

## **MEMORANDUM**

To: Jean Hasser, Tambri Heyden, Cass Walker, and  
Julianne Ward, City of Napa

From: Walter Kieser and Jason Moody

Subject: Focus Area Economic and Development Feasibility Analysis;  
EPS#18587

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*The Economics of Land Use*



This memorandum addresses the market and feasibility issues affecting land use policy and development programming for the three focus areas selected as part of the Downtown Specific Plan. It has been prepared by Economic & Planning Systems (EPS) as a subconsultant to MIG to inform the discussion and to ensure a feasible land use program(s) and related land use designations and policy for each focus area. It is recognized that a variety of other factors, such as urban design and community support, will also need to be incorporated as part of the ongoing planning process. In all of the focus areas, feasibility will also depend upon the implementing actions of the City and attraction of the necessary private investment.

### **Town Center Focus Area**

The Napa Town Center and adjacent Kohl's is a relatively small shopping center located on an interior mall. The Town Center was created in the 1980s by closing streets, constructing retail buildings, and building a parking structure—all reflecting a common form for shopping centers at that time. The Town Center, which encompasses approximately 118,000 square feet of space, currently has tenants including Napa Valley Emporium, Buckhorn Grill, Ben & Jerry's, Gilwoods Restaurant, McCaulou's, and the Napa Valley Visitor Center. Kohl's, which has replaced the recently closed Mervyn's Department Store, is in a 76,000-square foot building. The Town Center/Kohl's has been identified as a focus area because of its central location in the Downtown, concerns about its lagging performance, and its potential to become a more vital retail venue or mixed-use district. If improved in one manner or another, the Town Center could be more integrated into the fabric of the Downtown as a whole and support the Downtown's evolution into a more vital visitor- and resident-serving commercial district.

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## Market Context

The analysis of the Town Center focuses on its potential for revitalization either as a retail venue or as a new mixed-use project. The Town Center is underperforming; the current vacancy rate is estimated at about 30 percent and average monthly lease rates per square foot are in the \$1.75 to \$2.50 range. This compares to a citywide average lease rate of about \$3.10 and vacancy rate of about five percent.<sup>1</sup> Average sales per square foot lag sales performance typical of regional shopping centers.

The weak performance of the Town Center reflects broader national trends in retail sales and shopping centers. The retail business has always been dynamic—subject to changing consumer behavior and retailer innovations over the decades. However, the ongoing recession has had a profound additional effect on retailing including overall contraction of the sector and major national chains disappearing. These trends have put pressure on older, underperforming shopping centers across the country. Even modern shopping center forms such as the entertainment-anchored “lifestyle centers” are having difficulty. It is expected that even as the economy comes out of the recession, consumer expenditures will not recover to pre-recession levels and that national credit retailers that have driven shopping center development will be far more cautious about expansion.

It is our view that the Town Center does not have the physical, locational, or demographic attributes necessary to succeed as a major regional-serving shopping destination (e.g., regional mall with one or several department store anchors) or “Power Center” (typically defined as a retail center with two or more “big box” tenants). These types of centers generally require access to a market area population of somewhere between 100,000 to 250,000 (the actual population thresholds vary depending on income levels and the profile of individual tenants). The current resident population of the Primary Trade Area for the Downtown is somewhere between 80,000 and 120,000, depending on the specific geographic boundaries assumed, with the potential to increase by 4,500 to 5,700 over the next 10 years.<sup>2</sup> While the potential to capture retail sales from tourists and other visitors to Napa will augment Primary Trade Area demand, the shopping habits of visitors tend more toward eating and drinking and specialty retail rather than the general merchandise categories sold by national chains and/or credit retailers typical of regional shopping centers.<sup>3</sup> The Town Center is further constrained because of its small scale, interior orientation, and distance from major traffic corridors.

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<sup>1</sup> See the Existing Conditions Report for detailed more information on performance indicators for both the retail sector City-wide and Downtown. City-wide vacancy and lease rates are based on data from the Terranomics year End 2008 Napa County Retail Report. Town Center lease rates are based on average asking rates on vacant space.

<sup>2</sup> The low-end of this estimate includes the City of Napa and surrounding unincorporated areas while the high-end includes the entire County less American Canyon and surrounding unincorporated areas.

<sup>3</sup> A credit retailer is a term used to describe a large retail chain that is publicly traded and rated by agencies like Moody's Investors Service and Standard & Poors.

**Appendix 1** presents information on the location requirements for a variety of national credit retailers that occupy shopping centers. The list is provided for illustrative purposes and is not exhaustive. It excludes most tenants already represented in the Town Center or in nearby locations in Napa. A key challenge is to identify tenants serving these retail categories that don't require large floor plates and/or extensive on-site (usually surface) parking, conditions that may be difficult to meet in the Town Center.

As shown on **Appendix 1**, key characteristics identified by most tenants as critical to their location decision include population, traffic counts, building space requirements, and their existing store locations as well as those of their competitors. By way of example, most of the brand name, general merchandise department stores (e.g., Macy's, Nordstrom, and Bloomingdale's) are not likely to locate in the Town Center because of insufficient population in the Primary Trade Area. It is also important to note that the criteria listed are not static and most national credit retailers continuously update their formats and location strategies in response to competitive pressures and evolving market trends.

### ***Parking Considerations***

Another development constraint involves parking—retail venues require proximate, safe, accessible, and usually free parking. Many stores have their own requirements for numbers/proximity of spaces that the current center may not meet. Further, any expansion of the Town Center will require additional parking, and given the lack of land, this parking will need to be structured. Structured parking is expensive and tends to be a significant component of development costs. The Town Center is located in the City's parking-exempt district, which requires the developer to pay an impact fee rather than provide on-site parking for nonresidential uses. Although a commercial-oriented project could benefit from this policy, a mixed-use residential project will require on-site parking for residential uses to ensure marketability.

