

City of Benicia  
December 2014



# BENICIA INDUSTRIAL PARK MARKET STUDY

Assessing Short & Long-Term Market Competitiveness

Consulting Team:  
Chabin Concepts, Inc. and  
Keyser Marston Associates



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JC Investments, San Jose	Tulloch Construction
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McJunkin Corporation	Valero

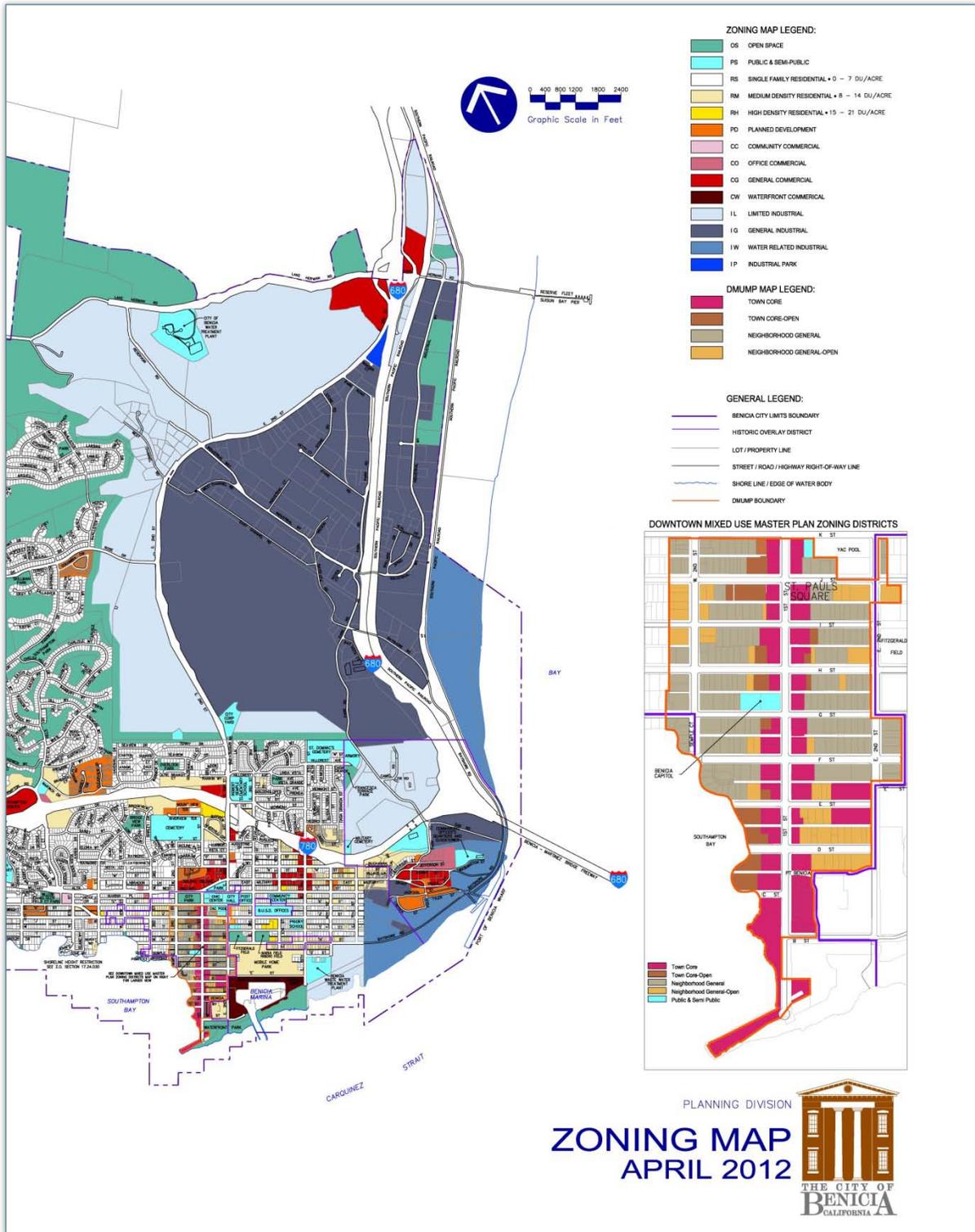


Figure 1 - Benicia Zoning Map, April 2012



# Executive Summary

The Benicia Industrial Park (BIP) is an important asset to the City of Benicia particularly as a significant tax-revenue generation driver to the City of Benicia because of the types of companies that are located in the BIP.

Over the past few years Benicia has seen some manufacturers relocate and/or expand to other nearby locations that are beginning to develop new real estate product (industrial parks and buildings). These expansions and relocations have resulted in declining business-to-business sales tax revenue from the BIP. The City has experienced nearly a 20% drop in business sales tax generated by the BIP from its high point, and a 14% drop quarter to quarter 2013 to 2014.

## BENICIA INDUSTRIAL PARK (BIP)

- 3,000 acres
- 8.4 million square feet built space
- Rail and Port served
- 7,000 employees

This slow movement is a “red flag” that tax revenue generating businesses located in the BIP may seek other locations, newer buildings or facilities to accommodate their growth, or that tenants may seek “newer product” for current operations. This also raises concerns that vacated facilities will be occupied by non- or minimal-tax revenue generating businesses which will impact the City’s revenue stream.

Given these changes which could possibly be a trend, a market study was initiated to 1) determine BIP’s competitiveness in the marketplace; 2) interview existing employers on potential expansion needs and preferred locations; and 3) identify potential actions to maintain the BIP as an attractive location for job-creating, capital intensive and sales tax revenue generating businesses.

## Methodology

The market study included: 1) an assessment of the existing conditions of the BIP; 2) a detailed and in-depth market analysis of the Bay Area and markets surrounding Benicia (Solano, Napa, Contra Costa); 3) interviews with active BIP Real Estate brokers and over fifty BIP business tenants contacted; 4) research on business parks and facility development trends that are attracting users with the latest designs. All research is included in the report and attached appendices.

Following is a brief overview of the existing conditions, market challenges, short-term and long-term market opportunities and actions.

## 1. Benicia Industrial Park - *Existing Conditions*

The BIP has a strong market niche as a true ***industrial park***, i.e., a designated area located on the outskirts of a city, zoned for a group of industries and businesses, typically light or heavy manufacturing converting, fabricating or assembling materials into products and goods for distribution. These industries, because of the nature of the conversion to finished products, provide the highest economic impact to a community. An industrial park will often have a dominant cluster of industries and related heavy, light manufacturing, warehousing and flex space configured for truck turning radius, highway access and a network of transportation modes.

