

The Economics of Land Use



May 17, 2022

Alex Tengolics
Manager of Governmental Relations
Yolo County Administrator's Office
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Woodland, CA 95695
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Subject: Yolo County Economic Development Strategy Update;
EPS #222054

Alex Tengolics:

Economic & Planning Systems, Inc. (EPS) appreciates the opportunity to submit this proposal to Yolo County (County) to develop an economic development strategy update.

EPS will bring a multifaceted approach to a disparate range of opportunity sites and topics supportive of strategic economic growth in the County based on its competitive advantages, as well as its commitment to city-centered growth. This proposal is geared toward positioning the County to operate within this construct and foster a robust and predictable revenue base derived from a strategic mix of industries and development types.

EPS is uniquely qualified to conduct this work, given the firm's multidisciplinary expertise in all facets of land use and real estate economics, as well as local government and infrastructure finance. Moreover, EPS offers a distinctive focus on practical implementation strategies to help clients achieve their economic development objectives.

The enclosed Scope of Work (**Attachment A**) describes EPS's understanding and proposed approach to this work, key EPS staff, schedule, and initial budget resources needed to complete the work program. EPS is happy to work with the County to refine any element of the work program as needed to meet your objectives.

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Alex Tengolics
May 17, 2022

On behalf of EPS, thank you for this opportunity to assist the County with this important and interesting analysis. Please call me at (916) 649-8010 with questions or comments regarding this proposal.

Sincerely,

ECONOMIC & PLANNING SYSTEMS, INC. (EPS)

A handwritten signature in black ink, appearing to read 'D. Zehnder', with a long horizontal flourish extending to the right.

David Zehnder
Managing Principal

Attachments

Attachment A Scope of Work Yolo County Economic Development Strategy

Project Understanding and Approach

EPS has a long history of working in the County on issues of natural resource protection and restoration funding, City of Woodland (City)-led efforts to grow downtowns and innovation economies, fiscal analysis of the County as affected by various entities, strategic analysis of goods movement and effects of rail modifications, and other topics.

The County finds itself at a critical juncture in its growth and development. With a strategic location between the Bay Area and the Sacramento Region, the County is in a good position to capture a diverse mix of employers and development typologies.

It is assumed the County will continue to be City-centered in terms of fundamental growth of population and employment. However, the County has an interest in ensuring a positive policy and business environment, providing incentives for jurisdictional collaboration. Moreover, the County has several assets it may be able to leverage to further secure its financial future through a strengthened General Fund.

As viable land remaining within the County's jurisdictional boundaries continues to dwindle, proposals to pursue development and intensification of infill areas have been met with resistance. Historically active uses such as transportation, logistics, and warehousing are increasingly scrutinized out of concern that valuable land would be consumed for little public return in the form of jobs and tax revenue.

Balancing fiscal imperatives and divergent viewpoints of its citizens, the County must evaluate its best options for converting a regionally advantageous location and reputation as an amenity-rich area with a high quality of life, to an example of sustainable development capable of attracting targeted investment and setting the context for fiscal sustainability. This backdrop argues strongly for a place-based economic development strategy. There is a need to be both strategic and efficient in developing a sustainable community in these regards, where fiscal rewards flow from well-placed efforts to maximize value, while taking reasonable steps toward reducing both cost and uncertainty of development.

EPS will apply an integrated approach to conducting this economic development strategy update, combining elements of market and financial feasibility analysis, fiscal analysis, and infrastructure capital funding strategies.

In the case of EPS's analysis of the Davis Innovation and Sustainability Campus (DISC), proposed for the City of Davis, EPS found that certain entities acting as a business-to-business point of sale can dramatically improve the fiscal performance of business parks and innovation centers. As agriculturally related research and development (R&D)/tech seems to have a strong strategic position throughout the County, this sector and its associated public revenue generation potential is worthy of further exploration.

Moreover, it is worth considering that highly sought-after firms/operations are likely to involve owner-user transactions as opposed to leases or purchases of space from speculative developers. This informs the development economics of business/innovation center development, as owner-users tend to place certainty of time-to-market as a leading criterion over simple cost savings. Access to high-quality workers is another important consideration, invoking the need to emphasize quality of place. Past and ongoing EPS research for the State of California (State)'s Strategic Growth Council and other entities has pointed to successful mixed-use intensification strategies using leading infill housing and mixed-use projects as the key to unlocking job growth by attracting both millennials and boomers.

Substantial foundational economic development research and analysis has been completed in various areas of the County over the past decade. This effort will build on and extend those recent efforts through a place-based approach, informed heavily by an examination of prevailing real estate fundamentals to better understand product types, strategies, and incentives that are feasible in today's market or likely to become feasible based on prevailing trends. Workable real estate development concepts will be cross-referenced with strategies to improve the County's fiscal position and will reflect best practices in small town growth and intensification.

