

675 Wildwood Avenue
Rio Dell, CA 95562
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TO: Honorable Rio Dell City Council

FROM: Ron Henrickson, City Manager

DATE: November 1, 2011

SUBJECT: A new vision for commercial development in Rio Dell

Council Action:

By motion direct the City Manager to conduct public meetings to inform residents and business owners of the proposed economic development project and prepare a land purchase option agreement for consideration by the Council on November 15, 2011, in conjunction with a public hearing.

Background:

Since the relocation of State Highway 101 in 1976 numerous City Councils have labored over the question of how to revitalize downtown and recreate a vibrant commercial center in Rio Dell. Historically, Rio Dell served as a major retail center serving both the community and surrounding area.

A strong retail sector in a city has many advantages:

- It provides needed jobs for residents.
- It provides a variety of goods and services for residents who no longer have to spend time and money driving to neighboring cities of Fortuna or Eureka.
- It provides revenue to City government in the form of property and sales taxes thus reducing the burden on residential property tax.

- A strong commercial center provides a foundation for residential growth.
- A new well designed commercial center will contribute to an enhanced image of the community and be a magnet for new businesses.

Over the past three decades whatever efforts have been made to attract new retail businesses to Wildwood Avenue and recreate the thriving historic commercial center that once existed have been less than successful. Many of the existing buildings are vacant, underutilized or in poor condition. Some **have passed** their useful economic life.

Over the past year City staff has been exploring a new vision for the City. This vision encompasses two main elements:

First - The creation of a new downtown commercial and public center

Secondly - A new focus on the existing core commercial area on Wildwood Avenue.

A New Downtown

Since the mid-1950's when the Interstate freeway system began construction many small cities across the country have witnessed the development of new freeways which bypassed Main Street and markedly shifted traffic patterns. This often resulted in a dramatic new economic landscape which resulted in the end of many traditional downtowns as viable economic centers.

Many communities adapted to the changes in a revolutionary way by creating new downtowns adjacent to new highway interchanges along the freeway. Typically these new developments have been extremely successful, in part, because of their convenience, extending the scope of their market area and because new construction fostered the development of new stores.

What is proposed for the City of Rio Dell is to develop the roughly 20 acre site along State Highway 101 just south of the Davis Street interchange. This site is ideally suited for commercial development with excellent visibility and access.

The development would encompass about 12 lots. Anchoring the plan would be a large supermarket, surrounded by a gas station, two motels, restaurants and a variety of retail and service shops. The new center called Rio Dell Plaza will be developed to serve both Rio Dell and a large surrounding area south, east and west which includes a population of nearly 20,000 excluding Fortuna.

The Plaza will also be focused on tourist traffic on State Highway 101 which is the only major north-south highway serving the north coast region.

To augment the Plaza it is proposed that a major public element be developed in conjunction with retail and service businesses. The public element would include a new City Hall, major public park with amenities, public library and perhaps a post office.

To implement the vision it is proposed that the City take on the role of developer. This would be accomplished by entering into an Option Agreement with the property owner which would be exercised only if the City were successful in obtaining a sufficient number of executed Development Agreements with main stream companies such that the City's development cost could be recouped by sale of the lots. If the City was unable to obtain such Development Agreements the Option Agreement would not be exercised. With signed Development Agreements the City could proceed to acquire the property, construct the necessary infrastructure and sell lots. Note that unlike a private developer the City does not have to generate a profit on the development and could reinvest funds into making the Plaza the most attractive commercial development in Humboldt County.

Should the project materialize every effort would be made to provide an opportunity for existing businesses currently located on Wildwood Avenue and in the City to be incorporated into the Plaza development should they see a benefit to relocate.

The City staff has been in conversation with the property owner for nearly a year and has recently been asked by the owner to make a formal Option Agreement offer. Presently the Option Agreement is being finalized and will be available to the public for review and be placed before the City Council for public hearing and consideration at the November 15, 2011, City Council meeting. Note that there is no assurance that the property owner will execute the Option Agreement.

The staff fully recognizes that we are in the worst financial economy in recent history and that commitments for new developments are rare. However, the staff

also believes there is a real market for such a center and that if developed it would have a huge positive impact on Rio Dell and its residents for decades to come. Given the existing staff resources the effort to determine the feasibility of the project requires minimal financial resources and virtually no risk to the City if Development Agreements cannot be secured.

At this time the Plaza Project is just a concept. If an Option Agreement is approved by the City Council and executed by the property owner, and should the Project prove feasible initial development may take two years with full development extending over several more years. The Project is also structured to pay for itself. Revenues from the sales of lots will more than exceed all costs incurred by the City.

A New Focus for Wildwood Avenue

This effort includes two principal elements: revision of the zoning ordinance and redesign of Wildwood Avenue.

Presently the zoning ordinance for Wildwood Avenue and a large surrounding residential area is labeled Town Center. Staff will be proposing to separate the residential areas under a residential zoning designation and establish a core area of new commercial zoning on a portion of Wildwood Avenue. The new commercial zoning designation would include a broad mix of commercial uses including craft industry and elimination of the requirement for two story buildings and second story residential use.

Secondly, in conjunction with the rezoning staff will explore the redesign of Wildwood Avenue using soon to be available state funding. This effort could create new streetscapes more appropriate and supportive of uses under the new zoning designations. This effort will be under the direction of the Planning Commission with major input from residents and businesses in the area.

What are the next steps?

The next immediate steps should the Council wish to proceed are:

- Direct staff to conduct public meetings to inform residents and businesses of the Plaza project.

- Finalize the Option Agreement for public review and consideration by the City Council.

City Manager Recommendation:

The City Manger recommends the City Council proceed with public meetings and finalization of the Option Agreement for public review and public hearing.