Draft Report

The Economics of Land Use

Diamond Springs and El Dorado Area Mobility and Livability Plan

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February 11, 2014

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1. *INTRODUCTION*

The Diamond Springs and El Dorado Area Mobility and Livable Community Plan is a community transportation plan aimed at improving mobility and access and reducing congestion for all users. This is of particular importance since portions of State Route 49 (SR-49) currently experience heavy congestion, operating at level of service D during peak hour, and will not have the capacity to accommodate the area's anticipated future growth. Potential transportation improvements that are proposed as part of this plan include numerous opportunities for the addition of bike lanes, completion of sidewalk networks, new roadway connections, and trail and shared use path improvements. Present day SR-49 or Pleasant Valley Road bisects the historic centers of El Dorado and Diamond Springs, which were once booming Gold Rush settlements, so a primary consideration for project improvements is to preserve and enhance this community character.

EPS's Role

EPS's role in the Diamond Springs and El Dorado Area Mobility and Livable Community Plan involved assessing how the Plan would impact the economic development of the Diamond Springs and El Dorado communities (Study Area). EPS reviewed regional and County background documents, interviewed local business owners and members of the Stakeholder Advisory Committee (SAC), and conducted site visits to gain an understanding of the character of the area, how the local economy functions, and how the transportation system can help this community meet their goals for the future. Demographic and economic data was gathered to supplement the qualitative information sources mentioned above. The research efforts are ultimately used to determine opportunities for the community to leverage the project improvements to strengthen and diversify their economy. EPS also identified constraints and barriers to investment that if adequately addressed can help the community realize its full potential.

Summary of Findings

1. ***The transportation improvements posed as part of the Plan will provide many opportunities for increasing residents' quality of life.***

   The addition of sidewalks, bike lanes, and shared use trails mean children will have safer routes to school, employees will have alternative commute options, and recreation enthusiasts and tourists will be more inclined to get out and explore. Enhanced streetscapes improve the overall appearance of the community and send a signal to investors and potential employers that this is an area worthy of their investment. Several studies have indicated walkability and access to trails and open space have a positive impact on residential and commercial property values.

2. ***Case study reviews indicate that public investments in well-conceived complete streets, plazas, and other similar projects are capable of boosting sales tax by 10 to 20 percent annually.***

   Areas in Northern California and elsewhere that have implemented programs to improve vehicular traffic-related issues and increase pedestrian-oriented appeal have led to substantial retail sales and visitation improvements. Given El Dorado County's status as a popular visitor destination, the improvements proposed as part of the Project are likely to be well-received by the visitor population (as well as nearby residents) and are likely to result in positive impacts for local businesses.

3. ***Districts that cater to tourists are well positioned to prosper from the creation of a walkable environment.***

   The Project should help to create a more appealing environment that induces both local and visitor customers to stay longer and frequent multiple establishments while parked at a central location, which can provide a substantial lift to retail sales.

4. ***The magnitude of benefit realized by the Project depends on the quality of subsequent implementation actions related to positioning and marketing revived historic districts.***

   The degree to which this impact to visitation is realized relies not only on the Project but on several other factors, including redevelopment of key parcels, the introduction of new and compelling amenities, the success of parking or transit improvements, the effectiveness of new signage to orient unfamiliar drivers, and the ability to attract visitors through events and marketing. Even a minimal effort could leverage the positive impacts associated with improved traffic flows and a more inviting pedestrian environment.

5. ***An overall increase in trips in the area bodes well for commercial support.***

   Future travel through the Diamond Springs and El Dorado area is expected to increase both from growth of the communities themselves and from an increase of trips that originate and terminate elsewhere. This means more visibility for commercial enterprises in the area and an opportunity to attract more business.

6. ***Public private partnerships should be considered as a potential funding mechanism.***

   A list of public funding sources is provided. If these or other sources can be utilized to make selected improvements, upgrading the appearance and functionality of the historic districts, and risks associated with market recognition and entitlement are addressed, it is very likely that the area can attract substantial additional private investment. If resources are available and property owner interest is in place, a logical next step would be identification of one or two catalyst projects for near-term implementation.

2. COMMUNITY CONTEXT

Introduction

This project pertains to the Diamond Springs and El Dorado Area Mobility and Livability Plan, a transportation improvement plan covering the geographic area (Project Area) shown on **Map 1**. The Project Area is located twenty miles east of Folsom and three miles south of Placerville. The small historic districts of Diamond Springs and El Dorado flank Highway 49 and are separated by just a couple miles. Proposed transportation improvements include improved sidewalk connections, bike lane/shoulder additions, and shared use paths. A list of potential pedestrian and bicycle improvements are shown on **Map 2** and **Map 3** respectively. As part of this project, EPS will evaluate the economic outlook and provide recommendations for the area based on known trends and proposed transportation improvements.

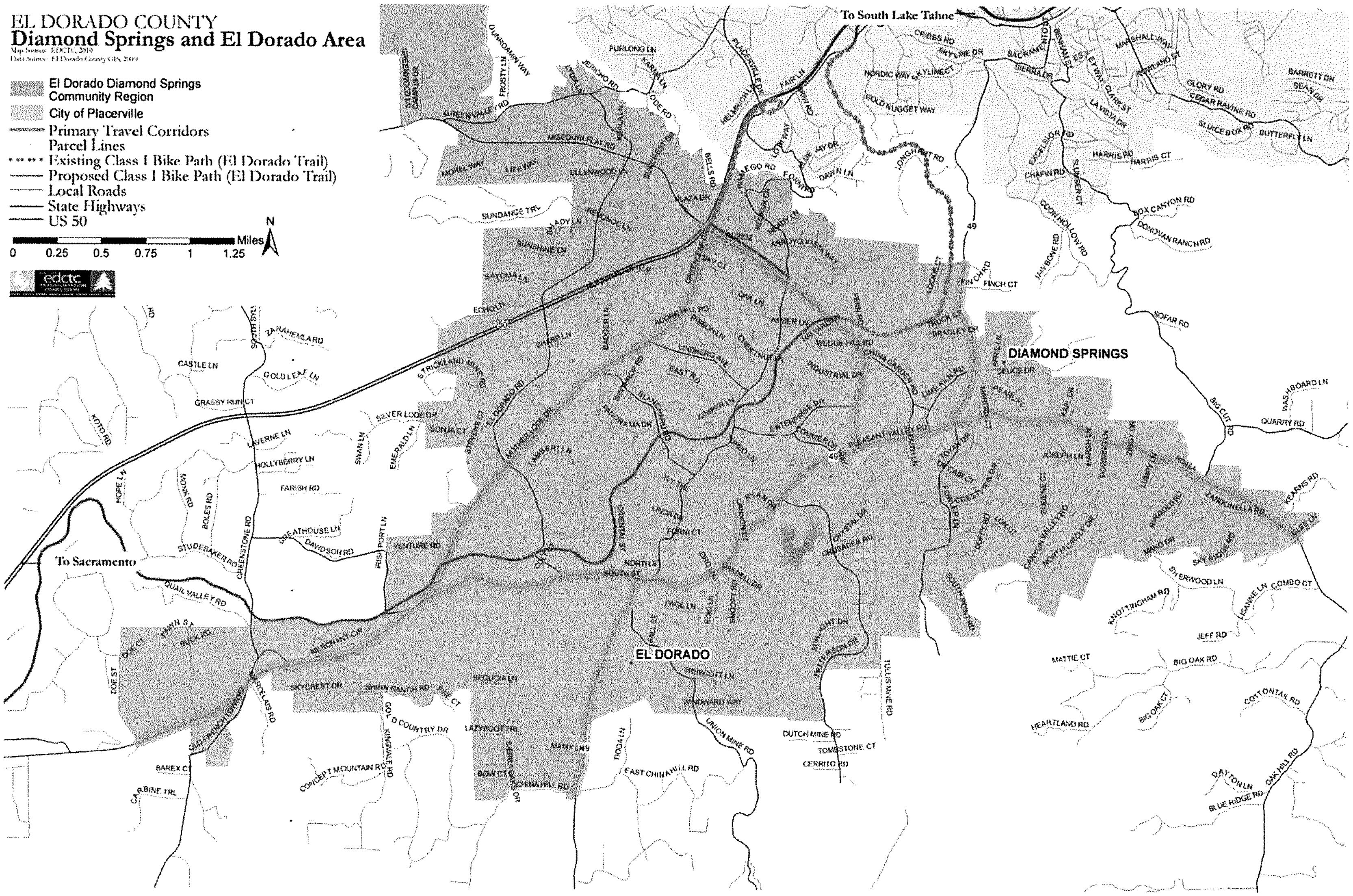
History

Diamond Springs and El Dorado (originally Mud Springs), named after their fresh water springs, originated as mining camps during the early Gold Rush era. Both were important settlements and populous trading centers located in some of the most gold-rich territory in the region. Their proximity to the well-established camp of Placerville, and location on the Carson Trail brought a steady stream of travelers and goods. After gold production declined, the economy depended more on other natural resource extraction, such as logging and lime and marble mining, as evidenced by the former Diamond Springs Lime Company, a large plant west of Highway 49 that closed in 1956. Mining production gradually declined starting in the latter decades of the 19th century, giving way to the rise of agricultural importance. The towns' location on trails and trade routes was instrumental in the success of their early economies, and even today main transportation routes like Highway 49, which runs through the former Main Streets of Diamond Springs and El Dorado play a critical role in linking these towns with the surrounding region.

Today's Character

Today only a few remnants of the Gold Rush era can be detected in El Dorado and Diamond Springs. Diamond Springs experienced major fires in 1856, 1859, and 1870, and El Dorado experienced them in 1923, the 1940's and 1950's. Many of the landmark buildings, especially the thriving hotels and saloons were destroyed by these fires, and others have since been razed or undergone extensive remodeling. The urban form along Highway 49 presents a juxtaposition of a myriad of different land uses, including a few historic buildings, service stations and other auto-oriented uses with large parking lots, set alongside small privately-owned artisan goods shops. Residential areas that include country homes with large lots and livestock can be found immediately adjacent to more suburban single-family homes. Locals have described the character of this area as "rustic pioneer with an edgy twist" and "hometown Americana". Many still possess the entrepreneurial and independent spirit of the early settlers, who have a deep sense of appreciation for their land and the natural beauty of the surrounding landscape.

