty lot result in a weak retail environment. The BID Director regrets that Harvest, arguably one of the biggest congregations located downtown, tends not to participate in special events and activities meant to bolster area businesses. He notes that local businesses cannot benefit from congregation members’ walk-in business because Harvest rarely attracts a large number of people to the area outside of Sunday mornings, when most of his member businesses are closed. In his view, by occupying a storefront that could otherwise attract foot traffic during business hours, Harvest exacerbates the problem of attracting customers to Parker Street. This view is also held by the manager of a Parker Street gift shop, who indicates that Harvest does not provide any spinoff customers. She would prefer that the space be used for retail, because “retail creates retail.”

In addition to the concern that the church’s storefront is a missed opportunity to generate more retail traffic along the street, there is some concern that the church’s choice of outreach strategies can at times actively discourage shoppers from frequenting the area. In one unique case, Harvest participated in the BID-organized Halloween stroll, which attracts 3,000 people downtown. The church chose to set up a “hell house,” which sought to raise awareness about activities the community deemed sinful by depicting violent, explicit scenes deemed offensive by many. The event received national news coverage, and arguably hurt downtown Vacaville’s image. The Downtown BID director feels that churches could balance out the negative effect they have on foot traffic by participating actively—and appropriately—in special events meant to attract shoppers downtown.

The experience of businesses located street-side seems to differ from those facing the parking lot. All interviewees agree that any potential spin-off patronage is limited to Sundays around noon, because the church rarely holds highly-attended events during the week.

### **Effect of Church Parking Demands on Overall Area**

Due to the low intensity of church activities, Harvest does not create parking conflicts with area businesses. All of the interviewees report that customers have no trouble finding parking in either the lot or on area streets during the week, as the church is mostly inactive during peak business hours. Sunday morning is the only time when church activities create parking pressures. While the gift store is closed on Sundays, the manager has driven past her store during worship hours and reports that all of the street parking is occupied. If her shop did stay open on Sundays, she would “not be a happy camper.” However, the day spa employee reports that most congregation members leave the area by the late morning. Though her business opens at 9:00 a.m. on Sundays, the spa does not get busy until noon, at which point there is plenty of parking again.

### **Conclusion**

While the day spa gains some added revenue due to its proximity to Harvest, most of the interviewees feel that the church’s effects on the local retail environment range from minimal to undesirable. The fact that Harvest is relatively inactive during the week means that church activities create neither parking pressures nor additional patronage. In addition, there is a perception that when congregation members do visit local establishments, they spend conservatively.

The main concern among interviewees is that the church does not help to increase downtown foot traffic. Retailers rely on surrounding establishments to attract consumers to the area, but most churches fail to contribute to the volume of pedestrians and shoppers. By rendering space along commercial corridors inactive during peak business times, the churches make the downtown environment less interesting and attractive to consumers.

### **Golden Hills Community Church, Brentwood**

#### **Context**

The final case study differs substantially from the Clayton Town Center in both scale and layout. Nonetheless, the site was selected as a case study because evidence was submitted to the City of Clayton in support of the Clayton Community Church Proposal that pointed to the positive synergy between the Golden Hills Community Church and neighboring retail in this area.<sup>6</sup> In his memo, John Sechser of Colliers International noted that Golden Hills was responsible for attracting over 10,000 members to the area weekly, most of whom came during weekdays in addition to on Sundays, and was thereby helped local restaurants and other retail establishments exceed their projected sales by as much as 40 percent.

Golden Hills occupies a campus of structures located amidst auto-oriented shopping centers in

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<sup>6</sup> Sechser John, Senior Vice President with Colliers International. November 20, 2009. *Memo Regarding the Clayton Community Church.*

exurban Brentwood. All surrounding retail outlets, which range from power centers to community-serving centers, have dedicated off-street parking. Golden Hills itself has a dedicated parking lot with nearly 700 parking spaces. Separated from most of the shopping centers by wide boulevards, Golden Hills has pedestrian-friendly connections to only one of the surrounding retail centers, Brentwood Station to the east, which connects to the church via a two-lane driveway. This connection encourages church parking to spill over into the adjacent shopping center at peak times.

The surrounding retail outlets are new, exurban shopping centers that dwarf downtown Clayton, requiring shoppers to move between stores in their vehicles. Local retail space tends to be tenanted by high volume national chains that can afford premium rents, as opposed to Clayton's unique blend of locally owned businesses. In order to hedge against this last discrepancy, BAE chose to interview two local businesses that are solely located at Brentwood Station and one that is confined to a handful of Bay Area outlets.

Golden Hills is far larger than Clayton Community Church could ever become at its Town Center location, and caters to many more congregation members. Sunday morning services host 3,000 persons, the K-8 day school is attended by approximately 150 students, and the entire complex has 73 staff. In addition to 13 separate ministries that target different demographics and host 3 to 5 activities per week, the Church regularly hosts concerts and talks by nationally-recognized Christian figures, drawing audiences from as far as Sacramento and San Jose. Overall, this is a very active community whose membership numbers, facilities, and peak gatherings far exceed those of Clayton Community Church.

BAE interviewed the manager of three businesses in Brentwood Station, including a restaurant, day spa, and retail store specializing in baby products. All of the businesses are served by dedicated off-street parking.

#### *"Spinoff" Patronage Effects*

The Brentwood Station businesses interviewed as part of this study report a small to moderate boost in patronage as a result of their proximity to Golden Hills. A restaurant manager feels that Golden Hills has a positive effect on revenues, noting that congregation members frequently come to eat after Sunday services, though not during the week. The restaurant also serves large groups of churchgoers after weddings or funerals approximately six times a year. On the other hand, a nearby day spa has been unable capture much spinoff business, despite attempts to reach out to women's groups at the church. Mothers will occasionally visit after dropping their kids off at the Golden Hills school, but the resulting revenue generated is not overwhelming. Though the third interviewee believes his store benefits to some degree when congregation members notice his location, he felt it difficult to "gauge exposure" to Golden Hills members as distinct from the many other people who are drawn to the area to shop in the area.





Figure 6: Golden Hills Community Church, Brentwood

### *Effect of Church Parking Demands on Overall Area*

Though most congregation members are able to find parking in the large number of dedicated parking spaces surrounding the campus, church parking regularly spills over into Brentwood Station on Sunday mornings. This has caused concern among businesses; some have put up signs asking churchgoers to park elsewhere, while others have complained to the church leadership. As a result, Golden Hills now dispatches parking attendants to encourage congregation members to park as far away from the storefronts as possible. Ultimately, all of the interviewees agree that their customers are able to find parking when they need to, even during Sunday worship. Church activities during the week never attract enough people to cause a conflict.

### *Conclusion*

In terms of both parking and patronage, Golden Hills appears to have a minimal effect on nearby businesses. This is likely due to the scale and design of the local environment, which diffuses visitor activity across a broad area. As one manager reports, Golden Hills doesn't affect the way that she feels about her businesses' location one way or the other. In this regard, the retail environment surrounding Golden Hills differs from a compact downtown, in which activities are more intertwined such that each user influences its neighbors. That said, Brentwood Station businesses do capture some increased patronage due to their proximity to the church and their visibility with congregation members. This boost, when discernible, is mostly limited to Sundays and special events. At the same time, church parking on Sundays has the potential to conflict with customer parking; however, due to strong communications between businesses and church leaders, Golden Hills manages to effectively reduce the incidence of spillover parking.

### ***Harvest Church, Concord***

Harvest Community Church operated out of a building that used to be a movie theater, in the midst of an aging strip center in Concord. In order to occupy the space, the Church had to obtain entitlements similar to those required by the Clayton Community Church, including changing the zoning code to allow assembly uses on a site zoned for retail and implementing parking management measures to handle any parking pressures that should arise. The planning process became highly controversial, with the city twice facing litigation for its decisions. Although the Harvest Church was not selected as case study because the church does not yet occupy its space within the Concord shopping center, the relevance of its experience to Clayton prompted BAE to interview Concord city staff about the planning concerns posed by the development and why the City's stance on the project changed over time.

In 1998, Harvest Community Church bought the Capri Theater building, a 46,000 square foot building with first floor retail spaces and a second floor former cinema. The building was built in 1969, and shared parking with the adjacent Park and Shop Mall, a rundown strip center built in the 1950s along the busy Willow Pass Road. Strip center tenants include a mix of bargain stores and

ethnic and fast-food restaurants. The General Plan designated the site as Downtown Mixed Use, and the zoning classification was Downtown Business.

Shortly after purchasing the building, Harvest Church submitted plans to renovate the second floor of the building in order to use it as a sanctuary, church office space, and conference center. Accordingly, use amendments to the General Plan and the Zoning code were among the entitlements requested. In 1999, City officials rejected the church's requests, saying it would interfere with the Redevelopment Agency's plans to revitalize the area with retail development. The church sued to overturn the Council's position, but the court agreed that Concord had a right to conclude that a church in the strip center would interfere with its Redevelopment plans.

In 2004, the church revised its proposal by dropping the conference center and instead renovating the second floor to accommodate classrooms and an auditorium. In its application and subsequent hearings, church represented argued that the 280-family congregation would help the struggling center by shopping in its stores and eating in its restaurants. Additionally, in order to ensure that churchgoers did not occupy any of the parking spaces allotted to the shopping center retail tenants, the church presented plans to run a shuttle from off-site parking locations. City planning staff recommended against the permit, but the City Council majority found the project was now consistent with its plans because the still vacant Capri Theater created a "physical, social and economic blighting influence on surrounding properties" and conceded that there was reasonable likelihood that the church would promote more retail development than the status quo. The new plan was approved by a slim 3-2 City Council majority, despite opposition from some mall tenants who called for more retail in the aging shopping center. In response, the shopping mall owners filed a lawsuit, claiming that the City's decision was in violation of its General Plan. In 2007, the First District Court of Appeal found that the City Council was entitled to take a different view on the scaled-down proposal. Tensions remained high, with the shopping center owners again threatening to sue in 2008 should any design or construction plans encroach on their portion of the center.

Today, the church rents out most of the first floor to fast food franchises, but still holds services in nearby rented locations as renovation moves forward.

## **Conclusions**

### **"Spinoff" Patronage Effects**

The case studies research found that businesses tend to experience a slim to moderate boost in patronage due to their proximity to a church. Six of the businesses interviewed report that they benefit to a small degree, while three indicate that the benefit is somewhat substantial. The remaining three feel that they don't get any additional business. None of the interviewees feel that spending by congregation members forms a substantial component of their revenue.

When businesses do capture increased sales, it occurs primarily on Sundays following services. Only three of the interviewees report that special church events lead to spinoff patronage. Restaurants, in particular, seem to capture spinoff business after peak events, and one spa reports a boost in sales during holiday times. While none of the interviewees feel that midweek church activities lead directly to increased sales, four indicate that congregation members will, at times, stop in midweek as a result of noticing a business' sign on Sunday. It should also be noted that there is a sense that, when congregation members do frequent nearby businesses, they spend more conservatively than other shoppers.

Additionally, the Town Center merchants interviewed generally did not feel that the effects of spinoff church patronage would be substantial, either because their business hours do not overlap with peak church activity, or because they do not expect much variation in patronage from that which they currently derive from the events that the church currently hosts at its former Pioneer Inn location.

During the review of this report at the August 23, 2011 Planning Commission meeting, a member of the public who addressed the Commission stated that the Clayton Community Church's existing "Terrific Tuesdays" program is a good example of how the church can help to stimulate sales in the Town Center area. As a follow-up, BAE contacted Jennifer Lutz, Finance and Administrative Manager, Clayton Community Church, to obtain details about the program. Ms. Lutz stated that under the program, the church partners with one business each week, whereby the local business will donate a portion of its proceeds on the following Tuesday to the church, to support children's ministry, when members make a purchase and mention the promotion. The church announces the promotion in its Sunday bulletin, encouraging church members to patronize the designated business on the following Tuesday. According to Ms. Lutz, the church partnered with 12 businesses for weekly promotions during the summer of 2011.<sup>7</sup> According to information furnished by Clayton Community Church Pastor Shawn Robinson, the twelve businesses that participated in the program were:

- Yogurt Shack
- Skipolini's Pizza
- Cup O' Joe/Canesa's
- Ed's Mudville Grill
- Lisa's Hot Dogs
- Dairy Queen
- Sweet Baker
- Johnny's International Deli

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<sup>7</sup> Personal communication. Jennifer Lutz, Finance and Administration Manager, Clayton Community Church, September 8, 2011.

