



April 21, 1994

Mr. Anthony Donato  
City of Pittsburg  
2020 Railroad Av. Pittsburg, CA 94565

Dear Mr. Donato:

Over the past year, The Laird Durham Company has been conducting a personal assessment of the development potential of New York Landing. We have talked with City of Pittsburg and Contra Costa County officials, with New York Landing property owners, and with businesses in the area. We have reviewed studies made by consultants.

We have concluded that economic development of New York Landing is not practical under present circumstances, but we remain optimistic that the development potential could be realized under different circumstances.

For discussion purposes, we are submitting this proposal for a project to change the circumstances, and to make commercial development of New York Landing practical. If you wish, following discussions with you and New York Landing property owners, we will submit a formal proposal.

## **BACKGROUND**

New York Landing has almost all of the elements needed for successful commercial development. It is compact enough for easy walking access to the entire area. It is a short drive from affluent population centers. It has a busy recreational water- front. It has beautiful miniparks. Public areas are attractively landscaped. There is ample offstreet parking, and space for more. Many of the buildings are of historical interest.

It will soon be surrounded by attractive new housing.

New York Landing has shown that it can attract customers. The annual Sea Food Festival draws 80,000 people. The most successful merchant in the area, Lanzafame Furniture, draws customers from as far away as Stockton through participation in a national marketing program run by its suppliers.

The City of Pittsburg has been more creative in setting the stage for redevelopment, and in employing market models, than other Northern California cities.

Putting all of those positive factors together, New York Landing appears more attractive as a development site than other similar sites in Northern California, including Old Sacramento, St. Helena, Los Gatos, and Benecia.

Unfortunately, the barriers to commercial development of New York Landing outweigh those positive factors.

The cost of renovating most of the buildings in the area is higher than can be recovered through today's market rents. Few single commercial businesses pioneering in New York Landing could sustain the lengthy operating loss they would face during the slow build-up of business. It is unlikely that a haphazard mix of commercial businesses -- without a unifying theme -- could afford the advertising and promotional costs required to generate a successful level of traffic.

The number of new homes planned, even when fully occupied, will not provide enough of a market to support more than a scattering of minimal service and merchandise businesses.

What is needed to overcome the barriers is a compelling vision for New York Landing which will attract businesses and investors, and which can be successfully promoted to draw customers from the communities surrounding Pittsburg. The vision must be based on a realistic assessment of New York Landing property, and on realistic business and financial plans.

## **PURPOSE AND SCOPE**

There are four goals for this proposed project. With the attainment of the project goals, the City of Pittsburg and the individual property owners will be able to proceed with a successful development program.

### **1. BUSINESS THEME**

The first goal is to identify a business theme for New York Landing which will attract both tenants and their customers, and which will justify rents sufficient to pay back the cost of development. Examples of candidate themes include a merchandise mart of home furnishing factory outlets; a Galleria of ethnic arts, crafts, and foods; a bazaar of marine equipment, marine toys, marine clothing, and seafood; and a local government center of offices, supplies, and ancillary services.

### **2. REAL ESTATE ASSESSMENT**

The second goal is to make a full and realistic assessment of the costs of renovating the vacant buildings in New York Landing consistent with the type of businesses considered under the candidate business themes.

### **3. BUSINESS PLANS**

The third goal is to prepare a set of business plans for the candidate business themes, including a market study and the analysis of margins and operating costs -- promotional, overhead, and personnel. That analysis will determine the comparative feasibility of the alternative themes. It also will identify any need for additional incentives or subsidies, and determine how the subsidies can be recovered.

### **4. RECRUIT ENTREPRENEURS AND INVESTORS**

The final goal of the project is to identify and recruit proven entrepreneurs who are willing to lead the development of New York Landing, to identify investors who will support the development, and to identify the conditions under which the entrepreneurs and investors can be signed.

## **APPROACH**

### **1. . BUSINESS THEME**

We will compile a list of as many candidate business themes as we can, and to characterize the candidates by their range of products and services, their history of success or failure in other areas, their demographic market requirements, and their business economics. We will contact representative entrepreneurs and suppliers by telephone and by mail to explore interest in the theme, and to determine what economic and market conditions are needed for success. We will convene in Pittsburg panels of entrepreneurs for the most attractive themes to explore in detail with them the elements for success.