There are a number of parking options for the Town Center/Kohls site, each with pros and cons, that may impact the configuration and design of the development. The primary parking options and their associated implications are further discussed below.

- ***Podium Parking.*** Podium parking involves vertical development over a ground-floor concrete parking structure that acts as a foundation to the building. Although significantly more expensive than surface parking, this format significantly increases development density. In most cases, retail can wrap portions of the building, although the total amount of space will depend on the building footprint and amount of parking required. Parking lifts (i.e., elevators), or stacked parking, can greatly increase the efficiency of podium parking (i.e., more spaces per square foot) but also increase costs and is not generally viable for short term/high turnover parking.
- ***Underground Parking.*** Underground parking can allow for additional building space on the ground floor (i.e., retail or residential uses) but is generally about twice as expensive per space as podium parking.
- ***On-Site Structure (e.g., "Texas Donut").*** The so-called "Texas Donut" format consists of residential, retail, or office uses wrapped around a conventional, above-grade parking structure. The primary advantage of this format is cost; it can be significantly less expensive

than podium parking depending on design and site configuration. However, in order to generate these cost efficiencies, this format generally requires a relatively large floorplate, (e.g., more than one acre.). Napa's historic blocks are approximately 240 feet by 240 feet or approximately 1.3 acres in size and thus may accommodate such structures, particularly if any blocks are combined, as is the case in the Town Center.

- *Off-Site Parking.* As noted, the City accommodates parking for retail and office uses off site in public structures through payment of an impact fee. However, parking must be provided on site for residential uses although there may be an opportunity to add another floor to the existing parking structure adjacent to the Town Center and connect this facility to one or more of the residential buildings.

Ultimately, the feasibility of any of the parking options described above will depend on the market conditions for the uses to be accommodated as well as design considerations. A preliminary financial analysis conducted as part of this study suggests that a podium parking format for a residential mixed-use project is likely to be financially viable in the relatively short term while underground parking is not. This relationship could change in the longer term if residential market prices improve. For a vertical mixed-use office project, the immediate constraint relates more to the amount of demand than market prices. In other words, current market prices are sufficient to justify such a project (especially since parking could be provided off-site), assuming such a building could be fully occupied in a reasonable time frame. A project developed for an identified office tenant (i.e., a "build to suit") is likely to be highly viable, while a speculative project would offer significantly more risk. However, as discussed in the Existing Conditions Report, long-term market conditions suggest that this dynamic will improve.

Whatever type of parking is ultimately provided, a vertical mixed-use project (new buildings) on the Town Center/Kohl's site is likely to result in a reduction in the total amount of retail square footage relative to what currently exists in the Town Center and Kohl's. This is because interior retail space is generally very difficult to lease and developers are unlikely to incorporate such space as part of their project. In addition, second floor retail space is not regarded as viable in the Napa market. The only types of tenants willing to consider either interior or second floor retail space are large format retailers such as department stores. And even these tenants generally require a stand-alone building with ground floor presence. As noted above, the Town Center site does not offer the demographic or locational attributes to attract such a tenant. Third, a reconstruction of the site with more intensive uses is likely to require additional streets where Town Center buildings and open space now exist.

### **Analysis of Town Center Revitalization Options**

The current weak performance of the Town Center, existing and future trade area demand characteristics, and national retail trends raise questions about the Town Center as a viable retail venue in the longer term and lend importance to considering other land use options. Redevelopment of the Town Center, whatever form it might take, will be affected by the existing revenue-generating uses (buildings and tenants) that occupy the Town Center site, as well as a range of market factors. Ultimately, to the degree that the value of any new investment or reconfiguration of the site does not exceed the financial losses associated with displacing or otherwise affecting these existing uses, outside assistance (e.g., Redevelopment Agency assistance) could be required.

A reduction in the total amount of retail space within the Town Center site would not necessarily be detrimental to its function as an economic catalyst to the Downtown core. For example, a successful mixed-use residential or office project on the site would provide increased energy to the area, including “eyes on the street” and a 24-hour presence that could spur investment and additional demand in adjacent areas. There appear to be numerous other opportunities in the Downtown Core that could accommodate small retail space through in-fill redevelopment, adaptive reuse, or re-tenanting. Moreover, from a catalytic perspective, the quality and performance of retail space is much more important than sheer quantity. There is no set formula for how much retail is needed to attract certain tenants since these relationships vary significantly depending on the unique attributes of a market or sub-market and the market strategy of the particular tenant. In our opinion the City should be less concerned about meeting some retail space threshold and focus more on getting the “right” thematic mix of tenants.

Based on a preliminary review of the opportunities and constraints presented by the Town Center, the MIG Team has identified, evaluated, and compared three options for improving the Town Center site, ranging from minimal intervention to extensive redevelopment. These three options and the corresponding market and financial implications of each are described below.

#### ***Option 1—Revitalization of Existing Pedestrian Mall***

The first and least intensive option for the Town Center is to restore and modernize the existing properties in an attempt to improve its economic performance and impact on the broader Downtown area. The goal of modernization would be to attract higher-volume and national credit tenants so that the Center could become a successful regional shopping destination and provide “spill over” benefits in the form of increased foot traffic and recognition to energize the core of the Downtown as a primary retail district. One of the major challenges is the current configuration of the Town Center, because most retailer’s first questions are “where is the parking?” and “what other stores are there?” Parking access is a hurdle in attracting tenants to the Town Center.