Map 1
Community Transportation Plan Area



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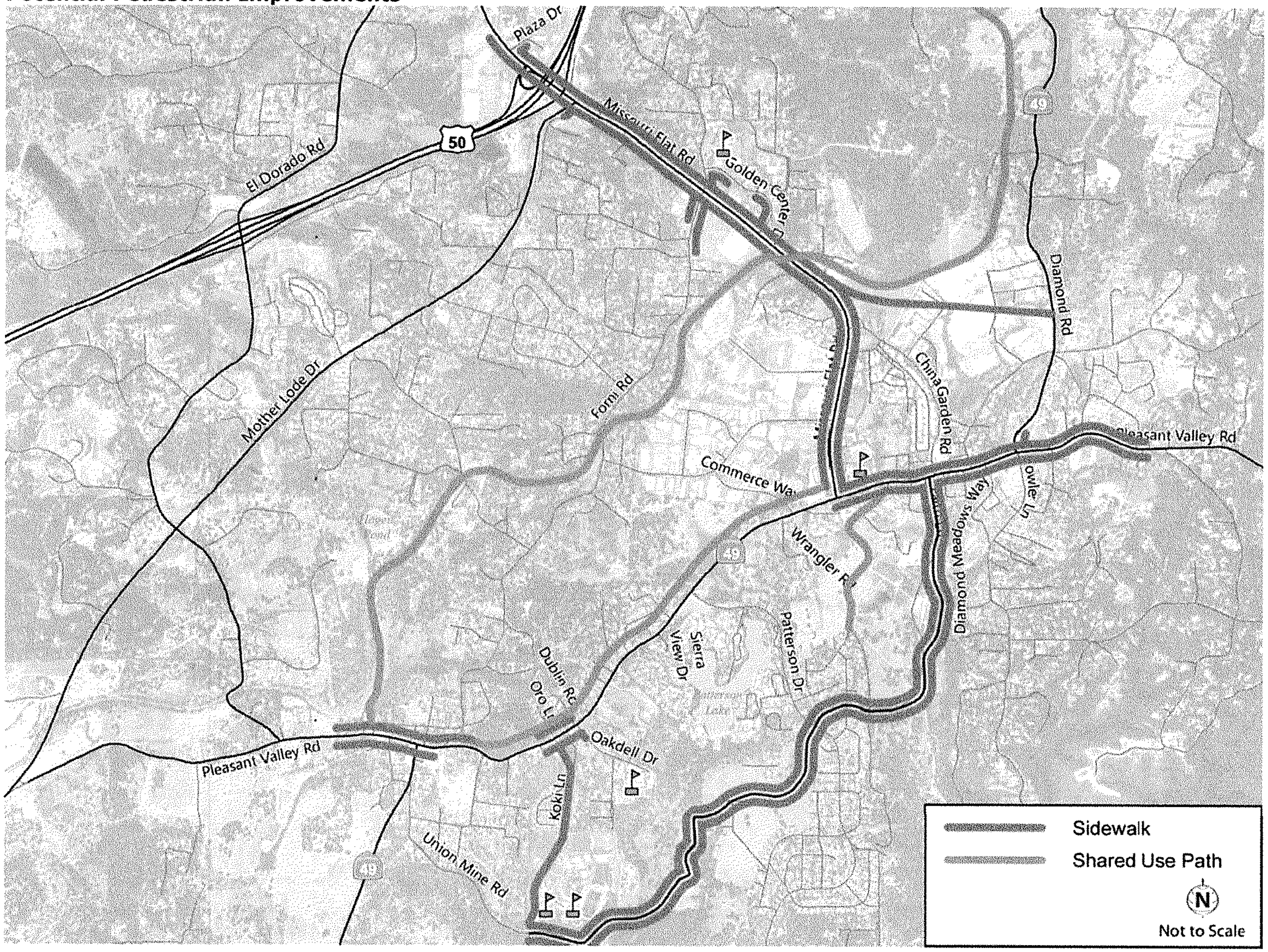
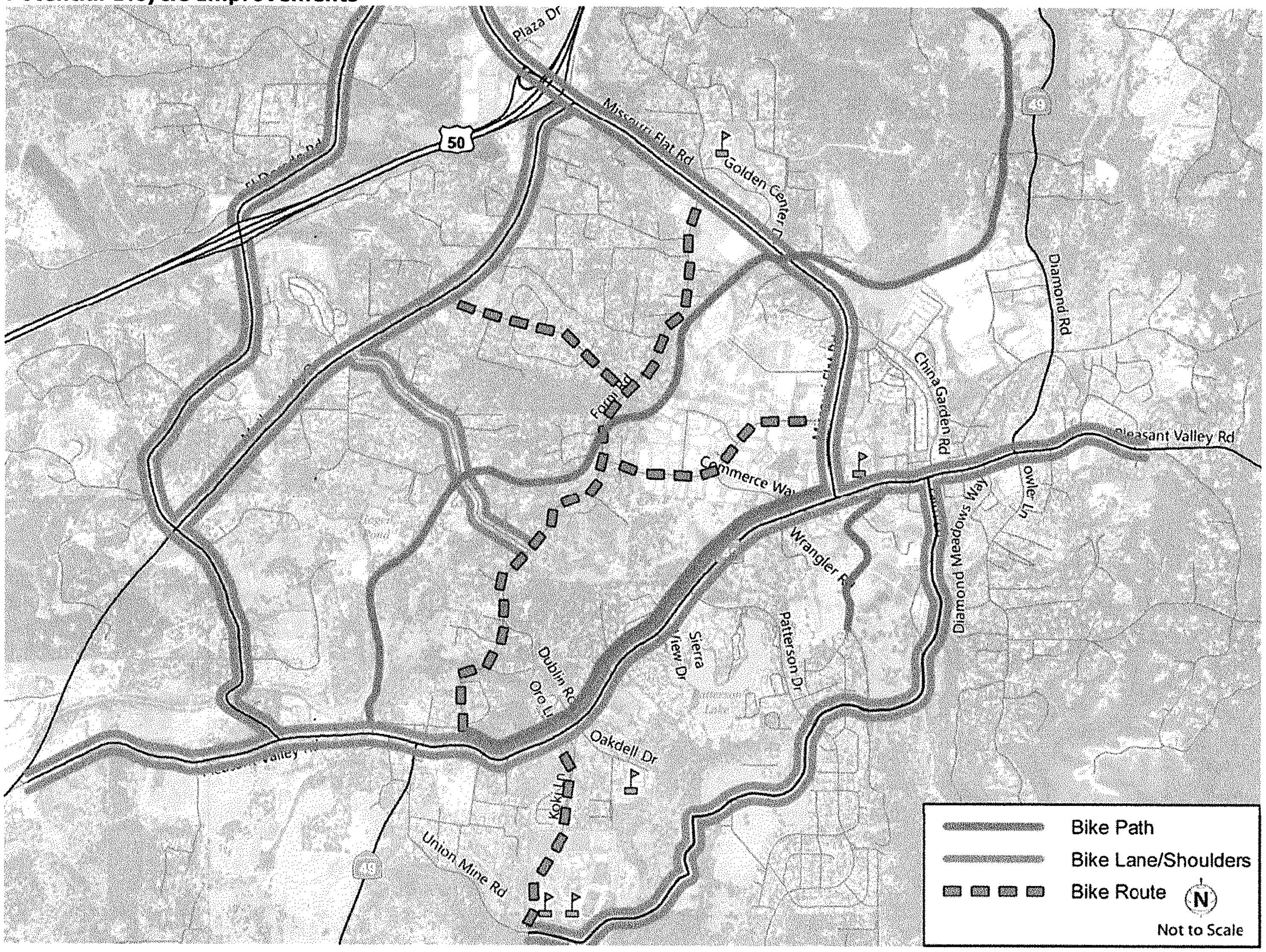
Map 2
Potential Pedestrian Improvements



Map 3
Potential Bicycle Improvements



Diamond Springs

Diamond Springs and El Dorado have often been lumped together due to their proximity, but they are distinct communities. Diamond Spring's historic district has potential for becoming a strolling business district, but currently has fragmented pedestrian infrastructure and many gaps in the urban form. This district has seen some new real estate investment, namely the Diamond Center at the southwest intersection of Pleasant Valley Road and Fowler Land, the urban design of which is reminiscent of the Gold Rush era. Diamond Springs serves as a gateway to agritourism and outdoor recreation. One Fair Play winery owner estimated that 60-70 percent of his patrons traveled through Diamond Springs.

El Dorado

El Dorado has a somewhat more suburban residential character and is more services oriented. Shops along this stretch of Highway 49 lack basic pedestrian infrastructure and have a couple unusual intersections with which traffic must contend—a triangular intersection where Mother Lode Drive meets Pleasant Valley Road and a "T" intersection where Highway 49 makes a ninety degree turn at Pleasant Valley Road. The traffic traveling at highway speeds is not conducive to easy business patronage from either an auto or pedestrian standpoint. Drivers have a difficult time transitioning from a highway environment to a small business district, and the loud, fast-moving traffic and the lack of sidewalks and separation from traffic does not lend itself to a pleasant walking experience. El Dorado serves as an education hub for school-aged children, so highway traffic, school traffic, and lack of appropriate infrastructure presents challenges for children traveling to and from school. Union Mine is a regional high school with a large geographic draw. The Union Mine campus is also home to two alternative programs called Mountain View High School and Shenandoah High School. There is also the El Dorado Trade School, a middle school charter school less than a mile away.

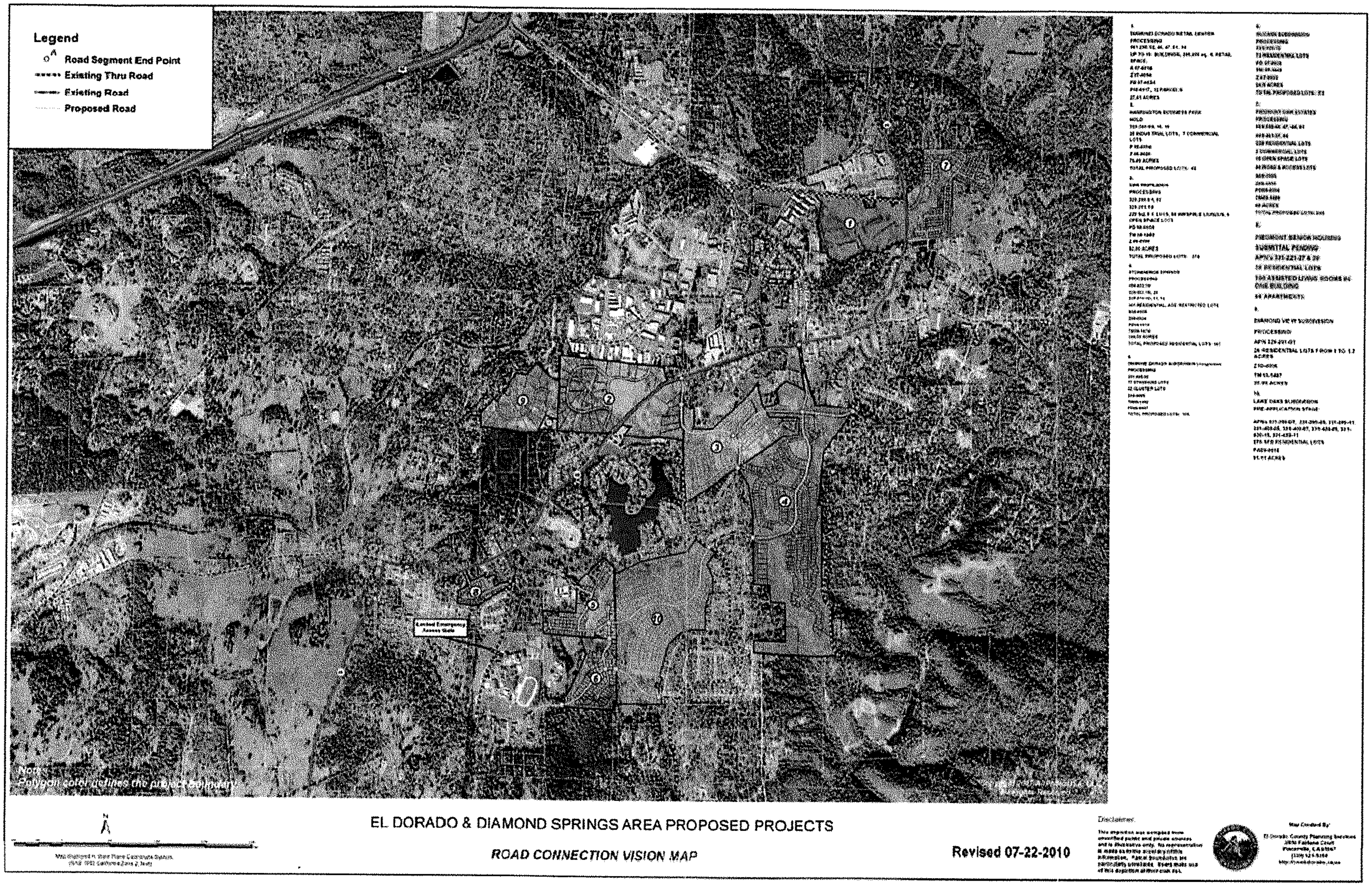
Planning and Future Development

Diamond Springs and El Dorado are designated as "Community Regions" in the El Dorado County General Plan. The General Plan states that the purpose of Community Regions are to:

> "Provide opportunities that allow for continued population growth and economic expansion while preserving the character and extent of existing rural centers and urban communities, emphasizing both the natural setting and built design elements which contribute to the quality of life and economic health of the County."

The Diamond Springs and El Dorado area's absorption of future population growth and economic expansion is evident in the several new subdivisions and development projects that are in the pipeline. **Map 4** shows the location of ten new developments, many of which are new housing subdivisions south of Highway 49. A list of these proposed projects and key characteristics of each is provided after the map:

Map 4
Proposed Development Projects



1. Diamond Dorado Retail Center—up to 10 buildings, 290,000 sq. ft. retail.
2. Harrington Business Park—35 industrial lots, 7 commercial lots.
3. Oak Highlands—220 residential lots, 48 condos, 6 open space lots.
4. Stonehenge Springs—361 age-restricted residential lots.
5. Diamond Dorado Subdivision—77 standard and 32 clustered residential lots.
6. McCann Subdivision—72 residential lots.
7. Piedmont Oak Estates—229 residential, 3 commercial, 15 open space lots.
8. Piedmont Senior Housing—29 residential lots, 100 assisted living units.
9. Diamond View Subdivision—26 residential lots.
10. Lake Oaks Subdivision—270 residential lots.

