

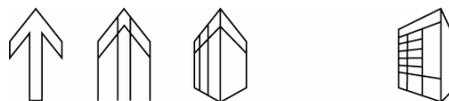
# Commanding Officer's Quarters Reuse Study

Benicia Arsenal  
City of Benicia

Final Report April 27, 2009



CAREY & CO. INC.  
ARCHITECTURE



STRATEGICECONOMICS

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## I. INTRODUCTION

This report evaluates the feasibility of potential uses for the Commanding Officer's Quarters based on input from the community process, Carey & Co. (the architect managing the historic rehabilitation of the building), and Strategic Economics' assessment of current and long range market feasibility.

- Section I discusses the Commanding Officer's Quarters historic uses, historical status, building description and the current rehabilitation project. It also addresses community goals for the site and lists the potential uses derived from the community workshop process.
- Section II summarizes current market conditions as applicable to the marketability of the Commanding Officer's Quarters.
- Section III discusses the process that City Staff and the Consultant team have used to evaluate the feasibility of each of the identified uses.
- Section IV describes strategies that the City and Community should pursue to help make the Arsenal a larger tourism district.
- Section V offers recommendations for a phasing strategy that the community could pursue for tenanting the Commanding Officer's Quarters.
- Section VI, is a concluding section, summarizing the main findings from this study.

We recommend that the City of Benicia should remain flexible in what are currently challenging economic conditions, and take into consideration short, mid, and long-term term strategies that can eventually position the Commanding Officer's Quarters to be home to a high-revenue tenant that fulfills the community's and the City's goals for the building. Therefore, in addition to evaluating the variety of uses identified by the City and community, this report describes other strategies that the City and community can pursue to achieve its long range goals for the Commanding Officer's Quarters and the Arsenal.

## HISTORIC USE

The Benicia Arsenal Commanding Officer's Quarters was built in 1860 by Julian McAllister, the commander of the installation between 1860 and 1885. The house is situated on a rise, to the west of the original ordinance storage building (Clock Tower Building). By contemporary accounts, McAllister was active in the social life of Benicia. Based on the social norms of the day, and given that McAllister was a leading citizen, it is likely that his residence served as a community focal point. Commanding Officers' Quarters were historically at the top of the residential hierarchy on any military post. They were the largest and most elaborately designed. They not only indicated rank, but were intended as places for hospitality. It is easy to imagine that the house accommodated military dress balls, afternoon teas, elaborate dinners, meetings of community leaders, holiday parties, or gatherings of staff officers. In the later years of McAllister's command, the house was altered on both the inside and exterior without change to its primary use as a residence.

By the turn of the twentieth century, from 1905 to 1911, Colonel James Walker Benet commanded the Arsenal. He lived in the residence with his family, including his young son Steven Vincent Benet, who was later famous for his writings.

Over the ensuing years, the residence served a succession of commanding officers and their families, while (to varying degrees) maintaining its status as a social center. In 1964, the Benicia Arsenal was closed by the U.S. Army, and ownership was conveyed to the City of Benicia.

In the 1970's the City leased the Commanding Officer's Quarters to a restaurant operator. The house served as a popular eating establishment and bar for a number of years, until 1981 when it was closed. During its period as a restaurant, the ground floor of the north wing suffered a kitchen fire. The house has been closed and unused for over twenty years. It is currently being rehabilitated for a new use, and construction is scheduled for completion in May of 2009.

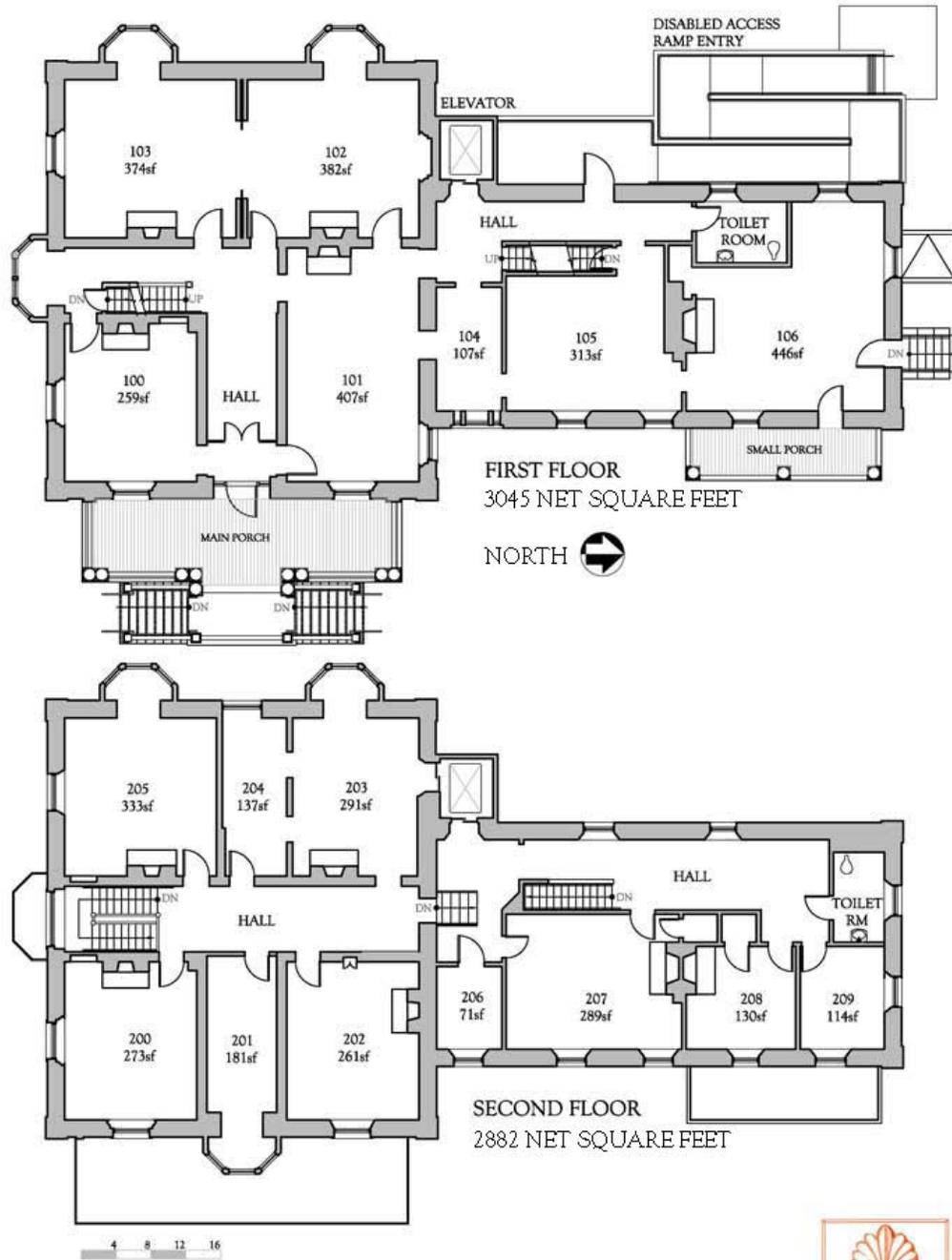
**Building Description**

The Commanding Officers Quarters is a two story brick, stucco clad structure, with a full basement. The main portion is square in plan and is made by four adjacent rooms connected by a common hall. The plan is similar on both floors, and an elaborate wooden stair gives access to the second floor. This section contains the finest finishes and details, and was likely the Commanding Officer's family side of the house. The main level is set approximately four feet above grade, and one enters the house on the west side by stairs leading to a Corinthian columned porch with an elaborate cornice. On three sides are floor to ceiling double hung windows as well as elaborately articulated wooden bays. Attached to the main square's north wall is a rectangular wing with a first floor level common with the main portion of the house. The second floor; however, is 3 feet below the main second floor, and connects to it by a stair. The plan of the wing is a linear series of rooms organized along a hallway on an outside wall. The finishes and detail in this section are simple, suggesting that this area served as staff accommodations and the kitchen. The wing also contains a small plain porch with no stair to grade. The net square foot tabulations are as follows:

Basement.....	2,956 square feet (not occupied space)
First Floor.....	3,045 square feet
Second Floor.....	2,882 square feet
Total.....	8,883 square feet
Total First and Second Floors.....	5,927 square feet (for rent)

**Historical Status**

In November of 1976, the Benicia Arsenal was placed on the National Register of Historic Places as a district. The Commanding Officer's Quarters is a contributing structure to the district. As such, the California Environmental Quality Act requires the City of Benicia to use the Secretary's Standards for the Treatment of Historic Properties as a guide for the scope of construction projects as well as the selection of new uses and tenants. The Standards are intended to promote responsible preservation practices that help protect the historic character of our cultural resources.



COMMANDING OFFICER'S QUARTERS, BENICIA ARSENAL  
FIRST AND SECOND FLOOR PLANS



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### **Recent Construction**

All of the work for the recent repairs, was designed according to the "Rehabilitation" element of the Secretary's Standards, and was reviewed and approved by the State grant funder. The Secretary of the Interior defines rehabilitation as:

*"the act or process of making possible a compatible use for a property through repair, alterations, and additions while preserving those portions or features which convey its historical, cultural, or architectural value."*

For the past year, the Commanding Officer's Quarters has undergone rehabilitation with the intent of allowing the widest array of potential new uses within the context of the Secretary's Standards. Current upgrades included a new ramp, elevator and toilet rooms for disabled access. New building systems were installed including a new gas and electrical service, lighting, plumbing, heating and ventilation and security. The new seismic upgrades are all invisible, and included, adding shear panels to the roof, tying the roof and floors to the walls, and strengthening both interior and exterior brick walls. Weather related work included new roofing throughout, new rain-leaders, and repairs to cracked stucco. In addition, the historic building components such as the windows, floors, bays, porches and ornamental trim have been repaired by expert craftsmen. At the conclusion of the project the entire first and second floors will be disabled accessible and available for tenant use. The basement will be used only for storage because of head height restrictions, and is not considered as occupied space.

## **FISCAL SUSTAINABILITY – A KEY GOAL FOR THE CITY OF BENICIA**

While the City may have many goals for the Commanding Officer's Quarters, the most fundamental goal of the City is to tenant the building with a use that will generate enough revenue to cover the costs of operating and maintaining the building. The City has contributed \$2,725,868 to the rehabilitation of the building and received another \$900,000 in historic preservation grants. Given the fiscal constraints facing the City of Benicia's budget, the City would like to avoid a situation where the building requires ongoing subsidy from year to year. Therefore, absent any discussion of use, the City would like to attract a lease paying tenant to cover these costs. If the use of the building were not fiscally sound, there is the risk that the building could fall into disrepair and become unusable as happened in the past. A great deal of time and resources have gone into rehabilitating the Commanding Officer's Quarters for re-use. The City of Benicia wishes the building to be a permanent community asset.

## **SUMMARY OF COMMUNITY INPUT**

The Commanding Officer's Quarters has been under restoration without a pre-determined use, and the identification of a likely use(s) will help the community move forward with the final steps towards making the Commanding Officers Building a functional and occupied building once again. The City of Benicia held a total of seven workshops to solicit community input on the building and communicated the results of those workshops to the consultant team. As a part of this process, Carey & Co. and Strategic Economics attended a Stakeholder workshop on January 12<sup>th</sup>, 2009 to hear from community members what types of uses would be the most compatible with community identity and community goals for the building and the Arsenal. Carey & Co. conducted a community workshop on March 4, 2009 to communicate our preliminary findings to stakeholders and to solicit additional suggestions.

### **Overall Community Goals**

During the public meetings, community members identified uses and events that they would find desirable for the Commanding Officer's Quarters. Additionally, an over-arching goal emerged from the Carey & Co. Strategic Economics

public process: *Benicia citizens would like to leverage the Commanding Officer's Quarters, a unique architectural resource, to help make the Arsenal a regional historic destination.* Tenanting the building with a highly desirable use would give both local residents and tourists a reason to visit. Moreover, the right use could create synergy between the Commanding Officer's Quarters and other tourism generating features of the in the Arsenal. Community members identified both possible temporary and permanent uses for the building, which are listed below.

***Identified Permanent Uses for the Building***

Community members identified the following permanent uses as desirable for the Commanding Officer's Quarters:

- Restaurant/Bar—the main identified desirable permanent use
- Bed and Breakfast or other lodging
- Art Gallery
- Museum
- Office Space, Tourism Office
- University of California Extension Classes or other classroom space
- Small Conferences
- Day Spa

***Identified Temporary Uses for the Building***

In addition to the above, community members identified a number of short-term uses or events to take place in the building:

- Designer's Showcase
- Art Shows
- Theater Events
- Other Seasonal Events
- Weddings/ Parties

## II. SUMMARY OF EXISTING MARKET CONDITIONS

### DEMOGRAPHIC TRENDS

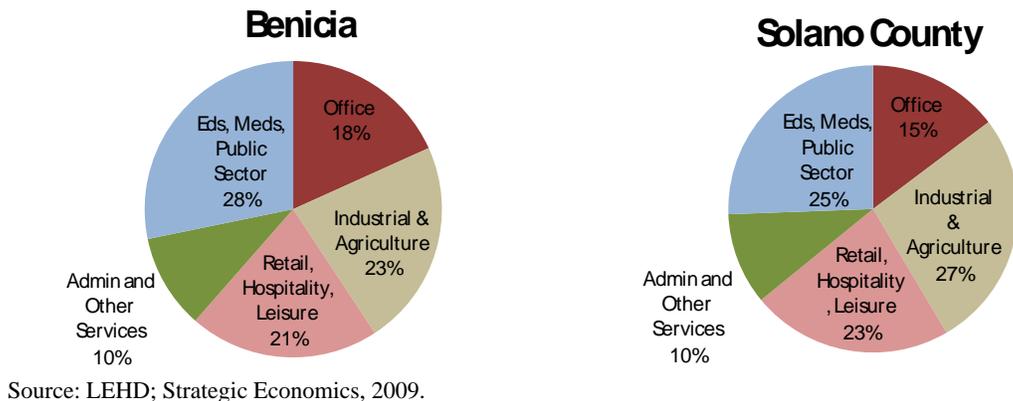
*Benicia has a small, slow growing population with higher incomes than the rest of Solano County.*