- Cavo's Pizzeria
- Mountain Mikes Pizza
- Baskin Robbins
- Jamba Juice

These businesses donated between 10 and 20 percent of proceeds to the church, for promotions that ran from several hours to a full day, depending on the participating business. According to figures furnished by Pastor Robinson, the total gross sales reported by the 12 participating businesses was \$9,412.<sup>8</sup>

This information alone can not be used to predict how much in new sales Town Center businesses might enjoy as a result of a new church being developed nearby and, on the whole, this analysis takes a conservative stance on how much new sales in Town Center businesses might be stimulated by the presence of the proposed church. However, the information about the Terrific Tuesdays promotion does show that there is potential for local businesses to cooperate with the church for marketing purposes and this should certainly be considered by all parties if the project is implemented.

#### *Effect of Church Parking Demands on Overall Area*

Because case study sites were selected in part due to the limited supply of dedicated church parking, in all case study sites but one Sunday services create mild to moderate parking pressures. On Sundays, church parking has the potential to overflow and occupy street parking, the dedicated off-street lots of adjacent businesses and shopping centers, public lots, and even several stories of a public garage. The only exception is Hope Center in Pleasant Hill, which, according to interviews, has enough of its own parking spaces to accommodate congregation members during all but the largest annual events.

While spillover parking may be perceived as a nuisance, requiring owners and managers to file a complaint with church leaders, none of the interviewees feel that it negatively affects their businesses. This is because most businesses are either closed or slow on Sunday mornings. Church parking regularly clears out directly following services, leaving ample room for customers after noon. That said, two interviewees indicate that church parking pressures make them reluctant to open on Sundays.

Businesses associated with two sites report that church activities during the week may create parking pressures, as well. This occurs most frequently on Wednesdays, as most churches selected hold midweek services or other activities targeted at families on that day. Special events and/or

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<sup>8</sup> Personal communication. Shawn Robinson, Pastor, Clayton Community Church, September 16, 2011.

holidays rarely ever present a conflict. This may be due to the fact that most of the businesses interviewed close for Easter and other major religious holidays.

### *Optimizing the Balance of Peak Activity Times*

In the auto-oriented shopping centers profiled—Hillcrest and Brentwood Station—the mismatch between church activities and peak retailing times is arguably a positive characteristic. Low levels of church activity leave most parking available to accommodate customers during the week and on Saturdays. This effect is particularly pronounced at Hillcrest, where the shared parking agreement with Hope Center regularly provides a net benefit to inline stores facing the church.

This is not necessarily the case, however, in pedestrian-oriented shopping districts such as Concord's Todos Santos Plaza and historic Vacaville, where high volumes of foot traffic may benefit the retail environment more than an ample parking supply. Evidence from these case studies reveals that the importance of foot traffic depends on how well-established retailers are in a compact town center. In downtown Concord, for instance, the owners and managers of local businesses report that overflow church parking can interfere with the ability of their regular patrons to find parking. In downtown Vacaville, however, some of the interviewees indicate that they would prefer that Harvest's storefront be occupied by an active retailer with the potential to bring more consumers to the area in order to counterbalance the effects of vacancy and disinvestment. These trends might imply that, should the Clayton Community Church development project be implemented as proposed, Town Center businesses would benefit more if the Church increased its volume of activities during the week than if it remained relatively quiet at all times except on Sunday.

Finally, it should be noted that -as evidenced by the shared parking agreement between Hillcrest and Hope Center and the resolution of the Sunday evening rush at the restaurant on Todos Santos Plaza- most conflicts that arise can be effectively defused by way of strong communication between management and church leaders. The process tends to improve relations between the church leaders and business owners, and allows the communities to avoid the experience of the Harvest Church in Concord and the neighboring Park and Shop strip mall, whose relations were characterized by multi-year conflicts and expensive litigation.

## Fiscal Evaluation

This portion of the study provides a quantitative estimate of the potential fiscal implications for the City of Clayton from development of the subject site consistent with the proposed church development or under an alternative scenario that is consistent with the current zoning of the site. In addition to projecting impacts on the General Fund, this section also presents rough estimates of potential tax increment revenues that the two alternatives would generate for the Clayton Redevelopment Agency, assuming current Redevelopment law remains in place. This section also provides a qualitative assessment of the likely fiscal ramifications if the site is developed under a hybrid “Mixed Use/Church” scenario. For the purposes of the fiscal analysis, the alternative scenario is the “Policy Consistent” Alternative as defined for the purposes of the project Environmental Impact Report (EIR). The “Mixed Use/Church” Alternative considered in the EIR is defined to represent a blend of the proposed project and the Policy Consistent Alternative and, as explained below, the potential fiscal repercussions of that alternative may be assumed to fall within the range of fiscal effects estimated for the other two alternatives.

The fiscal evaluation projects increased costs and revenues to the Clayton General Fund at “buildout” for each of the alternatives, when all of the development associated with a given alternative is constructed and fully occupied. The cost and revenue projections are expressed in terms of 2010-2011 fiscal year dollars, and are not adjusted for inflation. The fiscal analysis has been prepared in consultation with various City staff, including the Assistant City Manager, the Police Chief, the Community Development Director, and supervisors from the City of Clayton Maintenance Division. More detailed discussions of cost and revenue projection methodologies and assumptions are provided below.

### Alternatives

Table 6 summarizes the buildout development assumptions for the three alternatives analyzed in the EIR for the proposed project. As indicated above, quantitative fiscal projections are provided for the proposed project and for the Policy Consistent Alternative. Qualitative analysis of the Mixed Use/Church alternative is provided at the end of the section.

### Revenue Projections

The revenue projections are presented in Appendix C-1 through C-8. Each table contains projections for both the proposed project and for the Policy Consistent Alternative. The approach used in this analysis is to make reasonably conservative assumptions in estimating the revenue generating potential of the two alternatives. From the City’s perspective, this means that the assumptions tend towards lower revenue projections, since the more critical error for the City would be to over-estimate revenues.



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**Table 6: Summary of Project Alternatives**

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**Clayton Community Church Project Proposal**

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<b>Church Uses</b>	<b>Square Feet</b>	<b>Comments</b>
Sanctuary	22,244	Sanctuary capacity is up to 500 seats; main services on Saturday evening (1), and Sunday morning (2). Movie night on Friday evenings in summer may attract up to 500 persons.
Church classrooms	2,568	Maximum use of classrooms estimated at 150 on weekday mornings during peak summer months; approximately 90 on Sunday mornings.
Church offices	3,687	Occupancy of church offices estimated at approximately 15 during weekdays, a.m., and during weekday evenings.
Church Teen Center	1,200	Occupancy of teen center estimated at up to 50 on one weekday evening per week.
<b>Non-Church Uses</b>		
Retail	7,957	Standard ground floor retail occupancy and use.
Office	4,508	Standard upper floor office retail and use.

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**Policy Consistency Alternative for EIR**

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<b>Commercial Uses</b>	<b>Square Feet</b>	
Retail	40,000	Standard ground floor retail occupancy and use.
Office	20,000	Standard upper floor office occupancy and use.
<b>Residential Uses</b>		
Residential - Multifamily	20,000	Approximately 20 upper floor units averaging 1,000 sq. ft. per unit (e.g., 2-bedrooms/unit)

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**Mixed Use/Church Alternative for EIR**

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<b>Commercial Uses</b>	<b>Square Feet</b>	
Retail	15,000	Standard ground floor retail occupancy and use.
<b>Church Uses</b>		
Sanctuary	15,000	Scaled down version of proposed project with commensurate decrease in maximum occupancy.
Offices/Accessory	10,000	Provides more ancillary church space than proposed project.
<b>Residential Uses</b>		
Residential - Multifamily	15,000	Approximately 15 upper floor units averaging 1,000 sq. ft. per unit (e.g., 2-bedrooms/unit)

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Sources: Clayton Community Church development application; LSA Associates, 2011.



### ***Property Taxes***

Because the subject site is located within the Clayton Redevelopment Project Area, the development of either alternative will not affect the property tax revenues that are allocated to the City of Clayton General Fund. Instead, the Redevelopment Agency will capture most of the tax increment, after accounting for statutory or contractual pass-through payments that are made to other agencies.

Appendix C-1 estimates the potential Redevelopment tax increment revenues associated with the two alternatives, beginning with an estimate of the assessed value of the new development, after accounting for portions of the church development that are presumed to be eligible for the property tax exemption that is granted for property used for charitable and religious activities. As shown in the table, the estimated assessed value of the church development is about \$3 million, representing the non-exempt retail and office space that is proposed as part of the project. The estimated assessed value of the Policy Consistent Alternative is about \$19.2 million.

Next, the ad-valorem property that would be paid on the new development is calculated, by applying the 1.0 percent ad valorem property tax rate to the assessed values. As shown, the proposed project would pay approximately \$30,000 in property taxes each year and the Policy Consistent Alternative would pay approximately \$192,000 in property taxes each year. These figures would not include any additional voter-approved assessments or special taxes, which do not accrue to the General Fund, but instead are allocated to special accounts and not used to pay for general city services.

To estimate the net fiscal outcomes to the Redevelopment Agency, it is necessary to account for pass-through payments to other affected taxing agencies. Due to the complexity of calculating pass-through payment amounts, which are influenced by statutory requirements, contractual requirements, and other factors, this analysis provides a rough estimate of pass-through amounts based on the Redevelopment Agency's 2010-2011 pass-through amount divided by the Agency's total 2010-2011 tax increment, which is 21.1 percent. In addition to required pass-throughs, the Agency must allocate 20 percent of the tax increment to its affordable housing fund, to be utilized to help maintain, enhance, and expand the supply of housing affordable to lower-income persons. After accounting for pass-throughs and affordable housing set-aside requirements, the projected tax increment for the Redevelopment Agency would be approximately \$18,000 annually at buildout for the proposed project and approximately \$113,000 annually for the Policy Consistent Alternative.

It should be noted that due to the recent passage of AB 1X 26 and AB 1X 27 along with the 2011 State budget package, the continued operation of the Clayton Redevelopment Agency is in question. In addition, the Redevelopment Project Area is likely to reach its cap on the amount of tax increment it can collect, in the next several years. If the Redevelopment Project Area is shut

down, either in response to the recent legislation or due to reaching the tax increment cap, a portion of the Agency's property tax increment would flow back to the City of Clayton's General Fund. The portion of that attributable to either the proposed project or the Policy Consistent Alternative would be approximately equal to the projected new property tax revenues of \$30,000 and \$192,000 respectively, times a General Fund property tax increment allocation factor that is approximately seven percent. Therefore, the General Fund would stand to receive approximately \$2,100 in additional annual revenues in the case of the proposed project or approximately \$13,400 in the case of the Policy Consistent Alternative.

### ***Property Tax In-Lieu of Vehicle License Fees***

Property Tax In-Lieu of VLF (ILVLF) is a revenue source that was created when the State legislature restructured local government funding in an elaborate set of actions known as the "triple flip" to help balance the State budget in 2004. One aspect of this was to end most vehicle license fee subventions to cities, which were previously allocated on a per capita basis from the pool of vehicle license fees that were collected statewide. To compensate local governments for this takeaway, the state established ILVLF, which gave each local government an initial allocation of ILVLF revenue that equaled the vehicle license fees that they lost. Then, each year thereafter, the ILVLF revenue allocation increases in proportion to the increase in the local jurisdiction's increase in overall assessed valuation. In this way, ILVLF revenues are tied to changes in assessed valuation, as opposed to changes in population. Although the City General Fund does not receive its normal property tax share due to increased assessed valuation in the Redevelopment Area, the City does receive credit for the increased assessed valuation in the Redevelopment Area when the ILVLF allocations are calculated.

As shown in the upper part of Appendix C-2, ILVLF is an important General Fund revenue source for the City of Clayton. In 2009/2010, the City received approximately \$760,000 in ILVLF revenues, based on a local assessed valuation of about \$1.7 billion. The proposed project would generate an assessed value of about \$3 million, and the Policy Consistent Alternative would generate an assessed value of approximately \$19.2 million. After calculating the percentage increase that each of these alternatives would create relative to the 2009/2010 citywide assessed value, this increase factor can then be applied to the 2009/2010 ILVLF revenue figure to estimate the increase in ILVLF revenue that would be associated with each alternative. For the proposed project, it would be approximately \$1,300 per year. For the Policy Consistent Alternative, it would be about \$8,500 per year.