Consistent with this option, the property owner has proposed a privately financed investment focused on facade and entry-way improvements, although the precise details are not yet available. This option could also include more extensive investments than those proposed by the current owner, including integration with emerging design themes for the Downtown and a more strategic retail marketing and branding campaign to improve the tenant mix, occupancy, and lease rates and even partial restoration of the “urban grid,” as described further below.

The key issue is whether the Town Center, given its relatively small size and current configuration, could ever achieve a destination and thus catalytic retail role, even with design, facade, and access improvements. In our view this is doubtful given the factors described above. More likely, these improvements would simply sustain the Town Center in its current form and role in the Downtown area. While the existing retail space would be retained, it would likely continue to underperform and thus would not have the desired catalytic effect on the Downtown. In its current configuration, the center is not expected to act as a catalyst for development around it. However, its performance could improve as a result of the new development occurring around it, limited improvements, and an active retailing strategy.

### ***Option 2—Restoration of the Street Grid and Reformatting***

Another option for transforming the Town Center and Kohl's into a more vibrant retail district would be to restore the original street grid. This option would involve opening some or all of the surrounding streets into the Town Center to improve access, visibility, linkage, and overall integration with the rest of the Downtown core. This option could be pursued in conjunction with redesign and formatting (e.g. consolidation of space) of the existing Town Center buildings to meet the needs of larger, high volume tenants. The key question regarding this option is whether it will improve the potential of the Town Center/Kohl's to attract high-volume retailers and generally improve performance to act as a catalytic project in the Downtown.

Currently, visibility to the Town Center by automobile is most prominent via First Street, which is one-way and to Kohl's via Main Street. Tourists or newcomers who are unfamiliar with the Downtown may find the Center and adjacent parking structure difficult to access or "discover" as they tour the Downtown since the majority of parking is located behind Town Center and Kohl's off Clay and Pearl streets. Even for locals who are aware of the Town Center and how best to access it, the interior location of many of the tenants may be a hindrance or at least make its existence "easy to forget," especially since the Town Center has not established itself as a major shopping destination. It is worth noting that the Town Center owners have expressed support for opening Coombs Street to vehicular traffic. The exact configuration and cost of restoring the urban grid would depend on design considerations and negotiations with affected properties and tenants. In any case, such an effort would likely entail substantial costs, potentially including negotiations related to right-of-way acquisition.

The primary rationale behind restoring the street grid is to improve visibility and access to the Town Center and adjacent parking structure for vehicles and pedestrians. Shoppers are often more likely to visit retail establishments or districts that they can easily see (often as part of an unrelated trip) or have specific destination tenants or "sense of place" they want to visit. In addition, an urban grid can provide increased opportunities for retail street frontage and visibility for vehicles, a key site attribute sought by most national retail merchandisers, especially outside of traditional malls. Larger retail spaces (i.e., 20,000 to 30,000 square feet) at key intersections can be especially attractive to "mini-anchors" such as a Barnes & Nobles, Bed Bath & Beyond, and Pier 1 that often locate in smaller retail districts and outside of traditional mall settings. Finally, additional street frontage can provide opportunities for entry-way statements that draw customers in and help "brand" a district.

In our view it is questionable whether the reintroduction of the street grid and reformatting of the Town Center buildings would in itself attract desired and necessary retail tenants. Even if tenants could be attracted, the owner or developer may not be able to afford the substantial investments involved in reformatting or reconstructing the existing buildings and making necessary street improvements. Consequently, such a project could require City (i.e., Redevelopment Agency) investment with uncertain benefits. While this option would likely result in a decline in net floor space, in our view this loss would be offset by improved sales performance of the larger format tenants because of their increased visibility.

### ***Option 3—Redevelopment as a Vertical Mixed-Use Project***

The most intensive option for the Town Center would be a reconstruction, converting it from a shopping mall into a mixed-use project including residential, office, and/or new retail and entertainment uses in a vertical mixed-use format. Although a variety of reuse options and

building configurations could be possible under this option, the total building space that would result would need to be significantly higher than what currently exists.

Enlivening the downtown has been a key theme in the vision for the future of downtown. Adding a residential component to new downtown development would enliven the area by bringing a 24-hour presence to the area. Also, the housing element plans for higher density housing to be incorporated into new development in the downtown. Therefore, any reconstruction of the Town Center should consider the incorporation of housing.

A complete redevelopment of the Town Center and Kohl's that significantly increases development on the site could potentially provide a range of benefits to the property owner, City, and Downtown as a whole. From the perspective of economic revitalization, such a project could greatly increase the level of foot traffic from residents, workers, and patrons of newly configured retail venues, which would benefit surrounding businesses and property owners as well as the Town Center itself. A mixed-use residential project, for example, could provide a 24-hour, eyes-on-the-street presence and further support a critical mass of activity that is currently lacking, especially during weekday evenings. Such a project would also provide increased sales and property tax revenues to the City which could be used to further support public services and programming in the Downtown.

Despite the potential benefits of increased development intensity, a key question is whether such a project would be financially feasible from the perspective of the property owner and/or developer. The City would also lose retail space, perhaps half of the existing 118,000 square feet or more, although it would be hoped that the remaining new space would perform better than the existing space and that the project as a whole would inject new vitality (and retail sales) to the other retail stores in the Downtown. Thus, the scale of the mixed-use project will need to be sufficient to offset the substantial costs and market timing of reconstructing the Town Center and provide adequate parking space, as discussed above. EPS tested two residential retail scenarios strictly for economic viability purposes with primarily four- to five-story buildings and found that they did generate a net increase in value if parked on a podium (underground parking was determined to be infeasible given current market conditions). An additional consideration is that the loss of retail space can be used as a parking credit for other new non-residential uses. An upper story office component as part of a new development could take advantage of this credit.

