

**The Headwaters Fund
2010-11 Grant Fund Application
COVERSHEET**

For Office Use Only

App. #:
Org. #:

Date of application: September 1, 2010

Organization Name: City of Rio Dell

Address: 675 Wildwood Avenue

Telephone number: (707) 764-3532 Fax number: (707) 764-5480

Director/CEO: Ron Henrickson, City Manager

Organization Type: Gov't type: local (local, state, etc.) Nonprofit
type: _____ (c3, c4, etc.)

Total current year organizational budget: _____ # of FTE employees: 22
Operations budget \$2,295,599; Capital budget \$3,310,526; Total \$5,606,125
Summarize the organization's mission (in the space provided):

Provide citizens a full range of municipal services, including sewer
and water, streets, police, code enforcement, recycling, housing
assistance and economic development

Project title: Retail Leakage Study

Amount requested: \$6,400 Total project cost: \$8,508
Period covered: 1/1/2011 to 6/30/2011

Total match amount: _____ Match amount as % of project budget _____ %
(Required 50% match for implementation, 25% for planning or technical assistance)

Cash match: \$1,100 In-kind match \$1,008
Cash match as % of project budget 12.9 %
(Required: 25% for implementation, 12% for planning or technical assistance)

Type of project (specify planning/technical assistance or implementation):
_____ Technical Assistance

Geographic focus of project: City of Rio Dell

Contact person name and title: Ron Henrickson, City Manager

Contact phone: (707) 764-3532 Contact email: cm@riodellcity.com
Contact address (if different from
above): _____

Headwaters Grant Application
City of Rio Dell – Retail Market Leakage Study

1. Summary of Project - The purpose of the grant request is to fund a retail market leakage study for the City of Rio Dell. The results we trust will provide the economic foundation for development of new and expanded retail and service businesses in the City. Such businesses will provide jobs, goods and services to residents, as well as increased tax base and sales tax revenue for the City.
2. Project Description – The project consists of completing a retail marketing leakage study. The City has approached Bay Area Economics (BAE), a nationally recognized economic development consultant, to conduct the study. A copy of their proposal is attached as Exhibit A.

The study estimates the market potential for certain specified retail and service businesses, such as groceries, gas, drugs, restaurants, etc. based on population and income. The study also estimates the existing sales for each category from existing stores in the city. Leakage refers to the amount of sales for any given category that is spent outside the city boundary. This “leakage” identifies a market which could be filled by existing or new businesses. Based on a rudimentary appraisal of existing businesses in the city it appears a significant amount of sales are being made outside the city confines. Specific knowledge of the scope and magnitude of this leakage is essential to the foundation of business development or expansion. In some cases cities have positive leakage, meaning they sell much more than the city population consumes. Clearly, this is not the case in Rio Dell.

Based on the results of the study the City would undertake to explore the feasibility of either strengthening its downtown core or developing a new shopping area which could also serve the tourist industry using Highway 101 and would incorporate an effort to work with existing businesses to participate in the project.

3. How the Project Addresses Identified Outcomes – Should the study lead to expanded existing businesses or new business development it will generate construction activity and revitalized commercial space. To the extent new development serves the tourist industry by providing goods and services to visitors it enhances the visitor’s trip and contributes to the reputation of Humboldt County as a destination for future tourism.
4. Job Creation Potential – If the study demonstrates there is growth potential for certain businesses the City would play an active role in either encouraging local existing businesses to expand, thus creating jobs, or encouraging the development of a new commercial center. The City could form a Development Authority and spearhead development of such a new commercial center, or simply seek out a developer who would undertake the development. Until the results of the study are known it is uncertain the extent of potential development and thus the number of jobs which could be created.