### ***Franchise Fees***

The City of Clayton establishes franchise agreements with various utility providers in exchange for granting those providers use of City rights-of-way to provide their services to local customers. The franchise agreements require the utility providers to pay the City a franchise fee that is calculated

as a percentage of gross revenues. In 2010/2011, franchise fee revenues are anticipated to provide approximately \$368,000 in General Fund support. As new development occurs in the City, and as occupants of the new development increase local utility usage, franchise fee revenues will increase.

For this study, potential increases in franchise fees are estimated on the basis of the current average City revenues per person served, multiplied by the estimated increase in new persons served associated with each of the project alternatives. As shown in the upper part of Appendix C-3, there are four existing franchise fee types: Cable TV (CATV), Solid Waste, Utility, and Gas Line. Because CATV is primarily a service utilized by residential customers, the current average revenues are calculated on a per capita basis. Because Solid Waste and Utility (e.g., PG&E) services are utilized by both residential and commercial customers, the current average revenues are calculated on a “per service population” basis. In keeping with standard industry practice, service population is defined as population plus one-half of local employment. The discount for local employees is based on the concept that employees are present within the community and creating demand on a less-than full time basis (e.g., during work hours), which is less than the time that residents spend time within the community. The notes section of Appendix C-3 shows current estimates of population and employees within Clayton, based on data from the State Department of Finance and the Association of Bay Area Governments, respectively.

Estimated increases in resident population and employee population that are used to drive projections of increased franchise fee revenues are based on the development summary in Table 5, and the population and employment density factors shown in the notes section of Appendix C-3. The proposed project would generate no new residents, but approximately 45 new employees, including 14 church employees (as indicated by the project application materials) and 31 employees in the commercial office and retail space (as estimated using the employment density assumptions). New development under the Policy Consistent Alternative would accommodate approximately 35 new residents and 147 new employees. The resulting “service population” estimates for the two alternatives are 23 and 109, respectively. These service population estimates will be used on subsequent tables, also.

As shown in the lower part of Appendix C-3, potential increases in Franchise Fee revenues under the proposed project are approximately \$377 per year. It should be acknowledged that, to the extent that the church would utilize disproportionately large amounts of utility services subject to Franchise Fee agreements compared to the number of church employees (due to the large assembly nature of the use) this projection may under-state the potential Franchise Fee revenues the alternative would generate. Under the Policy Consistent Alternative, the potential increase would be approximately \$2,600 per year.

### **Sales Tax**

Sales taxes are another important general purpose revenue for local government, with cities receiving sales tax revenues equal to one percent of local taxable sales; however, due to its limited retail base, sales taxes are a relatively small component of overall General Fund revenues in Clayton as compared to many other California cities. At present, Clayton's sales tax revenues are approximately \$20 per capita. Projecting an increase in local sales taxes attributable to a new project can be difficult, due to the complex interactions between shoppers and retail supply. Ultimately, overall sales tax generation is a function of the amount of taxable goods purchased. This is a finite amount, which is driven by household demand for taxable goods, but constrained by the limits of personal income and the availability of goods to purchase (supply). Not only are these factors difficult to predict, but it is also particularly difficult in urban areas to predict exactly where retail purchases will be made, to determine which jurisdiction will benefit from the increased sales tax revenues. The project alternatives may influence the City of Clayton's sales tax revenues in several ways. First, an alternative that generates an increased resident population will tend to increase the captive base of retail demand within Clayton. Some, but not all of the new residents' taxable expenditures will be made in stores located in Clayton, generating new local sales taxes. Second, an alternative that increases the supply of retail space (stores or restaurants) within the City will create the potential to increase the capture of expenditures and sales taxes from local residents as well as from shoppers who may be attracted from other communities to take advantage of the expanded local retail offerings. Third, an alternative that attracts visitors to Clayton who would not otherwise visit Clayton may induce those visitors to also do some shopping in Clayton as an indirect effect of them being attracted to Clayton for their primary activity. In the case of the proposed project, the church can be expected to attract members who do not live within Clayton. If non-local members choose from time to time to make purchases in local businesses because it is convenient to do so before or after church activities, then this would tend to increase local sales tax revenues.

In keeping with the objectives of the fiscal analysis, to prepare a set of fiscal projections which is reasonably conservative from the City of Clayton's point of view, the fiscal analysis incorporates a conservative projection of increased potential sales tax revenues that assumes that any increases in overall citywide sales taxes would be attributable to an increase in the local resident population, who would make local taxable purchases at a rate that is consistent with the current per capita rate. Following this methodology, the proposed project would not lead any direct increase in sales tax revenues and the Policy Consistent Alternative, with approximately 35 new residents, could be expected to generate approximately \$700 in new annual sales tax revenues, as shown on Appendix C-4.

Although this analysis has used the more conservative set of assumptions to project sales tax revenue potential for the two alternatives, the lower part of Appendix C-4 also presents calculations

that illustrate the potential sales tax revenues that the alternatives might generate under different sets of assumptions. These alternative sales tax generation scenarios will be considered in interpreting the overall results of the fiscal analysis.

If potential sales tax revenues were calculated on the basis of the increase in supply of retail offerings, and assumed that new retail space would be able to capture an average of \$250 per square foot in taxable sales, without diverting any taxable sales from other existing local retail establishments, the alternatives would generate substantial new sales tax revenues. The proposed project would generate about \$20,000 in annual sales tax revenues. The Policy Consistent Alternative, with about five times the amount of retail space, would generate about \$100,000 in annual sales tax revenues.

An additional set of calculations illustrates the sales tax potential if new visitors that would be attracted on a regular basis by the new development make a certain amount of local taxable expenditures as a result of being attracted to the new development. In the case of the proposed project, the regular church services and other associated activities will serve a congregation that the project applicant's estimate may reach 650 persons per week. For purposes of discussion, it is estimated that, on average, each congregant may make \$10 in taxable purchases per week, either before or after their various church activities, which could include regular weekend services as well as other activities during other times of the week. Based on these assumptions, the total taxable expenditures from this activity would be approximately \$338,000 per year, which would generate approximately \$3,380 in annual sales tax revenues for the City of Clayton.

### ***Business License Fees***

The City of Clayton collects business license fees from businesses with operations in Clayton, including lessors of commercial property and rental housing. The business license fee is calculated in different ways, depending on the type of business. It is not possible to model precisely the type of businesses that would occupy commercial space in downtown Clayton and the amounts of business license fees that they would pay. Instead, the upper part of Appendix C-5 estimates the current average business license revenues per person employed in Clayton businesses (\$68.35) and then applies that number to the projected increase in employees associated with the proposed project and with the Policy Consistent Alternative. As shown in the lower part of Appendix C-5, potential business license revenues associated with the proposed project could be approximately \$2,100 assuming that the church is not subject to the business license fee, and approximately \$10,000 per year for the Policy Consistent Alternative.

### ***Motor Vehicle License Fees***

As indicated previously, most vehicle license fee subventions to cities were curtailed in 2004 in conjunction with the creation of the ILVLF revenues; however, cities do still receive a small, per

capita based motor vehicle license fee subvention annually. As shown in Table C-6, the 2010/2011 Clayton City budget estimated vehicle license fee revenues at \$30,000, or the equivalent of \$2.74 per capita. Applying this rate to the project alternatives, the proposed project would not generate any new vehicle license fee revenue due to lack of new residents and the Policy Consistent Alternative would generate approximately \$96 in annual revenue.

### ***“Other” Revenues***

Revenues from a number of other sources support the Clayton General Fund. These remaining revenue sources can be grouped as follows: a) miscellaneous revenues that represent relatively small amounts but will tend to increase proportionately in response to increases in development within the City; b) cost recovery charges that offset current expenditures, neither of which are likely to be affected by either of the alternatives; c) “program revenues” that are closely associated with the operations of specific City departments; or d) revenues which will not be expected to change as a result of new development anticipated under either of the alternatives.

Revenues that are categorized as a) or b) are grouped together in Appendix C-7. The revenues from these sources are summed, and then the sum is divided by the sum of all General Fund expenditures, to calculate a percentage (19.9 percent) of current General Fund expenditures which is offset by these revenues, as shown in the lower portion of Appendix C-7. Rather than projecting increases in each of the revenue sources individually, the 19.9 percent figure is used to “offset” current General Fund expenditures for various City departments on the expenditure projection tables, which are Appendices C-9 through C-17, in order to estimate the “Net” cost that the City must fund with its other general purpose revenues. Revenues that are categorized above as c) are shown on the cost projection tables for the departments with which they are associated, and are netted out of the gross departmental expenditures to estimate the remaining expenditures that must be financed using the City’s general purpose revenues (those projected in Appendices C-1 to C-8). Revenues that are categorized as d) are not included in the revenue projection tables nor are they netted out of the current expenditures shown on the cost projection tables. These are revenues which will not increase as a result of the development that would occur under any of the alternatives under consideration for this study. Appendix C-8 provides a summary of the categorization of the different revenue types.

## **Expenditure Projections**

Appendix C-9 through C-17 present projections of increased General Fund service expenditures that would be anticipated with each of the two alternatives. As with the revenue projections, assumptions used in the revenue projections are conservative from the City’s standpoint. In the case of expenditure projections, this means that the estimates will tend towards higher, rather than lower expenditure estimates, since the more critical error for the City would be to underestimate the resources that it will require in order to maintain public service levels as new development

proceeds. The organization of the cost projections below mirrors the structure of the City budget document.

The expenditure projections begin with the current expenditures for each of the General Fund departments. Next, the tables add to the 2010/2010 expenditures an allowance for the current-year cost savings which are the result of temporary furloughs, to reflect the true cost of the services assuming that furlough are not ongoing. Then, the tables subtract the “Other Revenue” cost offset, which is based on the calculations in Appendix C-7, which indicates that approximately 20 percent of General Fund expenditures are offset by “Other Revenues” which could be expected to increase as the level of development in Clayton increases. As applicable, the tables also subtract “program revenues” from the total cost. Program revenues are those revenues which offset specific departmental costs. The result is a “Net General Fund” cost which must be funded with general purpose revenues (i.e., those revenues projected in Appendix C-1 through C-6).

For each department, a determination is made as to whether the service costs are primarily driven by residential development, commercial development, or a combination. Then, the Net General Fund costs are divided by the appropriate indicator of the current service base, whether it is residents, employees, or a combination of the two (service population). The current average cost multiplier is then applied to the projected increase in development in order to estimate the cost of services associated with new development under either alternative. As part of this calculation, an important assumption, which varies for all services, is the portion of current expenditures that is expected to vary in response to changes in the level of development in Clayton. BAE has estimated the percent of current expenditures that is variable for each service based on the type of service, how it relates to development in downtown Clayton, and experience with other similar projects. Following are discussions of the application of this general methodology to the various General Fund departments.

### ***Legislative***

The legislative function primary involves the operation of the Clayton City Council, and annual operating costs are modest. After accounting for current-year furlough savings, and applying the “Other Revenue” offset, the City’s net general fund cost for this function is approximately \$51,000 per year, with a current cost of \$4.35 per service population. Most City Council costs are likely to vary only slightly as new development occurs; thus, it is assumed that only 25 percent of Legislative costs are variable. The low variable service cost applied to the estimated service population increase of 23 persons in the proposed project and 109 persons in the Policy Consistent Alternative, respectively translates to a very minor increase in projected Legislative costs. Based on these assumptions, Appendix C-9 estimates that increased Legislative department costs for both the proposed project and the Policy Consistent Alternative would be well under \$1,000 per year.

### ***Administration/Finance***

The Administration/Finance department handles numerous functions related to city management. Net General Fund costs for this department, after adjusting for furlough savings and “Other Revenue” offsets are about \$677,000 per year. Appendix C-10 shows that this translates to just over \$58 per service population in the current fiscal year. Although costs for this department are likely more variable in response to growth than the Legislative department, there is still a substantial amount of “fixed” overhead necessary for the Administration/Finance functions and therefore it is assumed that variable costs represent only half of the departmental expenditures. These costs would be associated with extending services to new residents and new employees; thus, the current average cost per service population is applied to the increase in service population to estimate a future cost increase of about \$650 per year for the proposed project and \$3,200 per year for the Policy Consistent Alternative.