## **Cinedome Focus Area**

The Cinedome Focus Area encompasses the location of the existing movie theater, associated parking area, and Napa Sanitation District pump station. The developable portion of this focus area will be reduced by the Oxbow Commons Bypass Channel, which is being constructed by the Flood Project. A new pedestrian promenade is planned along the northern edge of the channel from West Street to Soscol Avenue, and new pedestrian/bike trails are planned in the Oxbow Commons connecting the area to other portions of the Downtown. The area is also somewhat removed (visually and in terms of vehicle access) on the northern edge of Downtown, potentially reducing its viability for retail uses absent a major destination retailer. However, it is anticipated that the City will build a parking garage with approximately four levels and 300 to 400 parking spaces adjacent to the existing Cinedome site, *on the Napa Sanitation District Site*, that would be available to serve new uses.

Three land use options have been identified for the Cinedome Focus Area, as described separately below. It should be noted that the City/Redevelopment Agency owns the majority of the Cinedome Focus Area and would enter into negotiations with a developer (most likely the owners of the Cinedome site) to ensure the site is planned and developed as a single, cohesive project.

### **Option 1—Cinema- and Entertainment-Oriented Retail**

This option assumes a new movie theater is developed on the Cinedome site supported by additional entertainment-oriented uses, such as cafés and restaurants. Although the Cinedome is currently a functioning, eight-screen theater, the operator has expressed doubt about its long-term viability. (This resulted in a search for a more expansive site where a larger multiplex could locate as part of a larger project with surface parking.) However, this scenario analyzes the potential for a more modern, larger (e.g., more screens) theater, and higher-end project than currently exists on this site. The goal would be to establish a retail entertainment destination to anchor the north end of Downtown. Of course, additional parking would need to be provided in order to accommodate such a development, especially given the fact that the flood control project is eliminating approximately 120 existing spaces.

It is important to note that movie theaters are generally not financially viable as stand-alone projects because developments costs can be significant and operators cannot afford to pay high rents (even when attendance is strong, studios generally command a very high proportion of gross receipts, especially for “blockbuster” movies). However, local jurisdictions often subsidize these projects because theaters can serve as a key anchor for a broader entertainment district by drawing in consumers who can also be captured by local shops and restaurants. Meanwhile, private developers are often willing to include a multiplex as part of a larger project as a “loss leader” assuming they can capture the spillover benefit on-site from additional development square footage in the form of higher lease rates from other tenants.

The Cinedome is the only venue in the City showing popular first-run films. There is one other theater operating in Downtown Napa, The Jarvis Conservatory, a specialty theater that shows current art films and live opera performances. The next-closest multiplex theaters that show first-run movies are about 20 miles away in Sonoma, Fairfield, and Vallejo (see **Table 1**). The City has approved a new 12-screen theater behind the South Napa Marketplace (location of Home Depot, Raley’s, and Target). If ultimately developed (and developers are actively working on the project in hopes of opening a new complex in 2011), this project could also include at least 50,000 square feet of retail, 40,000 square feet of office, and over 700 surface parking spaces, although detailed design plans have yet to be submitted.

**Table 1. Movie Theaters in and near Napa County**

Theater	Address	Screens	Driving Distance <sup>1</sup>	
			Miles	Minutes
Century Napa Cinedome 8	825 Pearl St Napa, CA	8	0.6	2
Jarvis Conservatory	Downtown Napa	1	0.6	2
Cameo Cinema	1340 Main Street St. Helena, CA	1	17.7	26
Sonoma Cinemas	200 Siesta Way Sonoma, CA	9	18.0	29
Edwards Fairfield Stadium 16	1549 Gateway Boulevard Fairfield, CA	16	20.3	31
Century 14 Vallejo	109 Plaza Drive Vallejo, CA	14	16.9	28
<b>Total</b>		<b>49</b>	--	--

[1] Driving distance from 1st Street and Jefferson Street in downtown Napa.

Sources: Economic and Planning Systems, Inc.

The viability of opening a second successful movie theater *in the City of Napa* will be a function of population size, the existing supply of competitive screens, and travel time. Generally, moviegoers will travel up to 25 minutes to see their preferred showing, although longer travel times do occur, especially if part of a larger entertainment and or retail experience (dining, shopping, recreation, etc.). According to the industry "rule of thumb," a population of between 8,000 and 10,000 will support one screen.

**Table 2. Population in Napa and Surrounding Cities, 2009-2020**

City	Population <sup>1</sup>		Supportable Screens in 2009 <sup>2</sup>		Supportable Screens in 2020 <sup>2</sup>	
	2009	2020	Low	High	Low	High
Napa	81,380	86,000	8	10	9	11
Amer.Cnyn.	16,940	18,100	1.7	2.1	1.8	2.3
Calistoga	5,280	5,400	0.5	0.7	0.5	0.7
St. Helena	6,100	6,200	0.6	0.8	0.6	0.8
Yountville	<u>3,400</u>	<u>3,600</u>	<u>0.3</u>	<u>0.4</u>	<u>0.4</u>	<u>0.5</u>
Subtotal	31,720	33,300	3	4	3	4
<b>Total</b>	<b>113,100</b>	<b>119,300</b>	<b>11</b>	<b>14</b>	<b>12</b>	<b>15</b>
<b>Napa County</b>	<b>137,780</b>	<b>144,600</b>	<b>14</b>	<b>17</b>	<b>14</b>	<b>18</b>

[1] Assumes average annual growth is constant. Population figures include the City's population and that of the City's sphere of influence.

[2] "Low" assumes one screen per 10,000 in population and "High" assumes one screen per 8,000 in population.

Source: ABAG Projections 2009; Economic and Planning Systems, Inc.