- The BIP itself is one of the largest parks in Solano County with 3,000 acres and +/-8.4 million square feet. However, there is little land available for new development or expanding businesses, only 23.3 acres and the largest parcel is 9.9 acres. Vacancy rates of existing buildings is relatively low, ranging from 7% to 11%, concentrated in three main buildings which, according to brokers, all or portions are currently being leased short-term for warehousing and storage.
- There is considerably new competition in the market. New industrial parks and buildings along Highway 12 and the I-80 Corridor are attracting wine-related industries and providing alternative locations to the BIP.
- Business in the BIP have, or are beginning to recover, although slowly. Some are starting to project growth and will be looking at a potential expansion over the next few years.
- Many of the BIP tenants interviewed are on short-term leases (three to four years). Fortunately they prefer to stay in the BIP if their growth or consolidation plans can be accommodated.
- There is a lack of land in the BIP to accommodate new development and/or expansion of existing businesses. Existing businesses, that cannot find suitable facilities, are forced to look in other areas.
- Aging infrastructure, particularly streets and broadband access, is a major concern to existing businesses (and a requirement of new businesses). *Note: the City has been working on the broadband access with a contractor, negotiating with different providers. This is a complex project and will require up to a \$3 million investment and is a priority of the City. The recent sales tax measure identified road improvement projects in the BIP.*
- Although brokers like the BIP and feel it is still viable and marketable, they perceive it to be built-out due to very limited building inventory which is primarily suitable for warehousing (not necessarily the types of businesses Benicia would like to attract).

### Definition of “Industrial Park”

A portion of a city that is zoned for industrial use (as opposed to residential or commercial use).

Industrial parks may contain oil refineries, ports, warehouses, distribution centers, chemical plants, plastics manufacturers, food and beverage processors, automobile manufacturers, steel manufacturers, metal fabricators and/or advance product manufacturing.

Industrial parks are also known to have good transportation networks.

- Brokers indicate buildings available in the BIP are harder to rent; configurations are not flexible enough to accommodate many uses other than storage. The buildings are antiquated compared to newer buildings coming on the market.
- There are many positive attributes of the park, such as the network of transportation, rail, and port but brokers have found that these are not necessarily decision drivers for the businesses considering the location.
- Lease rates in the BIP are competitive and typically lower than the other submarkets which accounts for low vacancy rates.
- Valero remains a significant influence on the park as an anchor tenant, generating jobs, high tax-revenue, and draws suppliers and other industry-related businesses to the park. Valero's long term presence in the park will be driven by broad business considerations by corporate offices, most of which, such as crude-by-rail access, are largely outside of the control of the BIP. Unlike other tenants, Valero is not being constrained by a lack of land for expansion.
- Amport and access to the port are positive marketing features but not critical for the continued viability of the BIP; it is a very niche market and does not generate the tax-revenue other industries do in the BIP.

## 2. Market Challenges — *Is the BIP competitive in the marketplace?*

As noted in the existing conditions, there are four main **challenges** for the BIP to remain competitive in the marketplace and continue to be viable for revenue-generating businesses:

- 1) BIP is limited in serving expanding existing businesses or attracting new industries without redevelopment of existing areas, retrofitting existing buildings to modern uses or additional land;
- 2) Limited vacant building inventory and what exists is primarily only suitable for warehousing;
- 3) Aging infrastructure, particularly the condition of streets, traffic circulation, lack of modern communication infrastructure; and
- 4) Increasing competition in the regional market, new parks planned or under-development will result in approximately three million square feet of new development.

### Is the BIP competitive in the marketplace?

Without redevelopment, building retrofits and/or additional land to accommodate expanding tenants and new business investment, the BIP is “at risk” of losing quality tenants and being viewed as an obsolete park attractive only for warehousing, non- or minimal tax-revenue generating businesses.

These challenges may force new or expanding businesses to look elsewhere, to the newer industrial parks in the region as they would be able to maintain their current employees and have equivalent market access in these other parks; but it will result in a loss of jobs and sales tax revenue to the City of Benicia. A good example is the wine industry which the BIP served well for many years with bottling, warehousing and distribution operations. However, the Highway 12 widening project improves transportation between the wine country and Fairfield which has now positioned that area to capture and meet the wine industry’s market demands.

A strong market is expected to continue with companies growing, vacancy rates declining and rents increasing causing tight markets in inner cities, such as Oakland, where there is demand for new manufacturing. This is a **positive** for the BIP to take advantage of its existing position and competitiveness to attract light and advanced manufacturing that may be seeking new opportunities close in to their existing location and markets. Positive marketing/selling points to a targeted market:

- BIP is viewed and well-known as an industrial park, zoned for light and heavy manufacturing.
- Lease rates in the BIP are competitive and typically lower, up to 20%, than the other submarkets.
- As noted by brokers, the transportation network in Benicia is a positive feature and needs to be marketed as an attribute, particularly the 680 and 780 Interstate freeways, the UP Rail, and the Port of Benicia.
- Capitalize on Benicia’s high quality of life and schools.
- Valero remains an anchor and attractor of certain types of businesses.

With a tight market for true industrial parks this could be an advantage in the short-term but the long-term requires addressing the challenges of expansion space (building and land), aging and modern infrastructure.

### 3. Short-Term Market Opportunities — *Given the market challenges, what can the City do in the short-term?*

Short-term actions (two to five years) should focus on: 1) existing tenants with growth potential who will need additional space to accommodate their growth and those tenants with short-term leases over the next two to three years; 2) continuing to aggressively address major infrastructure issues; and 3) aligning potential light manufacturing businesses to existing vacant facilities and implementing focused business attraction campaign (assuming facilities can accommodate uses).

1. Increase business retention/expansion meetings (BREP) and communications with BIP tenants, particularly those identified that will need expansion/consolidation space.
2. Package and deliver to BIP businesses the services and potential incentives the City can bring to assist expanding businesses, such as, financing for equipment or real estate; tax credit application(s); workforce training; utility rates; and potential self-reporting tax sharing agreements (see item 4).
3. The BIP has long-term challenges (infrastructure) that are of concern to some businesses. Communicate with BIP tenants how those challenges are being addressed and projected timelines.
4. Review and monitor existing use tax agreements with businesses and determine if there are additional companies in Benicia that make significant equipment or material purchases. There are incentives used by other cities, Business Cooperation Programs, to encourage businesses to participate in self-reporting of use tax which would increase revenue to the City and also be beneficial to the company.
5. Coordinate with Solano EDC to increase discussions with local and regional brokers on potential target users for vacant spaces, preferably optimal users that will benefit the City.
6. Along with above, discuss, review and identify with brokers areas that might be prime for redevelopment

#### Given current market challenges, what can the City do now, in the short-term?

- Aggressive BRE program
- Package incentives and assistance
- Identify vacant facilities to market as well as identify potential redevelopment and retrofit building opportunities
- Target marketing by geography and industrial uses
- Target small manufacturers, capital intensive users

**Redevelopment:** the act or process of redeveloping a blighted or obsolete area.

**Retrofit:** involves functional renovation and substantial change to modernizing an existing building.

and/or buildings that need to be retrofitted or adaptive reuse to attract the right users. Redevelopment of an area (site, block or multiple blocks) and/or building retrofitting will require further analysis for economic and financial feasibility but are good options to consider when land is constrained. The identification of potential sites or buildings would only be the first step.