### ***Public Works***

The Public Works Department is fairly small, and current Net General Fund service expenditures after cost adjustments are just over \$9 per service population. Like Administration and Finance, it is assumed that Public Works costs are a mixture of about 50 percent fixed costs and 50 percent variable costs, serving both residents and employees within the City of Clayton. Based on the alternatives’ projected service populations, the increased General Fund costs would be approximately just over \$100 per year for the proposed project and about \$500 per year for the Policy Consistent Alternative. These calculations are shown in Appendix C-11.

### ***Community Development***

Community Development Department costs are also limited, equaling about \$18.23 per service population after adjusting for furloughs and “Other Revenue” offsets. As with Administration/Finance and Public Works, it is assumed that variable costs represent 50 percent of current expenditures. Based on these assumptions, Appendix C-12 calculates the increased Community Development costs at about \$200 per year for the proposed project, and about \$1,000 per year for the Policy Consistent Alternative.

### ***General Support***

General Support is a category of expenditures for citywide needs, rather than a particular department that provides public services, and the current Net General Fund expenditure in this category amounts to just over \$12 per service population, as indicated on Appendix C-13. Major expenditures in this category include insurance premiums, rentals/leases, and property tax administration costs, which may be considered as general costs of doing business for the City. As such, as development within the City increases, and the overall scope of City operations increases, General Support expenditures can also be expected to increase. For the purposes of this analysis, it is assumed that these costs are 75 percent variable in response to new development. Based on



these assumptions, the proposed project would generate a cost increase of just over \$200 per year while the Policy Consistent Alternative would generate a cost increase of slightly under \$1,000 per year.

### ***Police***

The Police Department accounts for approximately one half of gross General Fund expenditures. The Police Department strives to maintain a ratio of approximately 1.0 sworn officers per 1,000 residents. As the City grows, the Police Department will seek to add additional police officers and associated support staff and equipment in order to maintain the currently level of police protection enjoyed within the City. Although the service standard is expressed in terms of residents, the Police Department provides services to commercial establishments as well as to residents; thus, the current cost is expressed in Appendix C-14 as average cost per service population. After cost adjustments, including \$88,500 in funds treated for the purposes of this analysis as program revenues, the current Net General Fund cost is about \$1.4 million, or approximately \$119 per service population. Applying this cost to the projected increase in service population and assuming a 75 percent variable cost ratio (since the department strives for a linear increase in sworn officers relative to growth), the projected Police cost increase will be about \$2,000 per year for the proposed project and approximately \$9,700 per year for the Policy Consistent Alternative.

### ***Library***

The library represents a fairly small component of General Fund expenditures, primarily serving local residents. After making adjustments to current expenditure figures, the current average cost per resident is approximately \$10. Variable costs are assumed to represent 75 percent of the total. Based on these assumptions, the increased net General Fund library costs would be zero for the proposed project (due to a lack of new residential population), and about \$260 per year for the Policy Consistent Alternative. These calculations are shown in Appendix C-15.

### ***Engineering***

Engineering is also a relatively small City expenditure category, lacking any City staff. Engineering expenditures are primarily for contract services, some of which are offset by program revenues in addition to “Other Revenue” offsets, as detailed in Appendix C-16. The Net General Fund expenditure is currently \$5 per service population. For this department, approximately 50 percent of costs are assumed to be variable, generating relatively minor increases in response to new development under the proposed project and the Policy Consistent Alternative. The project cost increases are \$56 and \$272 per year, respectively.

### **Community Park<sup>9</sup>**

The City of Clayton budgets General Fund revenues for the maintenance of Community Park, located at Marsh Creek Road and Regency Drive. Because this park is located at some distance from the proposed project site, it is unlikely that either alternative would have a noticeable effect on City service expenditures at Community Park. Nevertheless, it is acknowledged that if the Policy Consistent Alternative generates an increase in City residents who would live in new residential units that are assumed as part of that alternative, they may generate increased usage and maintenance needs for Community Park. As a result, Appendix C-17 of the fiscal model calculates current City per capita expenditures for Community Park and applies that figure to the projected increase in residents associated with the Policy Consistent Alternative. The result is an estimated \$320 per year increase in Community Park expenditures for the Policy Consistent Alternative, and no projected increase for the proposed project.

### **Net Fiscal Balance**

Based on the revenue and cost projection methodologies and assumptions discussed above, the projected net fiscal balance for the Clayton General Fund from the proposed project would be a surplus of approximately \$573 dollars per year, after accounting for revenues needed to balance out against a projected service cost increase of \$3,251. This surplus represents approximately 18 percent of projected costs. For the Policy Consistent Alternative, the projected annual General Fund surplus is \$5,577, after accounting for revenues necessary to balance out projected service costs of \$16,321. This surplus represents approximately 34 percent of projected cost increases. Overall, the conclusion of the fiscal analysis is that either alternative should be capable of generating new General Fund revenues that are adequate to offset projected service cost increases. The projected net fiscal balances for the two alternatives are summarized on Table 7.

In either case, the projected surpluses are relatively minor; however, it should be noted again that the fiscal analysis is purposefully conservative in terms of seeking to avoid the mistake of projecting an overly rosy fiscal outlook for either alternative. In particular, an important consideration is that the fiscal analysis took a very conservative outlook on the potential for either alternative to generate increased sales tax revenues, and only attributed a potential increase in sales tax revenues to an increase in the City's resident population. As indicated on the lower part of Appendix C-4, alternative sets of assumptions could yield substantially greater revenue from new sales taxes, particularly if a "supply side" calculation was performed to estimate the additional taxable sales that could be captured in new retail space, assuming that the new store space is capable of capturing expenditures that otherwise would be made outside of Clayton. If in fact the

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<sup>9</sup> Community Park is one of the distinct budget categories called out in the Clayton City Budget. Budgeted expenditures for maintenance of Grove Park and other public spaces in downtown Clayton are spread over a number of budget units, including a special community facilities district funded by a special assessment (non-General Fund) and the Endeavor Hall enterprise fund, both of which do not involve General Fund expenditures.

new commercial development identified under either of these alternatives were successful in capturing new sales at the levels suggested, without taking sales away from any existing Clayton sales tax generators, the overall fiscal surpluses would increase substantially, by almost \$20,000 per year in the case of the proposed project and almost \$100,000 per year in the case of the Policy Consistent Alternative. These additional surpluses represent the potential “upside” to the City if either alternative is implemented and the scheduled retail space can be filled with successful retail tenants.

In addition, as noted in the section above detailing the property tax calculations, if the City’s Redevelopment project area ceases operations, due to either the effects of recent state legislation or due to reaching the cap on the amount of property tax increment the Agency can collect, additional revenues would accrue to the General Fund, and projected fiscal surpluses would be greater than stated above. The more significant effect would be for the Policy Consistent Alternative, since the proposed project would be largely exempt from paying property taxes.

### ***Qualitative Assessment of Potential Effects on City Services***

In addition to the quantitative fiscal modeling described above, as part of the fiscal analysis BAE consulted with representatives of the City of Clayton Police Department and the City of Clayton Maintenance Division regarding their views of the proposed development’s potential demand for services. BAE interviewed the Chief of Police and one of the City’s Maintenance Division Supervisors because they represent departments which would potentially be the most directly and tangibly affected by new development at the project site. Police services represent approximately half of all General Fund service expenditures; therefore, the overall fiscal ramifications of new development are likely to be particularly sensitive to any disproportionate increases in demand for Police services. Because of the amount of public space in downtown Clayton near the project site, and because the proposed project seeks to utilize publicly owned and maintained on-street parking and off-street parking lots to meet portions of the church’s peak parking demand, there is the potential for the Maintenance Division to need to respond to increased maintenance needs for public spaces near the project site.

According to Chief Dan Lawrence, most concerns regarding the potential effects of the proposed project on the Police Department revolve around increased traffic and parking activity that would be generated.<sup>10</sup> This includes potential for wrong-way drivers on the Oak Street off-ramp from Clayton Road, parking conflicts with major events that are held in the downtown area, and potential increases in pedestrian/vehicle conflicts. Aside from traffic control and parking enforcement, the Police Department is not especially concerned with increased law enforcement needs associated with the proposed project and did not have heightened concern regarding law

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<sup>10</sup> Personal communication. Dan Lawrence, Chief, Clayton Police Department, February 18, 2011.

enforcement demands as opposed to if the site is developed with the mix of commercial, residential, and office uses that could occur under the Policy Consistent Alternative. To address any increased traffic control and parking enforcement needs, the Police Department could increase its use of Police Services Assistants, who are non-sworn department employees. This would likely be a fairly cost-effective way to increase the Police department presence in the downtown area, if necessary, at considerably less cost than increasing patrols by sworn officers. Given the availability of this low-cost option, combined with the sense that the church activity would not lead to any substantial law enforcement demands, it is likely that the fiscal model has accounted for a reasonable level of increased service costs that would be associated with the proposed project.

For the Maintenance Division, the key concern relating to increased service demands associated with the proposed project is the increased incidence of littering, vandalism, and graffiti in public spaces in the downtown area that will come as a consequence of increased numbers of people. However, staff note that most of the serious vandalism and graffiti problems occur during the night time when there are fewer people around the downtown area. The key concern regarding the church would be the potential for increased littering due to a general increase in the number of people visiting downtown, which could necessitate more frequent litter pick-up on streets and in parking areas, as well as possibly need for more frequent emptying of trash receptacles in the downtown area. At the same time, it was noted that the increased numbers of people who would be present in the downtown area during different times of the day and various days of the week to participate in the range of church activities could have a beneficial effect of providing more “eyes on the street” to discourage nuisance behavior.<sup>11</sup> One particular concern noted by the Maintenance Division is problems with littering, graffiti, and vandalism in the pedestrian tunnel that connects the church property with the City parking lots on the opposite side of Clayton Road. Although the Maintenance Division does not necessarily anticipate church patrons who may utilize the pedestrian tunnel to generate any problems in this regard, more frequent usage of the pedestrian tunnel due to church activities may generate increased requests for clean-up and repairs.

Typically, the Maintenance Division utilizes part-time seasonal staff whose wages are relatively affordable to handle downtown maintenance and clean-up functions. Based on this, and the lack of concern for the church activities to create major new service demands for the Maintenance Division, it also seems reasonable that any foreseeable increases in City service costs have been accounted for in the expenditure projections produced by the fiscal model.

### ***Redevelopment Benefits***

Outside of the General Fund, either alternative would bring additional fiscal benefits to the City of Clayton in the form of increased tax increment revenues that would accrue to the Clayton

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<sup>11</sup> Personal communication. Mark Janney, Supervisor, Clayton Maintenance Division, February 17, 2011.

Redevelopment Agency, which could be spent to continue economic development and revitalization activities in the Clayton Redevelopment Area. As noted on Appendix C-1, net Redevelopment Tax Increment available for projects would be approximately \$18,000 per year under the proposed project and approximately \$113,000 per year under the Policy Consistent Alternative. These amounts would be in addition to approximately \$6,000 in Redevelopment affordable housing set-aside funds that the proposed project would generate and approximately \$38,000 per year that the Policy Consistent Alternative would generate.

At this time; however, no mention of potential Redevelopment benefits can be made without acknowledging the fact that the future of Clayton's Redevelopment Agency is uncertain due to the enactment of AB X1 26 and AB X1 27 as part of the 2011/2012 State budget. In the most drastic of potential outcomes, the City may elect to shut down its Redevelopment Agency altogether, which would cause a re-distribution of the property tax revenues formerly allocated to the Redevelopment Agency. Although the City of Clayton General Fund would receive approximately seven percent of the re-distributed revenues, which would increase the projected General Fund surpluses, this share would be much less than the Redevelopment Agency's current allocation of tax increment revenues, meaning a net loss to the City overall.

Even if the lawsuit recently filed to challenge the legality of AB X1 26 and AB X1 27 prevails, the Clayton Redevelopment Area is approaching its limit on the amount of tax increment funds that it can collect (projected 2013/2014)<sup>12</sup>. If the Area reaches this limit and the Agency does not amend the Redevelopment Plan to increase this limit, then future tax increment funds will revert back to the other taxing entities in much the same way as they would if Redevelopment is abolished on a statewide level, meaning projected General Fund surpluses would be greater than indicated on Table 7, but the City would no longer have the benefit of the tax increment revenues flowing to the Redevelopment Agency.