Based on the industry rule-of-thumb calculation described above, Napa does not appear to have the population base needed to support two new multiplex theaters (i.e., at Cinedome site and South Napa Marketplace). Specifically, based on its size, the City of Napa, by itself, can only support between eight and ten screens, which is already equivalent to the current number of screens in the City. Although the population of the County as a whole could support between 14 and 17 screens (and up to 18 screens by 2020), a portion of this demand is siphoned off by existing multiplexes in Vallejo, Fairfield, and Sonoma. Although the relatively high levels of tourism may slightly increase the number of screens that can be supported in the area, this would likely be counteracted by longer travel times for potential patrons from the cities in the northern portion of the County.<sup>4</sup>

Given the market demand and supply dynamics described above and the fact that theaters are often "loss leaders" from a business perspective, it is our opinion that it is unlikely that the theater developer would have a financial incentive to pursue a new multiplex at the Cinedome site if the South Napa project moves forward as expected. Although the City may have capacity to support a few additional screens, theater developers rarely build small, boutique projects (i.e., less than eight screens) since they generally cannot compete with a larger multiplex for both patrons and blockbuster movies. If the approved South Napa theater does not move ahead, the

<sup>4</sup> Movie theater demand is also heavily influenced by age demographics with the most frequent movie-goers falling in the younger (13 – 25) and older (i.e. empty-nesters and retirees) cohorts.

City would need to make a policy decision about the most desirable location for a multiplex project, taking into consideration such factors as potential economic impacts, required subsidies, if any, and marketability. It should be noted that a multiplex development in the Downtown (whether at the existing Cinedome, Town Center, or other location) would likely require some public subsidy given the high cost of land and the need to provide structured parking.

### **Option 2—Office Mixed-Use**

This option assumes primarily professional office space in several buildings with a limited amount of retail (café, restaurant, etc.) to support the additional office uses. Such a project would increase the intensity of activity and day-time population in Downtown Napa without detracting from the Town Center area as the retail core. It would also capitalize on the favorable long-term market conditions for professional office space, as identified in the Existing Conditions Report.<sup>5</sup> The site's location adjacent to the Napa River with potential views, as well as the potential for retail and recreational amenities, is likely to make for a highly attractive and marketable office project with appeal to urban professionals.

The development feasibility of this option will depend on the product mix, scale, and design that are ultimately pursued. Land use analysis conducted by MIG suggests that the Cinedome site could accommodate about 100,000 to 120,000 square feet of office with about 5,000 to 10,000 square feet of ground floor retail in two- to three-story buildings. Although a detailed site plan has yet to be developed, a variety of office product types with different density, height, and design configurations are likely to be financially feasible in the long term given the site's desirable amenities, its location next to the Downtown, and the fact that parking would be provided in an adjacent, City-owned structure (the developer would pay a parking in-lieu fee (currently \$7,500 per space) rather than build parking on site which would be more costly).

In our opinion the biggest obstacle facing this office development option is market demand and the related long and uncertain absorption schedule (earlier market analysis suggests limited demand for multi-tenant office space). Although this would be an important concern for a speculative development (i.e., no identified tenants), a so-called build-to-suit project tailored to the needs of one or several larger, committed tenants would significantly improve the feasibility of this option.

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<sup>5</sup> As described in the Existing Conditions Report, the Downtown appears relatively well-positioned to capture an increasing share of the Napa Region's growing office market, assuming adequate space is available. With the City's largest business park approaching buildout and continued employment growth in finance, professional services, health, education and other white-collar professions, the Downtown is becoming an increasingly competitive location, especially for more traditional "professional office" space. In addition, the gradual improvement in level of services, amenities, and built environment offered in the Downtown has helped foster a setting that is more attractive to a wide range of business tenants.

### **Option 3—High-Density Residential**

This option considers redeveloping the Cinedome site with high-density residential in the form of townhomes and/or multifamily (either rental or for-sale). Similar to an office project, this option would increase the level of activity in the Downtown while providing demand to support retail and other commercial uses throughout the Project Area. Again, the site's location adjacent to the Napa River with potential views, as well as retail and recreational amenities, could also make it highly attractive and marketable to urban professionals, empty nesters, and other market segments.

One of the key challenges facing a residential project in this location will be the provision of adequate on-site parking since residences require such parking. Similar to the Town Center site, an underground parking solution is likely to be financially challenging because of cost considerations. A multifamily project with podium or "Texas donut" parking is more likely to be feasible from a developer's perspective.

The existing property owner of the Cinedome site intends to maintain ownership of the land long term which would likely result in rental housing project. Given current market conditions, a for-sale three-story townhome style project appears to be the most financially viable residential product since parking can be more easily integrated within each unit thus reducing development costs. At some point in the future a rental townhome style product may be equally viable. Townhome price points are currently likely to be higher and the costs lower than multifamily flats, thus improving development feasibility. However, for a long term owner/developer, it may work equally well to pursue a higher-density residential rental project at three to five stories. While all types would help meet City workforce housing needs, a rental product provides more affordable homes for Napa households and workers

### **Copia Focus Area**

The ongoing bankruptcy of Copia (the American Center for Wine, Food and the Arts), has caused creditors to consider a variety of reuse options that might maximize value, recognizing that any future owner will need to work with the City. In addition, the County has expressed interest in disposing of its former Corporation Yard on Water Street, located adjacent to the Copia property, for development purposes. These factors create substantial opportunities for reuse and development of the focus area. The feasibility analysis of the Copia Area, focuses on identifying an appropriate adaptive reuse of the existing high value Copia building and determining the type and scale of complementary uses that could be located on surrounding vacant or underutilized sites.