Scope of Work

The County has asked EPS to prepare a scope of work for an economic development strategy concept document, which sets forth potential avenues to explore in future economic development discussions. The recommendations coming out of this piece will reflect high-level economic development assessments and strategy options forming a basis for future analysis and related policy making as the County continues to find its way forward in the post-pandemic economy.

EPS is very familiar with the County budget based on several analyses of project impact and related negotiations. This innate understanding of the County's economic and budget challenges allows EPS to hit the ground running on a largely qualitative methodology, bringing key issues and options to a head as a precursor to deeper research. EPS relied on its knowledge base and that of County staff in developing this scope and budget, which sets the table for more detailed potential forays in the future.

Task 1: Initiate Project

Initially, EPS will work with the County to collect and review all pertinent documents available that have bearing on the study. EPS will prepare a summary of major conclusions and discuss implications for future County economic trends and patterns.

EPS will cross-reference critical variables across several specific sectors and topics to providing an overall assessment/rating, helping to prioritize future policy actions. The goal of this initial task is to summarize general conditions with an eye to strategic opportunities. In addition, previous/existing incentives and recommendations will be reviewed to understand implementation status.

Task 2: Evaluate Economic Opportunities and Constraints

EPS will evaluate the current economic condition of the County and provide for a 5-year outlook. As a first step, EPS will develop a snapshot of the County's economy, with reference to real estate (residential and commercial sector) market metrics, land supply (current as well as pipeline of approved projects), workforce size/composition, housing conditions, commute behavior, other population/employment trends, and fiscal outlook (referencing direct and indirect drivers of County fiscal performance). The outlook will examine effects of the pandemic on the County and the larger region, facilitating identification of structural changes in the economy that involve opportunities for the County. This task will emphasize development opportunities and constraints in the County with specific emphasis on these:

- ***Agriculture-Related Cluster Dynamics.*** Seed science, ag-related biotech, and other areas present natural opportunities for knowledge-based economic development in the County. EPS will define sector and related growth trends, with reference to opportunities the County may have for accommodating various functions in these clusters. This evaluation will include reference to the pros and cons of various cannabis regulatory options on County economy and budget, building on regional analysis and data provided in the April 2022 Comprehensive Cannabis Study, prepared for the City of Sacramento by EPS.
- ***Sustainable Resort/Tourism Development.*** The County has gained a following among locals and visitors through the development of a myriad of wine, music, culture, art, food, and recreational hubs in the Winters area, Clarksburg, its Capay Valley communities, and other areas. EPS will evaluate best practices in tourism and visitor attraction among similar counties to highlight emerging trends and case-study examples of agrarian economies in California and elsewhere that have successfully balanced the provision of local needs with the ability to attract visitor spending.

- ***Unincorporated Community Development.*** EPS will specifically focus on community building initiatives. EPS will use its broad-based experience and the case-study information referenced above to consider integrated approaches toward unincorporated community development with reference to affordable housing prototypes and implementation approaches, infrastructure development and maintenance, labor force development, and marketing/branding. Above-referenced cluster dynamics will inform specific opportunities and constraints analysis related to the County’s unincorporated areas and land assets. This task will rely on asset mapping in **Task 1** and relates to two broad opportunities:
 - Farm-based, sustainability-themed, mixed-use tie-ins to Capay Valley and other census-designated place (CDP) areas in the County.
 - Advanced manufacturing on a stand-alone or district basis.

Task 3: Analyze Opportunity Sites

Subtask 3.1: Identify Site Selection Criteria and Short List

Based on preliminary discussions, priority areas for evaluation include central districts of unincorporated communities, unincorporated “opportunity sites,” and various major corridors and districts. As described in this proposal, to make maximum use of available resources, focus in this study will be placed on areas offering major jobs and revenue benefits. Strategic emphasis will be placed on the following aspects as this analysis moves forward:

- Strategic infill location, taking advantage of prevailing economic trends and existing infrastructure investments.
- Ability to leverage location of prevailing trends to generate fiscal revenue in the short to medium term (within a decade).
- Positioning relative to other key sites facilitating efficient sharing of costs of required infrastructure investment.
- Other factors to be determined.

EPS will coordinate closely with the County in deriving the short list, which may include grouping several sites into districts for purposes of providing high-level analysis.

Subtask 3.2: Evaluate Opportunity Sites

For three opportunity sites selected through discussions with the County, EPS will conduct a multidisciplinary analysis, evaluating such considerations as market compatibility with a targeted cluster, prospective financial feasibility (e.g., ability to command required rents), fiscal performance, economies of scale in funding required backbone infrastructure (e.g., multiple-owner financing strategies), and potential to contribute to long-term quality of place. Additional and more specific criteria will be developed during the course of analysis.