- Approximately 27,000 people live in the City of Benicia, which accounts for about 6 percent of the population of Solano County.
- Benicia is growing slower than Solano and Contra Costa Counties as a whole. The population of Benicia increased by 10 percent between 1990 and 2000, compared with 16 percent in Solano County and 18 percent in Contra Costa County. Between 2000 and 2008, the population of Benicia is estimated to have slightly increased by 134 persons (0.5 percent).<sup>1</sup> Occupied housing units increased during that period, but average household sizes decreased.
- Compared to the rest of Solano County, households in Benicia tend to be older and are less likely to be first-time homebuyers. The median age in Benicia is 40.7, compared to 35.4 in Solano County. Recent growth in the rest of the county was primarily driven by young households and first-time homebuyers seeking less expensive housing options.
- Benicia has a higher median household income than Solano and Contra Costa County. However, incomes in all three geographies have decreased since 2000. Incomes are not likely to increase over the next one to two years.

*Residents are closely tied to areas further to the south, especially the I-680 corridor in both Contra Costa and Solano Counties, for working, shopping, and entertainment.*

- The Benicia workforce is fairly similar to the workforce of the rest of the County, although Benicia residents are more likely to work in Office jobs or in Institutional jobs ( Education, Healthcare, Public Sector) than Solano County residents who are more likely to work in Industrial & Agriculture jobs as well as Retail, Hospitality & Leisure (Figure 1). These differences indicate Benicia's association with areas to the south.
- Compared to both counties, Benicia is a bedroom community to locations outside of Solano County: 44.2 percent work in their county of residence compared to 56.8 in Solano County and 57.6 in Contra Costa County (Table 1).

*Figure 1: Profile of the Benicia and Solano County Workforce, 2006*



<sup>1</sup> Source: Claritas, Inc. demographic estimates.

Table 1: Demographic Trends in Benicia, Solano County, and Contra Costa County: 1990 to 2008

	City of Benicia			Solano County			Contra Costa County		
	1990	2000	2008	1990	2000	2008	1990	2000	2008
<b>Population</b>									
Total Population	24,437	26,865	26,999	340,421	394,542	421,678	803,732	948,816	1,044,555
Households	9,208	10,328	10,507	113,429	130,403	139,999	300,288	344,129	372,891
Avg. Household Size	2.65	2.60	2.56	2.88	2.90	2.90	2.64	2.72	2.77
Median Household Income (2008 \$)	\$88,772	\$89,917	\$79,095	\$69,918	\$70,580	\$66,049	\$73,943	\$77,684	\$76,659
Median Age	-	38.90	40.7	-	33.90	35.4	-	36.40	37.67
<b>Housing Units</b>									
Total Housing Units	9,587	10,547	10,909	119,533	134,513	148,076	316,170	354,557	390,131
Occupied Housing Units	9,208	10,328	10,507	113,429	130,403	139,999	300,288	344,129	372,891
% Occupied Housing Units	96.0%	97.9%	96.3%	94.9%	96.9%	94.5%	95.0%	97.1%	95.6%
% Owner-Occupied Units	70.1%	70.7%	70.5%	62.7%	65.2%	65.6%	67.6%	69.3%	69.5%
% Renter-Occupied Units	29.9%	29.3%	29.5%	37.3%	34.8%	34.5%	32.4%	30.7%	30.5%
<b>Employment</b>									
Share Working in County of Residence	42.8%	44.2%	-	61.4%	56.8%	-	59.8%	57.6%	-
Share Labor Force in Professional Occupations	-	45.7%	-	-	30.9%	-	-	41.0%	-

Sources: U.S. Census 1990, U.S. Census 2000, Claritas, Inc., Strategic Economics

## EXISTING MARKET CONDITIONS BY LAND USE

### Office

While Downtown Benicia is the most desirable location for many of Benicia's professional service office tenants, the Arsenal contains a significant proportion of the total office space in Benicia. Brokers report that rents in the Arsenal range from \$1.00 to \$1.40 per square foot and that the vacancy rate is very low. However, brokers also report that office space in the Arsenal absorbs at a relatively slow pace. Although access to the Arsenal is not ideal for office users, they are drawn to the unique architecture and quiet atmosphere. Furthermore, since rents on First Street can be upwards of \$2.00, the Arsenal offers office users a less expensive option. Lastly, interviews with brokers suggest that it is unlikely that office users will be willing to pay more to be located in a historic building, so the Commanding Officer's Quarters has a better opportunity to secure tenants if the rents and tenant improvement costs are in-line with other office space in the Arsenal.

### Retail

The largest concentration of retail in Benicia is First Street, where there is a concentration of restaurants, shopping and overnight lodging. Patrons include both local residents and visitors drawn to the Benicia's waterfront location and historic charm. Retail rents are around \$2.00 per square foot or less on First Street.

Retail is not a major use in the Arsenal due to the limited access, low visibility and distance from existing retail centers. Currently the Arsenal only supports one or two small lunch time cafes that serve workers in the area. A small amount of additional retail may be possible if the Arsenal experiences job growth or more visitor traffic as a result of new development or marketing. Later sections discuss the potential for a restaurant and other particular retail-oriented tenants in the Commanding Officer's Quarters specifically.

### Residential

Since housing is not a use in consideration for the Commanding Officer's Quarters, the residential market only influences the tenanting of the building in relation to the growth of the local population base that may provide local support for local retail uses in the building. As in the rest of the Bay Area, the Benicia housing market boomed from 2002 to 2007, generating increasing home values and a number of new development projects. However, the market has slowed over the last year as the foreclosure crisis and credit crunch caused home prices to drop and construction to come to a halt in Benicia and throughout the Bay Area. For example, in 2006 new single-family houses and townhomes in Benicia were selling from \$250 to 475 per square foot, whereas in 2009 new homes are selling for \$115 to \$325 per square foot<sup>2</sup>.

Despite lower sales prices during this current downturn in the economy, Benicia still has a high median home value. In 2008 the median home price in Benicia was around \$628,000 compared to \$443,000 in Solano County as a whole. These high prices reflect the desirability of living in Benicia and new home construction will likely resume as the economy recovers, albeit not at the same pace as during the housing boom. Over the long term, new residents with high incomes could help support additional local retail in Benicia. However access and visibility issues will continue to constrain retail potential in the Arsenal.

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<sup>2</sup> Source: Hanley Wood Market Intelligence

**Regional Economic Conditions**

The current national economic downturn is clearly a short-term challenge to attracting new business to the Commanding Officer's Quarters. Credit markets are very tight and companies are having a hard time accessing credit to expand businesses, much less maintain stability. The Vallejo MSA, which includes Solano County, lost 1,890 jobs from 2007 to 2008 (ABAG Bay Area Economic Forecast, 2009). Although no office space is being constructed, vacancies in Solano County were high in the fourth quarter 2008, at 27.4 percent. To attract tenants, landlords in Solano County have been offering concession packages, such as free rent, reduced rent, and abundant tenant improvement allowances (Colliers Market Research, 4Q 2008).