The general notion for the Copia Focus Area is influenced by the high amenity location of the area along the Napa River, the nearby destination resort hotels (Westin and the planned Ritz-Carlton across the river), the wine train, and the desire to more effectively link the area to the Downtown core along the First Street corridor. The Copia Focus Area encompasses the 13-acre Copia property and the 2.2-acre County Corporation Yard for a total of 15.2 acres. The developable portion of the Focus Area is constrained by a number of existing and planned facilities. The Napa River Flood Protection Project and/or the City's more recent Napa River Parkway Master Plan includes a number of flood protection and recreation facilities in the area such as a trail extending along the Napa River, boat launching facilities, and a small park

containing picnic facilities with a public restroom and access to the Riverfront trail. The existing parking lot north of First Street will need to continue being available for parking. Finally some portion of the Copia gardens are assumed to remain as such. In combination, these existing or planned facilities reduce the portion of the Copia Focus Area available for reuse to an estimated 4.56 acres, or as much as 5.41 acres if the southern portion of the gardens are made available for development. The feasibility analysis of the Copia Focus Area addresses three questions:

**1. Can the Copia building complex be adaptively reused for conference facilities shared by the existing and proposed hotels?**

It is conceivable that the substantial built space composing the Copia facilities could be adaptively reused as conference space that would enhance business at the hotels and Downtown, thus making private (and public) investment needed for the renovations and subsequent operations a good business decision.

**2. Can other visitor-serving (or other) uses be built on adjoining vacant lands that enhance the function of the area as a visitor destination while helping link the area to the Downtown?**

The availability of underutilized or vacant parcels in the area, including portions of the Copia property, creates opportunities for construction of other visitor-serving or commercial uses that enhance the viability of the Downtown area as a visitor destination and also support the adaptive reuse of the Copia facilities.

**3. Can community-favored uses be integrated into the area while achieving other policy and financial feasibility objectives?**

The community has expressed preferences for a range of public or quasi-public uses in the area including park space, retention of community gardens, and artist live-work space. It appears that reuse of the Copia facilities and additional development in the focus area can be consistent with creating (or preserving) a range of public amenities including trails, parks, and gardens.

While the feasibility of specific development proposals will remain in question, as they are subject to a range of conditions including market demand, project cost, financial performance, and landowner objectives, it is our opinion that the Downtown Specific Plan can create a policy framework, a set of land use regulations, and an implementation strategy that yield a “yes” to these three questions. However, current market uncertainties and the complexity of the reuse of the Copia facilities suggest that a substantial effort will be needed on the part of the landowners, prospective developers, and the City to realize this vision.

## **Reuse of the Copia Buildings**

The existing Copia buildings include 13,000 square feet of gallery space, a 260-seat indoor theater, a library, classrooms, a demonstration kitchen, a dining room, wine tasting facilities, a 700-seat outdoor theater, a café, and gift shop. The Copia buildings are well-designed and constructed and lend themselves well to reuse as conference facilities. There are comparably sized conference facilities in other resort communities. Existing spaces will need to be redesigned and reconfigured to ensure an adequate number of “breakout” rooms and other facilities needed to support mid-sized conferences. At the same time the local hotels lack the

ability to attract mid-week guests because of their limited on-site conference space. It is thus obvious that adaptive reuse could preserve the Copia facilities and also enhance the local hotel businesses. While some interest has been expressed, preparation of a more precise business plan will be necessary to determine financial feasibility.

It is also possible that a portion of the space in the Copia buildings could continue as a quasi-public educational facility focusing on food and/or wine. In any case, the existing parking lot north of First Street will be needed for a conference facility and the Oxbow Public Market. Depending upon other uses in the area, and how access is provided to the site from the participating hotels, it is also likely that a parking structure will be required on this site. The cost of this structure will need to be borne by the developer and any joint use with uses located on the south side of First Street (e.g., hotel). Because of constrained parking conditions elsewhere in the Oxbow area, additional parking could be contemplated on this site to assist that condition.

Experience from other resort communities suggests that some form of a public/private partnership may be necessary to create the conference spaces and related improvements. There may be up to three entities involved in such a partnership or transaction—the current owners of the facility, the lodging properties that will benefit by the creation of conference space, and the City of Napa/Redevelopment Agency. The current owners may obtain additional value through rezoning a portion of their property for private uses including a hotel, commercial space or residential uses, which can create value that increases the incentive to retain the existing buildings in quasi-public uses. The lodging operators, both existing and future, will benefit from conference facilities by expanding their business, particularly by increasing their ability to book conferences that typically occur mid-week, a weak spot in current performance. This additional business creates an ability to invest in (or otherwise fund) the creation and operation of the conference facilities. Public financing may also be considered and justified, since the reuse would achieve various public policies and purposes. Such public financing may be based upon funding from benefiting entities (e.g., the hotels) or include funding from dedicated public sources such as the City's transient occupancy tax.

### **Additional Development**

The Copia land holdings, in addition to the actual site of the Copia building, the gardens, and parking lots, contain vacant and underutilized land that—along with the County Corporation Yard site—can be available for new development. It is estimated that the buildable area, net of the land required for flood control improvements and trails and other recreation facilities, is approximately five acres presuming that most of the Copia garden areas remain. The owners, including the Copia owners and the County of Napa, are motivated to maximize land value. This development can be designed to complement the continuing use of the Copia buildings as conference space and also to enhance connectivity to Napa's Downtown area. Significant intensification of the area, especially on the Copia property, will likely require construction of structured parking, which is a significant development cost to ensure continued parking capacity for the Oxbow Public Market, the conference facilities, and additional commercial uses (e.g., a hotel or other retail space). While some shared parking is possible (e.g., between Copia Conference Center, the Oxbow Public Market, and possible area-wide parking needs), on-site parking will be necessary for all uses considered. Similar to other sites in Downtown Napa, sub-grade parking will be costly because of soil and water table conditions.