7. Marketing should consist of very focused campaigns. Market the existing product (land and buildings) to industrial clients in inner Bay Area locations of Oakland and San Francisco that are experiencing tight markets for manufacturers (industrial) that may be feeling forced out of current locations or in need of a more cost effective location. Prior to marketing, conduct research on manufacturers that would align with the land/building configurations. This effort should be coordinated with Solano EDC and local brokers. The sMaps website, provided with this analysis, will be a great marketing tool for the existing real estate product.
8. Continue to aggressively negotiate for high-speed broadband access.
9. Both the Port and the Arsenal area provide opportunities for niche marketing to specific types of businesses, i.e., the Port specializes in bulk products and motor vehicles and is uniquely situated for distribution. Given the niche markets the Port serves, working with the Port to identify potential users and its own competitiveness with other Ports could lead to a focused marketing effort. The Arsenal could accommodate smaller manufacturing and art-related users. As with the Port it would require a separate focused marketing effort but may not attract tax-revenue generating type companies.

#### **4. Long-Term Strategies — *Creating Market Opportunity and Viability for the BIP***

The ultimate remedy to the space challenge and new competition in the region is to expand the BIP which would call for continued major infrastructure upgrades to make the BIP competitive with new product coming on line, and identify land and buildings (areas for redevelopment, building retrofits or new vacant land) to accommodate new development.

It will be a long-term and time consuming effort to strengthen the BIP's marketability and competitiveness, to maintain its identity as a premier industrial park with unique location attributes and its ability to continue to be a dominant player in the marketplace.

1. Identify potential funding sources to continually invest in and improve the infrastructure of the BIP, this would

##### **What are the long-term strategies the City could execute?**

- Invest in infrastructure that maintains the competitiveness of the BIP to newer, emerging real estate products in the region.
- Consider Phase II Analysis to identify feasibility for park expansion.
- Identify funding sources to continuously improve BIP.
- If BIP can achieve redevelopment, land expansion and/or building retrofits, an attraction campaign could potentially target emerging, tech and advance manufacturing to diversify BIP industry mix.

demonstrate the City's commitment to the BIP and existing businesses. Look at these and other financing programs under consideration at the State.<sup>1</sup>

- Infrastructure Financing District (IFD)
  - Community Facilities District (CFD)
  - Business Improvement District (BID)
2. As part of the communication messages to businesses and brokers, develop an infrastructure improvement plan with specific project improvement timelines (streets, drainage, traffic flow, and broadband), when funding is expected, when project is started. Regularly report on progress.
  3. As noted, the major long-term challenge for the BIP is land for expansion. Although land is identified for park expansion, it is being considered for other uses. Consider a Phase II Analysis which would evaluate:
    - Feasibility of redeveloping areas and building retrofits identified in short-term actions;
    - Opportunities for additional buildable acreage that could be added to the park;
    - Infrastructure improvements that would be necessary to make it ready for new development;
    - Viability of developing any remaining vacant properties within the BIP;
    - Type of development that will attract tax-revenue generating businesses, aligned with real estate product and existing industry mix, and market opportunity;
    - The applicability of public and private sources of financing.
  4. **If and when** the BIP is improved with expansion land and buildings shovel-ready, begin implementing an aggressive business attraction campaign targeting mix of emerging industrial innovation, tech and advanced industrial tenants (to be review at that point in time with alignment of targets to land and buildings). The priority would be to continue to serve expanding existing tenants and increase business-to-business sales tax revenue. As a long-term strategy, this should be coordinated with existing marketing and business attraction efforts of the Solano EDC.

**Conclusion**

Without more land, redeveloped land areas or retrofitted buildings to assist current expanding BPI businesses or attract advance industrial businesses, the BIP will fall behind as an obsolete park comparatively and only attract warehouse-type or non-minimal tax-revenue generating businesses.

As noted throughout the report, without more land, redeveloped land areas or retrofitted buildings to assist current expanding BPI businesses or attract advance industrial businesses, the BIP will fall behind as an obsolete park comparatively and only attract warehouse-type or non-minimal tax-revenue generating businesses.

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<sup>1</sup> Appendix F: additional information on funding programs.



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# 1. Introduction

## 1.A. Market Study Purpose

Over the past few years Benicia has seen some manufacturers relocate and/or expand to other nearby locations that are beginning to develop new real estate product (industrial parks and buildings). These expansions and relocations have resulted in declining business-to-business sales tax-revenue from the BIP. The City has experienced nearly a 20% drop in business sales tax generated by the BIP from its high point and a 14% drop quarter to quarter 2013 to 2014.

This slow movement is a “red flag” that tax-revenue generating businesses located in the Benicia Industrial Park (BIP) may seek other locations, newer buildings or facilities to accommodate their growth, or that tenants may be seeking “newer product” for current operations. This also raises concerns that vacated facilities will be occupied by non- or minimal tax-revenue generating businesses which impact the City’s revenue stream.

Given these changes, which could possibly be a trend, a market study was initiated to 1) determine BIP’s competitiveness in the marketplace; 2) interview existing employers on potential expansion needs and preferred locations; and 3) identify potential actions to maintain the BIP as an attractive location for job-creating, capital intensive and sales tax-revenue generating businesses.

## 1.B. Methodology

A combination of interviews, market data analysis, and research on business park development trends was used for this study.

- Real estate brokers who are actively engaged in leasing space at the BIP and throughout the market area were interviewed at the outset of this study. Follow-up conversations took place later in the process to verify, clarify and update data and statements. Brokers provided the consulting team with their perception and opinion of the BIP, their experiences in showing, leasing and/or selling in the BIP, and the general trends of the industrial and commercial regional markets. This information has been incorporated throughout the Market Study.
- Approximately fifty tenants were contacted for personal interviews to judge current BIP tenants’ satisfaction and commitment to the park. The consulting team questioned business owners and managers about their business’ recovery from the recent recession; if their current BIP facility is adequate for their operations; if they have any other facilities outside of the BIP; lease terms; and the pros and cons of the BIP and their location within it. Summary results of these interviews are provided in the Market Study Appendix.

- Market data was collected from multiple sources, including Colliers International, CoStar, an on-site visit as well as proprietary data sources. Data collected and analyzed included a combination of the most-current available and/or trends on:
  - vacancies and buildable land in the BIP
  - land use
  - lease rates
  - building activity
  - market outlook
  - new competition
  - supply and demand for the market area served by the BIP which includes Benicia, Solano County, Napa County, Highway 4 corridor, and Richmond
- Competing business parks and trends in new park development were researched through industry journals online and in print, market reports, websites, and interviews. Thirteen business/industrial parks within the Benicia market area were identified as the BIP's most-likely competitors. Profiles of each of these parks is presented within the market study. Additionally, the consulting team conducted additional research to identify the trends and features being incorporated in new park development, particularly those referred to as "innovation parks." Profiles of nine innovation parks from across the country are included in the market study.