5. Environmental Benefits - There are no immediate environmental benefits from the study. However, if the study leads to increased business sales in the City which otherwise would have occurred in another community some distance away, less pollution and gas consumption will be saved by residents who no longer have to drive to Fortuna, Eureka or somewhere else to purchase these goods or services.
6. Quality of Life Improvements – If the study leads to expanded existing businesses and/or new business development the quality of life of Humboldt County residents is enhanced by the revitalization of marginal businesses within the city and perhaps the utilization of presently vacant buildings in downtown Rio Dell. Revitalized existing or new businesses providing goods and services that residents no longer have to drive to obtain increases the quality of life of those shoppers and saves time spent in transportation to and from other areas.
7. Qualifications of the Organization and Staff – The City of Rio Dell has a good track record administering grant and loan projects totaling millions of dollars. Attached is a list of presently or recent projects, Exhibit B.

As the new City Manager I bring to the organization a degree in Economics and nearly thirty years of service in various capacities in both city and county management as well as over seven years of prior successful experience in community and business development. I have also directed a large Housing and Redevelopment Authority with a net worth of over 22 million dollars.

8. Work Already Completed on the Project – The Market Leakage Study is the first step in the project given that business development is grounded in the financial feasibility of any endeavor. Having said that our informal evaluation of the conditions leads us to believe that there is significant leakage occurring in our community and therefore that an opportunity exists for expanded or new business development. The purpose of the study is to verify whether our presumption is correct and the magnitude of the opportunity that exists. Please note that in the BAE Scope of Services, Task 3: Retail Sales Trends, BAE notes the difference in total retail sales for Rio Dell and Fortuna. While Fortuna's population is 3.6 times that of Rio Dells they have 10.8 times the amount of retail sales.
9. Outcomes expected – We expect the study will show in specific terms by market category the estimated amount of leakage occurring and that the amount is significant. If this is so, then the city would explore the feasibility of either expanding existing businesses and/or development of a new commercial center, perhaps along Highway 101. The city would take the initiative to contact local businesses and, based on the study's results, determine their interest in expansion or possible relocation to a new commercial center. If there was interest in a new center the City would explore possible sites, perhaps in conjunction with a civic element, and feasibility of establishing a Development Authority, as well as the interest of local developers.

In the event the study showed that there was some leakage but not sufficient to support new development, the City would work with existing local businesses to encourage them to expand and fill in the gaps.

Should the study show that there is no leakage no further action will be taken.

With regard to who and how many will benefit, until the results of the study are known it is impossible to quantify. Clearly, the study could have no impact at all or lay the foundation for major changes for commercial enterprise in the City. A new commercial center with a civic element would establish essentially a new downtown for the community and perhaps breathe life back into a stagnant economy, which could affect most of the residents by providing jobs, tax resources to the city government, a better array of goods and services for consumers, and possibly a new City civic center and community park.

10. Possible Change in the Community – As noted above, if there is significant leakage that merits a new commercial center combined with a civic element the project could have a major revitalization impact on the community. Such a development, in my opinion, could even generate a major change in the city's image and the long term financial sustainability of City government.
11. Risks and Challenges to Successful Implementation. – There are no risks to completing the study. The challenge for the City will occur if the study demonstrates that there is significant leakage to merit expanding local businesses and/or a new commercial center. Quantifying the opportunity by no means means that the opportunity will be realized. Many issues will have to be addressed such as working with existing businesses to encourage expansion, possibly identifying a site for a new commercial center, City staff capability to manage the project, gaining business and community support, finding financing and a host of other items involved in any significant development project.
12. How Will the Project be Sustained after the Grant- Assuming the study finds some leakage the City will work with local businesses and encourage them to expand. This effort can be funded as part of the City budget.

If the City were to undertake a new commercial center with a civic element the City would have to muster additional outside resources to augment its own effort. Undoubtedly, a project of this magnitude will take perhaps two or three years to implement, but would have a huge impact on the community.

13. Without headwaters Funding – Without headwaters funding the leakage study will not be undertaken and the retail sector of the city will, in all likelihood, remain stagnant as it has for twenty some years.

BAE PROPOSAL

Introduction

The City of Rio Dell has requested a Retail Leakage and Attraction Study to assess the potential for increased capture of resident and other expenditures within the City. Currently, the City has extremely limited retail; local residents must go to Fortuna, Eureka, or elsewhere to meet their shopping needs, even for everyday items. The City is interested in determining whether there are opportunities to recapture any of these retail expenditures, and what types of retail development would be required to do so.