Many of these projects will greatly shape the future of these communities, bringing new employment opportunities as well as households that will support existing businesses. Planning for this growth is critical, and the Area Mobility and Livability Plan is one way to help ensure new development makes a smooth transition into the community while at the same time alleviating traffic issues that have plagued the area for some time. The project improvements also have the potential to spur economic development. Key economic development needs identified in the County General Plan include these:

- More diversified local economy
- Greater capture of tourism
- Further economic self-sufficiency
- Create employment opportunities commensurate with housing costs
- Maximize economic potential of natural resources
- Reduce employment travel

The economic and demographic data presented in the following chapter will be analyzed to see how proposed transportation improvements can further the goals and visions of the General Plan and support economic development in the area.

3. *DEMOGRAPHIC AND ECONOMIC BACKGROUND*

Population

The Diamond Springs census designated place (CDP), which encompasses portions of both the Diamond Springs and El Dorado areas, had an estimated population of 11,037 at the 2010 Census. Historical growth for this small geographic area is difficult to estimate because significant CDP boundary changes occurred in 2010. Recent population data indicates population growth has been very slight. The average annual growth rate between the 2010 Census and 2012 American Community Survey is only .21%. According to SACOG's population growth projections for El Dorado County, future growth is expected to average out to a modest 1% average annual growth rate through 2050 (**Table 1**).

Table 1
Population Growth Projections - El Dorado County

Year	2010	2015	2020	2025	2030	2035	2040	2045	2050	Projected Annual Average Growth Rate 2010 - 2020	2010 - 2025	2010 - 2050
Population	181,058	184,195	203,095	220,384	234,485	248,623	263,579	275,654	283,125			
Increase	-	3,137	18,900	17,289	14,101	14,138	14,956	12,075	7,471			
Average Annual Growth Rate for 5-Year Period	-	0.34%	1.97%	1.65%	1.25%	1.18%	1.18%	0.90%	0.54%	1.16%	1.32%	1.12%

"Proj Pop'n"

Source: Sacramento Area Council of Governments (SACOG), and CA Department of Finance Demographic Research Unit

[1] 2015-2050 Projections Prepared by Demographic Research Unit, California Department of Finance, January 2013

Age

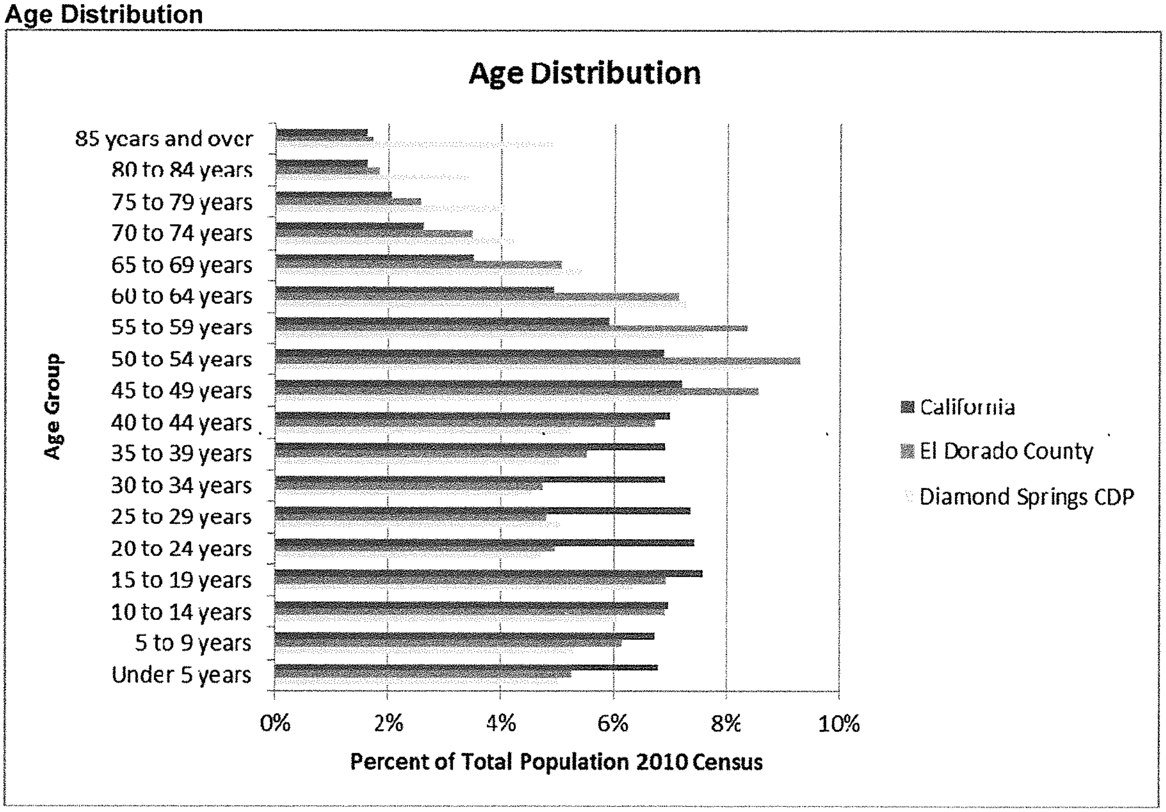
A significant portion of the local area's population is comprised of elderly and recently retired people. This notion was also supported by resident interviews, which revealed a noticeable trend in local business owners retiring. As shown in **Table 2**, the median age in the study area is much higher than that of El Dorado County and California. The high proportion of elderly is likely a result of residents aging in place as well as an influx of retirees seeking a slower-paced, bucolic lifestyle and access to outdoor recreation and tourism opportunities in El Dorado County.

Table 2
Median Age 2010

	2010
Diamond Springs CDP	47.1
El Dorado County	43.6
California	35.2
	"med age"

Source: U.S. Census Bureau

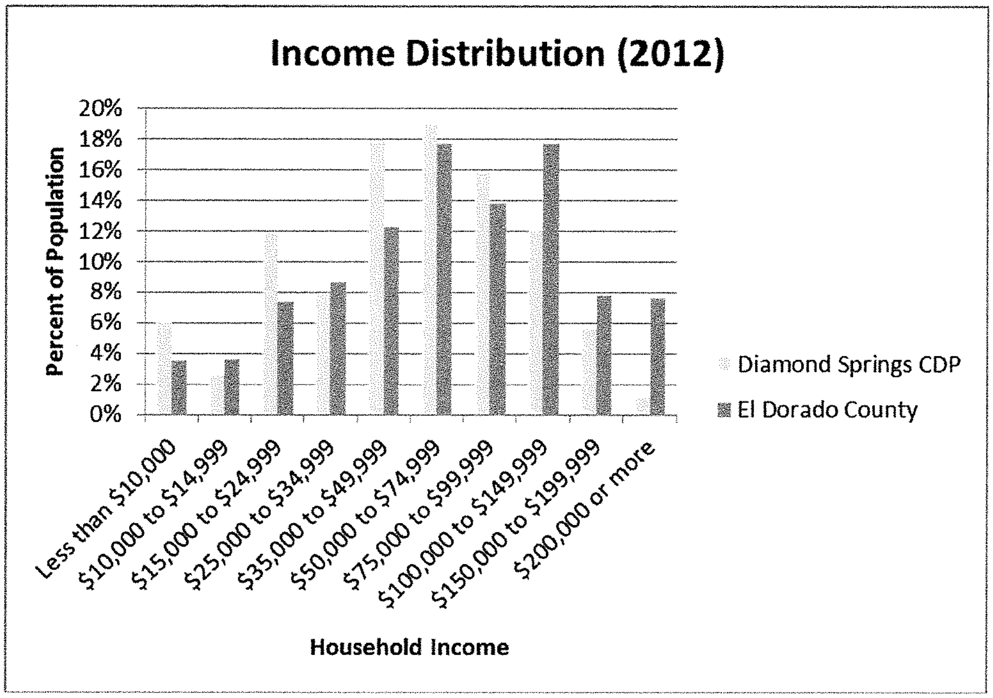
Figure 1
Age Distribution



Income

Several different census datasets indicate that the Diamond Springs CDP has residents of more modest incomes than the rest of El Dorado County. In 2012 the average household income in the Diamond Springs CDP was 73% of the County average ($65,434 and $89,610 respectively). **Figure 2** shows the income distributions of the CDP and County. The poverty level for Diamond Springs was estimated at 10.5%, slightly higher than the County's 8.1%[1]. These figures highlight the need to carefully consider opportunities for economic development in the area.

Figure 2
Income Distribution

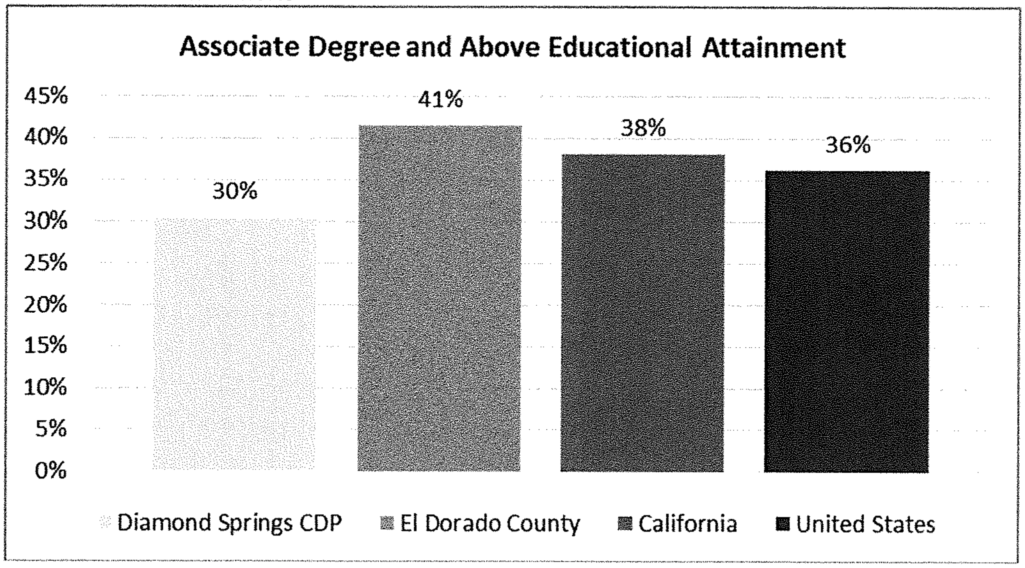


Education

A portion of the income gap between the Study Area and El Dorado County is likely attributed to educational attainment. The proportion of the population with an Associate's degree or higher is lower than that of El Dorado County, California, and the nation (see **Figure 3**.) Degree attainment is on the rise though, as shown by American Community Survey data in **Figure 4**.

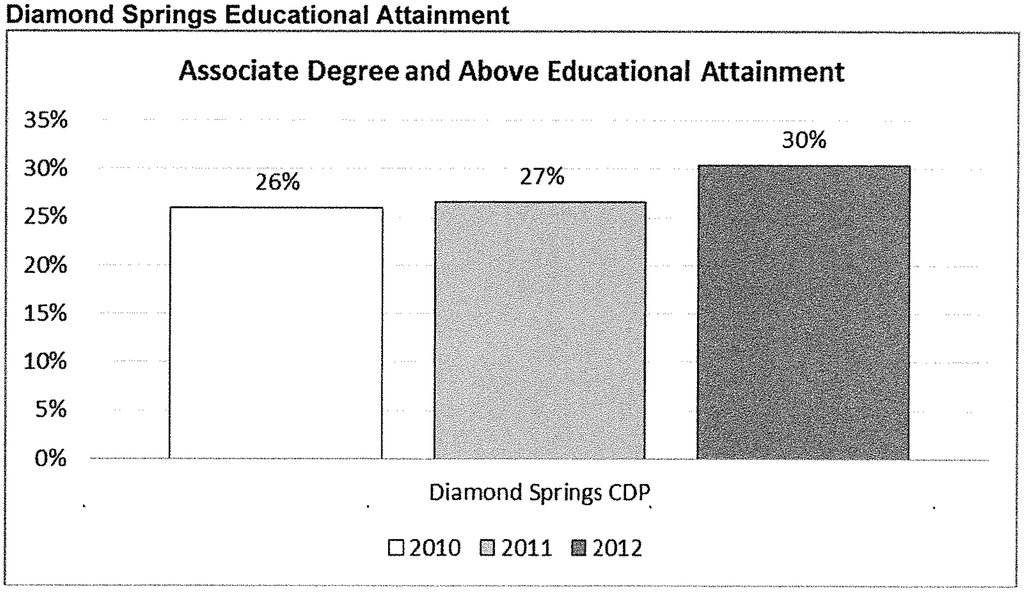
[1] U.S. Census Bureau American Community Survey 2012 5-Year estimate (2008-2012).