## 1.C. Report Organization

The content of this Market Study Report includes:

- Existing status of the Benicia Industrial Park, property, property availability and pricing;
- The broader regional industrial market conditions including market trends, supply and demand of regional submarkets;
- Benicia Industrial Park's competitive position determined through interviews with brokers and existing tenants, and research of competitor parks;
- Trends in new building designs, traditional business parks and emerging presence of innovation districts in both university and non-university areas that provide background on demand of new users;
- Conclusions, short-term and long-term actions to capture market opportunities and continue to create a viable and competitive BIP.

## 2. Benicia Industrial Park

The Benicia Industrial Park (BIP) is located on Interstate 680 in the City of Benicia. It is Solano County’s oldest and largest industrial park and the largest port-related industrial park in Northern California. The BIP contains over 3,000 acres of land and over eight million square feet of built space. Hundreds of businesses are located in the BIP and employ over 7,000 people—one half of Benicia’s total private employment. A wide variety of businesses and industries are located in the BIP including those in: manufacturing, construction, environmental engineering, steel fabrication, petroleum refining, logistics/distribution, warehousing, biotech, and more.

Over the past few years new real estate products (industrial parks and buildings) have been developed in the region. Some Benicia businesses that needed more space to accommodate their growth chose to relocate from Benicia to newer parks or buildings. The loss of employers, jobs, and declining sales tax revenue generated from the BIP is of concern to the City. The purpose of this market study is to help the City determine the marketability of the BIP compared to the newer products coming on the market, and how to attract investment, job-creating and sales tax generating businesses to the BIP.

### 2.A. Property Availability

The Benicia Industrial Park (BIP) is largely built-out, currently there are only 23 acres of undeveloped space on seven parcels out of the park’s total acres. The largest vacant parcel is under 10 acres as shown in Figure 2. The vacant properties range in size from 0.6 to 9.9 acres.

Of these vacant parcels, only one could be identified as available and actively on the market. The 4.5 acres at Highway 680 and Goodyear Road is listed by Jennifer Chen of JC Investment for \$1.5 million. The site is being marketed for highway commercial use.

Although very little vacant property is available, approximately 925,000 square feet of building space in the BIP is vacant and available (Sept 2014). This represents an 11% vacancy rate.<sup>2</sup> Nearly half (457,245 square feet or less) of the vacancies are concentrated in just three buildings (Figure 3). All or portions of these buildings have been leased short-term for warehousing. As the short-term leases expire and/or storage space is no longer required, the buildings will again be listed and marketed for warehouse/distribution use.

**Figure 2 - Undeveloped parcels available in Benicia Industrial Park**

Address	Acreage
4563 E. 2 <sup>nd</sup> Street	1.72
106 Channel Road	0.99
Hwy 680 @ Goodyear Rd	4.50
273 Industrial Way	9.90
500 Industrial Way	0.62
3651 Park Road	3.01
665 Stone Road	1.94
<b>TOTAL</b>	<b>23.30</b>

Source: CoStar, Sept 2014

<sup>2</sup> Appendix: Detailed property and vacant building inventory.

Figure 3 - Three buildings in Benicia Industrial Park represent one-half of available inventory as of July 2104.



577-635 Indiana Street  
244,000 SF / 164,000 SF Available



433-459 Industrial Way  
240,000 SF / 160,000 SF Available



4301-4399 Industrial Way  
268,245 SF / 133,245 SF Available

If two of these buildings were to lease, the vacancy rate would decline from 11% to approximately 7%. Because of the concentration of vacancy within a very few buildings, leasing brokers do not perceive the BIP to have a high vacancy rate. This perceived built-out condition and the fact that land is not available for existing tenants that need to expand are key constraints for the BIP.

As a result, the BIP is at risk of losing quality tenants when they need to expand if BIP's existing vacant facilities do not meet their needs. There is no room for new investment in BIP and expanding businesses will be forced to look elsewhere. The newer business and industrial parks in the region may be the only option for Benicia's expanding businesses. They may be able to maintain their current employees and enjoy equivalent market access (highways, airports, ports, etc.) in newer, more modern facilities; but it will result in a loss of jobs and sales tax to the City of Benicia.

## 2.B. Property and Pricing in the Benicia Market

The Benicia industrial market is generally synonymous with the Benicia Industrial Park (BIP). The BIP contains 8.4 million square feet of rentable space (Table 1), which represents over 99% of the total industrial inventory in Benicia (Table 2).

As summarized in Table 1 over 95% of the space is comprised of traditional industrial properties (warehouse, distribution, light and heavy industrial). The next largest segment space is flex space, which accounts for 3% of the inventory. The balance of the park is comprised of office and retail properties.

Warehouse distribution space throughout Benicia totals 4.4 million square feet which represents approximately 52% of Benicia's total inventory (Table 2). The second most prevalent type of space is manufacturing space, totaling 4 million square feet and representing 47% of Benicia's inventory. Most of the buildings were built in the 1980s and 1990s but are generally in marketable condition.

**Table 1 - Benicia Industrial Park Summary (Appendix A, Table 1 – Excel)**

	Total	General Retail	Office	Industrial	Flex	Land
Parcels in BIP	212	9	6	178	11	8
Land Acres in BIP	1,010	334	18	607	28	23
Total Rentable SF	8,425,599	59,032	62,315	8,051,752	252,500	0
% of Total Rentable Space	100%	1%	1%	96%	3%	
Average Rentable SF	39,743	6,559	10,386	45,235	22,955	0
Total Vacant Available Space	925,194	0	0	913,084	12,110	0
% of Total Rentable Space	11%	0%	0%	11%	5%	NA
Total Available Space (SF)	1,761,204	0	0	1,749,094	12,110	0
% of Total	21%	0%	0%	22%	5%	NA
Weighted Asking Rent/mo.	\$0.60	\$0.00	\$0.00	\$0.57	\$0.90	\$0.00

Source: CoStar, Sept 2104

**Table 2 – Composition of all Industrial Space in the City of Benicia (Appendix E, Table 4 – Excel)**

	Inventory	% of Inventory	Vacancy Rate	YTD Net Absorption	Space Completed Q214 or Under Construction	Avg Asking Rent	Vacant Space
Manufacturing	3,957,628	47%	8%	10,228	0	\$0.64	300,780
R&D / Flex	156,833	2%	0%	27,694	0	\$0.55	0
Warehouse	4,375,692	52%	16%	-259,139	0	\$0.42	700,111
Benicia Total	8,490,153	100%	12%	-221,217	0	\$0.49	1,000,890

Source: Colliers International; rents presented are based on Costar data reflecting a mix of industrial gross, modified gross, and triple net (NNN) leases. Sept 2104

Asking lease rate for all types of space averages \$.49 per square foot NNN; this is generally lower than any of the submarkets (Table 3). For example, the asking rate for warehouse space averages \$.42 per square foot, compared with the market area average of \$.52 per square foot. Similarly, the asking rent for industrial space averages \$.64 per square foot compared with market area’s average of \$.69 per square foot.