Bay Area Economics (BAE) is well-qualified for this work, with experience in a broad area of retail analysis. Following is a Scope of Services, an overview of BAE, descriptions of key staff to be assigned to this project, and relevant past experience.

Scope of Services

Task 1: Project Start-up

This task will include phone contact with City staff to discuss the project, including goals and objectives, schedule, expectations, and constraints, opportunities, and limitations of the study. Any available background information such as previous studies will also be discussed and made available to BAE if available at time of startup.

Task 2: Identify Existing Retail Conditions in the Rio Dell Area

Rio Dell has extremely limited retail. City staff will provide BAE with a list of key retailers and their addresses, especially food stores. As resources are limited, BAE will not visit the area as part of its scope. Any information on store sizes will either be provided by the City or through the use of Google Maps or other online resources.

Task 3: Retail Sales Trends

BAE will analyze any available data regarding overall retail sales trends in the area, with an emphasis on food stores. Normally, the primary data source would be published taxable sales data from the State Board of Equalization, but Rio Dell's size limits the availability of this data source; as of 2008 there were only 21 reported retail sales tax collecting businesses in the City with a total of \$9.6 million in taxable sales. To put this in context, Fortuna has 2008 taxable retail sales of \$103.7 million. Rio Dell's size also excludes it from coverage in the Census of Retail Trade. One potential source is provided by Zip Code Business Patterns, using that data to generate an estimate of sales based on estimates of sales per employee based on regional or state benchmarks. There are also data vendors who provide retail sales estimates, but this source may have limited reliability and utility. The expectation here is that data availability on existing retail will be weak, but given the absence of retail, the sales in the area may be an insignificant proportion of demand.

Task 4: Define Trade Area for Rio Dell

The Trade Area for the City will most likely consist largely of Rio Dell and Scotia, but nearby rural areas and highway travelers will be considered. This area will be defined in the context of the

potential retail mix of a large vacant site in Rio Dell under consideration for additional local-serving retail.

Task 5: Demographic Overview of the Trade Area

Retail sales potential is dictated in large part by the purchasing power of an area's residents. For this task, BAE will look at basic demographic characteristics for the Trade Area, including total population, total households, and resident income.

Task 6: Estimate Retail Sales Generated by Trade Area Residents

For this subtask, BAE will estimate sales generated by consumers in the Trade Area, for a range of store categories, with particular focus on food stores and other convenience-oriented outlets. Potential sales for the Trade Area will be estimated based on benchmarks from other geographies such as Humboldt County overall, the State of California, or communities with a demographic profile similar to the Trade Area.

Task 7: Leakage Analysis for the Trade Area

Based on the results of the above tasks, BAE will estimate the extent to which the Trade Area is currently capturing sales from or losing sales to surrounding locales. While the emphasis will be on the food store category, leakage of sales in other categories which might potentially occupy the remainder of a local-serving project will also be estimated.

Task 8: Estimate Capture and Supportable Square Footage for New Retail

Even when an area is "leaking" retail sales, not all shoppers may choose to shop locally. For instance, Rio Dell residents would still do some grocery shopping at stores in Fortuna and Eureka even if there were a larger local supermarket. BAE will estimate the potential capture of leakages, and convert this dollar amount to square footage of retail space by major store category, using standard industry benchmarks for retail store sales performance.

The findings from this analysis will provide the key indicator as to whether it would be reasonable for the City to pursue development of additional retail, and to inform the City as to the appropriate sizing of that development.

Task 9: Preparation of Written Report

A written report for the project will be prepared, which details the assumptions and conclusions of the analysis. The report will be submitted electronically in draft form. BAE will respond to comments provided by the City, and will be available to take part in a telephone conference to discuss comments on this document. Additional study and site visits are excluded from this task, and the revisions will be limited to one cycle, with additional revisions completed on a time and materials basis. The output of this task will be a Final Report.