Figure 3
Educational Attainment



Source: U.S. Census Bureau American Community Survey 5-Year Estimates 2012 DP03

Figure 4
Diamond Springs Educational Attainment



Source: U.S. Census Bureau American Community Survey 5-Year Estimates

Industry

Table 3 gives a breakdown of the top industries in Diamond Springs CDP and El Dorado County (measured by the number of residents employed in those industries.) The top five industries in Diamond Springs include these:

- Educational services, health care, and social assistance (21%)
- Professional, scientific, management, administrative and waste management services (13%)
- Retail (11%)
- Construction (11%)
- Manufacturing (10%)

When comparing the Diamond Springs industry data to the County's breakdown by industry one can see the industries in which this area is most specialized and those that the local economy might benefit from expanding. **Table 3** and **Figure 5** show that this area is most highly specialized in agriculture, forestry, fishing and hunting, and mining, so even though it only employs 2% of the population from this area, this is a key asset of the community and a major part of its identity. Expanding and marketing the area's agriculture and viniculture in particular will be discussed more in **Chapter 4**. Industry categories that were notably underspecialized include these:

- Information
- Arts, Entertainment, Recreation, Accommodation, and Food Services
- Finance, Insurance, and Real Estate
- Wholesale Trade

Of these highly underspecialized industries, the transportation improvements proposed as part of the Area Livability and Mobility Plan seem most likely to be leveraged to improve the Arts, Entertainment, Recreation, Accommodation, and Food Services industry, particularly through a complete streets effort along Pleasant Valley Road. Once improvements are in place and have begun to spur additional community investment, the area may also begin to attract sole proprietors from the Information and Finance, Insurance, and Real Estate Industries who are looking to relocate their established businesses to enjoy the unique quality of life Diamond Springs and El Dorado have to offer.

Table 3
Industry Breakdown and Specialization

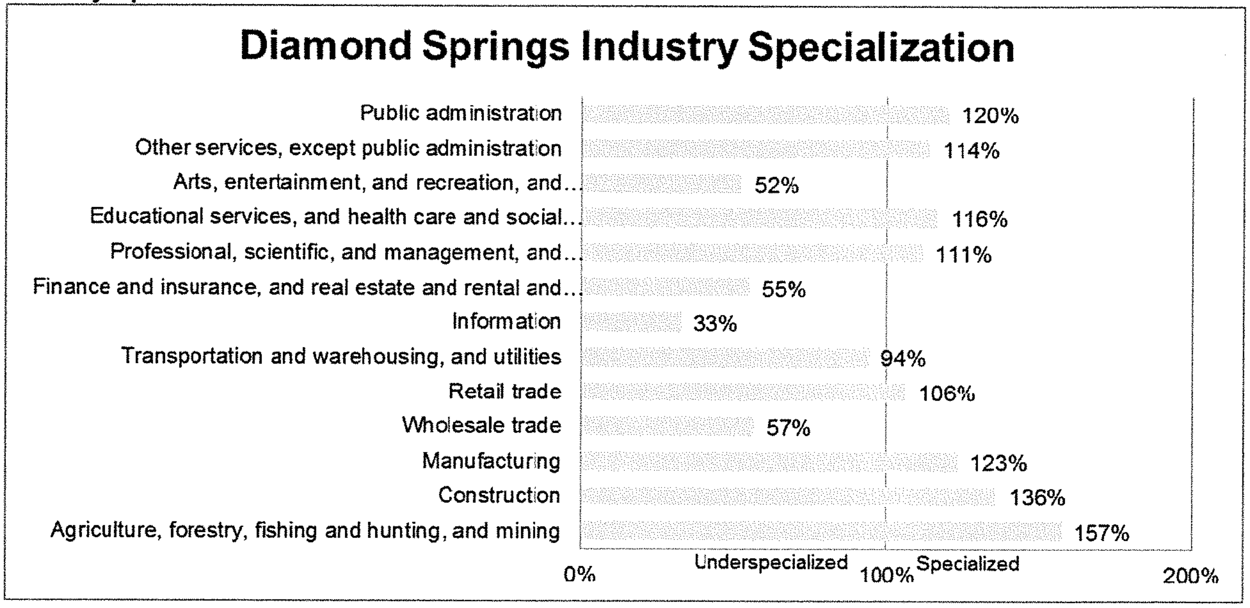
Industry	Diamond Springs CDP		El Dorado County		Specialization Compared to El Dorado County [1]
		(a)		*(b)*	*(a)/(b)*
	Persons	*% of Total*	*Persons*	*% of Total*	
Agriculture, forestry, fishing and hunting, and mining	75	2%	935	1%	**157%**
Construction	477	11%	6,890	8%	**136%**
Manufacturing	411	10%	6,554	8%	**123%**
Wholesale trade	55	1%	1,903	2%	**57%**
Retail trade	472	11%	8,725	10%	**106%**
Transportation and warehousing, and utilities	159	4%	3,314	4%	**94%**
Information	31	1%	1,863	2%	**33%**
Finance and insurance, and real estate and rental and leasing	189	4%	6,726	8%	**55%**
Professional, scientific, and management, and administrative and waste management services	559	13%	9,835	12%	**111%**
Educational services, and health care and social assistance	912	21%	15,372	18%	**116%**
Arts, entertainment, and recreation, and accommodation and food services	290	7%	10,847	13%	**52%**
Other services, except public administration	227	5%	3,917	5%	**114%**
Public administration	399	9%	6,531	8%	**120%**
Civilian employed population 16 years and over	4,256	100%	83,412	100%	

"ind_spec"

Source: U.S. Census Bureau American Community Survey 2007-2011 DP03

[1] A measure of 100% means that the local area has the same share of total employment in the industry as the County.

Figure 5
Industry Specialization



4. *OPPORTUNITIES AND CONSTRAINTS*

Opportunities

After making site visit observations, interviewing local business owners and stakeholders, and conducting general research, EPS determined that major opportunities to spur economic development through the Area Mobility and Livability Plan are centered on the area's Gold Rush era legacy and richness of natural resources. The area's unique offerings in history, agriculture, viniculture and outdoor recreation can be cultivated to provide amenity, entertainment, and enjoyment for visitors and locals alike.

Growth in Tourism

El Dorado County is experiencing healthy growth in visitation by capitalizing on its immediate access to the Sacramento Region and multitude of recreational and leisure pursuits. Though the County's historical growth in visitor spending has been relatively sluggish, growing at an average annual rate of just 1.4 percent over the past 20 years, the outlook is more favorable for unincorporated areas. Looking at tourism performance indicators in just unincorporated El Dorado County, reveals an annual increase in transient-occupancy tax (TOT) revenues of approximately 10 percent. EPS expects visitor spending to grow by its current rate of approximately 1 to 2 percent per year countywide, but some popular areas (especially in the unincorporated portion of the county) may grow at much faster rates, possibly up to 5 to 10 percent, which could bode well for Diamond Springs and El Dorado.

There are many popular attractions, amenities, activities, and programs that drive visitation to El Dorado County, such as agri-tourism (including wine-related tourism), historical tourism, and outdoor adventure tourism, including activities like hiking, rafting, boating, off-roading, camping, etc. According to a survey conducted by the El Dorado Visitors Authority, the most popular activities or experiences in El Dorado County include dining, visiting wineries, and visiting popular geographic points of interest such as Main Street Placerville or South Lake Tahoe. A variety of other recreational experiences also were noted, such as visiting Apple Hill, visiting Coloma, hiking, camping, visiting museums, river recreation, fishing, skiing, golf, cycling, and others. Sectors of tourism that present the most opportunity for the Study Area, such as heritage tourism, agri-tourism, wine-related tourism, and adventure-tourism will be discussed separately in the sections to follow.

History and Heritage Tourism

Heritage tourism (also known as "historical tourism") is a key tourism market segment that has great promise for future growth. Heritage tourism worldwide is estimated to account for approximately 20 percent of total trips, and travelers classified as cultural and heritage tourists travel more frequently, on average 5.01 leisure trips per year versus 3.98 trips per year for noncultural/heritage travelers.[2] Baby boomers represent the most prominent market segment that is interested in heritage tourism. Because an ever-increasing proportion of baby of the population is reaching retirement age and many are choosing to spend these years traveling, the prospects for enhanced heritage tourism from this consumer segment are strong. Since El Dorado County is a popular retirement area, efforts to increase heritage tourism would capture interest from Baby Boomer history buffs who are not willing or able to travel far from home.

Heritage tourism is among the more popular activities for El Dorado County visitors, and several historical towns near the Study Area, such as Placerville, Georgetown, Coloma, and others offer a variety of opportunities to experience historical mining operations, visit museums, or tour the historic downtowns. Coloma, in particular, is among the county's most popular tourism areas outside Lake Tahoe. This is the location where gold was first discovered in the Sierras, and the town has been proactive and successful in drawing on its historical significance to draw visitors. The Marshal Gold Discovery State Historical Park hosts approximately 250,000 visitors per year, and quite a few tourism-oriented businesses and museums have been established in the area to provide a rich experience, making Coloma a popular place to visit.

El Dorado and Diamond Springs are well positioned to draw off Placerville, Coloma, and Georgetown's tourism traffic because of their close proximity and similar Gold Rush background. El Dorado and Diamond Springs are already registered as California Historical Landmarks (#486 and #487 respectively). Both towns have a handful of historic buildings and sites of interest. Diamond Springs's notable historic sites include the cemetery, Odd Fellows Hall (1852), the former Campini butcher shop, old school house (now a barber shop), and Diamond Springs Hotel (1916) among others. Points of interest in El Dorado include Poor Red's (a former drug store built in 1856), a historic brick building built in 1857 (now a Harley Davidson agency), former merchant shop once owned by Tracy and Kinsel (now Gallery El Dorado, 1856-57).[3] Strengthening their historic tourism image and improve marketing efforts would entice more visitors to add El Dorado and Diamond Springs as stops on their Gold Rush history tour.

By combining visits to historical sites with other activities such as dining, shopping, or outdoor recreation, a very compelling tourism experience can be provided to visitors. To the extent that additional complementary activities, attractions, and amenities can be added or enhanced, prospects for tourism and visitation will continue to improve. In particular, pedestrian and street improvements along Pleasant Valley Road through historic El Dorado and Diamond Springs can make this area of the community more appealing and accessible to tourists and residents, potentially spurring new business and economic development. Future commercial uses in the historic areas of El Dorado and Diamond Springs would do well to focus on creating experiential district. Examples of appropriate uses could include restaurants, wine clubs, gift shops, boutiques, artisan goods retailers, entertainment and performing arts venues to name a few. Diamond Springs has gotten a jump start on this with the new Diamond Center commercial development at the intersection of Pleasant Valley Road and Fowler Lane, which has been diligently designed to recreate the historic Gold Rush character (see **Figure 6**).