Based on this cross-sectional assessment, EPS will develop recommendations relating to appropriate policy actions and incentive packages for each area with the goal of advancing a grouping of opportunities contributing to both short-term fiscal improvements and the creation of a long-term foundation for sustained fiscal performance. This will include reference to both marginal actions and (where appropriate) "game-changers," where extraordinary opportunities may suggest a County leadership role.

Task 4: Advise Policy Implications

EPS will review and advise the County on the content of its economic development policy framework. Formal revision of policies would be undertaken as an extension of this study.

Task 5: Interim Check-In: Preliminary Conclusions and Discussion

EPS will prepare a preliminary summary of conclusions and meet with the County to review and discuss initial findings and strategic recommendations. It is anticipated that this working discussion will occur at the (approximately) 70th percentile of overall project completion, providing a basis for finalizing the draft report by facilitating early input from senior staff.

Task 6: Prepare Report and Presentation

Recommendations related to the above-referenced tasks will be documented in a concise memorandum, with recommended next steps for both opportunity sites and corridors discussed in order of priority. EPS will prepare and present a PowerPoint presentation at a designated event at the culmination of the study.

Personnel

Managing Principal **David Zehnder** will serve as Principal-in-Charge of this project, overseeing the overall study framework, providing guidance, and monitoring progress over the course of the project.

Schedule and Budget

The study will be completed over a period of 12 weeks.

EPS requests an initial budget allocation of **\$29,750** for this assignment. EPS charges for its services on a direct-cost (hourly billing rates plus direct expenses), not-to-exceed basis; therefore, you will be billed only for the work completed up to the authorized budget amount. Data or reproduction expenses will be billed at cost, and invoices are submitted monthly and are payable on receipt. If additional work or meetings are required, EPS will request authorization for additional budget with the understanding that terms will be negotiated in good faith. EPS's Hourly Billing Rates are attached as part of this letter and Scope of Work.



David W. Zehnder



Managing Principal

Education

Master of City Planning, concentration in Regional Economics, University of California at Berkeley, 1992

Bachelor of Arts in Economics, San Francisco State University, 1989

Bachelor of Arts in Geography, San Francisco State University, 1989

Previous Employment

Consultant, Economic Strategies Group, 1991–1992

Economic Analyst, Solano Private Industry Council, 1990–1991

Coastal Act Enforcement/Legal Support, California Coastal Commission, 1988–1990

Select Affiliations & Speaking Engagements

Urban Land Institute (ULI), Sacramento District Council, Past District Council Chair, Governance and Policy Committees

ULI National Urban Revitalization Product Council, Chair, Blue Flight

UC Davis Center for Regional Change (CRC), Regional Advisory Council Member

California Association for Local Economic Development (CALED), Advisory Board Member

Lecturer, University of California at Davis Extension, "Financial Aspects of Planning," 2008–2017

Panelist, Appraisal Institute, "2016 Real Estate Forecast," February 2016

Panelist, "Urban Assets and Sectors: Outlook for Office, Industrial, Retail, Hotel & Housing," IMN's Second Annual Opportunity & Private Fund Forum on Urban Rejuvenation & Brownfields, Los Angeles, April 2007

ABOUT

David W. Zehnder is a consulting economist specializing in regional economics, public/private development, transactional real estate, feasibility analysis, and public finance. David's practice centers on creating viable land use and redevelopment strategies, taking full account of regional site context, market conditions, public policy objectives, and private-sector financial requirements.

SELECTED PROJECTS

Gilroy Economic Development, Market Analysis, and Public-Private Partnerships (P3) Implementation

EPS has been instrumental in advising the City of Gilroy on a broad range of planning and development issues over the past five years. Building on a Place Based Economic Development Strategy prepared for the City and the GEDC, EPS subsequently conducted an economic impact analysis of Gilroy Gardens, and has been advising the City on development and disposition terms pertaining to the City's Sports Park and the Gilroy 536 project encompassing Gilroy Gardens.

Davis and Sacramento Innovation Center Evaluations

EPS has conducted in-depth review and analysis of several innovation center concepts. EPS advised the University of California at Davis (UC Davis) in evaluating opportunities related to development of a university-related research park and cultural amenity as part of the Chancellor's vision of a University-based "innovation research park." Subsequently, EPS evaluated two Innovation center proposals proposed by private sector interests in Davis, California. In addition, EPS worked with the City of Sacramento in evaluating future innovation center concepts at the UCD Health Campus adjacent to the Oak Park neighborhood, which included specific reference to opening job opportunities for local residents.

