

A HISTORY OF DOWNTOWN PLEASANT HILL

by

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CHALLENGES FACED AND OVERCOME IN BUILDING THE NEW DOWNTOWN

The area that is now the City of Pleasant Hill grew from farmland into a bedroom community during World War II. Residents voted to incorporate in 1961.

Early on, community leaders expressed concerns about the deteriorated condition of many properties developed decades before around the intersection of Contra Costa Boulevard and Monument Boulevard, two main roadways through the community.

At the same time, it was envisioned that this central area could be transformed into a focal point of community identity, providing a gathering place for residents and strengthening the community's "sense of place."



In the early 1970's, the City explored various ways to achieve its vision and, in 1974, adopted the Pleasant Hill Commons Redevelopment Plan for the area, as authorized by the state Community Redevelopment Law.

The Redevelopment Plan provided a framework for future decisions about the type and amount of new development to be allowed, put into place the administrative powers needed to implement the plan, and established the financial resource of property tax increment revenue to fund public improvements and subsidize private sector redevelopment efforts.

The goals of the Redevelopment Plan were strongly supported by the citizens of Pleasant Hill. However, it would be nearly twenty-five years before a new downtown, fulfilling these dreams, would be born.

The first design concepts prepared for the 129-acre redevelopment project area were for a suburban, low-rise, campus-style development of offices and retail uses interspersed with large green spaces, encircling a central lake. However, with little property tax increment revenue in the early years, the City Council, sitting as the Redevelopment Agency, was unable to financially support such large-scale projects. As a result, for a number of years only smaller, individual redevelopment projects were undertaken, around the edges of the redevelopment project area, while the 33-acre core area was reserved for the "dream" project.



In the early 1980's, with easy money from the deregulated Savings & Loan industry, many developers wanted to build high-rise hotels and office buildings, and many community residents believed that such high intensity development of the core area would be necessary to fund the high costs of redevelopment. One large floorplate, six-story office building was approved and constructed in the core area.

In response, other members of the community opposed the flashy, "high-rise" design concepts and subsequently convinced the rest of the community, in 1986, to adopt a ballot initiative preventing high-rise, high intensity development in the City. This momentous decision by the community spurred a re-evaluation of not only the intensity of development that should be allowed, but also what the core area should look like and what uses it should contain.

After an intensive, community-based planning process that involved everyone from school kids to business leaders, the City eventually decided that the core area should be developed as a mixed use, pedestrian-oriented downtown, featuring traditional architecture, that would mix community and regional serving retail uses with entertainment, residential and civic uses, anchored by a new City Hall.

As evidence of its commitment to revitalizing the core area, the City Council selected a prominent 3.5-acre site within the blighted area for construction of the community's new City Hall.

Since incorporation in 1961, City offices had been located "temporarily" in a converted, pre-WWII era grocery store. The new 35,700 sq.ft. City Hall, designed by renowned architect Charles Moore, and also the result of a community-based planning process, opened in 1991.



Just as the community adopted the Downtown Plan in 1991 and selected a San Francisco-based Developer, The Martin Group, to build the project, the national economy was sinking into recession and the real estate sector plunged into a depression unequalled since that of the 1930's.

In response to the savings & loan deregulation debacle, lenders imposed drastically more restrictive lending requirements. Lenders now required up to forty percent of project value to be developer equity, instead of five to ten percent. Pre-leasing commitments would have to be obtained for seventy percent of the tenant space, and with national credit tenants.

As a result, the entire commercial real estate development industry had to reinvent itself, which had several serious ramifications for the Pleasant Hill downtown project, as to what it would contain, and how long it would take to get it built.

Developer equity requirements caused many undercapitalized regional real estate development firms to leave the business. In 1995, the local Developer conveyed its rights to develop the Pleasant Hill downtown project to a larger Southern California based firm, Burnham Pacific Properties, which operated as a Commercial Real Estate Investment Trust (REIT).