### ***Hotel***

While current market conditions remain unfavorable for lodging uses, this focus area is well-located for an additional resort hotel in Napa. Given the typical use-intensity of such facilities, the developable site area would accommodate a hotel with as many as 250 rooms, in a three- or four-story building format, along with related spa and resort facilities. Previous market studies have indicated that there will be adequate demand for such a hotel over the long term in the context of existing and planned hotels in Napa. The hotel would benefit from joint use of a parking structure built on the north Copia parcel's surface parking lot but would require some on-site parking as well. The hotel would also benefit from direct access to the conference facilities created in the Copia building. While hotels generate substantial public benefit in the way of increasing retail sales, as well as generating transient occupancy taxes and additional property tax base, they are often challenging to finance and operate. Accordingly they may not generate substantial value back to the land, leading to the need for cross-subsidies from other private development or public subsidy (e.g., redevelopment tax increment financing).

### ***Additional Residential***

Residential uses could also be located within the five+-acre development area. While various building forms and residential products are possible, a high-quality condominium project could yield approximately 140 residential units. This residential development could be variously targeted to different market segments, including resort-second homes, age-restricted retirement units, or units for local workers and residents. The residential uses would require on-site parking, reducing the yield of the site or requiring structured parking. Sub-grade parking on this site, given soil conditions and proximity to the Napa River, would be a more significant cost factor. Similar to lodging uses, residential uses are likely to be infeasible under current economic conditions. However, over time as the overall economy improves, residential uses will be feasible and can generate substantial value back to the land. At the same time, residential uses do not have the same tax generating benefits as a hotel use; generally residential uses produce at best a "break even" fiscal result, compared to the hotel option, which would generate transit occupancy tax easily offsetting service costs. Additionally, the hotel option would provide other public benefits as compared to additional residential uses including business support for the Copia Conference Center, and the additional economic activity from visitors to the Downtown.

### ***Recreation and Other Community Amenities***

Public open spaces, including all or some of the existing Copia gardens, plazas, and the planned Riverfront trail and related recreational facilities (boat launching area, etc.), are recommended and can all be effectively integrated into development of the focus area, expanding public access to the area and recreational opportunities in the City. Creation of such facilities, including the cost of acquiring land and making the desired improvements, as well as ongoing operation and maintenance costs, will also be a factor in scaling and designing these public amenities. Thus, it will be beneficial to use the development process and partnerships with public, private or nonprofit entities to obtain and maintain these facilities.



**APPENDIX 1:**  
**List of Big Box Criteria, Requirements,  
and Location**

Appendix 1

List of Big Box Criteria, Requirements, and Location

Focus Area Economic and Development Feasibility Analysis; EPS #18587

Company	Driving Distance	Desired Population	Income	Target Traffic Counts	Space Requirements	Location Type	Desired Co-Tenants	Lease Terms
<b>General Merchandise -- Department Store</b>								
Target	N/A	100,000	Medium, High	25,000	90,000-125,000 SF	Mall, Community Strip, Power, CBD, Freestanding	Traditional, Discount, Outlet, Entertainment, Upscale, Fashion	N/A
Kmart	N/A	N/A	Medium	N/A	103,000-140,000 SF	Freestanding, Mall, Community Strip	Discount	20 years
Wal-Mart	N/A	N/A	Low, Medium	20,000	50,000-120,000 SF	Mall, Community Strip, Power	Traditional, Discount, Outlet, Entertainment, Upscale, Fashion	20 years, + options
Big Lots								
Costco								
Gottschalk's <sup>1</sup>	N/A	N/A	Medium	10,000	80,000-100,000 SF	Mall	Traditional, Discount, Upscale, Service, Fashion	N/A
Kohl's								
Marshals								
Ross								
Sears	N/A	N/A	Medium	35,000	60,000-110,000 SF	Mall	Traditional, Discount, Upscale, Service, Fashion	10 years

[1] Many outlets facing closure.

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Dillard's	3 miles	30,000	N/A	30,000	100,000-210,000 SF	Mall	Traditional, Discount, Upscale, Service, Fashion	10 years
Macy's	N/A	N/A	N/A	30,000	100,000-225,000 SF	Mall	Traditional, Discount, Upscale, Service, Fashion	20 years
Nordstrom	N/A	N/A	Medium, High	50,000	190,000-250,000 SF	Mall, Downtown/ CBD, Community Strip	Outlet, Upscale, Fashion Oriented	N/A
Neiman Marcus	N/A	200,000	Medium, High	50,000	90,000-270,000 SF	Mall, Downtown/ CBD	Upscale	15 years
Bloomingdale's	N/A	N/A	Medium, High	25,000	160,000-250,000 SF	Mall	Upscale	20 years
<b>General Merchandise -- Consumer Electronics/Office Supply</b>								
Best Buy	10 miles	200,000	Medium, High	40,000	30-60,000 SF; 250' Frontage; 5 Acres	Mall, Mall Outparcel, Freestanding, Power	Discount, Entertainment	5-20 years
Office Depot	N/A	200,000	Medium	50,000	30,000 SF	Mall, Community Strip, Power	Discount, Outlet	5 years
OfficeMax	5 miles	70,000	Medium	25,000	20,000 SF, 116' Frontage	Mall, Community Strip, Power	Discount, Outlet, Entertainment	15 years, + option
Fry's								
<b>Building, Garden, &amp; Home Improvement</b>								
Home Depot		200,000	Medium	30,000		Freestanding, Mall, Community Strip	Traditional, Discount, Outlet, Upscale, Service Oriented	
Lowe's Home Improvement Warehouse	N/A	N/A	N/A	25,000	100,000-150,000 SF	Freestanding, Power, Neighborhood Center	Traditional, Discount, Outlet, Upscale, Service Oriented	Not Stated