Benicia’s lower price points are a **significant marketing advantage**, particularly with respect to competing with the Highway 4 submarket for industrial tenants. BIP’s average asking rent for industrial space approximates \$.64 per square foot compared with \$.80 per square foot for industrial space along Highway 4.

Table 3 Composition of Market Area Industrial Space by Submarket (Appendix E, Table 5 – Excel)

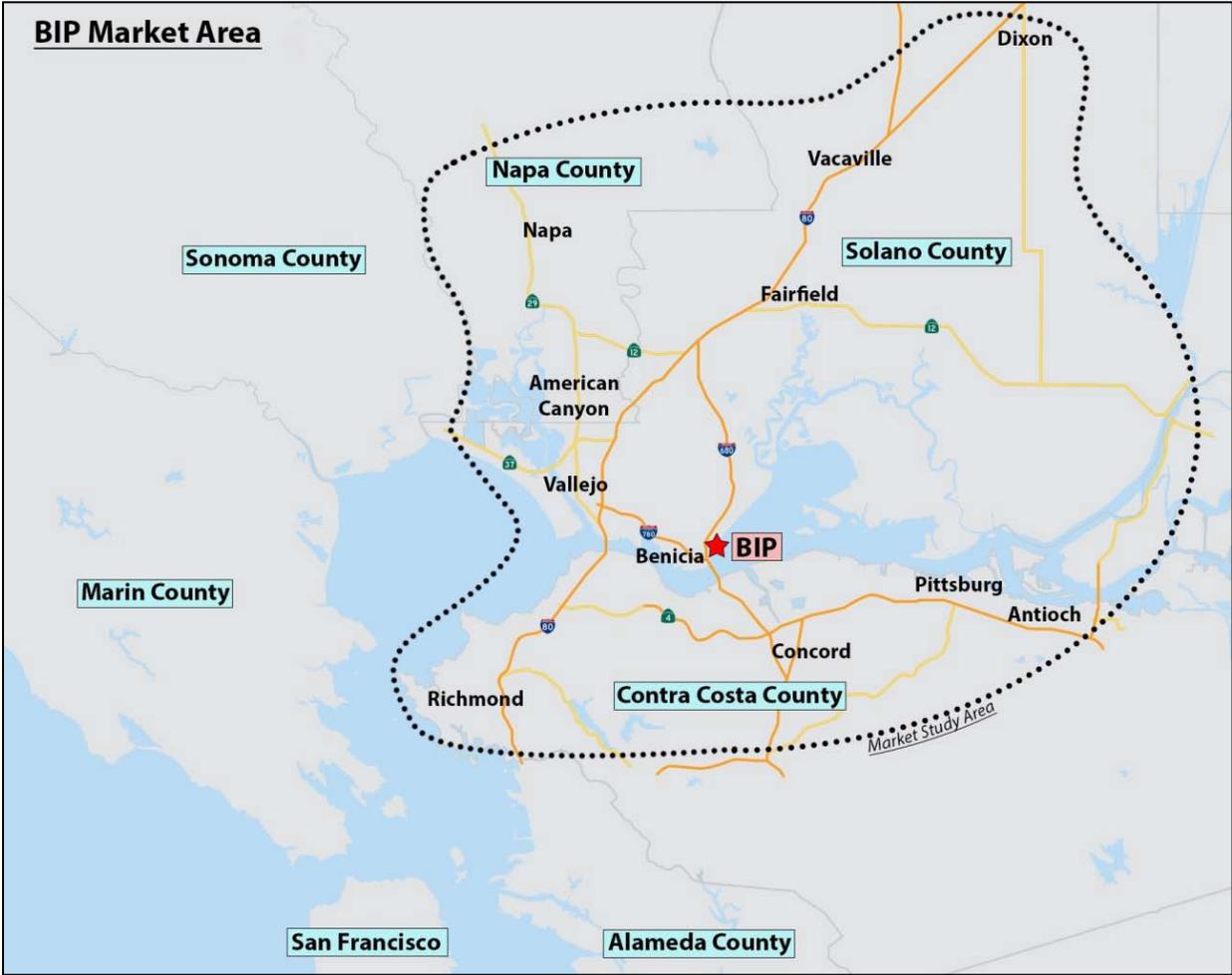
	Inventory	% of Inventory	Vacancy Rate	YTD Net Absorp.	Space Completed Q2 2014	SF Under Construction	Avg. Asking Rent	Vacant Space
<b>Solano County</b>								
Industrial	12,769,990	17%	8.31%	313,551	0	0	\$0.61	1,060,801
Warehouse	20,737,366	27%	8.90%	238,784	0	649,896	\$0.45	1,845,734
R&D/Flex	661,624	1%	5.86%	39,394	0	0	\$0.59	38,795
Total	34,168,980	45%	8.62%	591,729	0	649,896	\$0.51	2,945,330
<b>Napa County</b>								
Industrial	3,112,142	4%	6.03%	6.03%	0	0	\$0.88	187,540
Warehouse	9,003,219	12%	4.29%	4.29%	103,400	287,000	\$0.72	386,087
R&D/Flex	507,641	1%	7.90%	7.90%	0	0	\$0.88	40,104
Total	12,623,002	17%	4.86%	4.86%	103,400	287,000	\$0.77	613,731
<b>Hwy 4 Submkt</b>								
Industrial	12,590,218	17%	5.50%	155,820	0	0	\$0.80	691,980
Warehouse	2,836,293	4%	19.29%	-145,478	0	0	\$0.49	547,082
R&D/Flex	837,204	1%	4.37%	-1,265	0	0	\$1.17	36,579
Total	16,263,715	21%	7.84%	9,077	0	0	\$0.76	1,275,642
<b>Richmond</b>								
Industrial	4,851,386	6%	9.10%	-120,215	0	0	\$0.51	441,476
Warehouse	4,381,181	6%	3.00%	144,195	0	0	\$0.50	131,435
R&D/Flex	3,393,153	4%	8.00%	-9,377	0	0	\$0.79	271,452
Total	12,625,720	17%	6.70%	14,603	0	0	\$0.60	844,364
Market Area	75,681,417	100%	8%	333,506	103,400	936,896	\$0.62	5,679,066

Source: Colliers International, Sept 2014

# 3. Regional Industrial Market Conditions

The market area served by the Benicia Industrial Park is comprised of Solano County, Napa County, and the northern section of Contra Costa County, shown on the map below (Figure 4). Competing locations include business parks in: Fairfield, Vacaville, and Vallejo in Solano County; Napa and American Canyon in Napa County; Martinez, Concord, Antioch, and Pittsburg along Highway 4 in Contra Costa County; and the City of Richmond.