Schedule and Budget

BAE will complete a Draft within four weeks of formal authorization to proceed. A Final Report will be completed within 10 business days of receipt of comments on the Draft.

BAE proposes to provide the above-described services for a fixed fee of \$7,500 including expenses. BAE will bill on a monthly basis based on percentage of project completed, with bills due within 30 days of receipt.

Meetings or other tasks will be billed at BAE's hourly rates plus expenses (including travel time and expenses), as follows:

Managing Principal	\$290/hr
Principal	\$250/hr
Vice President	\$195/hr
Senior Associate	\$135/hr
Associate	\$90/hr
Analyst	\$75/hr

These rates are for work completed in the next 12 months (through August 2011); BAE reserves the right to adjust these rates if the project continues beyond that point in time.

BAE Firm Profile

Since 1986, BAE has focused on **The Economics of Place™**, providing comprehensive real estate and urban development services to public, private, non-profit, and institutional clients throughout the U.S. Our projects reflect our commitment to excellence, stewardship of communities and resources, and dedication to the future of our places.

BAE's experience ranges from statewide policy studies to regional initiatives to local development projects. Based in Emeryville, California, with additional offices in San Francisco, the Sacramento region, and Washington D.C., we translate the best national practices into local solutions to enhance communities and neighborhoods.

Our expertise includes:

- Development Feasibility
- Redevelopment & Revitalization
- Affordable Housing
- Economic Development
- Public/Private Transactions
- Community Facilities
- Public Finance
- Economic Impacts
- Place and Site Marketing
- Litigation Support

We have also developed unique expertise in non-place aspects of urban development including sustainability, technology transfer, targeted industry studies, child care, and social services.

Our key asset is our highly-skilled core team of staff members who have worked together for many years. Collectively, we bring our training in real estate development, city planning, geography, economic development, marketing, and public policy to every engagement. Many BAE staff members are expert in community involvement and strategic planning, while others excel in technical analysis and the application of GIS to urban problems. We pioneered the use of survey research to target urban housing products, and we have provided real estate advisory services to some of the largest mission-driven revitalization efforts in the U.S.

The outstanding quality of our work has been recognized by the American Planning Association (APA) and the National Association of Installation Developers (NAID) through numerous awards for excellence. The *San Francisco Business Times* has recognized BAE as one of the 100 Largest Women-Owned Bay Area Businesses each year since 2000.

BAE Project Team

This project will be managed by Raymond Kennedy, Vice President. He will be assisted by additional staff as needed to conduct research and analysis.

Raymond Kennedy, M.A., Vice President

Mr. Kennedy has completed or is currently working on retail analysis and economic impact studies for many "big box" retail store proposals in California, including projects in Los Banos, Patterson, Tracy, Crescent City, Antioch, Eureka, Morgan Hill, Petaluma, Redding, Suisun City and Windsor. This work includes supervising research staff and undertaking the analysis of retail leakage, supportable square footage, and potential economic decay and physical deterioration. Mr. Kennedy has specialized in demographic research, retail market studies, financial analysis, and survey research since joining BAE in 1988. His quantitative work is characterized by a combination of innovative data analysis and sophisticated computer applications. He completed detailed cash flow analyses for military base conversion projects including the Presidio of San Francisco, Mare Island Naval Shipyard, and NAS Alameda, as well as for housing and mixed-use projects in Oakland, San Jose, and California's Central Valley. He has also supported market feasibility studies of live/work units and affordable housing projects throughout the U.S., and analyzed the benefits of redevelopment in San Jose. Mr. Kennedy received a B.A. in Anthropology and an M.A. in Geography from the University of Cincinnati. He also completed specialized training in real estate financial analysis at the University of California, Berkeley.

