KEYSER MARSTON ASSOCIATES.
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

MEMORANDUM

To: Brian Mooney, FAICP, Principal
Rick Engineering Company

From: KEYSER MARSTON ASSOCIATES, INC.

Date: June 11, 2018

Subject: Feasibility Assessment
Northside Consolidated Plan, City of Riverside

I. INTRODUCTION

A. Background

Keyser Marston Associates, Inc. (KMA) has prepared this assessment of market potential and development feasibility for commercial/retail, high-quality industrial, and residential development in the Northside Specific Plan Area (Plan Area) for the City of Riverside (City). The Draft Northside Consolidated Plan (Consolidated Plan) currently under review presents the proposed land use program for the Plan Area.

The Plan Area is defined as the 1,423-acre Northside neighborhood, generally bounded by the City limit to the north, Interstate 215 (I-215) to the east, State Route 60 (SR-60) to the south, and the Santa Ana River to the west. In addition, the North Main Street area south of SR-60, the residential neighborhood to the east between the I-215 freeway and the railroad tracks, and areas within the City of Colton -- 227-acre Pellissier Ranch and 128 acres located between Pellissier Ranch and the Riverside city limits -- are also included within the Plan Area boundary.

In April 2017, KMA prepared a market analysis that evaluated the types of land uses that the Plan Area could support based on prevailing market factors, trade area growth projections, and regional/local trends within each major land use category. KMA reviewed the Plan Area's principal assets and constraints relative to the potential for new development, redevelopment, and improvements to public facilities and community amenities. The April 2017 KMA Market Analysis included preliminary estimates of supportable market demand for each major land use category. However, these demand projections did not yet consider the mix of land uses, infrastructure and public facilities, and other amenities currently proposed in the Consolidated Plan. The Plan Area currently has a deficit of community shopping, services, civic uses, and lifestyle amenities. The public facilities and placemaking amenities proposed in the Consolidated Plan are essential to address this deficit and attract private development. Creative placemaking energizes and empowers a community to build on its existing assets and can help transform an area into a desirable and healthy community. Access to neighborhood shopping and services, community amenities, and transportation choices are likely to increase property values, foster job creation, and stimulate new development.

B. Report Organization

This memorandum report has been organized as follows:

- Section II presents the KMA key findings.
- Section III provides an overview of proposed Consolidated Plan features.
- Section IV presents an overview of development feasibility for each proposed land use component.
- Section V provides the KMA recommendations regarding the development program envisioned for each subarea.
- Section VI presents potential methods to implement the Northside Specific Plan.
- Section VII details limiting conditions pertaining to this assessment.

II. KEY FINDINGS

A. Plan Area Features

The Consolidated Plan is a well thought out and synergistic blend of public, private, natural, historic, and recreational uses. The Consolidated Plan has the potential to enhance public safety, economic activity, and community well-being within the Plan Area and environs. In effect, the whole is more than the sum of the parts.

1. The proposed recreational facilities will be important anchors that generate patronage, which in turn increases local spending and thereby supports private development. Studies have found that well-planned parks and recreation systems can serve as a catalyst for economic development. According to a report by the National Recreation and Parks Association (NRPA) and the American Planning Association (APA), parks have the ability to attract consumers to nearby downtowns, stimulating the need for local restaurants, and thereby increasing tourism. Moreover, access to neighborhood shopping and services, community amenities, and transportation options are likely to increase property values, promote job creation, and stimulate new development.

2. The designated 49-acre Recreation Sports Complex is proposed as a quasi-private sports complex. The complex could potentially be developed with multi-sport fields and ancillary commercial uses

similar to the SilverLakes Sports Complex in the City of Norco. A similar sports complex in the Plan Area could draw visitors from all over Southern California, increasing market support for new private development and generating economic benefits to the City. The National Association of Sports Commissions (NASC) finds that youth sports tourism yields steady, sustainable growth, even during times of economic recession.

3. The inclusion of a police station headquarter building will provide a level of safety to existing community members and a sense of security to prospective users/developers of private development. The concentration of police officers and other staff will also generate increased spending in the Plan Area.

4. The proposed Spanish Town has the potential to resurrect a unique historic element within the Plan Area. As currently conceived, Spanish Town would restore the existing Trujillo Adobe and develop the surrounding area with a museum/interpretive center, retail, dining, and entertainment options. Historically-themed buildings such as a school house and cantina will be re-created in order to simulate the “Spanish Town” era. There are numerous examples in Southern California of historic areas that have been redeveloped and become successful visitor destinations, including the Anaheim Packing District and Old Town San Diego. Spanish Town could serve as a community gathering place that hosts special events such as farmer’s markets, festivals, and art shows.

5. The Consolidated Plan provides an opportunity for synergy with the Downtown area as Downtown is expanding its inventory of government facilities and civic amenities. Additionally, significant new private commercial and residential development is underway in Downtown. Providing high-quality, frequent, and reliable public transit between the Plan Area and Downtown could greatly enhance the Plan Area’s development potential. In particular, transit systems that require capital improvement, such as dedicated bus rapid transit (BRT) bus lanes, transit terminals, or rail lines, have been demonstrated to stimulate development interest around new transit stops.

   Recent and pending State legislation will provide funding or development incentives for housing developed near transit areas. As these initiatives are implemented, developers may have an opportunity to take advantage of these incentives to produce transit-oriented development (TOD). TODs are generally defined as a type of development that includes a mixture of residential, commercial, and/or other amenities that is integrated into a walkable neighborhood and is located within a half-mile of quality public transportation. TODs are viewed as having the potential to achieve faster absorption rates, higher occupancy rates, and in some cases higher sales prices or rents.

B. Development Feasibility

The Consolidated Plan is aggressive with respect to the amounts, type, and quality of private uses that are targeted for development.