Many developers at the time were converting to REIT status in order to securitize the commercial real estate development business and attract investors through Wall Street.

The requirement for pre-lease commitments of national credit tenants changed the entire tenant profile of the proposed project. What was envisioned in 1991 as an open-air mall with anchor department stores and locally owned shops had to become a community and regional serving shopping center anchored by a supermarket, in order to obtain debt financing.

Due to national economic conditions and changing modes of retailing, including the rise of "category killer" stores, traditional department stores were contracting and consolidating, not expanding. While the national economy and real estate

industry roiled, the Developer spent several years courting such national tenants as Borders Books and Music; Bed, Bath & Beyond; Ross Dress For Less and Lucky Supermarket.

The entertainment component of the downtown project focused on a sixteen-screen complex to be operated by Mann Theaters.

At this point in time the movie theater business was also in upheaval, as normal measures of market saturation gave way to expansion at all costs, in hopes of achieving market dominance through sheer numbers of screens. This eventually led to the bankruptcy of several major operators, including Mann. After many months, a large regional firm, Century Theatres, was found to replace Mann.

Fortunately, the demand for new homes never abated, and the 36 townhomes built by The Olson Company presented no significant problems in getting developed and sold.

However, the final component of the downtown project, the hotel, was very difficult to bring to fruition. Much like the movie theater business, the hotel industry experienced its own boom, bust and consolidation cycle during the mid-nineties.

The Redevelopment Agency was in charge of doing a separate deal for a hotel, and negotiated two complete deals, only to see them fall through because of lack of financing or demand, before finally completing a deal for a 142 room Summerfield Suites by Wyndham Hotel, that was eventually constructed in 2001.



So, in 1998, twenty-four years after adopting the Redevelopment Project, twelve years after the citizen initiative led to the planning of a traditional downtown, seven years after adopting the downtown plan and selecting a Master Developer, and three years after committing to a new Developer and approving a totally revised tenant profile, ground was broken for development. The Grand Opening of the Pleasant Hill Downtown was celebrated on the 4th of July 2000, with a citizen parade, fireworks, congratulatory speeches and general euphoria.

PROJECT FINANCING

Several public funding sources, as well as private debt and equity money, were employed in financing the downtown project.

Total hard and soft acquisition, relocation and construction costs for the entire project were approximately \$136,350,000. Of this amount, City Hall was \$9,950,000, the 36 townhomes were \$9,400,000, the hotel was \$12,000,000, and the commercial portion (including the streets, utilities and parking garage) was \$105,000,000.

A total of 353,000 sq.ft. of leasable building area is provided in the commercial portion of the Downtown. This includes 252,000 sq.ft. of major tenant space and 101,000 sq.ft. of shops and restaurants. The major tenants include a 63,000 sq.ft. Albertson's Supermarket/ Sav-On Drugstore; a 30,000 sq.ft. Ross Dress-For-Less; a 36,000 sq.ft. Bed, Bath & Beyond; a 25,000 sq.ft. Borders Books, Music & Café; a 23,000 sq.ft. Michael's Arts & Crafts; and a 75,000 sq.ft. Century Theatre, with 16 screens and 3,500 seats. 1,682 non-exclusive, free parking spaces are provided, with 660 spaces in a four deck parking garage and the remainder as surface parking. City Hall was financed through Certificates of Participation issued by the City in 1990. This general obligation of the City is being amortized over twenty-three years.

In 1998, the City issued \$14,085,000 in Assessment District Bonds to finance various public improvements benefiting the project, including the streets, utilities and the 660 space parking garage. The Developer, as the landowner, is responsible for debt service on the bonds.



The hotel, townhomes and commercial portion of the downtown were privately financed. The townhomes required no public subsidy. In order to obtain the hotel, the City agreed to reimburse the hotel developer \$1,150,000 in City Transient Occupancy Taxes generated by the hotel.