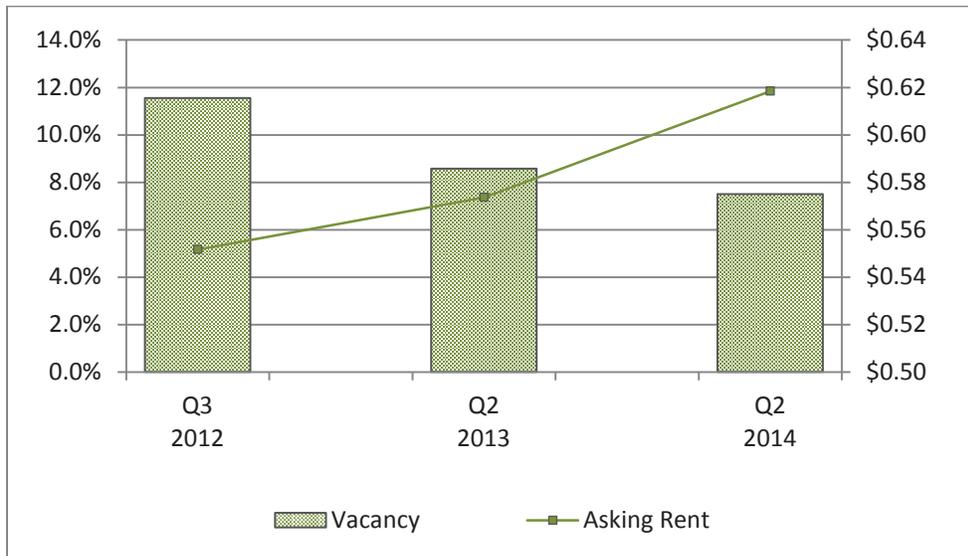
Figure 4 - Benicia Industrial Park Market Area



### 3.A. Regional Market Trends

The regional industrial market is generally very strong. Vacancy rates have been declining, rents have been increasing, and, for the first time in many years, speculative space is being built. Figure 5 depicts the market area vacancy and rental rates over three years. The market area vacancy rate is currently approximately 7.5%, compared with 8.6% in the second quarter of 2013 and 11.6% in the third quarter of 2012. The average monthly rental rate stands at \$.62 per square foot, NNN, reflecting a \$.05 increase over the past year.

Figure 5 - Market Area Trends, Vacancies vs. Rental Rates



As presented on Table 4 (next page) nearly 334,000 square feet of space have been absorbed during the first and second quarters of 2014, approximately 103,000 square feet of new space has been constructed and over 936,000 square feet is currently under construction.

The market is anticipated to continue to strengthen, with vacancy rates expected to continue to decline, rental rates to increase, and the construction of new space to continue. For the first time in many years, the market’s strength is sufficient to support new construction on a speculative basis.

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#### MARKET AREA OUTLOOK

- VACANCY
  - CONSTRUCTION
  - RENTAL RATE
-

Table 4 Industrial Market Area Conditions, 2Q2014 (Appendix E, Table 2 – Excel)

By Jurisdiction	Inventory	% of Inventory	Vacancy Rate	YTD Net Absorp.	Space Completed Q2 2014	SF Under Construction	Avg. Asking Rent	Vacant Space
<b>Solano County</b>								
Vallejo	4,701,101	6%	14%	229,394	0	0	\$0.38	668,906
Benicia	8,490,153	11%	12%	-221,217	0	0	\$0.49	1,000,890
Fairfield <sup>3</sup>	12,486,468	16%	24%	320,449	0	649,896	\$0.57	567,188
Vacaville/Dixon	8,491,258	11%	24%	263,103	0	0	\$0.48	708,346
<i>Total Solano Co.</i>	<i>34,168,980</i>	<i>45%</i>	<i>9%</i>	<i>591,729</i>	<i>0</i>	<i>649,896</i>	<i>\$0.51</i>	<i>2,945,330</i>
<b>Napa County</b>								
Napa	6,257,535	8%	8%	-182,581	103,400	0	\$0.79	474,723
Am. Canyon	6,365,467	8%	2%	-99,322	0	287,000	\$0.75	139,007
<i>Total Napa Co.</i>	<i>12,623,002</i>	<i>17%</i>	<i>5%</i>	<i>-281,903</i>	<i>103,400</i>	<i>287,000</i>	<i>\$0.77</i>	<i>613,731</i>
<b>Hwy 4 Submkt</b>								
Martinez	1,193,509	2%	5%	46,523	0	0	\$0.89	57,634
Pacheco	605,690	1%	3%	3,829	0	0	\$0.94	16,959
Concord	7,175,672	9%	6%	58,423	0	0	\$0.87	400,850
Pittsburg	3,905,916	5%	12%	-103,078	0	0	\$0.41	455,750
Antioch	3,382,928	4%	10%	3,380	0	0	\$0.61	344,449
<i>Total Submarket</i>	<i>16,263,715</i>	<i>21%</i>	<i>8%</i>	<i>9,077</i>	<i>0</i>	<i>0</i>	<i>\$0.76</i>	<i>1,275,642</i>
<b>Richmond</b>	12,625,720	17%	7%	14,603	0	0	\$0.60	844,364
Market Area	75,681,417	100%	8%	333,506	103,400	936,896	\$0.62	5,679,066
<b>By Industry Sector</b>								
Industrial	33,323,736	44%	7%	287,958	0	0	\$0.69	2,381,797
R&D / Flex	5,399,622	7%	7%	44,539	0	0	\$0.83	386,931
Warehouse	36,958,059	49%	8%	1,009	103,400	936,896	\$0.52	2,910,338
Market Area	75,681,417	100%	8%	333,506	103,400	936,896	\$0.62	5,679,066