1. The Consolidated Plan proposes approximately 690,000 SF of commercial/retail space, which appears unsupported by current market trends and may exceed projected 20-year absorption potential. KMA recommends that the amount of commercial/retail space be reduced by approximately 50%. Support for an increased amount of commercial/retail space will be dependent on the City's ability to attract a master developer that can provide the necessary backbone infrastructure. The inclusion of placemaking amenities will also be necessary to attract residents and visitors to the Plan Area, further increasing demand for commercial/retail space.

2. Based upon the projected number of housing units contained in the Consolidated Plan, KMA estimates potential incremental population growth of approximately 11,000 residents. At this level, KMA estimates that the Plan Area could support at least one (1) new grocery store at build-out.

3. The Consolidated Plan proposes a substantial amount of residential development, a total of 4,760 units. In order to achieve this growth within the planning horizon of 20 years, the Plan Area would need to absorb 240 residential units per year. This is a paradigmatic shift for the Plan Area, which has been relatively stagnant with respect to residential growth for years. In fact, it represents a sizeable increase relative to Citywide growth trends; for comparison purposes, the City added an average of 100 units per year during 2010 to 2017.

   Nonetheless, there is strong demand for housing in the State and Southern California. From 2015 to 2025, the California Department of Housing and Community Development (HCD), in consultation with the California Department of Finance, estimated that approximately 1.8 million new housing units will be needed to meet projected population and household growth in the State. However, housing production continues to fall below the projected need of 180,000 homes annually. This becomes even more challenging in Southern California, which has the largest concentration of population in the State. The Inland Empire requires about 142,000 more affordable units to meet its shortfall. An increase in density on vacant or under-utilized land is a viable option that can provide additional housing units.

   However, higher-density residential development -- incorporating stacked flats, mixed-use, and/or structured parking -- are demonstrably feasible only in select submarkets. These submarkets are typically characterized by: (1) higher-density, walkable neighborhoods with shopping, restaurants, and other amenities; and (2) higher achievable rents/prices. Within the City of Riverside, this type and configuration of development is currently occurring only in Downtown, in the University of California, Riverside (UCR) community, and adjacent to the Riverside MarketPlace and La Sierra

MetroLink stations. The proposed inventory of multi-family units and the inclusion of higher-density residential may be feasible in the long-term after placemaking amenities have been established. Low- and medium-density housing in the Plan Area are the most feasible product types in the near- to mid-term.

4. The financial feasibility of new retail and multi-family development will be severely impacted by the cost burden to install in-tract infrastructure as well as the many supporting public facilities and amenities included in the Plan. To the extent these costs are passed through to private developers, they tend to reduce the supportable land payment that developers can offer for development sites. In some cases, the supportable land payment will be lower than the current value of the property under its existing use (for example, industrial).

5. In order to attract multi-family housing developers, and future residents, the presence of usable open space, recreation areas, good schools, and amenities such as restaurants, cultural and entertainment venues, and community-serving uses is essential. Open space/recreational areas require ongoing activation by providing complementary uses to foster a sense of community. The City and/or community groups could host special events within these areas and offer synergistic uses such as pop-up events, food trucks, street vendors, etc., that will attract nearby residents and generate visitor interest.

6. The Plan envisions higher-quality employment uses comprising industrial/business park buildings. Development of these types of uses will depend to a great extent on the ability to attract one or more anchor uses to jumpstart a new business park environment. In turn, these users will be looking for guarantees that the promised public facilities and amenities will be delivered.

C. Plan Implementation

The purpose of the Consolidated Plan is to revitalize the Northside community and improve the quality of life for its residents, employers, employees, and visitors. The Consolidated Plan proposes investment in streets, transit, bicycle corridors, walking trails, protection of historic resources, and improvements to City services and amenities such as police and community recreation. Investment in infrastructure and amenities is required to attract new development and generate interest from businesses that serve residents and potential visitors.

1. The role of one (1) or two (2) master developers will be the key to successful implementation of the Plan. Master developer(s) can advance the necessary financial investment in public facilities and amenities, thereby setting the stage for development of a new community at the heart of the Plan Area.

2. Since several major properties are owned by the City and Riverside Public Utilities (RPU), the City or RPU can consider issuance of one or more Request for Proposals (RFPs) for a master developer.

3. If the City desires to attract a quasi-private sports complex to the Plan Area, it should first consider commissioning an in-depth feasibility study to determine the appropriate mix of facilities, achievable operating performance, and supportable private investment. Should the sports complex prove to be feasible, the City could issue an RFP to solicit plans and financial proposals.

4. The Plan will need significant external funding to implement the public facilities and amenities, as well as the major in-tract infrastructure required to develop the private uses. The City should consider a range of funding sources and mechanisms available to offset this cost burden, including in particular: (1) an Enhanced Infrastructure Financing District (EIFD) or Community Revitalization and Investment Authority (CRIA); (2) Community Facilities District (CFD) or Assessment District; and/or (3) City Development Impact Fee revenue. Additionally, Statewide competitive grants or funding programs, such as the Infrastructure State Revolving Fund (ISRF) Program, and other Federal funding sources may be available to finance housing, infrastructure, community recreation, or transportation-related improvements.

5. Operation of new transit service linking the Plan Area to Downtown is unlikely to be feasible without subsidies from local taxes and State and federal grants. Studies have shown that transit systems cannot cover their operating cost with passenger revenue. Therefore, the City will need to identify funding sources for both the initial investment and ongoing operations. The City should weigh the costs and benefits of a connector/guideway system that connects the Downtown area to the Northside community. In addition, developers may be incentivized to contribute a portion of the system's capital startup cost in return for credits against other development exactions.

III. PROPOSED CONSOLIDATED PLAN FEATURES

Public facilities and community amenities are resources, conveniences, and benefits offered to the general public for their use and/or enjoyment. Many of the Plan Area's existing households are made up of families with children, and therefore the need for facilities and amenities becomes particularly important. In addition, the access to, or absence of, these type of facilities affects the ability to attract new residents to the Plan Area. In turn, attraction of new residents is also key to the potential to draw retail establishments to the Plan Area. Table III-1 presents the features and amenities that are proposed for the Plan Area.