City of Rio Dell
Grant/Loan Projects & Programs

Water Infrastructure Project DWR Grant	\$5,000,000.00 Grant
Water Infiltration Gallery DHS	\$1,000,000.00 Grant \$2,720,000.00 Loan
Tennis Court Revitalization Ca. Parks Bond 2000	\$30,000.00 Grant
Fireman's Park Restroom Facility Ca. Parks Bond 2002	\$220,000.00 Grant
Safe Routes to School State Department of Transportation	\$475,000.00 Grant
North Wildwood Rehabilitation Project State Department of Transportation	\$627,000.00 Grant
South Wildwood Rehabilitation State Department of Transportation	\$576,000.00 Grant
COPS Community Oriented Policing DOJ	\$155,263.00 Grant
Eel River Sawmill Phase I/II EPA	\$350,000.00 Grant
Eel River Sawmill EPA	\$50,000.00 Grant
Citywide Petroleum EPA	\$200,000.00 Grant
Housing Rehabilitation 3 rd & 4 th Street Paving State Department of HCD- CDBG	\$500,000.00 Grant \$372,500.00 Grant
Housing Rehabilitation State Department of HCD- HOME	\$500,000.00 Grant
Economic Development Strategic Plan Food Collaborative	\$30,000.00 Grant \$30,000.00 Grant

Solids & Disinfection Management State Water Resources Control Board	\$2,250,000.00 Grant
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Bridge Financing Rural Community Assistance Corporation	\$400,000.00 Loan
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Wastewater Disposal & I&I Reduction State Water Resources Control Board	\$129,000.00 Grant
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Total	\$15,614,763.00 Grants/Loans
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PROJECT BUDGET FORMAT

Use the following format for your project budget submittal. You may modify individual "Project Expense Items" depending on your project's needs (i.e. you do not need to use the expense items shown if they do not apply). For major expenses, please be specific (e.g. instead of listing "Equipment - \$20,000", write "10 laptop computers - \$20,000"). See Application Instructions for guidelines on overhead costs. You may recreate this form on your computer or download it at www.theheadwatersfund.org

Project Expense Item	Total Cost (\$)	Requested Amount from Headwaters Grant Fund	Amount from Matching Funds	Source of Matching Funds
<i>Example: Travel</i>	<i>5,000</i>	<i>2,000</i>	<i>3,000</i>	<i>United Way grant</i>
Direct Salaries & Wages (breakdown by individual position & indicate full or part-time; list indirect staff costs in "Overhead- staff related" section below)				
Staff 1:				
Staff 2:... etc.				
Sub-total: all Direct Salaries & Wages				
Benefits & Payroll Taxes				
Consultant & professional fees (specify)	7,500	6,400	1,100	City of Rio Dell cash committed
Travel (describe)				
Equipment (specify)				
Overhead- non-staff related				
Overhead- staff related (breakdown by individual position; include payroll taxes and fringe benefits)	1,008		1,008	City of Rio Dell in kind
All Overhead Costs as % of Total Project Cost	11.8%			
Total Project Cost	8,508	6,400	2,108	

Note 1: "Overhead- non-staff related" includes office supplies, printing, telephone/fax, postage, rent, and utilities.
 Note 2: "Overhead- staff related" is comprised of indirect staff costs (e.g. bookkeeper).

Match Sources - list all other funding sources for this project. For each source, list whether the amount is received, committed, application pending, or not yet solicited.

The Headwaters Fund

Grant Application – City of Rio Dell

Retail Leakage Study

Project Budget Detail

Overhead – Staff Related

Finance Director – 6 hours @ \$35.00/hour	\$ 210
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City Manager – 14 hours @ \$57.00/hour	<u>798</u>
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Total	\$1,008
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Finance Director Tasks

Record revenues and expenditures associated with project, monitor in-kind match, and prepare all reporting requirements.

City Manager Tasks

Manage contract with BAE, work with existing local businesses potentially impacted by the study results where it is shown the opportunity to expand exists, and develop a concept plan for a commercial center if the study supports it.