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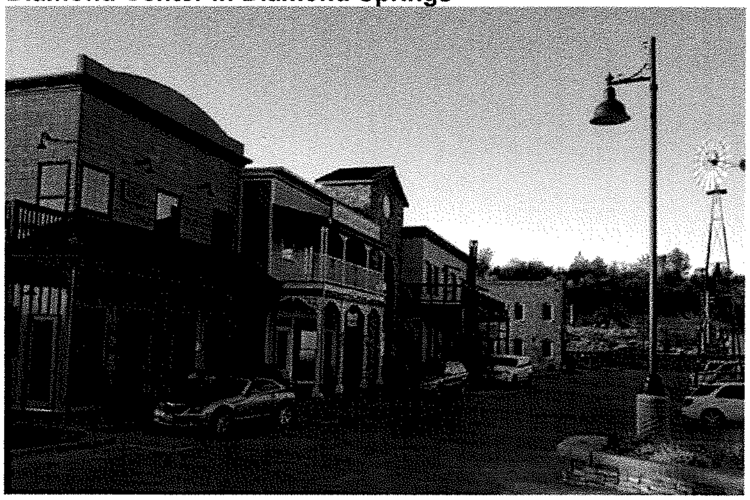
[2] According to the U.S. Cultural and Heritage Tourism Study, prepared by Mandala Research, LLC, 2009.

[3] El Dorado and Diamond Springs California (Western Places no. 23), by Alan H. Patera, 2001.

Figure 6
Diamond Center in Diamond Springs



Agriculture and Agri-Tourism

Agri-tourism is a strong and growing tourism segment in El Dorado County. The Apple Hill area, in particular, is an extremely well-organized collection of growers, bake shops, food stores, wineries, and other attractions that hosts large quantities of visitors each year. These visitors partake in the exploration of a variety of agricultural goods, fresh baked goods, Christmas tree orchards, and many other items. Local residents have suggested that El Dorado and Diamond springs could build off of this model, providing specialty crop visitor-oriented operations centered on pears, cherries, or other local crops.

There is a concerted effort to further organize the various agri-tourism activities in the county, and the El Dorado County Farm Trails Association (EDCFTA) is one organization helping to facilitate this effort. The EDCFTA helps to publicize local farmers' markets in the county and publishes farm trail maps and directories to help visitors find their way among the various agricultural options.

Viniculture and Wine-Related Tourism

The wine industry is another growing segment of economic activity in El Dorado County, which includes more than 2,200 acres in wine grape production (as of 2010). These wine-growing operations raise the profile of the county's wine-related activities, and there were more than 60 bonded wineries in El Dorado (as of 2010), ranking El Dorado as one of the largest wine regions in the state. El Dorado County and neighboring Amador County have emerged as very strong in the wine-related segment and are seen as a more cost-effective and convenient alternative to the booming wine culture that exists in the Napa and Sonoma Valleys.

Diamond Springs and El Dorado are on the doorstep of a number of nearby wineries in Fair Play, Pleasant Valley, Camino, Gold Hill, and Apple Hill making the entire area a popular and emerging destination for wine enthusiasts. Though already strong, the wine-related segment can be strengthened with the provision of more dining options, enhanced transportation accessibility (such as through organized "wine tours"), the provision of additional lodging options for visitors to stay, and through other related efforts.

Outdoor Recreation and Adventure Tourism

According to the Adventure Travel Trade Association, "adventure tourism" can be defined as tourism that involves two of the following three elements: (1) interaction with nature, (2) interaction with culture, or (3) a physical activity. Adventure tourism is deemed one of the fastest growing segments in the travel industry, with recent estimates indicating 65-percent growth in each year from 2009 to 2012.[4] This tourism segment has great existing pull and future potential for the Study Area, as there are a variety of adventure tourism opportunities throughout El Dorado County.

El Dorado County's vast open spaces and outdoor terrain make it a haven for a variety of adventure tourism activities, including river rafting, hiking, horseback riding, camping, fishing, golfing, snow sports, etc. There are several river rafting companies located in El Dorado County that offer guided tours for various skill, ability, and thrill levels, and river-related activities are a very popular attraction that drives substantial visitation to the county. There are many other aspects of adventure tourism available to El Dorado County visitors, such as rock climbing, camping, hiking, boating, and many more. Given El Dorado County's host of superb outdoor recreational options, this tourism segment is likely to thrive long into the future.

Constraints

Historic Integrity and Urban Form

Though this area has a rich and interesting history based on Gold Rush era and western settlement, few historic buildings have been preserved. As discussed previously, many have been destroyed by fire, removed due to severe dilapidation, or remodeled. Significant private investment will be required to restore the historic charm of this community. This can begin with an effort to "fill in the gaps" in the urban form, building up a contiguous store front experience along key segments of Pleasant Valley Road.

Access

The Diamond Springs and El Dorado area could be considered a bit hidden. Though it does get exposure from travelers on Highway 49, bypassers on Highway 50 rarely venture just the couple miles south to explore this community. Granted, this seclusion appeals to many residents and is a defining aspect of the community's character, but from an economic development standpoint, the community could benefit from expanding its marketing and wayfinding efforts to overcome what it lacks in visual access. Diamond Springs and El Dorado should partake in a regional marketing initiative collaborating with Placerville, Coloma, and other neighboring communities to organize such things as wine, farm, or history tours and events. Interviewed stakeholders suggested incorporating more lodging opportunities in these communities as another way to

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[4] According to the "Adventure Tourism Market Study," published by the Adventure Travel Trade Association and George Washington University, 2013.

mitigate for poor access. If visitors have overnight accommodations in the local area, they are more apt to explore and experience the various facets of the community.

Lacking Cohesive Sense of Community

Local business owners have voiced concern over the lack of opportunities for networking and community organizing within each town and collectively as the combined El Dorado/Diamond Springs area. Business associations are not as active as they used to be, and there is a need for community members and business owners to come together with a renewed effort to showcase what this area has to offer. The proposed transportation improvements from the Mobility and Livable Community Plan offer an opportunity to spark revived business owner interest and pride in the Diamond Springs and El Dorado business districts. Though the transportation improvements will be instrumental, it is ultimately the business owners and residents who harness the potential for reviving the community.

5. ECONOMIC BENEFITS OF TRANSPORTATION IMPROVEMENTS

The transportation improvements posed as part of the Plan will provide many economic benefits to the community, including improved quality of life and safety, higher property values, increase in revenue from sales tax and TOT. The addition of sidewalks, bike lanes, and shared use trails mean children will have safer routes to school, employees will have alternative commute options, and recreation enthusiasts and tourists will be more inclined to get out and explore. Enhanced streetscapes improve the overall appearance of the community and send a signal to investors and potential employers that this is an area worthy of their investment. Several studies have indicated walkability and access to trails and open space have a positive impact on residential and commercial property values. Retail in particular benefits from pedestrian oriented infrastructure improvements, as it can encourage patrons to linger and explore an area longer, thus leading to increased sales. From the perspective of many businesses, the volume of pedestrians can be as important as absolute counts of vehicular traffic. Restaurants, cafes, and gift shops are examples of businesses that stand to benefit more greatly from amenities that enhance the overall appeal of an area where customers can park once and explore on foot the many offerings the area provides.

Perspectives on Effects of Transportation Improvements on Local Economies

The impact of a transportation improvement project on a town's local economy depends on many factors. To provide additional perspective, EPS conducted professional and case-study research to identify lessons learned from other areas that have undergone similar changes to their roadway linkages, such that high-volume traffic was reduced to allow a more inviting, pedestrian-friendly, and tourism-oriented district. While it is important to recognize that no two projects are exactly alike; some instances involve a more formal "bypass," which removes traffic altogether; and others (like the Project) require a more nuanced shift in roadway alignment, best practices and economic effects can be studied and applied to the circumstances in El Dorado and Diamond Springs. Though the Diamond Parkway (a proposed connection between Highway 49 and Missouri Flat Road) is not proposed as the Area Mobility and Livable Community Plan, but rather part of another project, the effects of such must still be considered a part of the future transportation network. Prominent examples arising from EPS's case study research are detailed below:

- **Livermore, California.** The small city of Livermore, on the outskirts of the San Francisco Bay Area, implemented a roadway bypass project that aimed to reroute a large portion of vehicle traffic that traveled along the four-lane highway through the center of downtown. The remaining downtown core was revitalized by introducing new sidewalk amenities, street furniture, open space, and historical points of interest, leading to the creation of a more appealing, walkable downtown environment with a host of dining, shopping, and other options. This project has been touted as a tremendous success in revitalizing the downtown, and even during a very difficult economic period, during which overall statewide sales tax revenues declined by 10 percent, downtown Livermore saw retail sales grow by 15 percent.

- **Sutter Creek, California.** The city of Sutter Creek, in the gold country foothills of Amador County, underwent a bypass to SR 49, which was a heavily traveled and often-congested regional thoroughfare traveling directly through the center of town. This project was a true "bypass" that created an entirely new highway alignment that avoided Sutter Creek altogether and caused a significant reduction in vehicular trips. Major elements of this project included installing prominent signage at both ends of the bypass, conducting marketing/public relations campaigns, and creating open space and streetscape projects in the downtown area to enhance its appeal once the vehicular impediments were removed. The Sutter Creek realignment has been successful in changing the character of the downtown area and in driving tourism and visitation to the area. An analysis by EPS indicates overnight visitation in Sutter Creek (as demonstrated by annual TOT receipts) increased by 45 percent in the years following construction of the SR 49 bypass.

- **Truckee, California.** The town of Truckee was involved in construction of a formal bypass program several years ago, which was meant to relieve traffic congestion along SR 267 and improve the appeal of the downtown area. This reduction of vehicular traffic allowed the downtown area to enhance its walkable appeal and has helped to create a much more cohesive and attractive downtown destination. Visible indicators demonstrate that Truckee is doing very well since this transportation project, although the quantitative impact of this project is difficult to measure because retail spending data is only readily available on a townwide basis. However, it should be noted that the town saw retail spending increase 45 percent from the time the bypass was constructed (in 2002) until 2007, after which the severe recession caused sales to decline. The town's TOT revenues also have appreciated substantially since the bypass construction, rising 30 percent from 2002 to 2012. Overall, this project has been considered a great success in enhancing downtown appeal and market position as a visitor destination.

Appendix B includes more details regarding these and other case studies, as well as the results of substantial research and analysis EPS has conducted regarding the significance of transportation infrastructure on local economic conditions. EPS has highlighted below some of the key findings from this research, which have implications for the Project:

1. Severe traffic congestion reduces visitor appeal.
2. Tourism-oriented districts tend to fare well economically when congesting traffic is diverted and a more walkable shopping district is created.
3. Convenience-oriented businesses can be most at-risk of reduced economic activity because these businesses rely on vehicular access and conveniences to attract customers.
4. Traffic should be designed to enhance the pedestrian experience in walkable tourism districts.
5. Providing signage/wayfinding improvements is an important element to project success.
6. A broad range of dining, shopping, and recreational options should be provided

6. RECOMMENDATIONS TO SUPPORT PROJECT SUCCESS

The overall financial and economic impacts of the Project will depend heavily on the ability of the Study Area to transform itself to much more compelling attraction that will draw local residents to patronize the area, as well as foster a substantial increase in visitation. Concepts for consideration include the following:

1. ***Signage and Wayfinding***

   Signage and wayfinding improvements will be important both during Project construction and as a more permanent signage program. This will be especially important during the preliminary stages of roadway improvements when existing businesses are most vulnerable. One possibility would be to include prominent monumentation that guides visitors into the historic districts in particular, helping visitors to navigate the area and allowing them to reach their destination while enhancing traffic flow and economic performance of the communities. Specific details such as wording and placement should be thoughtfully considered with local input as appropriate, to maximize the success of the Project. Funding for this type of program could come from funding sources such as TOT, a Business Improvement District, or others as appropriate.

2. ***Marketing, Management, and Programming***

   In addition to a signage program, a concerted marketing effort could greatly improve visibility of this area and help define its identity. To create long term success, the area will need to strengthen its community organizing efforts. This may be initiated by expanding its web presence and participating in regional marketing campaigns that include nearby communities such as Placerville, Coloma, Sutter Creek, etc. that have similar offerings in terms of agriculture, wineries, history, and outdoor adventure. The local community could also develop a comprehensive program of events, concerts, competitions, outdoor festivals, etc., that would help to attract all types of users to the Diamond Springs and El Dorado Area. All businesses in the district—including restaurants, retailers, lodging accommodations, etc.—stand to gain substantially from these types of activities. For this function to occur most efficiently, a single organization may need to be established to manage these events and programs.