Table III-1: Proposed Plan Features

Feature	Description	Community Benefits
Springbrook Arroyo	The Springbrook Arroyo is anticipated to be restored and include a parallel 3-mile long trail. The Arroyo will follow its natural course along the Main Street Urban Neighborhood and lead east to its origin. An additional open space connection to the north through Spanish Town and Pellissier Ranch will connect the Springbrook Arroyo with the Santa Ana River and will also flow southerly to connect with Lake Evans in Fairmount Park.	• Social synergy • Active lifestyles • Recreational amenity • Environmental beautification • Environmental benefits and access
Open Space	Several natural open space areas are proposed throughout the Plan Area including along the Springbrook Arroyo, in Pellissier Ranch, and throughout the Village Center. Cross-country trails are also proposed to be incorporated throughout the Plan Area from the Village Center, along the Springbrook Arroyo, and through the proposed sports complex and Ab Brown Sports Complex.	• Social synergy • Active lifestyles • Environmental beautification • Environmental benefits and access
Sports Complex	The Plan provides the potential for a new quasi-private sports complex at the existing Ab Brown Sports Complex.	• Social synergy • Active lifestyles • Recreational amenity • Economic revitalization • Increased tourism
Community Agriculture	Several areas throughout the Village Center will provide residents with the opportunity to grow fresh fruits and vegetables. Designated farming areas in Pellissier Ranch will also allow professional farmers to capitalize on the fertile land by providing produce to local businesses. A citrus grove is also envisioned for Spanish Town.	• Social synergy • Public health • Food quality • Educational opportunities

Table III-1: Proposed Plan Features

Feature	Description	Community Benefits
Police Headquarters	A 50,000-SF police headquarters is proposed on 10-acres of the former Riverside Golf Course at the intersection of Orange Street and Columbia Avenue. The headquarter facility will also incorporate a 15,000-SF Educational Options Center and 10,000-SF community center, which will be available to the community for public forum.	• Public safety • Educational opportunities • Economic revitalization • Community assembly space
Spanish Town	Anchored by the existing Trujillo Adobe, the proposed Spanish Town is anticipated to incorporate a historic interpretation village located on sites at three corners of land at the intersection of Orange Avenue and Center Street. Spanish Town is proposed to include 36,000 SF of retail/commercial space and 9,300 SF of public/institutional uses. The Plan calls for development of a museum/interpretive center, retail, and dining options. Structures reflecting the area's history are also envisioned such as a cantina, schoolhouse, etc.	• Social synergy • Educational opportunities • Environmental beautification • Economic revitalization • Community assembly space • Increased tourism
Transit Connector/Guideway	A public transit system that connects the Plan Area with Downtown could range from high quality shuttle buses to a fixed rail guideway. A transit connector/guideway could capitalize on the growth and employment center of Downtown while providing new mobility options to residents and workers.	• Mobility options • Improved access • Economic revitalization • Increased land values • Development opportunities around new transit stops
Recreational Vehicle (RV) Park	An 8.6-acre site in Pellissier Ranch has been designated as an RV Park. The RV Park will be located along the Santa Ana River and will provide access to walking and biking trails that travel through Riverside to Orange and San Bernardino Counties.	• Active lifestyles • Economic revitalization • Increased tourism • Environmental benefits and access

IV. DEVELOPMENT FEASIBILITY BY PROPOSED LAND USE COMPONENT

This section evaluates the three main land uses proposed in the Consolidated Plan -- commercial/retail, high-quality industrial, and residential. The proposed development amounts are compared to the supportable amounts identified in KMA's April 2017 Market Analysis. The Northside Specific Plan has a 20-year planning horizon.

A. Commercial/Retail

Table IV-1 below presents the amount of commercial/retail proposed in the Plan Area compared to the figures supported by the KMA Market Analysis. As shown, the Consolidated Plan proposes a significantly higher amount of commercial/retail space than KMA Market Analysis.

Table IV-1: Incremental Development and Absorption – Commercial/Retail

	Proposed Consolidated Plan	KMA Market Analysis	
		Low	High
Incremental New Development	690,000 SF (1)	86,000 SF	149,000 SF
Annual Absorption (20-Year Period)	34,500 SF	4,300 SF	7,500 SF

(1) Approximately 30,300 SF is located in the RV Park site in Pellissier Ranch.

The bulk of the designated commercial/retail space is located within the Village Center, which is the ideal location for commercial/retail space as this subarea will be the core of the Northside community. The Plan Area is currently lacking in the following retail categories: General Merchandise Stores; Food & Beverage; Food Services & Drinking Places; Health and Personal Care Stores; Clothing and Clothing Accessories; Miscellaneous Store Retailers; and Sporting Goods, Hobby, & Music Stores. As such, commercial/retail space should consist of uses that are lacking and are necessary to serve new residents and visitors in the Plan Area, with particular emphasis on Food & Beverage; Food Services & Drinking Places; Sporting Goods; and Health and Personal Care Stores.

Neighborhood centers, typically anchored by a grocery store, range between 30,000 SF and 125,000 SF in size. Neighborhood shopping centers generally support a 3-mile trade area. Based upon the projected number of housing units as proposed in the Consolidated Plan, KMA estimates potential incremental population growth of approximately 11,000 residents. At this level, KMA estimates that the Plan Area could support at least one (1) grocery store at build-out. (This does not account for the potential to recapture existing sales leakage in the grocery store retail category.)

B. High-Quality Industrial

Table IV-2 below presents the amount of industrial uses proposed in the Plan Area compared to the figures supported by the KMA Market Analysis. As shown, the proposed 2.8 million SF is generally consistent with the "high" projection of industrial space as presented in the KMA Market Analysis. However, KMA's project of industrial space was not specific to high-quality industrial space but rather assumed a variation in the types of industrial space that could be supported in the Plan Area.