### III. EVALUATION OF FEASIBILITY OF IDENTIFIED USES

Existing economic and market conditions provide a sense of the overall competitiveness of the Arsenal for a range of uses, but do not provide enough information to fully gauge the feasibility of any specific use in the Commanding Officer's Quarters. Therefore, for the desired uses identified by Benicia community members throughout the outreach process, Strategic Economics and Carey & Co. used three major factors to gauge the appropriateness of each use for the building:

- A. **Administrative and Physical Constraints:** The Commanding Officer's Quarters is on the National Register of Historic Places, so the City of Benicia must follow the Secretary of the Interior's Standards for the Treatment of Historic Properties which promotes responsible preservation practices. The consultant team identified which uses may or may not conform to those standards. Furthermore, the team identified any potentially damaging effects a use could have on the building, as well as utility and restroom upgrades that may be necessary to facilitate tenancy.
- B. **Market Considerations:** The market evaluation for each use was comprised of three major factors: local and regional demand, competitive supply, and "place," or the ability of the Commanding Officer's Quarters to meet the physical and locational requirements of any given use. Strategic Economics evaluated the local performance of retail and office uses using local rent and vacancy rate information, and conducted interviews with the types of businesses or tenants that were identified to gauge their level of interest in the building as a potential future site for expansion or relocation.
- C. **Fiscal Considerations:** The identified uses were evaluated to determine if they could generate enough revenue to be fiscally neutral to the City. Specifically, Strategic Economics evaluated whether the lease revenues could possibly cover the costs of maintenance, repair, and operation of the building.

Community identified permanent uses as desirable for the Commanding Officer's Quarters:

- Restaurant/Bar—the main identified desirable permanent use
- Bed and Breakfast or other lodging
- Art Gallery
- Museum
- Office Space, Tourism Office
- Community College or University of California Extension Classes or other classroom space
- Small Conferences
- Day Spa

Community identified short-term uses or events:

- Design Showcase
- Art Shows
- Theater Events
- Other Seasonal Events
- Weddings/ Parties

## ADMINISTRATIVE AND PHYSICAL CONSTRAINTS

The community generated list was first analyzed relative to administrative and physical constraints to determine which uses would not be allowed, or could not be implemented because of the physical limits of the building. These constraints are primarily in the architectural realm and were considered apart from economics and market conditions. The consultant team identified four elements under this heading that would govern possible uses:

- The Secretary of the Interior's Standards for the Treatment of Historic Properties
- Grant requirements
- Structural limits
- Physical limits

### Secretary of the Interior's Standards

Each of the proposed uses was gauged against the tenets of the Standards. While all are affected, only the Designer's Showcase is precluded. Standards numbers one & three apply:

1. *A property will be used as it was historically or be given a new use that requires minimal change to its distinctive materials, features, spaces, and spatial relationships.*
2. *Each property will be recognized as a physical record of its time, place, and use. Changes that create a false sense of historical development, such as adding conjectural features or elements from other historic properties, will not be undertaken.*

The Designer's Showcase by definition uses a house as a container for new design ideas and the application of permanently mounted finishes (paint, wallpaper, or applied solid materials) which are later removed, requiring repair and refinishing of the surfaces. Standard number one suggests that the historic, character defining finishes, (currently being restored) should not be compromised by any potential use. Designer's Showcase events also have a profound visual impact on the spaces being treated. Standard number two implies that the Showcase designs, with tours offered to a paying public, would give a false impression of the historic character of the house. To verify this opinion, we spoke with one of the project's grant administrators, Steade Craigo of the California Department of Parks and Recreation. He concurred that the Designer's Showcase use is not appropriate based on Standard number one, as well as the inappropriateness of the false sense of historical development implied by the event. The additional concern was the wear and damage that the building would suffer.

### Grant Requirements

While projects and new uses must adhere to the Secretary's Standards as discussed above, the only other issue affecting new use, is the requirement for public access. In reviewing the list we found that no uses are precluded by this requirement. This said, the nature of public access varies. Certainly, a museum, events space, restaurant, or art gallery naturally fulfills the public access requirement. Other uses such as certain types of office space – a law office for example, could limit daily public interaction. Access in this case would have to be administered and negotiated. The Commanding Officer's Quarters could be included as a site on a historic house tour by way of obligatory schedule or appointment.

### Structural Limits

Educational space appeared to be an attractive new use, in that both the Commanding Officer's Quarters as well as the Clocktower might form a campus for Community College classes. Our research found that K through 12, and the California Community Colleges could not hold classes in either the Commanding Officer's Quarters or the Clocktower, because of the seismic requirements of the Field Act. The Field Act is California State legislation enacted in the mid 1930's requiring the highest seismic standards for new public education structures. Recent attempts to reuse historic buildings for public education have proved

very difficult, because the Field Act seismic upgrade requirements are so invasive, as to destroy the historic fabric and character of the building. Any K-12 or Community College institution cannot, by law, occupy the house for classroom purposes.

#### Physical Limits

Related to the Structural Limits discussion above, Physical Limits address any changes to the historic fabric of the house required by a new use, as well as the appropriateness of the size and arrangement of rooms to that use. Under this subject heading we found several uses that are not recommended including:

- Day Spa
- U. C. Extension classes
- Bed and Breakfast

**Day Spa** - Day Spa use requires sanitary interior finishes, and tends to be water intensive. The interior finishes including plaster, wood wainscot and trim, as well as wood floors are historic and cannot be altered to accommodate the code requirements of this type of use. In addition, each treatment space would likely have a sink and drain, the plumbing for which cannot be accommodated in the main section of the house. (See plumbing discussion below.)

**U. C. Extension classes** – Similar to the Community College class use, we interviewed administrators at the U. C. Davis and U. C. Berkeley Extension systems. While the Field Act does not currently apply to higher level education institutions, in both instances they expressed that the Commanding Officers Quarters would not suit their purposes. Neither institution has either short or long range plans for expansion into the Benicia area based on market and demographics. We also asked about the desirability of holding class in an historic house. The response was that they generally need much more space than is available at the house, and they prefer to occupy recently constructed buildings that they can alter with tenant improvements to suit their programmatic needs. Relative to education use, they felt that the Commanding Officer's Quarters is better suited to lectures, training, or small conference on a per diem basis.