### ***Qualitative Assessment of Fiscal Effects from Mixed Use/Church Alternative***

Based on a comparison of the characteristics of the Mixed Use/Church Alternative with the two other alternatives and their fiscal analysis results, it could be expected that the Mixed Use/Church Alternative would have fiscal ramifications which are intermediate between those projected for the other two. Utilizing the same cost and revenue projection methodologies and assumptions as those employed for the quantitative analysis of the two other alternatives, it would likely generate General Fund costs and revenues of a magnitude that would fall in between those projected for the two other alternatives. General Fund costs and revenues would likely be fairly balanced; thus, it is unlikely that it would generate a considerable net fiscal surplus or net fiscal deficit. This would be due, in large part, to the conservative assumptions regarding the net sales tax revenue generating

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<sup>12</sup> Clayton Redevelopment Agency 5-Year Implementation Plan, June 2008.

potential of the commercial component of the project.

More aggressive assumptions regarding the potential for taxable sales in the retail component to represent a net increase within the City of Clayton as a whole, attributable to increased capture of resident and visitor expenditures, rather than a re-allocation of existing sales, would translate to projections of greater potential for net fiscal surpluses under all alternatives. In this regard, the upside potential of the Mixed Use/Church Alternative is of a smaller magnitude than the Policy Consistent Alternative, but of a greater magnitude than the Proposed Project, owing to the different quantities of retail space provided in each of the alternatives.

The Mixed Use/Church Alternative would have a Redevelopment property tax increment-generating potential which is higher than that of the Proposed Project, due to the increased quantity of commercial space which is not exempt from property tax, but less than that of the Policy Consistent Alternative, because the overall quantity of non-exempt space is lower.

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**Table 7: Fiscal Analysis Summary**

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	Proposed	Policy
Increased General Fund Revenues	Project	Consistent
Property Tax (a)	\$0	\$0
Property Tax In-Lieu of Vehicle License Fees	\$1,328	\$8,495
Sales Tax (b)	\$0	\$696
Franchise Fees	\$377	\$2,564
Property Transfer Tax (c)	\$0	\$0
Business License Tax	\$2,119	\$10,047
Other Revenues	\$0	\$96
<b>Subtotal Revenues</b>	<b>\$3,823</b>	<b>\$21,897</b>
Increased General Fund Expenditures		
Legislative	\$25	\$119
Administrative/Finance	\$653	\$3,163
Public Works	\$103	\$498
Community Development	\$205	\$993
General Support	\$205	\$995
Police	\$2,003	\$9,704
Library	\$0	\$256
Engineering	\$56	\$272
Community Park	\$0	\$320
<b>Subtotal Expenditures</b>	<b>\$3,251</b>	<b>\$16,321</b>
<b>NET FISCAL EFFECT ON GENERAL FUND</b>	<b>\$573</b>	<b>\$5,577</b>
<b>Annual RDA Property Tax Increment (d)</b>	<b>\$17,691</b>	<b>\$113,206</b>

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**Notes:**

(a) Under current law, General Fund will not receive increased property tax revenues in either alternative due to increases in assessed value attributable to new development, as project site lies within Redevelopment Project Area; however, this is subject to change due to State legislation enacted as part of the 2011 State budget. See discussion in text.

(b) Under a more aggressive sales tax modeling scenario, potential sales tax increases under the proposed project may be approximately \$20,000 per year and up to \$100,000 per year for the Policy Consistent Alternative. Under the alternative scenario, projected net General Fund fiscal surpluses shown below would increase accordingly. See discussion in text.

(c) Assumes property would change ownership infrequently; thus, this would not be a reliable annual source of revenue.

(d) This is net of statutory and contractual pass-throughs to other agencies, and net of affordable housing set-aside, not accounting for changes in redevelopment law for which legal proceedings are pending.

Source: BAE, 2011.

## Conclusions and Recommendations

In light of the proposed project's characteristics, previous assessments of the Town Center's future potential as a commercial center, and the experiences of other businesses owners who are located near churches with activity levels and parking situations comparable to those proposed by Clayton Community Church, this section evaluates the effects that the proposed project may have on the Town Center. Wherever pertinent, the evaluation notes factors that the City should consider in conjunction with the perspective expressed in the applicant's development proposal.

### Parking Pressures

The Clayton Community Church would have access to 54 dedicated off-street parking spaces during weekdays, three new on-street parking spaces, and an additional 29 off-street parking spaces during hours when the KinderCare is not open. This supply is not sufficient to accommodate the church's expected peak weekday and Sunday morning parking demands.

On evenings, Fridays, and Sundays, the church can use the surplus availability of public parking spaces at the Clayton Library/Heritage Trail lots, which are connected to the church property by a pedestrian tunnel that goes under Clayton Road. Currently posted hours indicate that the library is closed on Fridays and Sunday mornings (open from 1 to 5 on Sunday afternoons), and after 6 p.m. on other days. This could help to assuage parking pressure during peak special events, such as Easter Sunday, the annual Church Banquet, or Friday night movie night during the summer months. However, once a churchgoer has entered the Town Center and discovered that the church lot is full, the circulation pattern makes it more inconvenient to return to Clayton Road and park in the library parking lot than it is to occupy a nearby on-street parking space.

In the project EIR, LSA estimates that the proposed project would lead to a Town Center parking deficit of 11 spaces during peak weekday demand and a deficit of 54 spaces on Sunday mornings;<sup>13</sup> however, this does not take into account the situation if the Town Center builds out with additional development according to expectations discussed previously. For the "existing plus project plus future development" scenario (i.e., Town Center buildout), LSA estimates a weekday deficit of 171 parking spaces and a Sunday morning deficit of 141 spaces.<sup>14</sup> These parking deficits may be considered in the context of a total Town Center parking supply of 312 spaces on weekdays and 434 spaces on Sunday mornings, after accounting for available parking spaces across Clayton Road at the City Hall and library parking lots and the shared spaces that would be available in the KinderCare parking lot.<sup>15</sup>

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<sup>13</sup> LSA Associates. Public Review Draft Clayton Community Church Project EIR, May 12, 2011, p. 109.

<sup>14</sup> Ibid, p. 115.

<sup>15</sup> Ibid, p. 105.



The businesses most likely to be negatively affected by these parking demand patterns are those located on the western end of Main Street, and on the northern ends of Oak Street and Diablo Street. Nearby businesses that are dependent on weeknight business, like Skipolini's Pizza and Moresi's Chophouse, are likely to be particularly vulnerable.

It is important to note that although traditional downtown areas like the Clayton Town Center are unique within the marketplace, they still compete on some level with other more suburban shopping center where parking is typically in great supply and optimized for the convenience of shoppers. Merchants in traditional downtown areas very often connect difficulty in competing with suburban shopping centers with customers' concerns regarding parking availability and convenience; thus, having an adequate and convenient supply of parking in the Town Center area will be critical to supporting efforts to develop the Town Center Specific Plan area to its full potential. At the same time, if there is a perception among merchants and restaurants that there is a perpetual parking problem during peak shopping periods, then it will be more difficult for the City to attract additional tenants to the area. While the 11-space weekday deficit under "existing plus project" conditions may seem minor relative to the 312 space total weekday parking supply, it should be noted that transportation planners often consider parking supplies to be constrained when demand exceeds 85 to 90 percent of supply, and it becomes difficult for a driver in a given location to find an available parking space. In other words, ideally, there would be at least 10 to 15 percent parking vacancy to allow drivers to easily find an open parking spot. In this context, the deficit on weekdays and Sunday mornings under "existing plus project" and under the "existing plus project plus future" conditions are all cause for concern.

It is important that the City ensure adequate parking to meet long-term needs in the Town Center area. If the City were to approve the Clayton Community Church proposal, it would be important to discuss and incorporate viable parking management measures as project conditions of approval in order to ensure that the Town Center does not experience actual parking deficits on an ongoing, regular basis. The project EIR proposes that prior to the issuance of a building permit, the church implement a comprehensive series of parking management measures to the satisfaction of the Community Development director, in order to mitigate projected parking impacts (see EIR mitigation measure TRANS-1).<sup>16</sup>

In addition to the measures specifically called out in mitigation measure TRANS-1 recommended in the EIR, the City may also wish to consider that, in exchange for the heavy dependence on public on- and off-street parking, the church could be required to contribute to the maintenance and upkeep of the public parking spaces. This could include paying for a pro-rata share of the City's

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<sup>16</sup> Ibid, p. 109.

regular and ongoing expenses related to weekly trash collection, litter pick-up, vandalism repair, and graffiti removal as pertains to the public parking spaces in the Town Center area. Another potential measure would be for the church and the City to establish an agreement for the church to pay a parking “in-lieu” fee, to contribute towards the construction of new municipal parking facilities in the Town Center area. The benefit to all parties would be to expand the supply of public parking available for all users in the Town Center area, as opposed to having the church spend funds and consume land to develop private parking on the church site itself, which may be underutilized much of the time.

In reviewing the mitigation measures recommended as part of mitigation measure TRANS-1, the City should ensure that any reciprocal parking agreements that are used to satisfy parking demands are secured for the long-term, or that the mitigation measures include contingency provisions in case the church is not able or willing to extend reciprocal parking agreements at some point in the future. As mentioned before, mitigation measures should also be responsive to situations that may develop in the future whereby the church’s parking demand might exceed the levels projected in the project EIR.

Finally, the City and the church should work closely in reviewing requests for special event permits for church functions that may attract large numbers of attendees to ensure that they are scheduled during off-peak times for Town Center businesses’ parking needs.

## **Pedestrian Activity and Town Center Patronage**

The church project has some potential to be beneficial to Town Center businesses by bringing shoppers to the area, but the overall effect is not likely to be considerable. The influx of church congregation members should not be viewed as an economic engine for the downtown, and is unlikely to spur a burst in leasing activity and rental rates. Businesses are likely to see some uptick in activity during peak special events, particularly when such activities take place during the evening or on Saturday when more Town Center businesses are open, but congregation members will not represent the bulk of regular consumer spending. While the church may have the capacity to stimulate the downtown in terms of pedestrian presence and new evening activities, it would be unwise to expect it to energize retail sales. For example, as discussed in the section of the fiscal analysis chapter dealing with sales tax revenues and documented in Appendix C-4, a scenario for potential annual Town Center retail sales increases attributable to churchgoers indicated potential for a approximately \$300,000 in additional annual sales, a minimal volume when spread among a number of different businesses.

At the same time, it should be acknowledged that a portion of the Clayton Community Church proposal is for the construction of commercial retail and office space fronting on Main Street. Should suitable commercial tenants be secured for this space, it would likely be beneficial in terms

of helping to create a critical mass of commercial activity in the Town Center and generating synergy with other downtown commercial establishments.

One possible means for the church to increase its potential benefits to the Town Center business environment would be for the City and the church to establish an agreement whereby the church would make available a small section of its weekly bulletin or other announcement materials to the Clayton Business and Community Association, which could use the space to publicize special Town Center events or otherwise encourage churchgoers to patronize local businesses. It would be important to work with all parties in formulating this measure, to preclude situations whereby the church is obligated to disseminate advertising with objectionable content.

### **Opportunity Cost to City**

The findings from the absorption capacity analysis indicate that the construction of the Clayton Community Church development would not impair the City's ability to accommodate its full commercial absorption potential on other vacant or underutilized parcels within the Town Center. It does not appear likely that the City would successfully develop the proposed project site at its full physical capacity for commercial development in addition to developing other vacant and under-utilized Town Center sites to their full physical development potential. Rather, it appears that the other vacant and under-utilized sites in the downtown area would have adequate physical development capacity to accommodate the Town Center's remaining anticipated long-term commercial and retail absorption potential, after accounting for the new commercial retail and office space that would be included as part of the proposed Clayton Community Church project. In other words, the proposed project would not impose a substantial opportunity cost in terms of the Town Center's ability to physically accommodate all commercial development that the market would likely support; it merely reduces the number of options available.

However, because the project will regularly reduce the quantity of public parking available for other Town Center users, its execution will limit the ability of City staff to extend the existing Parking Waiver to future Town Center developers, and/or lead to parking shortages. The Parking Waiver is a public asset that is used to subsidize desirable development; if the Council grants the parking entitlements requested by the applicant, it will effectively be transferring a substantial portion of that subsidy to a single entity that consists in large part of uses not currently prioritized in the Specific Plan. If the City makes the discretionary decision that it prefers not to extend these limited subsidies to the proposed development, it may choose to either deny the entitlement request or approve it but require mitigation measures to address the impacts of reduced parking availability. In sum, a decision to allow the development to go forward would not directly foreclose on the opportunity to capture commercial development or attract retail business, but may limit the ability of the City to use the Parking Waiver to subsidize commercial developers in the future.