Table IV-2: Incremental Development and Absorption – High-Quality Industrial

	Proposed Consolidated Plan	KMA Market Analysis	
		Low	High
Incremental New Development	2,841,000 SF	2,000,000 SF	2,700,000 SF
Annual Absorption (20-Year Period)	142,100 SF	100,000 SF	135,000 SF

The Inland Empire industrial market remains the most sought-after warehouse/distribution market in the nation with the lowest vacancy rate and highest rental rate of comparable markets with major distribution hubs. According to a report by Colliers International, high-tech warehouses of more than 200,000 SF with 28-foot ceilings are in high demand, as users of e-commerce space have been a major driver for this sector. While warehouse/distribution is in high demand, these uses have low employment densities, lower wage jobs, and generate a high volume of truck traffic. As such, warehouse/distribution uses do not support the other land uses envisioned in the Consolidated Plan.

The Pellissier Ranch subarea is the most likely and natural area to develop a concentration of industrial space in the Plan Area. The Consolidated Plan envisions higher-quality employment uses that support innovation and entrepreneurial business enterprises, in a business park format. The City has already experienced tremendous growth in the high-tech industrial sector including the addition of the 56-acre University Research Park (URP), a project with the University of California, Riverside. High-quality companies such as Bourns, Inc., Centrum Analytical Laboratories, Inc., and Luminex Software, Inc. have all chosen Riverside as the location for their headquarter facilities.

Users of commercial/retail space that require large-format buildings and/or benefit from the hills and river (breweries, sports training facilities, indoor racing, etc.) may also be viable tenants. Success in attracting users of high-quality industrial space to Pellissier Ranch will likely be dependent on identifying: (1) a master developer, or (2) an anchor user to create momentum for users of high-tech space.

C. Residential

Table IV-3 below presents the number of residential units proposed in the Plan Area compared to the figures supported by the KMA Market Analysis. As shown, the Consolidated Plan proposes a notably higher amount of residential than the KMA Market Analysis.

Table IV-3: Incremental Development and Absorption – Residential

	Proposed Consolidated Plan	KMA Market Analysis	
		Low	High
Incremental New Development	4,760 Units	1,300 Units	2,600 Units
Annual Absorption (20-Year Period)	240 Units	70 Units	130 Units

Under the proposed Consolidated Plan, residential uses would comprise low-density (5%), medium-density (18%), and high-density (77%) housing units. Current and near-term market conditions in the Plan Area indicate that higher-density multi-family residential development is not feasible. Multi-family and mixed-use developments of 3 to 5 stories, with internal corridors and elevators, and served by structured parking are occurring in very few locations in the trade area. Within the City of Riverside, this type and configuration of development is only happening in Downtown, in the UCR community, and adjacent to the Riverside MarketPlace and La Sierra MetroLink stations. A review of comparable sales of apartment buildings in the trade area suggest that building values are generally not high enough to support this type of development. This trend is expected to evolve as Southern California experiences a worsening severe housing deficit and multi-family rents continue to escalate.

The financial feasibility of new high-density housing development will be further impacted by the cost burden to install in-tract infrastructure as well as the many supporting public facilities and amenities included in the Consolidated Plan. To the extent these costs are passed through to private developers, they tend to reduce the supportable land payment that developers can offer for development sites. In some cases, the supportable land payment will be lower than the current value of the property under its existing use.

According to the California Department of Housing and Community Development (HCD), approximately 1.8 million new housing units are needed to meet projected population and household growth in the State through 2025. However, housing production continues to fall below the projected need of 180,000 homes annually. This becomes even more challenging in Southern California, which has the largest concentration of population in the State. Development of housing and more specifically, housing that is affordable to low- and moderate-income households, is greatly needed in California. According to a report by the California Housing Partnership, a state-sponsored agency created to preserve affordable housing and advise leaders on housing policy, Southern California needs about 950,000 affordable rental housing units to meet the needs of families earning 50% or less of the median household income. Riverside County's share of these units is about 66,000, while San Bernardino County needs approximately 79,000 more affordable units to meet its shortfall.

In addition, residential development will compete with the City of Colton's Roquet Ranch master-planned community, which is expected to contain approximately 1,000 residential units, 22 acres of recreational facilities, community-serving retail, and public/institutional uses. Roquet Ranch plans to offer housing options that serve a variety of age, lifestyle, and economic circumstances, including housing that is attainable for young families, first-time buyers, and retirees. However, proximity to Downtown, Hunter Park, and UCR – as well as the Hunter Park and Downtown MetroLink stations -- will be favorable to residents within the Plan Area who work in these employment centers and/or commute.

In the near- to mid-term, small-lot single family homes and townhomes are the most feasible product types for the Plan Area. However, in order to attract housing developers, and future residents, the presence of usable open space, good schools, and amenities such as restaurants, cultural and entertainment venues, and community-serving uses is essential. Open space/recreational areas require ongoing activation by providing complementary uses to foster a sense of community.

V. REVIEW OF DEVELOPMENT PROGRAMS BY SUBAREA

The Consolidated Plan proposes the development of approximately 2.8 million SF of high-quality industrial space, 690,000 SF of commercial/retail space, and 4,800 residential dwelling units. The Consolidated Plan includes 134 acres of parkland, public facilities, and public/private recreation areas. KMA has conducted an overview evaluation of the major proposed land uses by subarea. The subareas are as follows:

- Village Center
- Main Street Urban Neighborhood
- Pellissier Ranch
- Recreation Sports Complex
- Spanish Town
- West La Cadena Corridor
- South Center Street Residential

The following discussion presents the KMA conclusions with respect to development feasibility and absorption of these land uses within each subarea.