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Ace Hardware	3 miles	20,000	Medium	25,000		N/A Mall Outparcel, Community Strip, Power Center	Traditional, Discount, Outlet, Upscale, Service Oriented	10 years
<b>Orchard</b>								
<b>Children's</b>								
Babies R Us	N/A	600,000	N/A	35,000	37,000 SF	Mall Outparcel, Mall, Community Strip, Power, Neighborhood Strip, Downtown	Discount, Outlet, Entertainment, Fashion Oriented	10 years, + options
Toys R Us	5 miles	250,000	N/A	25,000	30,000-50,000 SF	Mall, Community Strip, Power Center	Discount, Outlet, Entertainment, Fashion Oriented	10 years, + option
K-B Toy Works	N/A	100,000	Medium	10,000	7,500-8,000 SF	Mall, Community Strip, Neighborhood Strip	Discount, Outlet, Fashion Oriented	3 years, + options
<b>Entertainment &amp; Sports</b>								
Barnes and Nobles								
Borders								
Any Mountain	N/A	40,000	High	10,000	10,000-20,000 SF	Mall, Community Strip	Entertainment, Upscale	N/A
AMF Bowling	5 miles	64,000	Medium, High	No Min	4 acres, includes parking		All Considered	N/A
Golfsmith	N/A	150,000	Medium	50,000	25,000 SF	Power	Discount	15 years + option
Golf Galaxy	5 miles	200,000	\$60K median	N/A	12,000-15,000 SF	Freestanding, Power, Strip	N/A	N/A
Big 5 Sporting Goods	N/A	50,000	Medium, High	20,000	10,000-12,000 SF	Mall Outparcel, Mall, Power	Traditional, Discount, Outlet/ Off-Price, Fashion Oriented, Upscale	N/A
Champs Sports	3 miles	30,000	Medium	25,000	3,000-25,000 SF	Mall, Downtown/ CBD, Neighborhood Center	N/A	10 years

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REI	N/A	200,000	Medium, High	No Min	20,000-40,000 SF	Mall, Community Strip, Power	Traditional, Discount, Outlet/ Off-Price, Fashion Oriented, Upscale	N/A
Foot Locker	N/A	N/A	Medium	25,000	2,500-10,000 SF	Community Strip, Neighborhood Strip, Downtown/ CBD	Upscale, Fashion Oriented	10 years + options
Sports Authority	N/A	N/A	Medium	25,000	2,500-10,000 SF	Community Strip, Neighborhood Strip, Downtown/ CBD	Upscale, Fashion Oriented	10 years + options
<b>Bath, Bedding, and Home Furnishings</b>								
Bed Bath and Beyond								
IKEA								
Linens 'N Things	5-7 miles	250,000	Medium, High	No Min	35,000-40,000 SF	Power	Discount, Fashion Oriented	15 years, + option
The Container Store	5 miles	300,000	High	50,000	23,000-25,000 SF	Mall Outparcel	Upscale	N/A
Mattress Discounters	5 miles	150,000	Medium	50,000	3,500-4,000 SF	Strip Center, Mall Outparcel	Discount, Entertainment	5 years, + option
3-Day Blind	5 miles	100,000	Medium	N/A	2,000 SF		Home Depot	5 years
Levitz Furniture	N/A	200,000	Medium	35,000	35,000 SF	Mall	Traditional, Discount, Outlet, Entertainment, Upscale, Fashion	10 years
Ethan Allen Interiors	10 miles	200,000	High	30,000	12,500-18,000 SF	Mall Outparcel, Strip Center	Upscale, Fashion-Oriented	N/A
Anthropologie	N/A	N/A	Medium, High	No Min	9,000-12,000 SF	Strip Center, Downtown/ CBD	Traditional, Outlet, Upscale, Service	10 years, + 5-year options
Crate and Barrel	N/A	N/A	Medium, High	No Min	9,000-12,000 SF	Strip Center, Downtown/ CBD	Traditional, Outlet, Upscale, Service	10 years, + 5-year options

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Pier 1	N/A	N/A	Medium, High	No Min	9,000-12,000 SF	Strip Center, Downtown/ CBD	Traditional, Outlet, Upscale, Service	10 years, + 5-year options
<b>Supermarkets</b>								
Safeway	2 miles	40,000-50,000	\$50K median	70,000	60,000 SF	Community Strip	N/A	Prefer to Own
<b>Whole Foods</b>								
Trader Joe's	5 miles	90,000	High	30,000	8,000-12,000 SF	Mall Outparcel, Freestanding, Power, CBD, Community Strip, Neighborhood Strip	Discount, Outlet, Fashion Oriented, Entertainment	15 years + options
<b>Lucky</b>								
<b>Food Maxx</b>								
<b>Other Retail</b>								
<b>Cost Plus</b>								
Michael's	5 miles	150,000	Medium, High	50,000	16,200-25,00 SF		Upscale, Fashion Oriented	20 years
<b>Petsmart</b>								
<b>Petco</b>								
Bath & Body Works	N/A	N/A	N/A	No Min	2,000-4,500 SF	Mall, Power	Fashion Oriented	15 years
Leather Factory	N/A	N/A	Medium, High	20,000	9,000 SF; 50' Frontage	Community Strip, Neighborhood Strip	Traditional, Discount, Outlet Service Oriented	N/A

Source: Retailer Location Criteria, Tenantmix.com; Crittenden Retail Space Users Guide Economic and Planning Systems, Inc.