We will score the alternative themes and rank order them.

### **3. REAL ESTATE ASSESSMENT**

We will make a thorough study of New York Landing's underlying real estate economics, building by building. We will request the assistance of a City building inspector to identify the building code requirements for remodeling, including structural items. We will ask also that the City provide us with any property information in its files.

We then will complete cost estimates using a panel of architects and builders. The costs will be in two groups: first, the costs to bring the building up to Code and basic attractiveness, and, second, the additional cost to make the building suitable for the candidate theme businesses. The latter costs may be borne by the tenants as lease-hold improvements, but will nevertheless be a vital element of financial feasibility.

We then will correlate those costs with potential rent *pro formas* to arrive at a residual value for each property and a proposed rent schedule.

That analysis then will feed into the business plans, and help determine which types of businesses and what level of revenue can afford the rents required.

### **3. BUSINESS PLANS**

For the top 3-5 candidate business themes, we will prepare business plans for both typical individual businesses, and for the aggregation of businesses envisioned for the entire area. The aggregate plan would be similar to the business plan for a merchandise mart such as Decorator Square or Pier 39 in San Francisco, Olivera Street in Los Angeles, or a regional shopping center.

We will assemble case histories and business ratios for representative businesses typical of the candidate theme. We will assemble demographic information describing the communities surrounding New York Landing and Pittsburg which define the market for the candidate businesses -- each of which may have a different need and a different drawing radius. We will obtain retail and commercial trade statistics for the surrounding communities which help define the market and define the competition.

We then will factor in the rents from our real estate analyses, and estimate the promotional costs and time required to build traffic to the level needed. By comparing the business plans with successful operations elsewhere, we will identify any need for additional incentives and subsidies.

If incentives and subsidies are required, we will prepare alternatives for creating them and for obtaining a future payback through mechanisms other than business taxes, such as City participation in capital gains. Some incentive ideas, such as free parking and free berthing, have been described in previous marketing studies; we will suggest others.

### **4. RECRUITMENT**

During the course of the above work we will have contacted many individual entrepreneurs and business associations about the development project. Now we will recontact them as well as additional entrepreneurs. Backed up by our business plans, market statistics, and any incentives, we will seek conditional commitments from lead business tenants. That will be the final determinant of feasibility and relative merit of the candidate themes, and, we hope, the final inducement for those private and public entities who must invest in the development.

### **COST AND DURATION**

We estimate that the cost of this project will be from \$50,000 to \$75,000, depending upon the final scope and upon a final estimate of the cost of architectural and engineering work. We propose that the cost of the project be shared between the public and private sectors.

We will complete the project in six months from the time we are authorized to begin.

We anticipate that some form of formal cooperative agreement or pact among the property owners, and between the property owners and the City, will be needed to assure that all parties benefit equitably from this proposed project. If such an agreement becomes necessary, we will present alternative approaches to the property owners and to the City.

## **STAFF RESPONSIBILITY**

Laird Durham be responsible for this project for us, assisted by others skilled and experienced in such work. He will be assisted by others skilled and experienced in this type of work. Biographies of Mr. Durham and his associates for this projects at appended to this proposal.

We propose that the City of Pittsburg and the property owners appoint a single individual to whom we can look for guidance and policy decisions.

## **REPORTS**

We will keep the City of Pittsburg and the property owners representatives closely informed of our work as we proceed. From time to time, we will summarize our findings and conclusions in working memorandum which will be sent to all participants.

We will hold monthly progress review meetings to which we will invite participating City officials and property owners.

At the conclusion of the first three tasks, we will submit a written summary report and recommendations, together with a plan for recruiting entrepreneurs, to all participants, and convene a meeting to discuss our recommendations. Following that meeting, we will undertake the recruiting tasks.

We will provide the City and the property owners with a list of all prospective tenants and investors we have compiled, together with contact reports summarizing our discussions and recommending follow-up.

\* \* \*

Many thanks for giving us this opportunity to present our project concept to you. We look forward to discussing it further with you.

Best Regards,

Laird Durham