Fort Ord Base Reuse Plan Market and Economic Analysis

In the post-recession environment, plans for reuse of the 20,000-acre Fort Ord Army Base required re-evaluation and updating. EPS completed a detailed evaluation of the current economic dynamics, offering a detailed assessment of market conditions and expectations, emerging real estate trends, and key risk factors affecting reuse plans and local economic development objectives. Based on employment and population growth projected over the next 20 years, EPS projected demand for several categories of residential and nonresidential land uses. EPS developed a comprehensive set of policy options and implementation recommendations intended to help local jurisdictions, including many disadvantaged communities, rebuild their economies following the closure of this important regional asset.

Sacramento State (Ramona Village) Faculty and Staff Housing Feasibility

Development of the proposed University Village Project was a unique opportunity for California State University Sacramento and its non-profit affiliate, University Enterprises, to provide needed and affordable housing for faculty and staff employed by the University. EPS analyzed market conditions related to the Sacramento residential housing market, particularly related to affordability, product mix, and feasibility of offering higher density ownership housing using a ground lease.

Panelist, "The Economics of Mixed Use Development," Northern California Redevelopment Alliance, March 2007

Lecturer, University of California at Davis Extension, "Brownfield Redevelopment Strategies," 2005

Select Publications

David has authored or co-authored the following selected papers:

"The Use of Master Developers: Outsourcing Base Reuse," Economic Development Commentary, Winter 2000

"A Triage Strategy for the Development of University-Related Research Parks," Conference Proceedings of the American Association of University-Related Research Parks, Monterey, California, 1996

"The Economic Interdependence of the San Francisco Bay Area," UC Berkeley Institute for Urban and Regional Development, 1992

"An Economic Development Strategy for Solano County," Solano County Private Industry Council, 1992

EPS also evaluated the financial feasibility of the Project, using discounted cash flow analysis to test variations in construction costs, financing structures, ground lease terms, and approaches to project phasing and pricing.

US 50 Realignment/South Shore Community Revitalization Project

EPS was retained by the Tahoe Transportation District to evaluate the potential of a proposed realignment of Highway 50 on Lake Tahoe's South Shore. As part of this effort, EPS conducted a comprehensive review of economic conditions on the South Shore, focusing primarily on the influence of tourism and visitation and on the region's ability to compete with other resort areas for destination visitors. EPS carefully analyzed the business composition of the affected neighborhood and its relationship to visitation, pass-by trips, shoppers' behavior, and other factors to predict the likely positive or negative effects of the roadway realignment upon the immediate area as well as upon the broader South Shore economy, including specific reference to a housing replacement program for certain affected neighborhoods.

Kings Beach and Tahoe City Economic and Redevelopment Strategy

EPS analyzed economic and land use conditions and population trends to create a strategic plan for redevelopment in Kings Beach and Tahoe City, focusing on the redevelopment of retail, visitor accommodations, and affordable housing in the form of transit-oriented, compact villages, facilitating improved views, open space, and environmental protection for Lake Tahoe's north shore. The analysis was largely predicated on the need to provide improved housing conditions to the local labor force supporting the area's tourism industry, resulting in a successfully implemented dispersed affordable housing strategy that has strengthened the fabric of the neighborhood.

Tacoma Foss Waterway Economic Analysis

On behalf of the Foss Waterway Development Authority, EPS conducted a market and site performance review to identify opportunity sites and potential uses for redeveloping and revitalizing the Foss Waterway. EPS offered near-, mid-, and long-term recommendations, including action items that could be implemented immediately to jump-start redevelopment and longer term strategic initiatives that built on the near-term efforts to ensure a thoughtful, programmatic, and sustainable revitalization program. These recommendations focused on high-level market and demographic orientation (e.g., suggesting uses that would appeal to families and university students), as well as specific guidance regarding land disposition and transaction structure, including the use of ground leases and other creative land compensation models to mitigate downside risks and maximize upside potential.

San Joaquin and Merced County General Plan Updates

EPS provided market, fiscal, infrastructure finance, and other technical support to the updates of these County General Plans, in both cases carefully analyzing labor force, commute dynamics, economic base development, and innovative approaches to ensuring infrastructure and County services are effectively provided to residents and businesses.

2022 HOURLY BILLING RATES

California Offices

Managing Principal	\$295-\$310
Senior Principal	\$360
Principal	\$275-\$285
Executive/Senior Vice President	\$250-\$260
Senior Consultant	\$250
Vice President	\$225-\$240
Senior Technical Associate	\$205-\$260
Senior Associate	\$195-\$215
Associate	\$175-\$185
Research Analyst II	\$140-\$160
Research Analyst I	\$100-\$110
Production and Administrative Staff	\$90-\$110

Billing rates updated annually.