The site currently exists as an opportunity for the development of a commercial project that is visible from Clayton Road, potentially enhancing the image of the Town Center area as a hub of commercial activity. The configuration of the site would likely present some challenges in this regard, due to the three to four foot elevation of Clayton Road above the property and the public landscaping and signage at the Oak Street entrance to the Town Center rendering the site less visible and less immediately accessible to motorists traveling along the main thoroughfare. However, with care, a commercial development could likely be configured to provide this visibility and presence along Clayton Road, while simultaneously providing the desired pedestrian-oriented frontage along Main Street and addressing need for parking, service entrances, delivery truck parking, trash enclosures, loading areas and other features that are typically located at the back of a retail building. The CVS pharmacy building at Clayton Road and Center Street provides an example of such a configuration. Although the proposed project does include retail frontage along Main Street, the site configuration does not lend itself to also creating this commercial presence along Clayton Road.

The fiscal analysis indicates that each of the three project alternatives considered could be capable of generating new General Fund revenues that would exceed new General Fund service costs; however, the proposed project, which would likely be mostly exempt from property taxes except for the space developed for commercial uses, has less potential to generate General Fund fiscal surpluses than the other alternatives. The City's Redevelopment Agency could cease to collect property tax increment in the near future. This would be either due to shutdown of the Agency in response to recent state legislation, or due to the eventual termination of the Redevelopment project area because it will reach its cap on receipt of tax increment. In either situation, the City's General Fund stands to receive approximately seven percent of the property tax revenues generated in the Town Center area, but the benefits would be less under a scenario involving development of tax-exempt church facilities in place of taxable residential or commercial development. While the Redevelopment Project Area is operative, any tax exempt development would generate less tax increment for the Redevelopment Agency than if the same property were developed with taxable residential or commercial uses. These fiscal effects can be viewed as additional opportunity costs to the City of Clayton if the church proposal is approved and developed.

## **Viability of Site for Currently Zoned Uses**

The property where the church is proposing to build its sanctuary has mixed potential as a location for commercial development. It is perhaps the most prominent site in the Town Center, with relatively good visibility from the most traveled road in Clayton and prominent frontage along Main Street, which boasts the highest level of storefront retail activity in the downtown. The property is also one of the largest vacant parcels remaining, a factor that creates flexibility in terms of site design and layout. The size of the site could be compatible with the development of a

medium-sized retail development (up to approximately 20,000 to 25,000 square feet of ground floor space if provided with full parking off-site; larger if parking waiver granted), configured for several smaller tenants or one larger tenant that could serve as an anchor to the western end of Main Street. There are no comparable opportunities for this scale of retail development on a single parcel elsewhere in the Town Center.

On the other hand, the three to four foot elevation of Clayton Road above the property and the public landscaping and signage at the Oak Street entrance to the Town Center render the site less visible and less immediately accessible to motorists traveling along the main thoroughfare. Though the Specific Plan envisions Main Street as a highly traveled pedestrian environment, the hub of Town Center activity is currently Grove Park, with the western portion of Main Street serving as an underused “back door” entrance into the commercial area. Additionally, with the adjacent location of KinderCare and the existing church offices in the former Pioneer Inn, the site is not located on a particularly dynamic side of the street. These challenges, though not insurmountable, may have undermined the interest of commercial developers in the past and are likely to remain in place in the future even after the national economic recovery is well underway.

### **Overall Compatibility with Town Center Specific Plan Goals**

It appears that the Clayton Community Church proposal could be made compatible with overall Town Center Specific Plan goals. Specifically, the church could provide an additional “draw” of visitors to the downtown area, which may help to give existing and future downtown businesses exposure to potential patrons who might not otherwise visit the Town Center. Although the potential direct sales resulting from churchgoer purchases in the Town Center should not be expected to make a substantial difference in the Town Center business activity, it should be noted that the Clayton Community Church states that approximately one half of its congregation is from outside of Clayton, and this is an opportunity to promote awareness of the Town Center area among the broader Contra Costa County population. The church proposal also incorporates construction of a limited amount of commercial office and retail space on the ground floor, fronting on Main Street, which addresses the desire to have active businesses fronting on the street within the City’s main commercial district.

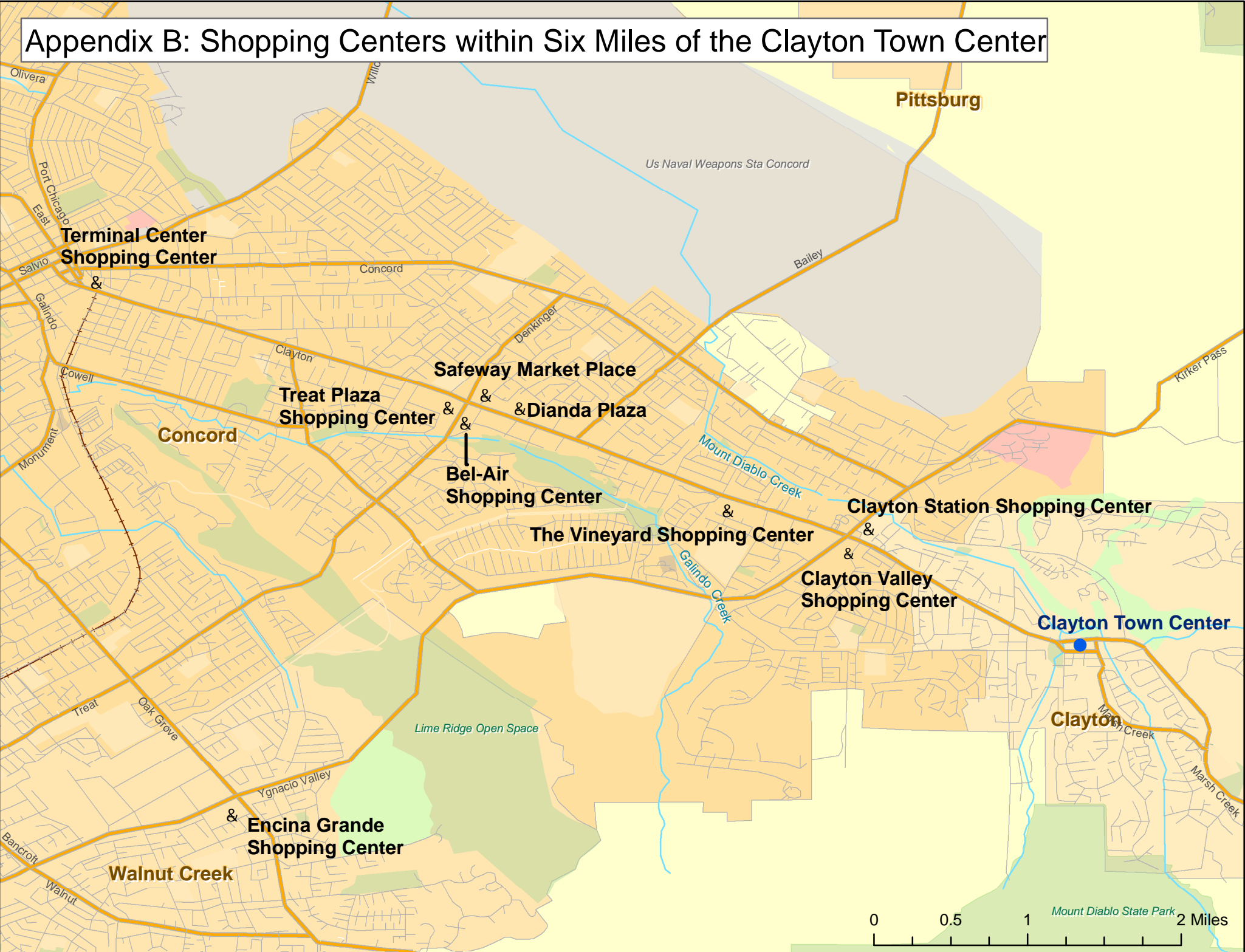
The primary outstanding concern with regard to compatibility with Town Center Specific Plan goals rests with the provision of adequate parking and management of large church events so as to minimize conflicts with other Town Center activities. If adequate parking and other parking management measures are not provided such that periods of peak parking demand can be managed to limit the adverse effects on other downtown activities, then this would undermine other efforts to revitalize downtown Clayton, including hampering the potential for existing and future businesses to thrive in the Town Center, and potentially discouraging property owners and developers from undertaking projects to build out the Town Center area as envisioned in the Specific Plan.

## Appendix A: Clayton Town Center Businesses

Firm Name	Business Type	Address	Description
Julie A Boyce, Consultant	Professional Services	1026 Oak St, Suite 204	Financial Consulting
Re/Max Town & Country	Real Estate	1026 Oak St, Suite 204	Real Estate Agents
The Cutting Edge Knife Works	Personal Services	1030 Diablo St	Knife Sharpening Services
The Royal Rooster	Retail	1030 Diablo St	Retail Gift Boutique
Skipolini's Pizza Garden	Food & Drink	1035 Diablo St	Restaurant
Various Hairstylists	Personal Services	6000 Main Street	Hairstylists
New Orleans Bourbon Street	Personal Services	6026 Main St	Beauty Salon and Spa Services
Cup O' Jo	Food & Drink	6054 Main St	Coffee Shop
Canesa's Brooklyn Deli	Food & Drink	6054 Main St	Sandwich Deli Shop
Frontier Beauty Salon	Personal Services	6064 Main St	Hairstylist
Main Street Nail Studio	Personal Services	6064 Main St	Nail Salon
Esthetics on Main	Personal Services	6064 Main St	Nail Salon
TLC Pet Grooming	Personal Services	6078 Main St	Pet Grooming Services
Kinder Care Learning Center #116	Personal Services	6095 Main St	Child Care Centers
Clayton Club Saloon	Food & Drink	6096 Main St	Saloon/Bar
Snap Fitness Clayton	Personal Services	6100 Center St, Suite G	Fitness Center
Johnny's International Deli & Café	Food & Drink	6101 Center St	International Deli & Café
Clayton Historical Society	Retail	6101 Main St	Museum Gift Shop
Village Market	Food & Drink	6104 Main St	Grocery Store
Moresi's	Food & Drink	6115 Main St	Restaurant
Dr Keith R Bradburn, D.D.S.	Personal Services	6123 Main St	Dental Office
Grizzly Corp	Real Estate	6160 Center St, Suite A	Real Estate Agents
Mazzei Realty	Real Estate	6160 Center St, Suite C	Real Estate Agents
Richard A Littorno	Professional Services	6160 Center St, Suite D	Law Offices
Better Homes Realty	Real Estate	6160 Center St, Suite E	Real Estate Agents
Alternative Medical Billing, Inc	Professional Services	6160 Center St, Suite F	
Hagstrom Properties	Real Estate	6160 Center St, Suite F	Real Estate Agents
C.F. Brennan & Co	Professional Services	6200 Center St	Food Broker
Insurance Management	Professional Services	6200 Center St, Suite 210	Insurance Services
Passport To Communities	Other	6200 Center St, Suite 210	Nonprofit Charitable Foundation
Accurate Business Service	Professional Services	6200 Center St, suite 210	
Pacific Advertising Speciality LLC	Professional Services	6200 Center St, Suite 220	Business Services
Collision Reconstruction	Other	6200 Center St, Suite 230	Collision Reconstruction
Intelligent Investing	Professional Services	6200 Center St, Suite 240	Investment Advice/Services
Clayton Tax Consultants	Professional Services	6200 Center St, Suite 240	Tax Preparation Services
Farmer's Insurance	Professional Services	6200 Center St, Suite 250	Insurance Services
HVAC CAD Services, Inc	Professional Services	6200 Center St, Suite 260	CAD Drafting Services
Travel Services	Personal Services	6200 Center St, Suite 270	Travel Agency
Quality Food Brokers	Professional Services	6200 Center St, Suite 280	Wholesale Food Broker
Tetyana Polyakova	Professional Services	6200 Center St, Suite 310	Computer Drafting Services
Herwitt Engineering	Professional Services	6200 Center St, Suite 310	Engineering Services
Prudential Realty	Real Estate	6200 Center St, Upstairs	Real Estate Agents
State Farm Insurance	Professional Services	6200 Center St, Suite A	Insurance Services
Hairs The Place	Personal Services	6200 Center St, Suite B-9	Barber Shop
Permanent Solutions	Personal Services	6200 Center St, Suite C	Hairstylist
Ed's Mudville Grill, Inc	Food & Drink	6200 Center St, Suite D-1	Bar & Grill
DLF Realty Inc	Real Estate	6200 Center St, Suite E	Real Estate Agents
Clayton Pioneer	Other	6200 Center St, Suite F	Newspaper Publishers
Clayton Mind & Body	Personal Services	6200 Center St, Suite I	Massage Therapy
La Veranda Café	Food & Drink	6201 Center St	Restaurant

Source: City of Clayton, 2011; BAE, 2011.