3. ***Eliminate "Gaps" in the Urban Fabric***

   The degree to which the Project spurs economic development will depend not only on the quality and extend of transportation infrastructure but also on redevelopment of key nearby parcels and the introduction of new and compelling amenities. Large gaps at street level will significantly hinder the ability to construct a successful pedestrian-oriented district. Every effort must be taken to ensure that these gaps are minimized and eliminated over the long term. If the goal of the historic districts is to create an active, vibrant and exciting neighborhood core that will draw visitors and locals alike, some of the large underutilized parcels should be considered for redevelopment. Potential niche uses that would further enhance the area's competitive advantage in tourism could include lodging, restaurants, artisan goods boutiques, and arts and entertainment venues. Revitalization of the historic cores may best be undertaken through a concerted community planning effort.

4. *Community Planning*

One way to maximize leverage the Project improvements would be to develop area plans for each community or the Pleasant Valley Road corridor. The focus of this planning endeavor might be to refine the community vision for this corridor, reexamine appropriate uses, and develop design guidelines to help shape and organize the urban form of the district. A fine grain examination with community member participation can be used to further identify key opportunities for site development along this historic route, helping it realize its full potential.

7. *POTENTIAL FUNDING SOURCES*

Capital Funding and Policy Implications

Based on industry best practices, the following section identifies overall principles for land investment in infrastructure and discusses potential techniques that have particular potential applicability in the Project area. These principles and techniques may lend themselves to future economic development policy.

This section describes funding sources and financing methods available for funding infrastructure; specifically, funding and financing methods that can be integrated with existing (or updated) development-based funding sources as part of an overall financing strategy for meeting economic development opportunities.

Supporting Funding and Financing Methods

Development-based funding, including development impact fees, will remain the primary method of paying for new development-required infrastructure. However, in this new economic climate, it is important to assure that necessary and desired infrastructure gets constructed and maintained, while at the same time not impeding the growth and economic development objectives envisioned in the General Plan. The following discussion provides an overview of development impact fees and related developer-based funding and financing methods.

Development Impact Fees

A development impact fee is an ordinance-based, one-time charge on new development designed to cover a "proportional share" of the total capital cost of necessary public infrastructure and facilities. Creating and collecting impact fees are allowed under California Assembly Bill (AB) 1600, as codified in California Government Code Section 66000, known as the Mitigation Fee Act. This law allows a levy of one-time fees to be charged on new development to cover the cost of constructing the infrastructure needed to serve the demands created by new growth. To the extent that required improvements are needed to address both "existing deficiencies," as well as projected impacts from growth, only the portion of costs attributable to new development can be included in the fee. Consequently, impact fees frequently are just one of many sources used to finance a county's needed infrastructure improvements:

- **Establishment.** Development impact fees can be imposed through adoption of an enabling ordinance supported by a technical analysis showing a "nexus" between the fee and infrastructure demands of new development. A development impact fee may be levied over an entire jurisdiction or a geographic subarea. Fees also may be charged for a particular improvement (e.g., transportation improvements) or include two or more infrastructure improvement categories in a comprehensive program. Impact fee programs must be reviewed annually and periodically updated to assure adequate funding and proper allocation of fee revenues to the infrastructure for which the fees are collected.

- **Role in Financing Strategy.** While it is important to consider options and augmentation for the County's existing infrastructure financing methods, the first step recognizes that a technically sound development impact fee program can provide the most comprehensive, robust, and administratively efficient basis for assuring appropriate development-based infrastructure funding. Development impact fees provide a rational accounting of costs, a rational "nexus" (who benefits) allocation of all development-related infrastructure costs and a comprehensive obligation to pay for these costs, and a legally mandated reporting system that promotes transparency.

- **Who Pays?** The incidence of fee burden is on the developers and builders who pay the fees; fees are a cost of development and are "internalized" into project costs in the same manner as all other costs. There is no direct effect of fees on development pricing because markets set prices, independent of costs. However, when costs are too high for the "market to bear," development may be deterred until such time as prices justify costs. All costs will influence land value, so it is often the case that landowners bear a portion of the cost of fees through lower land values (prices paid by developers or builders). While individual circumstances will vary, industry experience has shown that aggregate costs for off-site infrastructure should not exceed approximately 10 to 15 percent of total development sale value.

- **Limitations.** The key limitation of development impact fees (in addition to the burden limit) is the timing of funding set against the need for funding—infrastructure is often needed "up-front," while fees are paid over time as development occurs. This means that other funding or financing methods are needed to close the "timing gap" between the need for infrastructure investment and the flow of development impact fees. Also, fees are irregular, as they depend on development activity that varies with economic trends and conditions. During the Great Recession, when development around the State ground to a near halt, fee programs were directly affected. Fees also require ongoing management, including the need for annual review, fund accounting and monitoring, and updating to assure the efficacy and transparency of the fee program.

- **Integration with other development-based funding.** Land-secured financing, developer advances (credit and reimbursement programs), and general or special fund underwriting are all methods that can be used to reduce fees or close the temporal funding gap that may occur in fee-funded programs. Other related development-based funding methods typically used in combination with fee programs are described below:

  – <u>Developer (Project-Specific) Conditions and Exactions</u>. Before the advent of ordinance-based development impact fees, it was common for infrastructure to be funded by project-specific "exactions"—payments or construction of infrastructure required as condition of subdivision or project approval. While development impact fees have reduced the use of exactions, they remain an important part of development-based infrastructure financing because often there are infrastructure requirements of a new project that are not included in the applicable fee programs. Determining the need for such additional infrastructure often is derived from California Environmental Quality Act (CEQA)-based mitigation measures.

  – <u>Development Agreements</u>. A development agreement (DA) is a legally binding agreement between a local government and a developer, authorized by State statute (Government Code Section 65864 et. seq.). A DA is a means for a developer to secure existing regulations or a development entitlement for a particular development project for an agreed-on period in exchange for special considerations for the county, generally including infrastructure improvements or amenities that cannot be obtained through the normal conditions applicable to the project. DAs are entirely discretionary on the part of local government and must be individually adopted by local ordinance.

– Developer Funding Secured with Fee Credits and Exactions. Pursuant to terms of a development impact fee, a specific development exaction, or a DA, a developer may build or directly fund infrastructure improvements and thus receive a credit against any formal fees or charges otherwise due. A developer also may receive reimbursement when the amount expended exceeds any fees or charges otherwise due. Such agreements effectively make use of private credit available to the developer to fund municipal infrastructure, subject to repayment from one or another municipal source of funding. Typically, repayment of reimbursable investments made by a developer is derived from future development impact fee revenue derived from other benefitting landowners or developers.

- **Integration with other County funding.** Impact fee revenues are commonly combined with other funding sources to fund infrastructure, particularly where an improvement provides benefit to both existing residents and businesses and new development.

Land-Secured Financing Options

There is a long history in California and elsewhere in the United States of using land-secured financing methods to fund local infrastructure that benefits a particular area. Traditionally, special assessment bonds as authorized in the 1913 Municipal Improvement Act and other related legislation were issued and funded by annual property tax assessments from benefitting properties:

- **Establishment.** California's land-secured funding districts require (resident) voter or landowner approval. In the case of a Community Facilities District, a two-thirds voter approval is needed in all areas that have more than 12 residents (landowners can approve special taxes in areas with 12 or fewer residents).

- **Role in Financing Strategy.** Land-secured financing districts can be used as a replacement or an alternative for funding costs otherwise included in development impact fees. This could be done by including a single large cost item or category of items (e.g., a highway or bridge improvement, or all park and recreation improvements) in a financing district that encompasses the benefitting properties. Or, developers could choose to fund their total County fee obligations with a land-secured district (e.g., as is required by the Statewide Community Infrastructure Program [SCIP]).

- **Who Pays?** The economic effect of land-secured financing is to shift the incidence of burden from the developer or builder to the future tax or assessment payer. This shift may affect the price a buyer is willing to pay for a home or commercial property, but experience suggests there is a discount (i.e., less than 100 percent of additional infrastructure financing burden cost is recognized by the future buyer).

- **Limitations.** Land-secured financing faces limits similar to impact fees because the financing capacity of a district is a function of its potential tax revenue at a given point in time, and of course, at the beginning of development or in the early phases, tax revenue (and related funding capacity) will be proportionately limited. This is why it may be necessary to rely on other sources of funding in initial years until special tax- or assessment-based funding capacity is adequate to support a bond issue or otherwise pay for needed infrastructure.

- **Integration with other Components.** State loans (SCIP), developer advances (credit and reimbursement programs), and County general or special fund underwriting are methods used to close the temporal funding gap that may exist in land-secured financing districts.

Special Benefit Assessment Districts

Special benefit assessment districts are a way of creating a property-based assessment on properties benefiting from a specific public improvement. Formation of assessment districts requires majority approval of the affected property owners. Such benefit assessments can fund a wide range of infrastructure improvements, as long as a direct and measurable benefit can be identified for the benefitting properties. There are numerous forms of special benefit assessments in the California Statutes, including the Municipal Improvement Act of 1913, Lighting and Landscape Maintenance Districts, and many others. Recent court rulings have tightened the requirements for demonstration of "special benefit," thus reducing the flexibility and utility of assessment districts. And even before these rulings, the administrative requirements of assessment districts limited their flexibility and shifted most land-secured financings toward Mello-Roos Community Facilities Districts.

Community Facilities District Act

The Mello-Roos Community Facilities Act of 1982 (authorized by Section 53311 et. seq. of the Government Code) enables the formation of a Community Facilities District (CFD) by local agencies, with two-thirds voter approval (or landowner approval when there are fewer than 12 registered voters in the proposed district), for the purpose of imposing special taxes on property owners. The resulting special tax revenue can be used to fund capital costs or operations and maintenance expenses directly or to secure a bond issuance, which proceeds are used for funding capital costs. Because the levy is a tax rather than an assessment, the standard of benefit received is lower, thus creating more flexibility. CFDs have become the most common form of land-secured financing in California and have been paired, in other jurisdictions, with development impact fee programs as part of area-specific infrastructure financing.

As special taxes and tax overrides approach 50 percent or more compared to the basic 1-percent property tax rate, there is a risk of impacts on land and home prices that would offset any financing benefit associated with the additional special taxes. Jurisdictions using CFDs often adopt policies that regulate how they are used and the various limits and considerations to be applied in creating CFDs.

Statewide Community Infrastructure Program

The SCIP is a program of the California Statewide Communities Development Authority (Authority). The Authority is a joint powers authority sponsored by the League of California Cities (League of Cities) and the California State Association of Counties (CSAC). Membership in the Authority is open to every California city and county, and most are members. SCIP financing is available for development projects (Projects) situated in cities or counties that have elected to become SCIP participants (Local Agency). Eligibility to become a Local Agency requires only (a) membership in the League of Cities or CSAC, as the case may be, (b) membership in the Authority, and (c) adoption of a resolution making the election (SCIP Resolution).

Participation in SCIP entails submission of an application by the property owner of the project for which development entitlements either have been obtained or are being obtained from a Local Agency. For Projects determined to be qualified, SCIP provides non-recourse financing of either (a) eligible development impact fees payable to the Local Agency (Fees) or (b) eligible public capital improvements (Improvements) or both. Under certain circumstances, to be determined on a case-by-case basis, development impact fees payable to local agencies other than the Local Agency can be used as repayment for up-front funding.

Applicants benefit from SCIP because it allows them to obtain low-cost, long-term financing of fees and improvements, which can otherwise entail substantial cash outlays. A Local Agency benefits from SCIP because it encourages developers to pay fees sooner and in larger blocks than they would otherwise. The availability of low-cost, long-term financing also softens the burden of rising Fees amounts and Improvements costs, benefiting both the applicants and the Local Agency.

Upon receipt of a completed application, the SCIP team reviews it to determine (a) eligibility of the fees and improvements for which the applicant seeks financing and (b) creditworthiness of the applicant and the Project. Once approved by the SCIP team, the application is countersigned by the Local Agency. Approved applications are aggregated for inclusion in the next round of financing authorization. Periodically, as warranted by the accumulation of approved applications, the Authority issues tax-exempt revenue bonds (Bonds). The proceeds from the Bonds are used to finance fees or improvements for qualifying Projects located throughout the state. For projects involving a sufficient amount of financing (generally $5 million or more), a special series of bonds may be issued to fund the project separately if the timing of issuance of a pooled financing does not suit the project, subject to approval of the Authority.