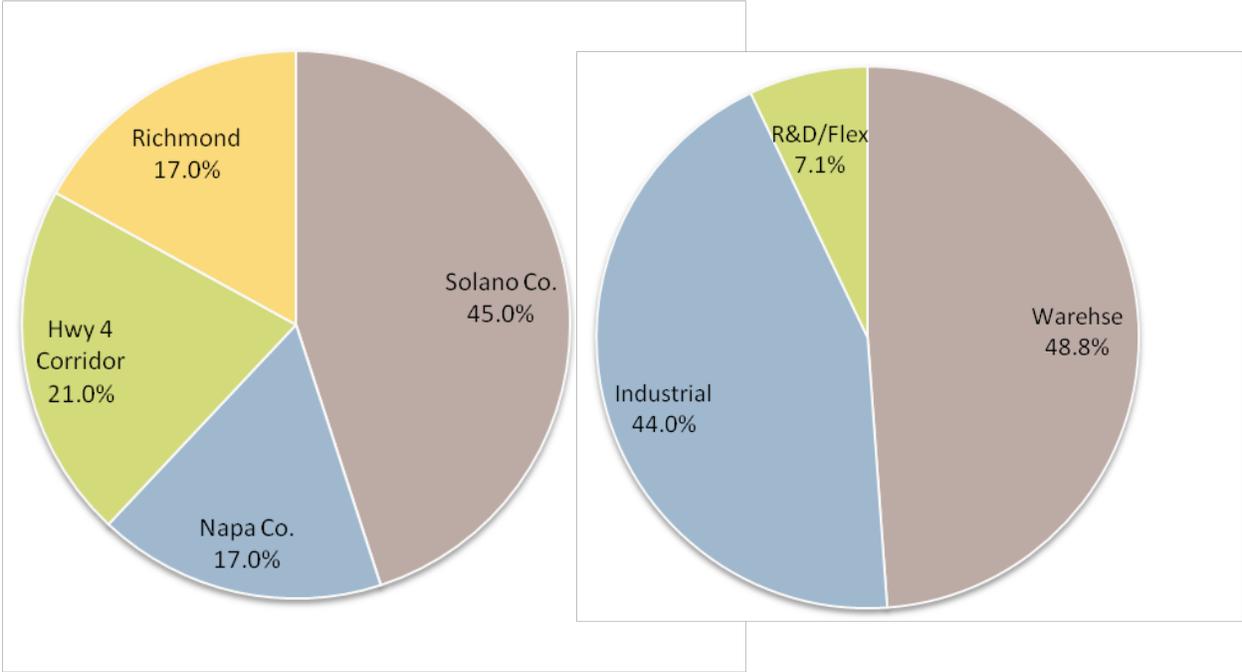
Source: Colliers International, Sept 2014

<sup>3</sup> Including Cordelia and Suisun City

### 3.B. Regional Supply and Demand

There is approximately 75.7 million square of industrial space within the market area (Figure 4). This is comprised of approximately 37 million square feet (48%) of warehouse distribution space, 33.3 million square feet (44%) of industrial space, and 5.4 million square feet (7%) of R&D/Flex space. Figure 6 depicts the distribution of the 75.7 million square feet throughout the market area and by use. The amount and distribution of industrial properties within each of four submarkets is presented later in this section.

Figure 6 - Distribution of the 75.7 MSF within the Market and by Type



The average vacancy rate for warehouse space is slightly higher (8%) than the average 7% vacancy rate for industrial and R&D/Flex space. The light industrial sector has experienced the greatest amount of net absorption during the first six months of 2014 at 288,000 square feet, followed by R&D Flex space at 45,000 square feet, and warehouse space at 1,000 square feet.

The minimal net absorption of warehouse space during the first two quarters of 2014 is not consistent with the significant amount of net absorption over the past two years and the level of gross absorption during the first two quarters, with over 255,000 square feet absorbed in Fairfield and 240,000 square feet in Vacaville. The positive absorption in these areas was off-set by the vacating of space in Benicia, Napa, and American Canyon, Pittsburg, and Antioch.

## **Distribution**

Most of the current demand for construction activity is in the distribution sector. The 103,000 square feet of industrial space that was completed during Q2 2014 (Table 4) was speculative warehouse space in Napa. Approximately 650,000 square feet of new distribution space is under construction at the Solano Logistics Center in Fairfield to be occupied by Saxco Glass, which bottles wine and beer. The remaining 287,000 square feet of space that is currently under construction is comprised of two buildings at the Lombard Crossings Industrial Park in American Canyon. The buildings are currently in escrow.

Much of the demand in the market area and throughout the entire Bay Area is being driven by the need of businesses for well-located distribution facilities. In today's market, there is a strong desire for distribution facilities to be located close to the population centers and transportation hubs. The goal is to expedite the delivery of merchandise. For example, Amazon has a goal to provide "same day delivery." In order to position itself to accomplish this goal, it is securing large distribution facilities in close proximity to population centers, including 575,000 square feet of speculative space in Newark's 29-acre Cherry Logistics Center. Another important speculative development is the Goodman Logistics Center Oakland project near the Port of Oakland and the Oakland International Airport with the recent completion of 345,000 square feet and the lease of 142,000 square feet to Benjamin Moore & Co. According to a Benjamin Moore representative, "proximity to bulk shipping will make it easier and cheaper for Benjamin Moore to move product." Other key users are food distributors, such as Whole Foods, which purchased a newly constructed 117,200 square foot distribution facility in Richmond.

Within the Benicia market area, the wine industry is one of the key drivers. Over 650,000 square feet of space is currently under construction at the Solano Logistics Center in Fairfield to be leased to Saxco International, a leading provider of rigid packaging solutions to the wine, beer, liquor and food industries. Another bottle supplier, Encore Glass, has moved its operations from Benicia to the Solano Logistics Center, where it is occupying 318,000 square feet. Additionally, over 500,000 square feet of speculative space is in the pipeline at Richmond's Pinole Point Business Park. Phase 1 is 100% leased to tenants such as Restoration Hardware, Broadline Medical and Serena & Lily.

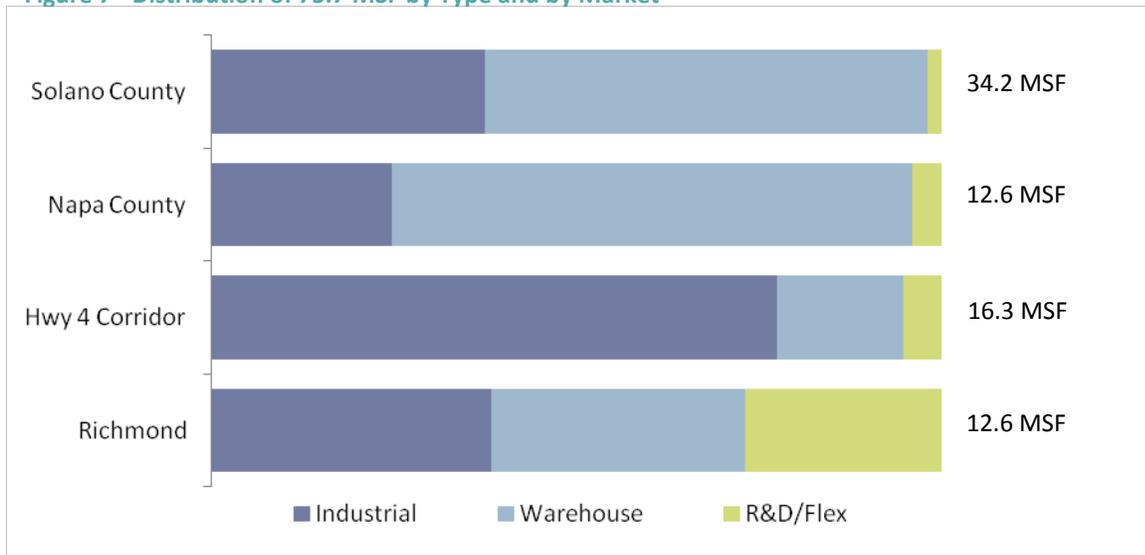
## **Light Industrial**

The demand for light industrial space is also strong. While there has not been as much new construction activity as there has been of distribution space, vacancy rates are in the single digits.