RIO DELL CITY COUNCIL MEMBERS



NAME

TERM EXPIRES

Julie Woodall, Mayor
1187 Riverside Dr.
Rio Dell, CA 95562
(707) 764-3079

2010

Melissa Marks, Mayor Pro Tem
521 View Ave.
Rio Dell, CA 95562
(707) 764-3730

2010

Marc Barsanti
215 S. Sequoia Ave.
Rio Dell, CA 95562
(707) 499-8475

2012

Mike Dunker
280 Tolman Place
Rio Dell, CA 95562
(707) 764-5570

2010

Jack Thompson
104 Ogle Ave.
Rio Dell, CA 95562
(707) 764-5680

2012

SUPPORT LETTERS

August 18, 2010

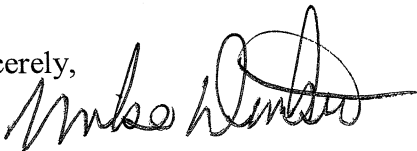
The Headwaters Fund
520 E Street
Eureka, CA 95501

Subject: City of Rio Dell Retail Leakage Study Grant Fund Application

Dear Dawn Elsbree,

Please accept this letter as support from the Rio Dell-Scotia Chamber of Commerce of the City of Rio Dell's grant application for funding of a retail leakage study. The study may provide the market foundation in order to attract and expand much needed business development in our communities. Business development not only provides jobs and needed goods and services to the community, but also increases the tax base and sales tax revenue. Thank you for considering the application and we urge you to support it.

Sincerely,

A handwritten signature in black ink, appearing to read "Mike Dunker", with a stylized, looping flourish at the end.

Mike Dunker, President
Rio Dell-Scotia Chamber of Commerce
715 "B" Wildwood Avenue
Rio Dell, Ca 95562

(707) 764-3436
Rdscoc@att.net



Redwood Region
Economic Development
Commission

520 E Street Eureka • California 95501 • (707) 445-9651 • FAX (707) 445-9652

August 31, 2010

Mr. Ron Henrickson
City Manager
City of Rio Dell
675 Wildwood Avenue
Rio Dell, CA 95562

Dear Ron,

I am writing this letter to express RREDC's support of your application to the Headwaters Fund for a retail market leakage study for the City of Rio Dell. The board of directors voted to support your application at their August 23rd meeting.

It is our understanding that this study will provide a foundation for the development of new and expanded retail and service businesses in Rio Dell. We have worked with the City for many years and realize the importance of the expansion of these types of businesses to the improvement of your downtown core and other commercial areas. We further recognize how important this sort of market analysis will be in deciding which business types to target and what incentives may be needed for their development.

We look forward to assisting you on this project if necessary. Please let me know if you have any questions or comments.

Sincerely,


Gregg Foster
Executive Director

MEMBER AGENCIES

City of Arcata • City of Blue Lake • City of Eureka • City of Ferndale • City of Fortuna • City of Rio Dell • City of Trinidad
County of Humboldt • Humboldt Bay Harbor, Recreation and Conservation District • Humboldt Bay Municipal Water District
Humboldt Community Services District • Manila Community Services District • McKinleyville Community Services District
Orick Community Services District • Redwoods Community College District • Hoopa Valley Tribe

August 18, 2010

The Headwaters Fund
520 E Street
Eureka, CA 95501

Subject: City of Rio Dell Retail Leakage Study Grant Fund Application

Dear Dawn Elsbree,

Please accept this letter as support for the City of Rio Dell's grant application for funding of a retail leakage study. The study may provide the market foundation in order to attract and expand much needed business development in our community. Business development not only provides jobs and needed goods and services to the community, but also increases the tax base and sales tax revenue. Thank you for considering the application and we urge you to support it.

Sincerely,



David M Thompson

Humboldt Gables Motel
40 W Davis St
Rio Dell, CA 95562

August 18, 2010

The Headwaters Fund
520 E Street
Eureka, CA 95501

Subject: City of Rio Dell Retail Leakage Study Grant Fund Application

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Sincerely,



August 18, 2010

The Headwaters Fund
520 E Street
Eureka, CA 95501

Subject: City of Rio Dell Retail Leakage Study Grant Fund Application

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Sincerely,

Brian Davis
Brian's Auto Repair
609 Wildwood Ave
Rio Dell 95562

707-764-1740