Revenues to pay debt service on the Bonds are derived by the Authority in one of two ways: (1) through the levy of special assessments on the parcels comprising the participating Projects by establishing one or more assessment districts pursuant to the Municipal Improvement Act of 1913 or (2) through the levy of special taxes on the Project parcels by establishing a CFD pursuant to the Mello-Roos Community Facilities Act of 1982. Absent circumstances which warrant a CFD, the Assessment District format has been and is expected to continue to be the customary basis for SCIP financing.

Municipal Credit and Financing Programs

In addition to land-secured financing districts, which derive funding exclusively from area-specific special assessments or special taxes, local governments may use a variety of more broadly based financing methods that can fund infrastructure directly or provide a basis of financing developer-based obligations. The County also can use its existing or new general or special taxes or service charges to fund infrastructure in one manner or another:

- **Establishment.** Creating new general or special revenues and any related issuance of bonds are limited by State Constitutional requirements and statutes that require voter approval of more than 50 percent for general taxes and two-thirds approval for special taxes (those earmarked for particular uses).

- **Role in Financing Strategy.** Countywide-based funding (and related bond issues) can be used to fund infrastructure pay-as-you-go, as a source of reimbursement, or to support a municipal bond issue to fund infrastructure or to close the initial funding gaps associated with development impact fee programs or land-secured financing programs.

- **Who Pays?** The incidence of burden of taxes or rates is on those paying; for example, sales taxes are paid by residents, businesses, and visitors to the County; transient-occupancy taxes are paid by visitors; rates are paid by those receiving utility services, etc. The rationale for the investment and general funding is that these households, visitors, and businesses will benefit from the investments made in infrastructure and the related economic development that is expected to ensue.

- **Limitations.** Use of existing general fund revenues is limited by existing demands to support municipal operations. Capitalizing general or special taxes (i.e., issuing bonds) typically involves voter approval for any "multi-year" funding obligation. Certificates of Participation (described below) offer a means for raising capital without creating such a multi-year obligation or voter requirement.

- **Integration with other Components.** Allocation of existing General Fund revenues or the creation of new general or special taxes can be integrated with fee and other developer-based financing efforts as a source of paying directly for a particular infrastructure item or class of items. These revenues and taxes also can provide "bridge" financing to fee programs or land-secured financing districts where there is a temporal funding gap anticipated. In such cases, the County's investment would be repaid with subsequent development impact fee or other project-based revenue sources.

General Obligation Bonds

A general obligation bond is a common type of municipal bond in the United States that is secured by a state's or local government's pledge to use legally available resources, including tax revenues, to repay bond holders. General obligation bonds are restricted to defined capital improvements. Most general obligation bonds at the local-government level include a pledge to levy a property tax to meet debt service requirements, in which case, holders of general obligation bonds have a right to compel the borrowing government to levy that tax to satisfy the local government's obligation. Because property owners usually are reluctant to risk losses because of unpaid property tax bills, credit rating agencies often consider a general obligation pledge to have very strong credit quality and frequently assign them investment grade ratings. If local property owners do not pay their property taxes on time in any given year, a government entity is required to increase its property tax rate by as much as is legally allowable in a following year to make up for any delinquencies. In the interim between the taxpayer delinquency and the higher property tax rate in the following year, the general obligation pledge requires the local government to pay debt service coming due with its available resources. In California, cities must secure a two-thirds voter approval to issue general obligation bonds.

Revenue Bonds

Cities and other local governments typically issue revenue bonds when they have access to a stable source of revenue such as municipal utility rates. Revenue bond funding is commonly paired with "connection charges" (a form of development impact fee) charged to new customers as they connect to the sewer or water utility service. Utility rates that fund revenue bonds can vary in a given jurisdiction if there are substantial differences in the costs of providing services to subareas of the County. Also, there can be rate surcharges to a given area if unique improvements are needed to serve the area.

Certificates of Participation

Government agencies acquire needed capital assets in one of two ways: (1) by purchasing the asset either in cash or through a bond financing arrangement or (2) entering into a rental agreement to obtain use, but not ownership of the asset, or to obtain use and ownership. Leasing, the most malleable of financing tools, can accommodate both options, without the requirement of voter approval. A common form of leasing, Certificates of Participation (COPs) offer a way to pay capital improvements and assets with a long-term lease-purchase agreement with a third-party leasing entity. Cities regularly enter into operating leases, or *true* leases, to rent property such as equipment and office space. And agencies execute lease-purchase agreements, or *tax-exempt* leases, to finance not only minor equipment procurements, but also the construction or acquisition costs of major capital projects, such as schools and courthouses. Tax-exempt leasing, often involving the sale of COPs, serves as an alternative to issuing municipal bonds. As new financing needs emerge and market conditions change, government agencies often find that their leasing powers provide more expedient access to the capital markets than their more limited powers to incur debt.

Private Placement

"Private placement" is the sale of securities (revenue bonds or COPs) to a relatively small number of select investors as a way of raising capital. Given current financial markets, municipal financial advisors have found that structuring private placement municipal debt is competitive with more traditional municipal bond offerings. Investors involved in private placements are usually large banks, mutual funds, insurance companies, and pension funds. Private placement is the opposite of a public issue, in which securities are made available for sale on the open market. Because a private placement is offered to a few, select individuals, the placement does not have to be registered with the Securities and Exchange Commission. In many cases, detailed financial information is not disclosed and the need for a prospectus is waived. Finally, because the placements are private rather than public, the average investor is only made aware of the placement after it has occurred. As several potentially powerful industry groups are involved in Salinas' economic development, further exploration of this concept, in conjunction with the Community Development Corporation's concept discussed below, may have particular applicability in Salinas.

Infrastructure Financing Districts

Local agencies can establish an Infrastructure Financing District (IFD) (authorized by the Infrastructure Financing District Act, Government Code Section 53395, et. seq.) for a given project or geographic area of the jurisdiction. The IFD "captures" incremental increases of property tax revenues from future development that can be used for funding project-related infrastructure. Establishing an IFD can be rather complicated and requires approval by every local taxing entity that will contribute its property tax increment AND requires two-thirds voter approval to form the IFD and issue bonds. Only public capital facilities of communitywide significance may be financed; an IFD cannot be used to finance operations and maintenance expenses. Unlike former redevelopment tax increment funding, IFDs can use only the County's share of property tax increment (and any other agencies who agree to forego their share of tax increment). IFDs could become a more viable funding and financing mechanism in the future, particularly if interagency partnerships can improve the amount of increment financing available.

State Infrastructure Bank

The California Infrastructure and Economic Development Bank (I-Bank) was created in 1994 to finance public infrastructure and private development that promote a healthy climate for jobs, contribute to a strong economy, and improve the quality of life in California communities. The I-Bank operates pursuant to the Bergeson-Peace Infrastructure and Economic Development Bank Act (Government Code Sections 63000 et. seq.). The I-Bank is located in the Governor's Office of Business and Economic Development and is governed by a five-member Board of Directors.

The I-Bank has broad authority to issue tax-exempt and taxable revenue bonds, provide financing to public agencies, provide credit enhancements, acquire or lease facilities, and leverage State and Federal funds. The I-Bank's current programs include the Infrastructure State Revolving Fund (ISRF) Program, 501(c)(3) Revenue Bond Program, Industrial Development Revenue Bond Program, Exempt Facility Revenue Bond Program, and Governmental Bond Program. The I-Bank operates the ISRF Program, which is a statewide program that provides low-cost loans up to $10 million per project to municipal governments for a wide variety of municipal infrastructure, including infrastructure needed to serve new development. An application is required for these loans, and loans require a stable and reliable source of repayment. If approved, loan repayment can be funded through a commitment of general fund revenues or a pledge of a particular revenue source, including countywide taxes or land-secured assessments or special taxes.

Community Development Corporation

As pertains to the loss of redevelopment, many cities are evaluating options for improving downtown and infill districts in lieu of tax increment financing. One recent trend that might be worthy of further exploration is a Community Development Corporation (CDC). CDCs in San Diego, Roseville, and other California cities have been structured as 501(c)(3) organizations with a Board of Directors independent of the City Council. In many cases, the organization's charter includes authorized activities, investment targets, criteria for investment, and other pertinent elements. However, seed funding may need to be at least partially derived from available County General Funds, which can present a challenge. Other funding sources may include private sources, such as a consortium of agri-industrial interests or other groups.

State and Federal Transportation Funding

There is a range of State and federal grant programs for which the proposed transportation improvements may be eligible. These grant programs are mainly focused on maintenance of existing infrastructure, but can be managed in a way that supports revitalization and economic development efforts.

Federal

Federal funding provides a significant proportion of transportation funding throughout the United States. In 2012, the Moving Ahead for Progress in the 21st Century Act (MAP-21) bill was signed into law, replacing in the SAFETEA-LU Act (Safe Accountable Flexible Efficient Transportation Equity Act: A Legacy for Users Act). MAP-21 covers a variety of transportation related issues including financing, congestion relief, improved safety, improved efficiency (such as coordinated planning and environmental streamlining), environmental stewardship, and transportation related research and studies. One key provision of MAP-21 is that funding for bicycle and pedestrian transportation was reduced and consolidated into the "Transportation Alternatives Program" (TAP). The TAP provides funding for programs and projects defined as transportation alternatives, including on- and off-road pedestrian and bicycle facilities, enhanced mobility, community improvement activities, environmental mitigation; recreational trail program projects; and safe routes to school projects to name a few.

Transportation Investment Generating Economic Recovery (TIGER)

This discretionary grant program provides an opportunity for the U.S. Department of Transportation to invest in road, rail, transit and port projects. The recently enacted Consolidated Appropriations Act of 2014 included $600 million for the 2014 fiscal year round of TIGER Grants to fund projects that have a significant impact on the Nation, a region or a metropolitan area. TIGER Grants receive tremendous applicant interest and are highly competitive.

Congestion Mitigation and Air Quality Program (CMAQ)

CMAQ is jointly administered by FHWA and the Federal Transit Administration (FTA) and is a program that provides funding to areas that face the challenge of attaining or maintaining the National Ambient Air Quality Standards (NAAQS) for ozone, carbon monoxide, and/or particulate matter. Funding is available for both "nonattainment areas" that do not meet federal air quality standards as well as "maintenance areas," former nonattainment areas that are now in compliance with air quality standards. CMAQ provides more than $2 billion a year to state Departments of Transportation, metropolitan planning organizations (MPOs), and transit agencies for projects that improve air quality. This includes improvements to pedestrian and non-recreational bicycle transportation infrastructure that contribute to a reduction in travel by single-occupant vehicles.

Historic Preservation Tax Incentives

While not directly applicable to transportation improvements, federal tax credits may be used to aid in the rehabilitation of historic structures, providing further economic development opportunities in the community. A 20% tax credit is available for rehabilitation of income-producing "certified historic structures". A 10% tax credit with less stringent requirements can help fund rehabilitation for non-historic buildings placed in service before 1936. Other tax benefits may be available by granting historic preservation easements on historic properties.

State

On September 26, 2013, Governor Brown signed legislation creating the Active Transportation Program (ATP) in the Department of Transportation (Senate Bill 99, Chapter 359 and Assembly Bill 101, Chapter 354). The ATP consolidates existing federal and state transportation programs, including the Transportation Alternatives Program (TAP), Bicycle Transportation Account (BTA), and State Safe Routes to School (SR2S), into a single program with a focus to make California a national leader in active transportation. The ATP administered by the Division of Local Assistance, Office of Active Transportation and Special Programs. The purpose of ATP is to encourage increased use of active modes of transportation by achieving the following goals:

- Increase the proportion of trips accomplished by biking and walking
- Increase safety and mobility for non-motorized users
- Advance the active transportation efforts of regional agencies to achieve greenhouse gas reduction goals
- Enhance public health
- Ensure that disadvantaged communities fully share in the benefits of the program
- Provide a broad spectrum of projects to benefit many types of active transportation users

Bicycle Transportation Account

Within the State's transportation funding, the largest source for bicycle transportation is the Caltrans-administered Bicycle Transportation Account (BTA). BTA is an annual program that provides State funds to cities and counties to improve the safety and convenience of bicycle commuters. To be eligible, a city or county must have an adopted Bicycle Transportation Plan. Caltrans anticipates appropriation of $7.2 million annually for projects that improve safety and convenience for bicycle commuters. Funds are allocated to cities and counties on a matching basis that requires the applicant to furnish a minimum of 10 percent of the total project cost.