**Bed and Breakfast** – The second floor of the main section of the Commanding Officer's Quarters is the bedroom portion of the house and in the B & B scenario would be retained for that use. During the rehabilitation work we discovered that the toilet rooms installed between the bedrooms heavily damaged the second floor joists with the installation of plumbing lines. The site of the restaurant toilet rooms is the only possibility for having in-suite bathrooms – an essential marketing requirement for Bed and Breakfast facilities today. Because of the direction of the structural spans, it is not possible to safely install plumbing at this location implying that the B & B model would be the European "Pensione" with common bathing and toilet rooms in another location of the second floor. See figs. 2 and 3 below.



fig. 2 Damage caused by plumbing, Rm. 204



fig. 3 Damage caused by plumbing, Rm. 201

Additionally, one of the upstairs bedrooms (203) had to be claimed for the uppermost elevator stop to provide disabled access throughout the building. This eliminates its use as a bedroom leaving three rooms used historically as bedrooms. Rooms 206, 207 and 208 in the second floor wing would likely become the innkeepers quarters, with the remote bathing facility in room 209 next to the newly installed toilet room. None of the downstairs rooms are suitable as bedrooms. The “Pension” model seems possible, but with the market demand for in-suite bathrooms and only three bedrooms available, the Bed and Breakfast use does not seem sustainable. See fig. 4 below

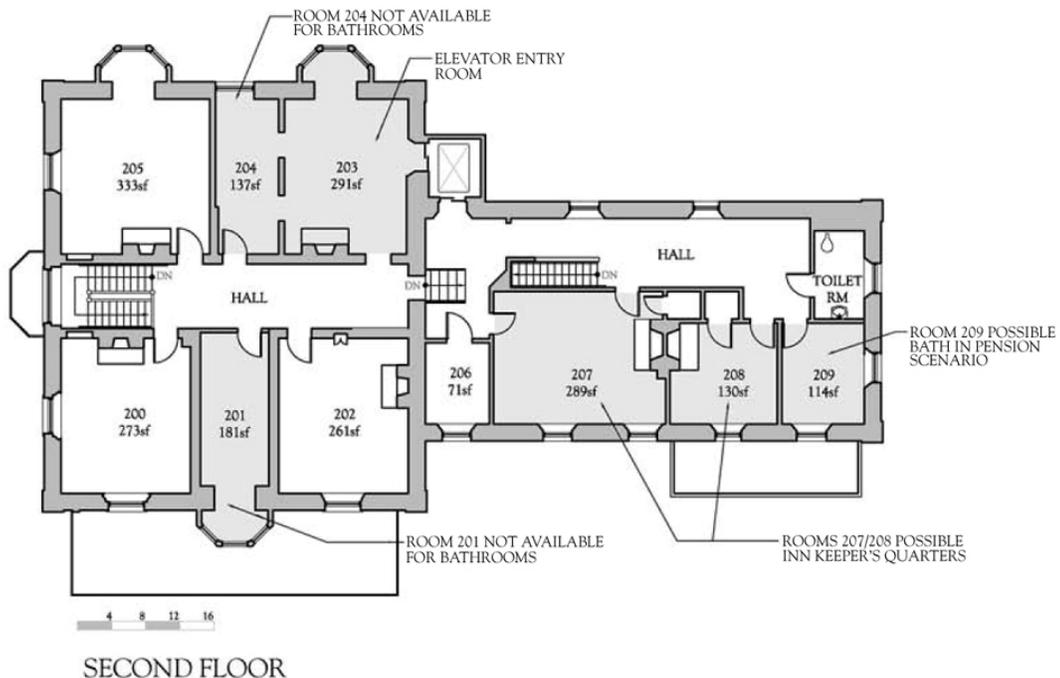


fig. 4. Key plan showing Bed and Breakfast concerns

Table 2: Summary of Infeasible Uses due to Administrative and Physical Constraints

Use	Physical Constraints
<b>Designer Showcase</b>	Designer Showcases are damaging to historic buildings. The CO's residence is on the National Register as a military building. Designer showcase designs would create a false sense of historic development.
<b>Bed and Breakfast/Pension</b>	Not physically possible to install enough restrooms in the building to serve this use
<b>Day Spa</b>	Plumbing for the amount of water and drainage required for a day spa is not feasible in this building
<b>University Extension Classes, Other Classroom Use</b>	According to UC Officials, the building is too small and the spaces are not conducive to classroom use. Plus, UC does not see a market in Benicia. K-12 and Community college use is precluded by the seismic requirements of the Field Act.

## MARKET AND FISCAL CONSIDERATIONS

### *Uses Feasible in Short- to Mid-Term*

**Given current market conditions, it will be challenging to find high revenue generating tenants in the short to mid-term.** Although the goal of fiscal neutrality for the Commanding Officer's Quarters may not be attainable in the short-term, there are still feasible uses of the building that will contribute to other goals identified by the community. When the economy recovers it will be easier for the City to move towards tenanting the building with uses that can generate enough revenue to cover the costs of maintenance and operation.

**In the near-term, using the building as office space will help get the building occupied and start generating revenue.** The building can easily support office tenants with minimal utility upgrades, such as high-speed internet, and organizations in Benicia have already expressed interest in occupying a small amount of office space in the building. Under current market conditions, rents in the Arsenal are not very high and the entire 5,000 square feet of space may be relatively slow to absorb. As a result, office tenancy use in the near-term may not cover all costs, but it is a step in the right direction towards fiscal sustainability. As the economy recovers, the occupancy and rents will likely increase.

**An art gallery or art museum is another potential use of the building in the short to mid-term.** Benicia has a strong arts community, and members of that Community have expressed interest in occupying some space in the building. This is not a high-revenue generating use, but it can contribute toward fulfilling the community goal of making the Commanding Officer's Quarters and the Arsenal a regional destination. Keeping the tenant improvement costs low for this use may be key to the feasibility of this use for the tenant and the City.

**Holding seasonal events that highlight the building will generate visibility and build market momentum, a key first step in moving towards a higher revenue tenant(s).** Organizations in the Benicia community have already expressed interest in making these events a reality.

***Uses Feasible in the Long-Term***

**In the long-term, office space is likely to be the highest revenue generating use.** However, if several factors come together to improve the market for a restaurant with a bar, also a high revenue generating use, there may be a possibility of tenanting the building with that use in the long-term. Since tenanting the Commanding Officer's Quarters with a restaurant emerged as a high priority from the community process, the feasibility of this particular use is evaluated in greater detail below. Generally, a restaurant is infeasible in the short- to mid-term. A district-wide or city-wide coordinated tourism strategy will be necessary to make the restaurant even a remote possibility in the long-term. With this use in particular in mind, Section IV highlights some of the mechanisms and strategies used by other places to create a tourism district.