A. Village Center

The Village Center will function as the core of the Northside community. The Village Center has been designed to provide housing development in a mixed-use format with social gatherings, community agriculture opportunities, and recreational amenities such as the historic Springbrook Arroyo. The Village Center occupies the southern portion of the former Riverside Golf Course. As such, the large acreage property has been conceived with new city blocks in order to create a more walkable setting. Table V-1 summarizes the proposed land uses for the Village Center.

Table V-1: Village Center Land Use Tabulations

Land Use	Totals	Average Floor Area Ratio or Units/Acre
Commercial/Retail	461,351 SF	0.34 FAR
High-Density Residential	1,224 Units	40 Units/Acre

The KMA Market Analysis estimated that the Plan Area in its entirely could support between 86,000 SF and 194,000 SF of commercial/retail space. The proposed Village Center concept contains an aggressive amount of commercial/retail space that will likely exceed 20-year absorption potential. As a measure of comparison, a typical community shopping center comprising a grocery store, drug store, shops, and restaurants ranges in size from 125,000 SF to 400,000 SF. A regional mall, including two to four department stores, ranges in size from 400,000 SF to 800,000 SF.

The inclusion of the police headquarters will add a key employment element to the Village Center. The concentration of police officers, staff, and users of the adjoining community meeting facilities will generate increased spending in the area further supporting commercial and retail space in the Village Center.

Historically, high-density housing in the City has been concentrated in Downtown and near UCR. Placemaking amenities are required to support development of high-density housing. Therefore, it does not appear that high-density housing will be developed in the Village Center in the near-term.

KMA Recommendations:

- Reduce proposed commercial/retail space to approximately 200,000 SF
- Concentrate retail along Main Street, Columbia Avenue, and Orange Street
- Retain proposed residential units but allow flexibility in residential density:
  - Small lot/zero-lot line single-family (10 units/acre) and townhomes (20 units/acre) in the near-term
  - Stacked-flat with surface parking (30 units/acre) in the mid-term
  - Stacked-flat with tuck-under parking (40 units/acre) in the long-term

B. Main Street Urban Neighborhood

The Main Street Urban Neighborhood (Urban Neighborhood) is located in three neighborhoods as follows: (1) along the east side of Main Street, south of the Pellissier Ranch subarea and west of Ab Brown Sports Park north of Garner Road; (2) along the east side of Main Street and west of the former Riverside Golf Course; and (3) north of Columbia Avenue, west of I-215. The subarea is proposed to include 6,500 SF of commercial space and 1,453 residential units. Table V-2 summarizes the proposed land uses for the Urban Neighborhood.

Table V-2: Main Street Urban Neighborhood Land Use Tabulations

Land Use	Totals	Average Floor Area Ratio or Units/Acre
Commercial	6,500 SF	N/A
Medium-Density Residential	293 Units	18 Units/Acre
High-Density Residential	1,160 Units	45 Units/Acre

The commercial space proposed is minimal and will likely result in neighborhood-serving businesses, i.e., convenience retail and/or small-scale eating and drinking establishments. A significant amount of high-density housing is proposed for the Urban Neighborhood. High-density housing is not likely to occur in the Urban Neighborhood in the near- to mid-term as the area lacks amenities, shops, and services.

KMA Recommendations:

- Retain proposed residential units but allow flexibility in residential density:
    - Small lot/zero-lot line single-family (10 units/acre) in the near-term
    - Townhomes (20 units/acre) in the near-term
    - Stacked-flat with surface parking (30 units/acre) in the mid-term
    - Stacked-flat with tuck-under parking (40 units/acre) in the long-term

C. Pellissier Ranch

The Pellissier Ranch subarea is located in the City of Colton in the northernmost portion of the Plan Area, along the Santa Ana River. The subarea is proposed to include industrial development consisting of mixed innovation industry uses with an 8.6-acre RV park that will contain approximately 30,300 SF of RV-related commercial space. It is envisioned that green trails and pathways will connect the Santa Ana River to the Springbrook Arroyo and Spanish Town. Table V-3 on the following page summarizes the proposed land uses for the Pellissier Ranch subarea.

Table V-3: Pellissier Ranch Land Use Tabulations		
Land Use	**Totals**	**Average Floor Area Ratio**
High-Quality Industrial	2,840,000 SF	0.40 FAR
RV Park	30,000 SF	N/A

Pellissier Ranch is the most likely and natural area to develop a concentration of industrial space in the Plan Area. However, development of these types of uses will depend to a great extent on the ability to attract one or more anchor uses to jumpstart a new high-tech business park environment.

KMA Recommendation:

- An in-depth feasibility analysis should be conducted to specifically evaluate the RV park component to ensure that there is demand for a RV park in this location and help define a range of other recreational uses that can be supported.

D. Spanish Town

As currently conceived in the Consolidated Plan, Spanish Town will build upon the history of the Trujillo Adobe. The Adobe is located in the northern part of the Plan Area on Center Street, just west of Orange Street. The historic Adobe was built in 1862/63 and was an integral part of two villages -- La Placita de los Trujillos and Agua Mansa -- the largest non-mission community between Los Angeles and New Mexico. The only remaining structures that exist from the villages are the Adobe and the Agua Mansa Cemetery. The Consolidated Plan proposed 36,000 SF of commercial space and 9,300 SF of public/institutional space. This building area is envisioned to include a recreated historic schoolhouse (for community assembly, presentations, classes, etc.), interpretive center/museum, specialty retail, and eating and drinking establishments. Table V-4 summarizes the proposed land uses for the Spanish Town subarea.