As to the commercial development, the Agency determined that the “excess” costs to acquire the sixty-six parcels in the 33-acre project area and to relocate the businesses and residents would amount to \$13,750,000. This represents the projected additional costs above purchasing a single tract of vacant land. The developer was required to bear all up-front costs. The Agency is reimbursing the developer this amount, with interest, over thirty years (for a total of \$36,630,000) from the annual property tax increments the project generates.

The total public contribution to the downtown project, including the Transient Occupancy Tax reimbursement to the hotel developer plus the reimbursement of excess acquisition and relocation costs being paid to the Master Developer, is \$14,900,000 (Net Present Value).

RESULTING IMPROVEMENTS IN THE QUALITY OF LIFE IN THE COMMUNITY

The creation of the new Pleasant Hill Downtown has dramatically improved the quality of life of the community.

Economically, nearly fifty new businesses have been opened and over seven hundred net additional new jobs have been created. Fiscally, the hotel will generate over \$600,000 per year to the City in Transient Occupancy Taxes when the reimbursement to the hotel developer is paid off in approximately two years. Retail sales tax revenues to the City are now exceeding a net \$500,000 per year.

The City Council/ Redevelopment Agency members established high standards of respect for and assistance to the property owners, business owners and residential tenants who were required to sell and move.

Due to the severity of the blighting conditions that afflicted the project area and the nature of the downtown plan, complete demolition of the site and relocation of numerous businesses and residents were required.

Many of these businesses were marginal, sole proprietor operations. To help the businesses effectively deal with relocation, counseling services and relocation and business development specialists presented courses in how to profit from the necessary changes.

Similarly, the residents in the project area, virtually all of whom were renters, were counseled as to how to leverage their relocation benefits to assist in purchasing their first homes. As a result of this highly concentrated effort, an unbelievable 36 percent of the 68 households who were relocated were able to purchase their first homes, substantially improving their quality of life.



More important than the economic and fiscal impacts has been the elimination of physical blight that impaired not just the appearance of the affected area but also the self-image of the community. Creation of the downtown has also improved the image of the community throughout the region and has fostered a renewed sense of pride for the residents of the City. Pride of accomplishment and pride of place now go hand in hand.

During the warm spring and summer months the parking lot at City Hall is transformed into a local farmers market on Saturday mornings. The city also hosts a free weekly Outdoor Summer Concert Series where residents of the city and surrounding communities come to picnic on the lawn around the lake at City Hall and listen to a variety of live bands. Kids now have a cool place to hang out and meet their friends.



The downtown quickly evolved into the primary gathering spot in the community. The annual 4th of July Parade now culminates in the downtown, giving residents another opportunity to showcase their downtown on an even larger scale.

The success of the downtown has also been a stimulus for additional development in the vicinity, as evidenced by the completion of the new 134-unit Gallery Walk townhouse project by Greystone Homes nearby.

The downtown project has met the goals of both the City and the Agency by eliminating blight, expanding and diversifying the City's tax and employment base, demonstrating the capabilities of the City and Agency to implement a complex and expensive project, creating a successful gathering place for the community, providing greater community identity and heightening community pride.

LESSONS LEARNED

The number one lesson learned from the new downtown project, which was not foreseen, is that redevelopment can not only remove blighted conditions, but can improve the image of the entire community, both to itself and to the outside world.



The experience of Pleasant Hill has proven that improvements to a handful of properties can vastly improve the circumstances of everyone in the community.

The project would not have been successful without continuous communication with and participation of all segments of the community in planning and decision-making. Each incremental decision was linked to the previous chain of decisions, and each was made in public session with the opportunity for public input. The property owners, business owners and residential tenants were specifically acknowledged, treated with dignity and respect, and well compensated for their participation.

The most important lesson, which was understood at the outset, is that the community needs a vision or dream to aspire to. Once the decision was made to develop a traditional design, pedestrian-oriented, mixed use downtown, that vision and dream sustained the entire community throughout the decades that it took to finally become a reality.