Table 3: Physical, Market and Fiscal Evaluation of Uses

Potential Use	Physical Considerations	Market Considerations	Fiscal Considerations
<i>On-going</i>			
<b>Seasonal Events</b>		Generates outside visibility of building. Would need sponsorship and management from local organizations.	Does not cover costs
<b>Filming Location</b>	Filming is potentially damaging. However it can be done successfully with preservation specifications (the NPS has an excellent model) and strict oversight. In addition, the set design drawings would have to be reviewed for damage causing installations.	Not a permanent use. Would need staff to manage operations and oversight.	As sole use, may have difficulty covering costs
<i>Short to Mid-Term</i>			
<b>Offices</b>	High speed internet and telephone system installation needed. Power and heating/ ventilating are OK Restroom are OK	Leases for approx. \$1.40/ SF in Arsenal. Arsenal office space generally slow to absorb. Tenants are probably not willing to pay	May cover costs
<b>Public Facilities</b>	See: Office		Does not cover costs
<b>Art Gallery/ Art Museum</b>	Tenant may need security systems, lighting, temperature and humidity control	Could help support a restaurant or café in the building.  Could bring more activity to the Arsenal.  May require additional fundraising, grant writing on the part of the tenant	May have difficulty covering costs  Tenant improvements costs may be high
<b>Tourism Office</b>	See: Office	Could bring more activity to the Arsenal.  Way-finding systems may need to be improved in Arsenal.	Does not cover costs
<i>Long-Term</i>			
<b>Restaurant</b>	Recommend lease with City oversight; fire and other risks need to be addressed by regular inspection requirements in the lease. Need to augment restrooms Kitchen space will support this use, utilities are sufficient	Regional competition has increased since past restaurant use in building. Access and visibility are challenging. Market feasibility would improve if the Arsenal becomes a tourist destination.	May cover costs.  Tenant improvement costs may be high.
<b>Bar</b>	Recommend small bar with restaurant only for safety and to reduce risks of fire, other building damage	Would need to be taken on by restaurateur or a partnership with restaurateur	May contribute towards covering costs
<b>Café</b>	Similar considerations as Restaurant, although risk of fire may be lower.	Would be more feasible with supportive uses such as offices, museum, gallery	May contribute towards covering costs
<b>Small Conferences</b>	Need to add internet connections	Not a permanent use. Would need staff to manage conference bookings and operations. Highly chambered interior may be a constraint.	As sole use, may have difficulty covering costs
<b>Museum</b>	Tenant may need lighting, security, temperature, humidity control	An interested organization would likely need to do additional fundraising, grant writing to pay for the lease	May have difficulty covering costs

Source: Carey & Co; Strategic Economics, 2009.

**FEASIBILITY ANALYSIS FOR A FULL SERVICE RESTAURANT**

The community identified a high end restaurant as a desirable use for the Commanding Officer's Quarters. Therefore this section looks more closely at the feasibility of attracting a full service restaurateur to the building.

A popular restaurant was the last tenant of the Commanding Officer's Quarters until 1981, it was closed because of a fire and declining standards. The restaurant was a destination and a source of pride for the citizens of Benicia, who frequently brought out-of-town family and friends to the restaurant. Therefore, many community members have expressed interest in encouraging an upscale restaurant user return to the Commanding Officer's Quarters.

Since 1981, shopping and dining patterns have substantially changed in the Solano/Contra Costa sub-region. There is significantly more regional competition among restaurants than there used to be. Whereas once the Commandant's House might have drawn patrons from across the bridges, today Contra Costa County offers many upscale eateries within closer proximity to local residents. Places like Walnut Creek, Danville, and Pleasant Hill are now established regional retail destinations where they were once mainly residential and agricultural communities without many shopping or dining options. The I-680 corridor is the area's major focal point for shopping and dining among Solano and Contra Costa County residents. Furthermore, Benicia does not have major tourism traffic like Napa, Sonoma, or San Francisco. For all of these reasons, a restaurant in the Commanding Officer's Quarters would need to be supported primarily by local Benicia households.

The risky and sensitive nature of the restaurant business is another market factor that needs to be taken into consideration. The restaurant industry is one of the most risky retail businesses in the United States. Most restaurants cannot survive even in thriving retail areas—sixty percent of restaurants fail within the first three years of business.<sup>3</sup>

In addition to the above factors, Strategic Economics has evaluated the market feasibility for a full service restaurant within the City of Benicia. As described above, this analysis looks at three market characteristics to determine feasibility: demand, supply, and place.

Demand and Supply

There is enough unmet demand for one or two more full service restaurants in the City of Benicia as a whole. If Benicia households dined at restaurants within the City limits every time they ate out, households would be able to support 74,269 square feet of retail space. However, it is unlikely that households eat in Benicia a full 100 percent of the time. If Benicia households were to dine in the City only half of the time (a reasonable estimate given the likelihood that residents also eat out when they work and travel outside of the City), then they would be able to support a full 37,135 square feet of retail space.

*Table 4: Restaurant Buying Power Analysis Assumptions*

	Average Annual Household Expenditure	Conservative Estimate		Opptimistic Estimate	
		Assumed Local Capture Rate	Supportable Square Feet	Assumed Local Capture Rate	Supportable Square Feet
Full Service Restaurant with Bar	\$2,474	50%	37,135	60%	44,562

Source: Claritas; Strategic Economics, 2009.

<sup>3</sup> Source: Businessweek.com, 2007.

Presently, there are approximately 33,534 square feet of existing full service restaurants within the City of Benicia, largely concentrated in the First Street corridor. Therefore local households could support an additional 3,601 square feet of restaurant space, or approximately 1 to 2 additional restaurants.

Table 5: Unmet Restaurant Demand in City of Benicia

	Square Feet
Total Demand	37,135
Total Restaurants in Benicia	33,534
Net Un-Met Demand	3,601

Place: Visibility and Access

While there is demand for at least one additional restaurant in the City of Benicia, low visibility, limited access from major freeways and arterials, and its distance from existing retail centers make the Commanding Officer's Quarters an uncompetitive location for a restaurant. New restaurants that come to Benicia to meet that pent up demand will prefer to locate either near the freeway off-ramps or in the heart of town on First Street, where there is already a critical mass of other retailers, offices, and pedestrian activity.

Place: Physical Characteristics

Unlike other retailers, a full service restaurant has specialized utility and other physical requirements that can only be achieved in particular buildings. The Commanding Officer's Quarters does not presently meet these utility needs, and therefore it will be costly to improve the building to a point where it could accommodate a restaurant tenant. If a restaurateur were to consider locating in Benicia, the additional costs of tenant improvements in the Commanding Officer's Quarters would be a significant deterrent relative to other locations. We estimate these costs to be in excess of one million dollars.

A restaurant would also bring with it an additional risk of fire and other damage. These risks need to be carefully considered if the City moves forward with tenancing the building with this use. In addition to fire damage, many years of use as a restaurant caused other damage to the building that the current repair and restoration efforts have been working to fix. The consultant team recommends strict oversight and inspections by the City, agreements for these additional inspections and limitations included in the lease agreement.

Conclusion

Can the Arsenal, and the Commanding Officer's Quarters, overcome these physical and market limitations to attract a restaurant tenant? Based on standard requirements for a locationally competitive restaurant site, it would be difficult at best to attract a restaurateur to the area. The only possibility to attract the type of upscale, destination restaurant that is desired by the community is to increase the visibility of the Arsenal as a unique tourist destination in the region and to improve access of the Commanding Officer's Quarters to the rest of the City, and particularly to the freeway.

Moreover, the community will need to proactively seek out a restaurateur with a unique vision and strong understanding of the local Benicia market. Even with an interested tenant and improved visibility and access to the Arsenal, rent or tenant improvement subsidies may be necessary to help reduce risk to the business, and close the deal. In sum, tenancing the Commanding Officer's Quarters with an upscale restaurant is a long-range endeavor that will require significant efforts on the part of the community, and possibly the City, to enhance visibility and connectivity in a way that improves the marketability of the building and the Arsenal for retail use.