Table V-4: Spanish Town Land Use Tabulations		
Land Use	**Totals**	**Average Floor Area Ratio**
Commercial/Retail	36,000 SF	0.16 FAR
Public/Institutional	9,300 SF	0.14 FAR

There are several noteworthy examples in California where historic buildings have anchored mixed-use development, retail/restaurants, and/or entertainment districts, e.g., Downtown Los Angeles' Olvera Street, Anaheim Packing District, Old Town San Diego, and San Pedro Square Market in Downtown San Jose. However, factors affecting development viability vary drastically from the current circumstances of the Trujillo Adobe within the Plan Area. For example, these other areas anchored by historic assets and are typically located within a downtown setting which tends to draw daytime/nighttime population, employees, and visitors.

The Consolidated Plan vision for Spanish Town must consider the challenges to its successful implementation. The Adobe is a single historical asset, situated in a relatively isolated location, and surrounded by incompatible industrial land uses. Under these conditions, it will be difficult for the Adobe to serve as an anchor for a multi-purpose cultural and specialty retail visitor district. Spanish Town may be a viable option with the appropriate partnerships, i.e., the Riverside County Parks Department, a non-profit civic group, and/or private development entity.

KMA Recommendation:

- An analysis should be conducted in order to assess the quantity of the specialty retail and public/institutional uses that can be supported

E. West La Cadena Corridor

The West La Cadena Corridor (Corridor) is located west of I-215 along West La Cadena Drive. The Corridor is planned to contain approximately 156,000 SF of commercial/retail space and 1,612 housing units. Table V-5 summarizes the proposed land uses for the West La Cadena Corridor.

Table V-5: West La Cadena Corridor Land Use Tabulations

Land Use	Totals	Average Floor Area Ratio or Units/Acre
Commercial/Retail	155,633 SF	N/A
Medium-Density Residential	316 Units	18 Units/Acre
High-Density Residential	1,296 Units	45-50 Units/Acre

As previously mentioned, the amount of commercial space proposed in this subarea exceeds the KMA projection of supportable commercial space over the 20-year planning horizon. In addition, 80% of the proposed housing is designated as high-density. High-density housing is not likely to occur in the Corridor in the near- to mid-term as the area lacks amenities, shops, and services.

KMA Recommendations:

- Reduce commercial/retail space to approximately 25,000 to 50,000 SF consisting of freeway commercial/convenience retail and neighborhood-serving retail shops and services
- Reduce number of residential units to allow for reduced housing density:
  - Stacked-flat with surface parking (30 units/acre) in the mid-term
  - Stacked-flat with tuck-under parking (40 units/acre) in the long-term

F. South Center Street Residential

The South Center Street Residential (South Center) subarea is located south of the Pellissier Ranch subarea along Center street and abuts the Ab Brown Sports complex. The South Center subarea is planned to contain approximately 470 housing units. Table V-5 provides a summary of the residential land uses.

Table V-5: West La Cadena Corridor Land Use Tabulations		
Land Use	**Totals**	**Units/Acre**
Low-Density Residential	234 Units	10 Units/Acre
Medium-Density Residential	236 Units	18 Units/Acre

The densities proposed in the South Center subarea appear to be an ideal location for low- and medium-density housing. The subareas' proximity to the proposed Sports Complex and Spanish Town create an inviting and walkable environment for future residents without the need for shops and services in the immediate vicinity.

KMA Recommendation:

- Not applicable

VI. PLAN IMPLEMENTATION

The purpose of the Consolidated Plan is to revitalize the Northside community and improve the quality of life for its residents, employers, employees, and visitors. The Consolidated Plan proposes investment in streets, transit, bicycle corridors, walking trails, protection of historic resources, and improvements to City services and amenities such as police and community recreation. Investment in infrastructure and amenities is required to attract new development and generate interest from businesses that serve residents and potential visitors. There are a number of opportunities available to the City to fund these capital improvements and/or the ongoing annual maintenance of such improvements. This section discusses these opportunities in terms of creating public/private partnerships and/or forming a special financing district.

A. Public/Private Partnerships

A public/private partnership, or P3, is created when a contract is formed between a governmental body and a private entity, most often a corporation. The goal is generally to provide some public benefit in the form of either an asset or a service. A key element of this contract is that the private entity must take on a significant portion of the risk because the contractually specified compensation is dependent on their performance.

A master developer, by way of forming a P3, is an entity that will bring resources in planning, development, finance, and public-private partnerships to create a detailed plan to facilitate and implement backbone infrastructure. The role of a master developer will be the key to successful implementation of the Consolidated Plan. Master developers can advance investment in public facilities and amenities, thereby setting the stage for development of a new community at the heart of the Plan Area. This provides certainty for individual builders and buyers/renters of completed real estate developments. The master developer's role would include community outreach, land use entitlements, installation of on- and off-site improvements, and recruitment of merchant builders for individual project components.

Since several major properties are owned by the City and Riverside Public Utilities (RPU), the City or RPU can consider issuance of one or more RFPs for a master developer. The RFP could be distributed on a local, regional, or national basis, with emphases on developers/investors that specialize in large-scale mixed-use development and more specifically the themes identified in the Plan. The P3 structure with a master developer is widely used throughout the State and would significantly accelerate implementation of the Consolidated Plan.

If the City desires to attract a quasi-private sports complex to the Plan Area, it should consider commissioning an in-depth feasibility study to determine the appropriate mix of facilities, achievable operating performance, and supportable private investment. Based upon the findings of the feasibility study, the City should then consider issuing an RFP to solicit plans and financial proposals. Alternatively, the City may retain ownership of the site and enter into a long-term agreement for capital improvements and operations.

B. Opportunities for Transit-Oriented Development

In recent years, the City has explored the option of developing a transit system connecting the Downtown area to UCR and the southwestern areas of the City (generally parallel to SR-91). Independent studies have shown that the development of transit lines results in emerging new development, and in particular, housing development. Transit-oriented development (TOD) is generally defined as a type of development that includes a mixture of residential, commercial, and/or other amenities that is integrated into a walkable neighborhood and is located within a half-mile of quality public transportation. TODs result in lower greenhouse gas emissions than conventional suburban development; encourages walking/biking and more active lifestyles; and creates value for property owners, businesses, local governments, transit agencies, and residents. In addition, TODs are viewed as having the potential to achieve faster absorption rates, higher occupancy rates, and in some cases higher sales prices or rents.