Appendix B: Shopping Centers within Six Miles of the Clayton Town Center



## **Appendix C: Fiscal Impact Calculation Tables**



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## Appendix C-1: Redevelopment Property Tax Increment Revenues

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<u>Projected Fiscal Effects</u>	<u>Proposed Project</u>	<u>Policy Consistent</u>
<b>New Development</b>		
Exempt Church Facilities (Square Feet)	29,699	0
Office (Square Feet)	4,508	20,000
Retail (Square Feet)	7,957	40,000
Residential (Square Feet)	0	20,000
<b>Assessed Value (a)</b>		
Exempt Church Facilities	\$0	\$0
Office	\$1,014,300	\$4,500,000
Retail	\$1,989,250	\$10,000,000
Residential	\$0	\$4,720,000
<b>Subtotal Assessed Value</b>	<b>\$3,003,550</b>	<b>\$19,220,000</b>
<b>Ad Valorem Property Tax (b)</b>		
	\$30,036	\$192,200
Less Pass-Throughs (21.1%) (c)	-\$6,337	-\$40,554
Less Affordable Housing Set-Aside (20%)	-\$6,007	-\$38,440
<b>Net RDA Tax Increment</b>	<b>\$17,691</b>	<b>\$113,206</b>

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Notes:

(a) Property valuation assumptions:

Office	\$225 per square foot
Retail	\$250 per square foot
Residential	\$236 per square foot

(b) Ad valorem property tax is equal to 1% of assessed value.

(c) Pass-through amount is approximated, based on total of all RDA pass-throughs for 2009-10 as percentage of 2009-10 total tax increment.

Sources: BAE, City of Clayton, 2011.

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**Appendix C-2: Property Tax In-Lieu of Vehicle License Fee Revenues**

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**Current Revenues**

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ILVLF Revenue 2009-10	\$759,766
2009-10 Citywide Assessed Value	\$1,718,960,595

<b>Projected Fiscal Effects</b>	<b>Proposed Project</b>	<b>Policy Consistent</b>
Increase in Assessed Valuation	\$3,003,550	\$19,220,000
Percentage Increase from 2009/10 AV	0.2%	1.1%
<b>Projected Increase in Revenues</b>	<b>\$1,328</b>	<b>\$8,495</b>

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Source: City of Clayton Adopted Budget, 2010-2011

## Appendix C-3: Franchise Fee Revenues

### Current Revenues

Revenue Source	2010-2011	Will Grow with New Develop.?	Driven By	2010-11 Service Base (a)	2010-11 Avg. Rev.
CATV	\$166,000	Yes	res.	10,962 residents	\$15.14 per resident
Solid Waste	\$76,000	Yes	res. + com.	11,657 svc. pop.	\$6.52 per svc. pop.
Utility Franchise	\$115,000	Yes	res. + com.	11,657 svc. pop.	\$9.87 per svc. pop.
Gas Line Franchise	\$11,153	No	n.a.		

Projected Fiscal Effects (b)	Proposed Project	Policy Consistent
Increased Population	0	35
Increased Employment	45 (c)	147
Increased Service Population	<b>23</b>	<b>109</b>

### Projected Revenue Increase

CATV Franchise	\$0	\$530
Solid Waste Franchise	\$150	\$958
Utility Franchise	\$227	\$1,075
<b>Subtotal Franchise Fee Revenues</b>	<b>\$377</b>	<b>\$2,564</b>

### Notes:

#### (a) Existing Service Population

2010 Population	10,962 (CA Dept. of Finance)
2010 Employment	1,390 (ABAG)
2010 Service Population*	11,657

\*Service population defined as residents + (employees \* 0.5)

#### (b) Assumptions for New Service Population

Residential	1.75 residents per unit
Office	300 square feet per employee
Retail	500 square feet per employee

(c) Figure is from Clayton Community Church development proposal church employees (14) plus estimated 31 employees in non-church retail and office space.

Sources: City of Clayton 2010-2011 Budget, Association of Bay Area Governments, 2009; BAE, 2011.

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## Appendix C-4: Sales Tax Revenues

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### Current Revenues

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	<u>2010-11</u>	<u>2010 Population</u>	<u>Per capita Revenue</u>
Sales Tax Revenue	\$218,000	10,962	\$19.89
<b>Projected Fiscal Effects</b>	<b>Proposed Project</b>	<b>Policy Consistent</b>	
Increase in Population	0	35	
<b>Projected Increase in Revenues (Demand-based)</b>	<b>\$0</b>	<b>\$696</b>	

### Alternative Sales Tax Generation Scenarios (for comparison purposes only)

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<i>Increase in Retail Square Footage</i>	<i>7,957</i>	<i>40,000</i>
<i>Potential Taxable Sales Per Square Foot</i>	<i>\$250</i>	<i>\$250</i>
<i>Projected Increase in Revenues (Supply-based)</i>	<i>\$19,893</i>	<i>\$100,000</i>
 <i>Increase in weekly visitors to Downtown (a)</i>	 <i>650</i>	 <i>n.a.</i>
<i>Potential average downtown purchases per visitor/per week</i>	<i>\$10</i>	<i>n.a.</i>
<i>Potential annual visitor purchases</i>	<i>\$338,000</i>	<i>n.a.</i>
<i>Potential Sales Tax Revenues (Visitor-based)</i>	<i>\$3,380</i>	<i>n.a.</i>

---

Note:

(a) This figure is derived from Clayton Community Church's development application, which states that it expects attendance of 450 people at Sunday morning service and 200 people at Saturday evening service. Assumes these 650 will include those who attend other church sponsored activities at other times of the week.

Sources: City of Clayton Adopted Budgets, 2010-2011; Clayton Community Church development application 2010; BAE, 2011.

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**Appendix C-5: Business License Tax Revenues**

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**Current Revenues**

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	<b>2010-2011 Budget</b>	<b>Costs Driven By</b>	<b>2010-11 Base (a)</b>	<b>Current Avg. Revenue</b>
<b>Business License Fee</b>	\$95,000	commercial	1,390 employees	\$68.35

<b>Projected Fiscal Effects</b>	<b>Proposed Project</b>	<b>Policy Consistent</b>
New Employees	31 (b)	147
<b>Projected Increase in Revenues</b>	<b>\$2,119</b>	<b>\$10,047</b>

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Notes:

(a) 2010 Clayton employment: 1,390

(b) Excludes 14 church employees, as City does not collect business license fee from churches.

Source: City of Clayton Adopted Budgets, 2010-2011

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**Appendix C-6: Motor Vehicle License Fee Revenues**

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**Current Revenues**

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	<u>2010-2011</u>	<u>2010-11 Service Base (a)</u>	<u>2010-11 Avg. Rev.</u>
<b>Motor Vehicle License Fee</b>	\$30,000	10,962	\$2.74

<u>Projected Fiscal Effects</u>	<u>Proposed Project</u>	<u>Policy Consistent</u>
Increased Population	0	35
<b>Projected Motor Vehicle License Fee Revenue</b>	<b>\$0</b>	<b>\$96</b>

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Notes:

(a) 2010 Population: 10,962

Sources: City of Clayton 2010-2011 Budget, Association of Bay Area Governments, 2009; BAE, 2011.

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**Appendix C-7: "Other" Revenue Offset**

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<b>Current Revenues</b>	<b>2010-11</b>
<b>General Purpose Revenues</b>	
Building Permit	\$22,000
City Permits	\$5,300
Abandoned Vehicle Abatement Fee	\$3,400
Planning Services	\$5,000
Planning Project Fees	\$14,000
Misc. City Services	\$2,000
City Admin. Fee OH Recovery	\$34,541
Fines and Forfeitures	\$34,000
Park User Fees	\$72,500
Overhead Cost Recovery	\$10,000
Transfer from Measure C	\$4,000
Transfer from Streets	\$6,687
Transfer from Street Lights	\$10,000
Transfer from GHAD	\$18,677
Transfer from Landscape	\$29,918
Transfer from RDA Project Fund	\$275,000
Transfer from RDA Housing	\$125,000
Transfer from Grove Park Fund	\$23,816
Transfer from Stormwater Fund	\$31,605
<b>Subtotal General Purpose Revenues</b>	<b>\$727,444</b>
<b>Total General Fund Expenditures</b>	<b>\$3,656,609</b>
<b>"Other" Revenue Offset as Percent of General Fund Expenditures</b>	<b>19.9%</b>

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Sources: City of Clayton 2010-2011 Budget, Association of Bay Area Governments, 2009; BAE, 2011.

## Appendix C-8: City of Clayton "Other" General Fund Revenue

Treatment of Revenue in Model							
			Offset	Project			
		2010-11	Current	Increase	Do Not	Cate-	
	Acct.	Budget	Costs?	Directly?	Model	gory	Comments
Building Permit	5103	\$22,000	General (a)			a	Fees for service reduce City's net General Fund expend.
City Permits	5106	\$5,300	General (a)			a	Offsets expenses in various departments.
Public Safety Tax (Prop. 172)	5201	\$59,000	Police			c	Funds restricted to Police
Abandoned Veh. Abate. Fee	5202	\$3,400	General (a)			a	Fees for service reduce City's net General Fund expend.
Other In-Lieu (Diamond Terrace)	5205	\$140,255			Do not	d	Not affected by new development
State Mandated Cost Reimb.	5213	\$62,857			Do not	d	Reimbursement for prior expenditures
POST Reimbursements	5214	\$3,500	Police			c	Restricted funds
Planning Services	5301	\$5,000	General (a)			a	Fees for service reduce City's net General Fund expend.
Police Services	5302	\$26,000	Police			c	Fees for service reduce City's net General Fund expend.
Planning Project Fees	5304	\$14,000	General (a)			a	Fees for service reduce City's net General Fund expend.
Well Water Usage	5306	\$10,000			Do not	d	Not affected by new development.
Misc. City Services	5319	\$2,000	General (a)			a	General purpose revenue.
Well Monitoring Service Charge	5321	\$18,858	Engr.			b	Offsets expense line item in Engineering Department.
City Admin. Fee - OH Recovery	5322	\$34,541	General (a)			c	Offsets expenses in various departments.
Fines and Forfeitures	5501	\$34,000	General (a)			a	General purpose revenue.
Interest Earnings	5601	\$85,000			Do not	d	New development has only limited indirect effect.
Park User Fees	5602	\$72,500	General (a)			a	General purpose revenue.
Meeting Room Fees	5603	\$1,600	General (a)			a	General purpose revenue.
Cattle Grazing Lease Rent	5608	\$8,679			Do not	d	Not affected by new development.
Nextel Lease Rent	5609	\$30,550			Do not	d	Not affected by new development.
Crossing Guard Reimbursements	5701	\$5,014			Do not	d	Not affected by new development.
Overhead Cost Recovery	5791	\$10,000	General (a)			c	Offsets expenses in various departments.
Sale of Asset Forfeiture CNET	5801	\$7,000	Police		Do not	d	Not regular ongoing revenue.
Transfer from Measure C	6002	\$4,000	General (a)			c	Offsets expenses in various departments.
Transfer from Streets	6004	\$6,687	General (a)			c	Offsets expenses in various departments.
Transfer from St. Lights	6005	\$10,000	General (a)			c	Offsets expenses in various departments.
Transfer from GHAD	6006	\$18,677	General (a)			c	Offsets expenses in various departments.
Transfer from Landscape	6007	\$29,918	General (a)			c	Offsets expenses in various departments.
Transfer from RDA Project Fund	6008	\$275,000	General (a)			c	Offsets expenses in various departments.
Transfer from RDA 2% Election	6008	\$100,380			Do not	d	Not affected by new development.
Transfer from RDA Housing	6009	\$125,000	General (a)			c	Offsets expenses in various departments.
Transfer from RDA 2% Election	6009	\$25,095			Do not	d	Not affected by new development.
Transfer from Grove Park Fund	6011	\$23,816	General (a)			c	Offsets expenses in various departments.
Transfer from Stormwater Fund	6016	\$31,605	General (a)			c	Offsets expenses in various departments.
Transfer from Trust & Agency	6024	\$18,410			Do not	d	One-time revenue in 2010-2011.