## IV. CREATING A TOURISM DISTRICT FOR THE ARSENAL AND THE CITY OF BENICIA: CASE STUDY ANALYSIS

Results of the community outreach process for the Commanding Officer's Quarters suggest that creating an historic tourism district for the Arsenal is an important effort that the Benicia community and City may want to undertake. As the Arsenal becomes more of a regional destination, it will become more feasible to attract tenants to the Commanding Officer's Quarters that are fiscally sustainable and fulfill the community's goal generating more local activity. Additionally, an historic tourism strategy will take advantage of the Arsenal's unique physical and cultural resources of the area – thus meeting another goal that emerged from the community process.

One strategy for positioning the Arsenal as a regional destination is to pursue the concept of heritage tourism, wherein entertainment, retail, lodging, and conference facilities occupy historic buildings and are marketed and/or managed in a unified plan. The restoration of the Commanding Officer's Quarters provides a major catalyst for creating a larger collective of restored buildings that could profitably operate through strategic partnerships and marketing.

For the Arsenal Specific Plan completed in 2006, Strategic Economics examined three case studies of historic places that have pursued similar, financially sustainable options for historic preservation and tourism: Fort Mason in San Francisco; The Northern Rockies Heritage Center in Missoula, MT; and the Sunset Station in San Antonio, TX (See Appendix A). It is worth revisiting the lessons learned from these case studies for consideration with the Commanding Officer's Quarters, given the recent emphasis that the community has placed on this particular goal. The City alone cannot be responsible for achieving this goal; the keys to an historic tourism strategy are creating sustainable capital and operating revenue sources beyond the City's limited coffers, and engaging the combined support of local community members and institutions in the area.

### Case Study Lessons Learned: Implications for a Historic Tourism District in the Arsenal

- *Carefully select uses that establish the right identity for the place in a financially successful way.* Community-oriented events or spaces can help establish the desired identity for the place and support marketing efforts, but may not be generate profits to the organization. A balance of profitable and community uses can enhance an historic district's identity while enabling long-term financial sustainability.
- *Connections or proximity to other destinations can increase visitor attendance.* An historic district in the Arsenal should tap into Benicia's other regional assets, including a citywide tourism campaign, wayfinding signs from downtown and the freeway, and joint programming with nearby arts galleries.
- *Capital funding will be a challenge.* With a lack of federal and even local funds, the greatest challenge to creating a successful district in the Arsenal will be collecting initial financing for land acquisition and repair of historic buildings. Fort Mason and the Northern Rockies Heritage Center had the advantage of public ownership and free transfer of land and building assets. The City of Benicia can provide similar assistance by offering use of the Clock Tower and Commanding Officer's Quarters at no charge or with reduce rent.
- *Becoming profitable, or even just financially stable, takes time and momentum.* Even as a nonprofit venture, an historic district should be operated as a business and will require leadership beyond City staff. Selecting the right idea, creating a business plan for initial financing and profitability, and generating visibility are important steps that should be established among

private or independent partners. The leading organization should have a plan and understanding of the time and investment that will be needed to make this a successful venture.

- *Select leadership with experience in marketing and event organizing.* The manager of Sunset Station found that clearly focusing on one market, and “marketing hard” is the key to a successful event space.

## V. RECOMMENDED PHASING STRATEGY

Previous sections have emphasized that the current economic downturn – coupled with an poor visibility and access – will make it challenging to tenant the Commanding Officer's Quarters or other Arsenal buildings with high revenue users. However, by improving the visibility of the area through a larger tourism strategy, and improving wayfinding to the Arsenal, the community can increase the likelihood of making the Arsenal a regional destination, and subsequently attracting a higher revenue use to the Commanding Officer's Quarters.

Sections II and III evaluated the potential for various uses and considered the possibility of creating a tourism district in the Arsenal. This section summarizes how the community can leverage the Commanding Officer's Quarters to build up regional visibility and a cohesive tourism strategy in the short, medium, and long-term.

Thus far, the Commanding Officer's Quarters has been retrofitted and enhanced with flexibility in mind. To the extent possible the City, architect, and contractor have prepared the building for the widest variety of uses possible. Regardless of who tenants the building in the short term, physical changes to the building should not be if they preclude future uses from operating.<sup>4</sup> This will give the community the greatest chance to program the building with uses that best suit Benicia and best support the Arsenal as a tourism district.

### SHORT-TERM

#### Possible Building Uses:

- Office tenants. Asking rents will be approximately \$1.40 to \$1.50 per square foot, net of utilities.
- Events sponsored by the City or local organizations.
- The arts community or other non-profit users.
- The Consultant team has put together a leasing brochure to help the City market the building to potential tenants.

#### Steps Towards a Tourism Strategy

- Establish a local advisory group whose primary responsibility is to support Benicia as a regional and national destination, and manage the City's tourism programming. Given the City's fiscal constraints, to start this group will likely be comprised of interested volunteers
- Encourage local temporary events in the Commanding Officer's Quarters, to generate interest and visibility for the building and the Arsenal.
- Enable local residents to jointly lease the Clock Tower and Commanding Officer's Quarters for events that are non-conflicting with paying tenants.

### MID-TERM

#### Possible Building Uses (in addition to above):

- Office tenants in upstairs area, some public space/museum/art gallery/event use downstairs
- Once market recovers, more proactively seek out opportunities to cover operating, maintenance costs.

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<sup>4</sup> Generally speaking, historic preservation grant requirements place strict limits on the types of physical changes that can occur. These limitations will likely ensure that the building maintains its current general condition including all internal walls, etc.

**Steps Towards a Tourism Strategy**

- Consider revenue streams to pay a part- or full-time tourism coordinator in the City (e.g. – grants, assessment district, business improvement district, etc.)
- Establish a plan to package the Arsenal as a single cohesive arts/historic tourism district. Involve property owners and consider physical as well as programmatic improvements.
- Consider opportunities to bring in events or uses in other buildings in order to generate interest in Arsenal (for example, hosting an event at the Clock Tower)
- Begin to outline factors to attract a restaurant to the Commanding Officer's Quarters. (What kind of tenant improvements would be needed and how much would they cost? What would the lease agreement entail? How can a potential restaurant tenant be expedited through the permitting process?)
- Work with a local broker or tenaning expert to start pro-actively seeking out tenants for Commanding Officer's Quarters, and possibly other Arsenal buildings.

**LONG-TERM**

**Possible Building Uses (in addition to above):**

- Work with a local broker or tenaning expert to pro-actively seek out restaurant, retail, office tenants for Commanding Officer's Quarters, and possibly other Arsenal buildings.

**Steps Towards a Tourism Strategy**

- If restaurant or other particular use would catalyze tenaning in the overall district, it may be time to consider subsidy options: small business grants, cover TI, etc.
- A district or city-wide tourism strategy should be in full operation, with a paid staff member to oversee implementation and business attraction.