Recent and pending State legislation will provide funding or development incentives for housing developed near transit areas. As these initiatives are implemented, developers may have an opportunity to take advantage of these incentives to produce TODs. Since the Plan Area is essentially a blank canvas and, because part of this planning effort is undergoing a redesign, there is a potential to incorporate a transit system that connects the project area with Downtown Riverside to capitalize on the growth and economics of the city center. Additionally, investment in a transit connector or fixed guideway has the opportunity to influence the desirability of the Plan Area, reduce automobile trips, and increase land values. However, a planning effort of this magnitude requires cooperation with the local transportation agency, public participation, and identification of funding sources. If the City elects to pursue such an effort, a detailed analysis should be conducted.

C. Special Financing Districts

A number of financing mechanisms are available to the City and property owners/developers that may be used to fund public services, facilities, and infrastructure associated with the Plan Area. The ultimate mix of financing mechanisms will depend on improvements to be funded, an analysis of costs, benefits and burdens, and will need to involve City staff, property owners, developers, and finance experts.

There are currently two tax increment financing mechanisms for infrastructure and economic development that the City could consider exploring:

- **Enhanced Infrastructure Financing Districts (EIFDs):** Focuses on infrastructure and public/private transactions

- **Community Revitalization and Investment Authorities (CRIAs):** Similar to an EIFD but contains more stringent eligibility standards and contains low- and moderate-income housing obligations

These two financing mechanisms were approved by the California Legislature in 2014 and 2015, respectively, and provide cities/local authorities with the ability to create tax increment financing 777districts which can fund sustainable infrastructure. Table VI-1 on the following page provides more detail in for these districts terms of program description, eligible uses, formation procedures, and funding parameters.

Table VI-2 presents a larger mix of potential financing mechanisms that can fund capital costs and/or ongoing annual maintenance. These mechanisms include both public (local, state, and federal) and private (property owner, developer, and user) funding sources. Each mechanism is profiled in terms of program description, eligible uses, formation procedures, and funding parameters.

Table VI-1: Overview of Tax Increment Financing Districts

	ENHANCED INFRASTRUCTURE FINANCING DISTRICTS (EIFDs)	COMMUNITY REVITALIZATION AND INVESTMENT AUTHORITIES (CRIAs)
DESCRIPTION	• Authorizes a legislative body of a city/county to establish an infrastructure financing district, adopt an infrastructure financing plan, and issue bonds to finance specified public facilities • EIFD may include areas that are not contiguous • EIFD cannot fund ongoing annual maintenance; additional source of revenue required • Ability to combine tax increment with other funding sources, including fees, assessments, or special tax revenues derived from one of 10 specified sources (e.g., Mello-Roos CFD)	• Authorizes the establishment of redevelopment agencies in communities to address the effects of blight, as defined by means of redevelopment projects • Boundary must be contiguous and requires certain conditions (i.e., median household income, unemployment, crime, deteriorating infrastructure) to be met or must be established within a former military base characterized by deteriorated infrastructure • Low and moderate income housing obligations • Power of eminent domain
ELIGIBLE USES	• Purchase, construct, expand, improve, seismic retrofit, or rehabilitate any real or other tangible property; highways, interchanges, ramps, bridges, arterial streets, parking/transit facilities; etc.	• Rehabilitate, repair, upgrade or construct infrastructure; low-and moderate-income housing; acquire and transfer real property; etc.
FORMATION PROCEDURE	• City Council must designate an EIFD and adopt a Resolution of Intention; the Public Financing Authority (PFA) is also established at this time • PFA must consist of 3 members of the legislative body and 2 members of the public • PFA directs City to prepare an Infrastructure Financing Plan (IFP) • City adopts resolution approving IFP then holds a public hearing to adopt the resolution of formation • Formation is not subject to an election, but PFA may not issue bonds without voter approval • 55% voter approval required to issue bonds	• City Council must adopt a resolution creating a Community Revitalization and Investment Authority (Authority) • Authority must consist of 3 members of the City Council and 2 members of the public (who live or work in the CRIA boundary) • Authority must adopt a Community Revitalization and Investment Plan (Plan) • Plan subject to three public hearings • Plan may be adopted if fewer than 25% of property owners and residents file a protest
FUNDING PARAMETERS	• Tax increment financing/tax allocation bonds; other assessments or fees (property tax in-lieu of vehicle • Tax increment limit of 45 years from the date on which the issuance of bonds is approved or the issuance of a loan is approved • Faciliites financed need not be physically located within the boundaries of the EIFD	• Tax increment financing/tax allocation bonds • 45 years from the formation of the CRIA Plan for the allocation of taxes to the Authority, repayment of the Authority's debts and obligations, and fulfilling all the Authority's housing obligations • Facilities financed must be within the boundaries of the CRIA, with limited exceptions for replacement housing