Note:

(a) These are all discretionary funds. They will be combined into an "Other Revenue" total, which will be divided by the remaining General Fund expenditures, to calculate an "Other Revenue" offset factor, which will be used to reduce all departmental expenditures, rather than projecting increases in each revenue source. Expenditure offset factor = 19%

Source: City of Clayton Budget, 2010-11; BAE, 2011.



## Appendix C-9: Legislative Expenditures

### Current Service Costs

	<u>2010-11</u>	<u>Furlough (a)</u>	<u>Full Cost</u>	<u>"Other Revenue" Offset</u>	<u>Net GF Cost</u>	<u>Costs Driven By</u>	<u>2010-11 Base</u>	<u>Current Avg. Cost</u>
<b>General Fund Expenditures</b>	\$62,885	\$328	\$63,213	\$12,510	\$50,703	res. + com.	11,657 svc. pop. (b)	\$4.35 per svc. pop.
<b>Projected Fiscal Effects</b>			<u>Proposed Project</u>	<u>Policy Consistent</u>				
Increased Population			0	35				
Increased Employment			45	147				
Increased Service Population			23	109				
<i>Estimated Percent of Costs Variable</i>	25%							
<b>Projected Cost Increase</b>			\$25.01	\$118.53				

Note:

(a) In order to reflect the full cost of City services, the fiscal model adds furlough savings back into the service costs, because the furlough savings are considered temporary.

(b) Service population is defined as residents + (employees \* 0.5)

2010 Population 10,962

2010 Employment 1,390

2010 Service Population\* 11,657

Sources: City of Clayton, 2010-2011 Budget; California Department of Finance; City of Clayton Administration; BAE, 2011.

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## Appendix C-10: Administration/Finance Expenditure

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### Current Service Costs

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	<u>2010-11</u>	<u>Furlough (a)</u>	<u>Full Cost</u>	<u>"Other Revenue" Offset</u>	<u>Net GF Cost</u>	<u>Costs Driven By</u>	<u>2010-11 Base</u>	<u>Current Avg. Cost</u>
<b>General Fund Expenditures</b>	\$817,793	\$21,472	\$839,265	\$162,691	\$676,574	res. + com.	11,657 svc. pop. (b)	\$58.04 per svc. pop.
<b>Projected Fiscal Effects</b>			<u>Proposed Project</u>	<u>Policy Consistent</u>				
<b>Increase in Service Demand</b>								
Increased Population			0	35				
Increased Employment			45	147				
Increased Service Population			<b>22.5</b>	<b>109</b>				
<i>Variable Costs as Pct. of Current Costs</i>		50%						
<b>Projected Cost Increase</b>			<b>\$653</b>	<b>\$3,163</b>				

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Note:

(a) In order to reflect the full cost of City services, the fiscal model adds furlough savings back into the service costs, because the furlough savings are considered temporary.

(b) Service population is defined as residents + (employees \* 0.5)

2010 Population 10,962

2010 Employment 1,390

2010 Service Population\* 11,657

Sources: City of Clayton, 2010-2011 Budget; California Department of Finance; City of Clayton Administration; BAE, 2011.

## Appendix C-11: Public Works Expenditures

### Current Service Costs

	<u>2010-11</u>	<u>Furlough (a)</u>	<u>Full Cost</u>	<u>"Other Revenue" Offset</u>	<u>Net GF Cost</u>	<u>Costs Driven By</u>	<u>2010-11 Base</u>	<u>Current Avg. Cost</u>
<b>General Fund Expenditures</b>	\$127,595	\$4,248	\$131,843	\$25,384	\$106,459	res. + com.	11,657 svc. pop. (b)	\$9.13 per svc. pop.
<b>Projected Fiscal Effects</b>			<u>Proposed Project</u>	<u>Policy Consistent</u>				
Increased Population			0	35				
Increased Employment			45	147				
Increased Service Population			22.5	109				
<i>Variable Costs as Percent of Current Costs</i>		50%						
<b>Projected Cost Increase</b>			<b>\$103</b>	<b>\$498</b>				

#### Note:

(a) In order to reflect the full cost of City services, the fiscal model adds furlough savings back into the service costs, because the furlough savings are considered temporary.

(b) Service population is defined as residents + (employees \* 0.5)

2010 Population 10,962

2010 Employment 1,390

2010 Service Population\* 11,657

Sources: City of Clayton, 2010-2011 Budget; California Department of Finance; City of Clayton Administration; BAE, 2011.

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## Appendix C-12: Community Development Expenditure

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### Current Service Costs

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	<u>2010-11</u>	<u>Furlough (a)</u>	<u>Full Cost</u>	<u>"Other Revenue" Offset</u>	<u>Net GF Cost</u>	<u>Costs Driven By</u>	<u>2010-11 Base</u>	<u>Current Avg. Cost</u>
<b>General Fund Expenditures</b>	\$257,565	\$6,141	\$263,706	\$51,240	\$212,466	res. + com.	11,657 svc. pop. (b)	\$18.23 per svc. pop.
<b>Projected Fiscal Effects</b>			<u>Proposed Project</u>	<u>Policy Consistent</u>				
Increased Population			0	35				
Increased Employment			45	147				
Increased Service Population			<b>22.5</b>	<b>109</b>				
<i>Variable Costs as Pct. of Current Costs</i>		50%						
<b>Projected Cost Increase</b>			<b>\$205</b>	<b>\$993</b>				

Note:

(a) In order to reflect the full cost of City services, the fiscal model adds furlough savings back into the service costs, because the furlough savings are considered temporary.

(b) Service population is defined as residents + (employees \* 0.5)

2010 Population	10,962
2010 Employment	1,390
2010 Service Population*	11,657

Sources: City of Clayton, 2010-2011 Budget; California Department of Finance; City of Clayton Administration; BAE, 2011.

## Appendix C-13: General Support Expenditures

### Current Service Costs

	2010-11	Furlough (a)	Full Cost	"Other Revenue" Offset	Net GF Cost	Costs Driven By	2010-11 Base	Current Avg. Cost
General Fund Expenditures	\$177,105	\$0	\$177,105	\$35,233	\$141,872	res. + com.	11,657 svc. pop. (b)	\$12.17 per svc. pop.

Projected Fiscal Effects	Proposed Project	Policy Consistent
<b>Increase in Service Demand</b>		
Increased Population	0	35
Increased Employment	45	147
Increased Service Population	<b>22.5</b>	<b>109</b>
<i>Variable Costs as Percent of Current Costs</i>	<i>75%</i>	
<b>Projected Cost Increase</b>	<b>\$205</b>	<b>\$995</b>

Note:

(a) In order to reflect the full cost of City services, the fiscal model adds furlough savings back into the service costs, because the furlough savings are considered temporary.

(b) Service population is defined as residents + (employees \* 0.5)

2010 Population	10,962
2010 Employment	1,390
2010 Service Population*	11,657

Sources: City of Clayton, 2010-2011 Budget; California Department of Finance; City of Clayton Administration; BAE, 2011.

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**Appendix C-14: Police Expenditures**


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**Current Service Costs**


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	<u>2010-11</u>	<u>Furlough (a)</u>	<u>Full Cost</u>	<u>"Other Revenue" Offset</u>	<u>Program Revenues (b)</u>	<u>Net GF Cost</u>	<u>Costs Driven By</u>	<u>2010-11 Base</u>	<u>Current Avg. Cost</u>
<b>General Fund Expenditures</b>	\$1,827,232	\$8,548	\$1,835,780	\$363,509	\$88,500	\$1,383,771	res. + com.	11,657 svc. pop. (c)	\$118.71 per svc. pop.

	<u>Proposed Project</u>	<u>Policy Consistent</u>
<b>Projected Fiscal Effects</b>		
Increased Population	0	35
Increased Employment	45	147
Increased Service Population	<b>22.5</b>	<b>109</b>

Variable Costs as Percent of Current Costs                      75%

**Projected Cost Increase    \$2,003                      \$9,704**

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- Note:
- (a) In order to reflect the full cost of City services, the fiscal model adds furlough savings back into the service costs, because the furlough savings are considered temporary.
- (b) Revenues include: Public Safety Tax, POST Reimbursements, Police Services fees, and Sale of Asset Forfeitures (CNET).
- (c) Service population is defined as residents + (employees \* 0.5)
- |                          |        |
|--------------------------|--------|
| 2010 Population          | 10,962 |
| 2010 Employment          | 1,390  |
| 2010 Service Population* | 11,657 |

Sources: City of Clayton, 2010-2011 Budget; California Department of Finance; City of Clayton Administration; BAE, 2011.

## Appendix C-15: Library Expenditures

### Current Service Costs

	<u>2010-11</u>	<u>Furlough (a)</u>	<u>Full Cost</u>	<u>"Other Revenue" Offset</u>	<u>Net GF Cost</u>	<u>Costs Driven By</u>	<u>2010-11 Base</u>	<u>Current Avg. Cost</u>
General Fund Expenditures	\$131,051	\$2,124	\$133,175	\$26,071	\$107,104	residential	10,962 residents (b)	\$9.77 per resident
<b>Projected Fiscal Effects</b>			<u>Proposed Project</u>	<u>Policy Consistent</u>				
Increased Population			0	35				
Variable Costs as Percent of Current Costs		75%						
<b>Projected Cost Increase</b>			<b>\$0</b>	<b>\$256</b>				

Note:

(a) In order to reflect the full cost of City services, the fiscal model adds furlough savings back into the service costs, because the furlough savings are considered temporary.

(b) Service population is defined as residents + (employees \* 0.5)

2010 Population 10,962

2010 Employment 1,390

2010 Service Population\* 11,657

Sources: City of Clayton, 2010-2011 Budget; California Department of Finance; City of Clayton Administration; BAE, 2011.

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## Appendix C-16: Engineering Expenditure:

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### Current Service Costs

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	<u>2010-11</u>	<u>Furlough (a)</u>	<u>Full Cost</u>	<u>"Other Revenue" Offset</u>	<u>Program Revenue (b)</u>	<u>Net GF Cost</u>	<u>Costs Driven By</u>	<u>2010-11 Base</u>	<u>Current Avg. Cost</u>
General Fund Expenditures	\$96,261	\$0	\$96,261	\$19,150	\$18,858	\$58,253	res. + com.	11,657 svc. pop. (c)	\$5.00 per svc. pop.
<b>Projected Fiscal Effects</b>			<b>Proposed Project</b>	<b>Policy Consistent</b>					
Increased Population			0	35					
Increased Employment			45	147					
Increased Service Population			22.5	109					
Variable Costs as Percent of Current Costs		50%							
<b>Projected Cost Increase</b>			<b>\$56</b>	<b>\$272</b>					

Note:

(a) In order to reflect the full cost of City services, the fiscal model adds furlough savings back into the service costs, because the furlough savings are considered temporary.

(b) Program revenue includes: Well Monitoring Service Charge

(b) Service population is defined as residents + (employees \* 0.5)

2010 Population 10,962

2010 Employment 1,390

2010 Service Population\* 11,657

Sources: City of Clayton, 2010-2011 Budget; California Department of Finance; City of Clayton Administration; BAE, 2011.



**Appendix C-17: Community Park Expenditure:**

Current Service Costs									
General Fund Expenditures	2010-11	Furlough (a)	Full Cost	"Other Revenue" Offset	Net GF Cost	Costs Driven By	2010-11 Base	Current Avg. Cost	per resident
	\$159,122	\$6,122	\$165,244	\$31,656	\$133,588	residential	10,962 pop.	\$12.19	
<b>Projected Fiscal Effects</b>									
Increased Population			Proposed Project 0	Policy Consistent 35					
Variable Costs as Pct. of Current Costs		75%							
<b>Projected Cost Increase</b>			\$0	\$320					

**Note:**

(a) In order to reflect the full cost of City services, the fiscal model adds furlough savings back into the service costs, because the furlough savings are considered temporary.

(b) Service population is defined as residents + (employees \* 0.5)

2010 Population 10,962

2010 Employment 1,390

2010 Service Population\* 11,657

Sources: City of Clayton, 2010-2011 Budget; California Department of Finance; City of Clayton Administration; BAE, 2011.