## **VI. CONCLUSION**

The current economic climate is challenging for attracting a financially sustainable tenant to the Commanding Officer's Quarters. Very few businesses are looking to expand to right now. This difficult and unforeseen timing means that the City should remain flexible and start to build market momentum in the right direction. There are key strategies that the City and community can work on together in the short-, mid-, and long-term. The first focus should be on generating visibility, activity, and interest in and around this unique resource.

The good news is that a number of local community institutions have expressed a strong interest in occupying space in the building, and/or in supporting the overall goal of attracting visitors to the Arsenal. Working together with each other and a panel of community members, these groups can provide not only a solid foundation for increasing the visibility of the building, but also a foundation for an advisory group that is responsible for generating increased visitorship to both the Arsenal and to Benicia as a whole. This level of community and social capital is a unique strength, and the Commanding Officer's Quarters is clearly a focal point around which momentum can be built.

## APPENDIX A: HERITAGE TOURISM CASE STUDIES FROM THE ARSENAL SPECIFIC PLAN PROCESS

### *Heritage Tourism Case Studies*

Following are three case studies of historic places that have pursued similar, financially sustainable options for historic preservation.

#### *Case Study: Fort Mason, San Francisco, CA*

Fort Mason is a 13-acre parcel located in the Golden Gate Recreation Area in San Francisco, CA that is jointly managed by the Fort Mason Foundation and the National Park Service. In 1972 Congress created the Golden Gate Recreation Area, which included Fort Mason. By 1974, the National Park service had



Herbst Pavilion at Fort Mason Center  
Excerpted from [www.fortmason.org](http://www.fortmason.org)

received over 400 proposals offering plans for uses of the lower portion of Fort Mason. The National Park Service decided in 1977 to establish and partner with a nonprofit known as the Fort Mason Foundation, to jointly manage the site. The Foundation and NPS selected the most popular and feasible use ideas from the many proposals, and created a center with a mix of nonprofit, educational, and event programming. The facilities currently include nine historic mission revival buildings that total 300,000 square feet which house over 30 non-profit organizations, classrooms, galleries, a conference center, 2 large pavilion spaces and a theatre.

Tenants at Fort Mason include theatre groups, arts educators, museums, and a variety of non-profits. In 2005, the Fort Mason conference center held over 15,000 events and attracted more than 1.6 million visitors from around the country. The Fort Mason Center has been financially self sufficient since 1980 and continues to increase its working capital annually. In 2005 the Fort Mason Center had a working capital of \$1.97 million generated by tenants, facility rentals, grants, membership fees and donations; of those sources tenants generate the majority of the foundations revenue. In addition to current revenue streams, the Fort Mason Center hopes to further generate funds for facility improvements through on-site parking fees.

The Fort Mason Center benefits from its location within the Golden Gate Recreation Area, and its proximity to downtown San Francisco. Access to Fort Mason will be greatly improved with the extension of the streetcar lines E and F that will connect Fort Mason to the San Francisco Maritime National Historic Park. Fort Mason's 13 waterfront acres and panoramic views of the Golden Gate Bridge increase the site's regional and national appeal tremendously while high-quality programming helps to attract a local crowd.

#### *Case Study: Northern Rockies Heritage Center, Missoula, MT*

In 1993 the federal government transferred a portion of Fort Missoula to the newly established Northern Rockies Heritage Center Foundation for the purpose of historic preservation. The 17-acre parcel with 13 historic buildings is just outside of Missoula, MT. Although the Northern Rockies Heritage Center foundation did not receive federal dollars for establishment of the center, the United States army – which maintains army reserve facilities on the remaining Fort Missoula acreage – offered the Heritage Center assistance in maintaining the facilities and allowed the foundation to collect and retain rent from the 13

historic buildings as its startup revenue. The buildings were already leased by a variety of tenants, offering the foundation an immediate, if small, stream of revenue.



Officer's Row at Heritage Center  
Excerpted from [www.nhrc.org](http://www.nhrc.org)

The initial intent of the Northern Rockies Heritage Center Foundation was to use all of the buildings as a cluster of museums, and maintain the character of the grounds for the benefit of the local community. Instead, the facility houses artists and local non-profit organizations, as well as event spaces that are often rented for weddings. The major amenities of the Northern Rockies Heritage Center are its event spaces and park-like surroundings. Fort Missoula was fashioned after a Spanish mission, and thus the architecture is distinct from most local architecture. The Northern Rockies Heritage Center benefits from its proximity to other existing museums at Fort Missoula and the exposure that this proximity provides.

The foundation obtained a \$350,000 grant in 2002 that has helped to restore many of the buildings for occupancy. Funds from the grant are still being used for maintenance purposes but the federal sources offering the grant are no longer available. Initially the Northern Rockies Heritage Center complied with historic preservation requirements, but with the lack of available federal funding, it is uncertain whether the foundation will be able to continue to meet these requirements in future renovation and maintenance work.

Currently, the Heritage Center is financially stable through fees they collect from both the non-profit and artist tenants and the event space rentals. The largest money generator at the Heritage Center is the event space rentals. The Northern Rockies Heritage Center is a local destination that is taking steps to increase its appeal as a regional destination.

#### *Case Study: Sunset Station, San Antonio, TX*

Sunset Station is located in San Antonio's historic St. Paul Square, an area dating back to the 18<sup>th</sup> Century as the site of the original Mission San Antonio de Valero. The Sunset Station Depot was built in 1902 as a major stop on the Sunset Limited, a railroad connecting San Francisco to San Antonio and New Orleans.



Saint Paul Square-  
Excerpted from [www.sunset-station.com](http://www.sunset-station.com)

Today Sunset Station, St. Paul Square and 14 surrounding buildings have been completely renovated and make up over 100,000 square feet of space that is leased as event space, supporting kitchen and office space, and private office space not associated with the public event space. Recently, construction has begun on conversion of one of the existing buildings into a hotel, adding an additional amenity to the district.

Sunset Station's transformation from a historic structure to a heritage tourism destination was a slow process that began when the city of San Antonio publicly considered demolition of the building. Zachary Construction, a local developer interested in preserving the structure, bought Sunset Station from the city and partnered with Gram Bros, a nightclub and entertainment developer, to create a nightclub district.

Sunset Station's transformation into a nightclub district was largely unsuccessful and its nightclub past, coupled with proximity to a major highway, left a tarnished image of the area. In 2003, Zachary Construction appointed a new executive director for Sunset Station named Terri Tonnies, whose past experience in organizing and marketing music events at the House of Blues helped her reinvent the image of the area. Since her appointment, Sunset Station has seen increasing popularity as a national corporate conference and local entertainment destination.

Since Sunset Station's conversion from nightclub to event venue, the profitability and popularity of this historic venue has increased dramatically. The facility went through a long transformation from a nightclub location, to a concert and convention location to a corporate conference and local-social venue and drew on its visibility due to its proximity to the Alamo Bowl. Today, Sunset Station's event spaces are leased four to five days a week and attract corporate conferences from all over the country. The best amenity available is the on-site catering that has received local acclaim.

Sunset Station is now a profitable heritage tourism location whose largest profits are made on the rental of event spaces. It has achieved a sustainable business model that draws on the ambiance of the area and provides high-quality amenities to its patrons.