Table VI-2: Overview of Potential Financing Mechanisms

	MELLO-ROOS COMMUNITY FACILITIES DISTRICTS (CFD)	LANDSCAPE & LIGHTING DISTRICTS	BENEFIT ASSESSMENT DISTRICTS	DEVELOPMENT IMPACT FEES
DESCRIPTION	• Special tax placed on property located within an established district to fund public facilities and services • CFD can be bonded or non-bonded • Special taxes can be levied in perpetuity for ongoing services • Ability to set up zones and annexation areas	• Assessment on properties located within a specific boundary that receive special benefit from the improvements installed and maintenance thereof • Requires finding of special benefit • Bonds may be issued to construct capital projects	• Assessment on properties located within a specific boundary that receive special benefit from the improvements installed and maintenance thereof • Requires finding of special benefit	• Fees paid by developers to pay all or a portion of the costs of any public facility that benefits their development • Required to show a reasonable relationship between the fee and the purpose for which it is charged
ELIGIBLE USES	• Capital facilities: ◦ Parks/open space ◦ Schools ◦ Government facilities ◦ Water and sewer systems ◦ Infrastucture • Services: ◦ Maintenance of lighting, streets, parks, and open ◦ Police/fire protection ◦ Recreational programs ◦ Flood/storm protection ◦ Hazardous substance removal/ cleanup ◦ Maintenance or operation of other real property or tangible property with an estimated useful life of 5 years or more	• Capital facilities: ◦ Street lights/traffic lights ◦ Sidewalks/curbs/gutters ◦ Park/recreational improvements • Services: ◦ Street lights/traffic lights ◦ Sidewalks/curbs/gutters ◦ Landscaping ◦ Parks and recreational facilities	• Street maintenance • Street lighting • Drainage • Flood control • Land acquisition (easements)	• Capital facilities or ongoing services: ◦ School impact fee ◦ Mitigation fee (police, fire, or park) ◦ Water meter installation ◦ Sanitation capacity charge ◦ Water system facility ◦ Transportation projects
FORMATION PROCEDURE	• Requires 2/3 vote of qualified electors in district; if fewer than 12 residents, vote is conducted on current landowners • Special tax is based on an allocation formula, not necessarily in proportion to the benefit received	• Requires a majority vote of affected property owners through an assessment ballot procedure conducted at a public hearing	• Requires a majority vote of affected property owners through an assessment ballot procedure conducted at a public hearing	• City council action to adopt DIFs subject to Public Facilities Financing Plan
FUNDING PARAMETERS	• Municipal bonds supported by special tax revenues are issued to provide upfront funding to construct capital improvements • Special taxes are collected concurrently with the property tax bill	• Assessments are collected concurrently with the property tax bill • General benefit contribution required	• Assessments are collected concurrently with the property tax bill • General benefit contribution required	• Fees are paid in the form of a specified amount as a condition to the issuance of building permits, an occupancy permit, or subdivision map approval

Table VI-2: Overview of Potential Financing Mechanisms (Cont'd.)

	REIMBURSEMENT AGREEMENTS	SPECIAL ASSESSMENT DISCTRICTS	PROPERTY OR BUSINESS IMPROVEMENT DISTRICTS	INFRASTRUCTURE STATE REVOLVING FUND LOANS
DESCRIPTION	• Advance of funds from developers for use toward backbone infrastructure • Alternatively, developers construct and deliver specific improvements • City and developer enter into Reimbursement Agreement	• Assessment districts are typically formed in undeveloped areas and are used to build roads and install water and sewer systems for new • Requires finding of special benefit; assessments are levied on each parcel based upon its share of benefit from the improvements	• A legal mechanism for property owners in a defined geographic area to jointly plan and put in place a sustainable funding source that can pay for a set of services to improve their area	• Provides low-cost, long-term financing to public agencies and non-profit corporations for a wide-variety of infrastructure and economic development projects
ELIGIBLE USES	• Backbone infrastructure such as roads, wet and dry utilities, police and fire facilities, parks, etc. • Determined through negotiation of Development Agreement	• Real property acquisition • Roads/streets • Water/sewer improvements • Flood control	• Public space maintenance • Security • Marketing and promotions • Landscaping • Community services • Capital improvements	• Finances capital costs of public infrastructure such as land, construction of facilities, the purchase and installation of equipment as well as project soft costs: ◦ design ◦ environmental ◦ engineering ◦ permits and construction management
FORMATION PROCEDURE	• Two-party Development Agreement between City and Developer	• Typically property owners petition a City to form a district to finance large-scale infrastructure improvements • Requires a majority vote of affected property owners through an assessment ballot procedure conducted at a public hearing	• Approval of stakeholders representing at least 50% of property assessment value is required • Initial PBID term is 5 years; upon renewal, a district may be established for a another 10 years	• Application required • Eligible applicants include any subdivision of a local government, including cities, counties, special districts, assessment districts, joint powers authorities and non-profit corporations formed on behalf of a local government
FUNDING PARAMETERS	• Typically repaid from CFD bond proceeds and/or Development Impact Fees collected from future developers	• Municipal bonds supported by special assessments are issued to provide upfront funding to construct improvements • General benefit contribution required annually by City	• County collects assessments from property owners for Property and Business Improvement Districts (PBIDs) and distributes the revenue to the City which then provides the funding to the PBID	• Amounts range from $50,000 to $25 million with loan terms up to 30 years • Loan amounts may exceed $25 million on a case-by-case • Interest rates vary and are based on a number of factors

VII. LIMITING CONDITIONS

1. The assessment contained in this document is based, in part, on data from secondary sources such as state and local government, planning agencies, real estate brokers, and other third parties. While KMA believes that these sources are reliable, we cannot guarantee their accuracy.

2. The assessment assumes that neither the local nor national economy will experience a major recession. If an unforeseen change occurs in the economy, the conclusions contained herein may no longer be valid.

3. The findings are based on economic rather than political considerations. Therefore, they should be construed neither as a representation nor opinion that government approvals for development can be secured.

4. Market feasibility is not equivalent to financial feasibility; other factors apart from the level of demand for a land use are of crucial importance in determining feasibility. These factors include the cost of acquiring sites, relocation burdens, traffic impacts, remediation of toxics (if any), and mitigation measures required through the approval process.

5. Development opportunities are assumed to be achievable during the specified timeframe. A change in development schedule requires that the conclusions contained herein be reviewed for validity.

6. The analysis, opinions, recommendations and conclusions of this document are KMA's informed judgment based on market and economic conditions as of the date of this report. Due to the volatility of market conditions and complex dynamics influencing the economic conditions of the building and development industry, conclusions and recommended actions contained herein should not be relied upon as sole input for final business decisions regarding current and future development and planning.