Recreational Trails Program

The Recreational Trails Program (RTP) provides funds annually for recreational trails and trails-related projects. The RTP is administered at the federal level by the Federal Highway Administration (FHWA) and at the state level by the California Department of Parks and Recreation (DPR). Non-motorized projects are administered by the Department's Office of Grants and Local Services and motorized projects are administered by the Department's Off-Highway Motor Vehicle Recreation Division. RTP non-motorized funding will provide approximately $1.47 million per year, in addition to approximately the same amount available for motorized projects. The applicant is responsible for obtaining a match amount that is at least 12% of the total project cost. Eligible Matching Sources include these:

- State funds, including State Grant funds
- Local funds, including general funds and bond funds

- Private funds
- Donated materials and services
- Value of donated land (for Acquisition projects only)
- Other federal funds

Safe Routes to School

The goal of the Safe Routes to School program is to increase the number of children who walk or bicycle to school by funding projects that remove the barriers that currently prevent them from doing so. Those barriers include lack of infrastructure, unsafe infrastructure, lack of programs that promote walking and bicycling through education/encouragement programs aimed at children, parents, and the community. California was the first state in the country to legislate a Safe Routes to School program with the enactment of AB 1475 in 1999. Eight years later, in 2007, AB 57 extended the program indefinitely with funding provided from the State Highway Account. The annual state funding is approximately $24 million. To be deemed eligible for state funding, infrastructure projects must be within the vicinity of a school and provide a ten percent minimum match of funds. The federal Safe Routes to School Program was consolidated into the Transportation Alternatives Program with the adoption of MAP-21.

APPENDIX A:

Economics of Transportation Projects

APPENDIX A: ECONOMICS OF TRANSPORTATION PROJECTS

Case Studies

EPS has researched several roadway realignment and complete streets projects in other areas of the United States to evaluate some practical examples that will provide a better understanding of the positive and negative effects that these types of projects can have on their surroundings, some of the primary reasons for these impacts, and lessons learned that can be applied to the El Dorado Diamond Springs area. This section summarizes the results of this research, which is based on published articles/reports, analysis of sales tax and other economic data, and discussions with community leaders in the affected areas.

City of Livermore, State Route 84

Located in the suburban outskirts of the San Francisco Bay Area, the City of Livermore is a mid-sized community of approximately 82,000 residents, located in the foothills of the "Tri-Valley" near the cities of San Ramon, Pleasanton, and Dublin. Livermore's population has been growing at a healthy rate of approximately 1 percent per year over the past decade and diversifying its economy into the technology-related sectors. Also, Livermore is an emerging wine destination and has more than 40 wineries located in the rural southern area of the city. City leaders and private-sector parties have been working to enhance the downtown area through development or redevelopment of key parcels.

The heart of Livermore's downtown area was bisected by a busy 4-lane state highway, which detracted from its appeal as a place to stop, shop, dine, and recreate, and the downtown area had been suffering from high vacancy rates and blighted conditions. The City of Livermore embarked on a revitalization process after it became apparent that the high traffic volumes and speeds in the downtown area were causing several negative consequences such as noise, pollution, dust, etc., and generally impeded the appeal of the district as a shopping, dining, and/or recreational destination. Several planning initiatives ensued, including the implementation of a Downtown Specific Plan. To facilitate the desired downtown environment, a highway bypass was designed that would reroute a substantial portion of pass-through traffic from the city's downtown area to a less critical nearby location, which allowed the remaining roadway to be reconfigured as a "complete" or "main" street more amenable to parking, pedestrian traffic, and shopping space.

The City of Livermore and other stakeholders implemented the Highway 84 bypass project, which was completed in 2006, allowing trucks and other regional pass-through traffic to bypass the city's downtown core. The remaining roadway then was available to undergo significant improvements resulting in a vibrant, landscaped, walkable downtown district containing a host of amenities such as an attractive streetscape program, wider sidewalks, and additional bicycle lanes. The City of Livermore even went so far as to allow some parking spaces to be converted and used for outdoor dining. The project has been touted as a tremendous success in terms of increasing quality-of-life for residents and visitors alike. Livermore Mayor John Marchand states, "Since the relocation of SR-84 from downtown Livermore to Isabel Avenue on the city's western edge, Livermore's city center is thriving."[5]

This effect can be seen by the numerous new shops and restaurants that have been created in Livermore since the highway realignment, and the city's emergence as a viable destination for shopping, dining, and strolling for residents of the entire East Bay and Tri-Valley Areas. In fact, the City of Livermore has seen its commercial property vacancy rate decrease from 26 percent when the program began to just 9 percent today. During this same period, downtown Livermore's annual retail sales grew by 15 percent, all at a time when statewide sales tax receipts were declining by approximately 10 percent. The downtown area has seen 194 new businesses created, and the $55 million public investment has so far spurred more than $112 million in private investment, including the creation of a substantial performing arts center.[6]

New community events have made downtown Livermore an even more popular attraction, including a year-round Sunday Farmer's Market, the Livermore Wine Country Festival, holiday events, the Amgen Tour of California bicycle race, and many more. Some of the primary reasons cited for the success of Livermore's State Route 84 realignment include the attractive and walkable quality of the streetscape, the appealing mix of restaurants and shops that were attracted to the area, the ease of access for patrons, and the innovative parking solutions.

[5] "At Last, Highway 84 Bypass Opens," Pleasanton Weekly, July 27, 2012.

[6] From the National Trust for Historic Preservation.

Sutter Creek

The City of Sutter Creek is a small historic mining town of 2,500 residents, located in the gold country foothills in Amador County, approximately 50 miles from the Sacramento Metropolitan Area. The town historically has been oriented along Highway 49, which ran through the middle of its historic central downtown area. Highway 49 is a fast-moving roadway with a high degree of commuter and truck traffic that contributed to a heavily congested area in downtown Sutter Creek. This condition caused the downtown area to suffer as issues related to parking, noise, congestion, and other factors created a busy yet uninviting streetscape. State highway officials, community leaders, business representatives, and residents came together over many years to create a plan to reroute traffic on Highway 49 to a new alignment that bypassed Sutter Creek altogether. Through-traffic on Highway 49 was planned to be redirected to a newly constructed highway alignment more than a mile from downtown Sutter Creek. This was a controversial plan, and city officials noted that the local business community along Highway 49 was particularly vocal about its opposition to this project, for fear that the lack of pass-through traffic would be detrimental to patronage at their establishments.

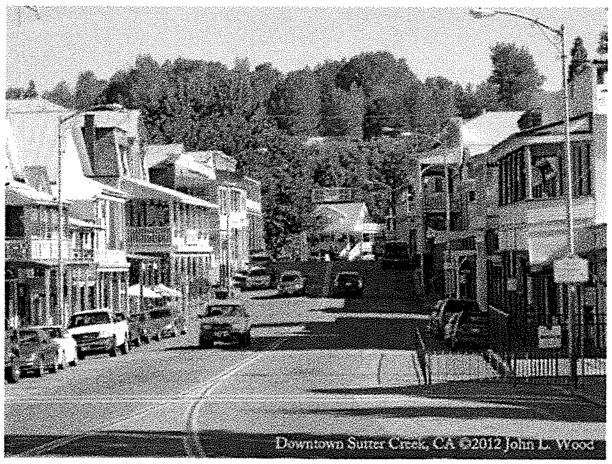
Nonetheless, the highway bypass was constructed and completed in 2007, which served to reroute a large degree of highway traffic completely around the town, such that vehicles would not be required to drive through if traveling to destinations along the Highway 49 corridor. Subsequent planning efforts ensued to create a more appealing downtown environment in the downtown area once the traffic issues were resolved. This more-tranquil setting facilitated the expansion of events in the downtown area, such as a summer music series, music festivals, culinary competitions, car shows, and the popular Great Sutter Duck Races.

Like most of California, Sutter Creek did suffer substantial declines in retail sales, as indicated by a 30-percent decrease in taxable sales from 2007 to 2010. However, the timing and magnitude corresponds closely with the onset of the "Great Recession," which had a marked negative impact on the city's retail sales. It is very difficult to separate the impact of regional and national economic conditions to that of the roadway realignment, and many noted that their businesses actually benefitted greatly from the bypass overall. Community leaders have noted that Sutter Creek is stronger than ever, thanks in large part to the more appealing environment that was achieved through the recreation of downtown.

Interestingly, at the same time that sales tax activity was declining in Sutter Creek, visitation to the city was actually growing substantially, as evidenced by the 45-percent increase in annual transient-occupancy tax (TOT) collections from 2005 to 2008.

Over time, Sutter Creek has been working to establish itself as more of a tourism destination, not simply a waypoint along a heavily traveled highway. Although this has been a somewhat slow and arduous process, many positive results have been realized through a variety of efforts, such as establishing a tourism improvement district to market the area and draw visitors, as well as working to establish a more vibrant mix of visitor-serving amenities such as lodging, restaurants, shopping options, parks, etc.

Some photographs depicting downtown Sutter Creek are shown below.



Additional Research on Roadway Impacts

Other communities throughout the United States have demonstrated similar positive impacts resulting from roadway enhancements, and the strengthening of retail districts that can be achieved by increasing pedestrian activity. The City of Lodi, for example, experienced a 30-percent increase in downtown sales tax revenues resulting from the retrofit of five main street blocks in which sidewalks were widened; curbs were bulbed out at intersections; gateway features were constructed; and trees, lighting, benches, and other streetscape amenities were added.[7] Other examples from a study prepared by the New York Department of Transportation further demonstrated the positive impacts that better walking infrastructure provides on retail sales. This study showed an increase in retail sales of 49 percent in a case study neighborhood after bicycle traffic was enhanced through the addition of separated bike lanes, and more than 170-percent increase in sales adjacent to a former parking lot that was converted to a walkable pedestrian plaza.[8]

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[7] "The Economic Benefits of Walkable Communities," California Local Government Commission, Center for Local Communities.

[8] "Measuring the Streets," New York Department of Transportation, 2012.

In addition to the case-study research described above, EPS consulted several academic and professional studies that evaluated the influence of bypass and roadway realignment projects on their surrounding local and regional economies.[9]

From this case study, professional and academic research, EPS distilled several key findings that can be applied to assess the potential impact of the Project. Key findings from this research include the following items:

- In general, roadway realignment projects very rarely have acute impacts on their local economies, except in very small communities with less than 1,000 population.
- Non-descript highway-oriented towns have a much more difficult time transitioning their local economies after realignments are constructed than those that cater to local residents or offer tourist attractions.
- Towns that serve as <u>residential communities</u> or as <u>tourist destinations</u> can benefit from reduced traffic and improved safety as a result of highway realignments.
- Gas stations and quick service or fast food restaurants cater the most to pass-through traffic. These types of convenience-oriented uses are the most likely to be impacted by the diversion of traffic because of realignments.
- Other visitor-serving businesses, such as motels, art galleries, antique stores, and curio shops, cater more to visitors attracted to the community as a destination rather than those simply passing through. These businesses are less likely to be negatively impacted by realignments and may find that business improves as the downtown is turned into a destination.
- Businesses that serve local residents, such as drug stores, banks, and grocery stores, are generally not impacted by realignments.
- While realignments can often have short-term (and negative) impacts on the local economy, sales often improve in the longer term.
- Reducing traffic volumes in tourist areas often helps to improve the attractiveness of the area and can lead to higher sales activity in the affected area and other economic benefits, including added jobs, municipal revenues, higher incomes, etc.
- Tourist-oriented retail is among the least vulnerable category of retail to a loss in visibility. In fact, these types of retailers often become more successful when traffic is slowed and pedestrian activity is increased.

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[9] Studies consulted during this process include California Bypass Study: <u>The Economic Impacts of Bypasses, Volume 1</u> (2006); <u>The Economic Impacts of Highway Bypasses on Communities</u> (1998); <u>The Impacts of Bypasses on Small- and Medium-Sized Communities: and Econometric Analysis</u> (2002); <u>The Impact of a New Bypass Route on the Local Economic and Quality of Life</u> (2001); <u>The Economic Impact Analysis of the St. Croix River Crossing</u>, (2004), and others.