## **Lease Rates**

Asking lease rates for all types of industrial space have increased significantly since 2012. Warehouse rates have increased the most significantly, from \$.43 per square foot, NNN, during Q3 2012 to \$.52 per square foot as of Q2 2014, which represents a 20% increase. During the same period, light industrial asking rents have increased 6% from \$.65 to \$.69 per square foot, and R&D asking rents have also increased 6%, from \$.78 to \$.83 per square foot.

Figure 7 - Distribution of 75.7 MSF by Type and by Market



### 3.C. Submarket Overview

The section provides a closer look at the region by submarkets served by the Benicia Industrial Park, e.g. Solano County, Napa County, Highway 4 corridor, Richmond, Oakland/I-880.

#### Solano County Submarket

Solano County’s industrial inventory exceeds 34 million square feet, or about 45% of space within the entire market area. As shown in Figure 7, warehouse space is the largest sector with 20.1 million square feet which represents over 60% of the industrial space in the county. Industrial space is the second largest sector at 12.8 million square feet, followed by R&D/Flex space at 662,000 square feet.

The overall vacancy rate approximates 8.6%, which is slightly higher than the market area average of 8%. The key industrial locations within the county are Fairfield (12.5 million square feet), followed by Benicia and Vacaville/Dixon, each with 8.5 million square feet.

As depicted on Table 4, the highest vacancy rates are found in Vallejo at 14% and Benicia at 12%. While Fairfield has the most industrial space in the submarket, it also enjoys the lowest vacancy rate at 5%.

Solano County rental rates are attractive relative to the market area. Asking rents on warehouse space average \$.45 per square foot compared with \$.52 per square foot throughout the market area. Light industrial asking rents average \$.61 per square foot compared with \$.69 per square foot throughout the market area, and R&D space rates are \$.59 per square foot compared with \$.83 per square foot throughout the market area.

While market trends cooled in Q2 2014, the 8.6% vacancy rate is considered to be very healthy. There is 650,000 square feet of space currently under construction at the Solano Logistics Center in Fairfield to serve the bottling needs of the wine industry.

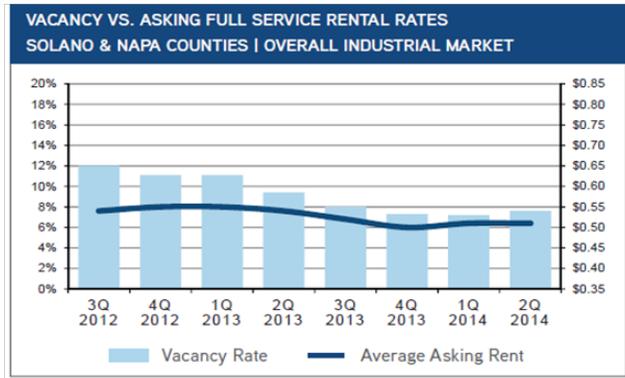
Because the demand for large warehouse space is growing in the Bay Area and few market areas are able to meet the need, significant new future developments are anticipated for both Fairfield and Vacaville. With the completion of the Jameson Canyon/Hwy 12 widening project later this year, the continued growth in demand by the Napa wine industry, and the lack of expansion opportunities in Napa County, Solano County is poised to see significant growth in the coming months. Fairfield is particularly well-positioned to capture the future demand due to the following factors:

- the wine industry is driving the demand for new distribution space;
- the Napa County market does not have sufficient current or future capacity to accommodate the growing demand;
- the completion of the Highway 12 widening project enhances the transportation corridor between the wine country and Fairfield;
- Fairfield has high quality business parks offering a full package of desirable infrastructure;
- Fairfield has sufficient available land to accommodate new development;
- Fairfield is located at a transportation hub; and
- Fairfield has reportedly relatively low water rates.

### **Napa County Submarket**

Napa County's 12.6 million square feet of inventory is dominated by warehouse space at 9 million square feet followed by light industrial space at 3 million square feet. Napa County's current vacancy rate of 5% is the lowest submarket within the market area. Consistent with its low vacancy rates, Napa's asking rents are the highest of any submarket within the market area. Asking rent for warehouse space is \$.72 per square foot, NNN, and asking rent for industrial space is \$.88 per square foot.

Demand is driven by food and beverage companies and is expected to continue to increase. However, there is not sufficient existing space or growth potential to accommodate the demand. As a result, it is expected that rents will continue to rise and demand will be met outside of Napa County, primarily in Fairfield given the direct connection to be provided by the Highway 12 widening project.



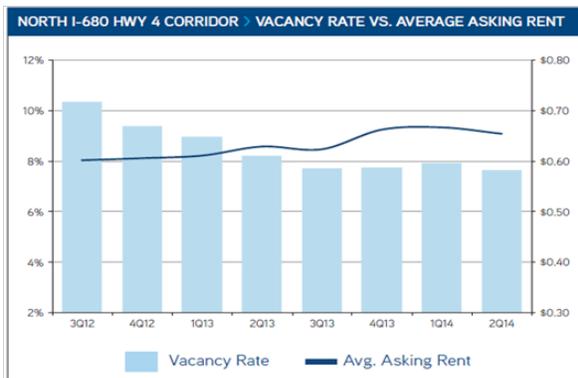
MARKET INDICATORS	Q2-14	Projected Q3-14
	VACANCY RATE	↑
RENTAL RATE	↔	↔
NET ABSORPTION	↑	↔
CONSTRUCTION	↑	↑

Source: Colliers International

### Highway 4 Submarket

The Highway 4 Submarket contains approximately 16.3 million square feet of industrial space, with light industrial accounting for 12.6 million square feet, followed by 2.8 million square feet of warehouse space and 835,000 square feet of R&D/Flex space. The light industrial market is very strong, with a vacancy rate of only 5.5%; the warehouse market is struggling with a vacancy rate in excess of 19%. Asking rental rates are the second highest within the market area. Asking rents for light industrial space average \$.80 per square foot and asking rents for warehouse space average \$.49 per square foot.

One of the area’s noted deficiencies is a lack of quality large blocks of space. Demand for space from industrial service users and construction companies is expected to increase, which may be met by new space being developed in Fairfield and Vacaville. The Benicia Industrial Park is ideally located to meet this demand if it had sufficient space for new development.



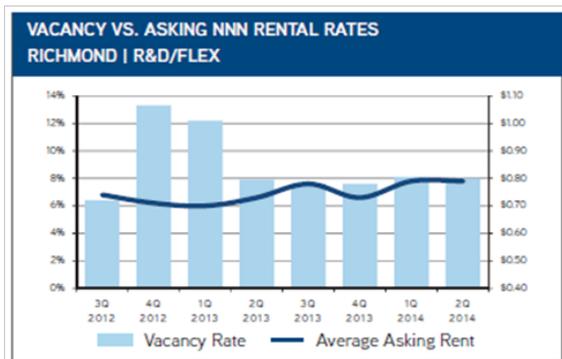
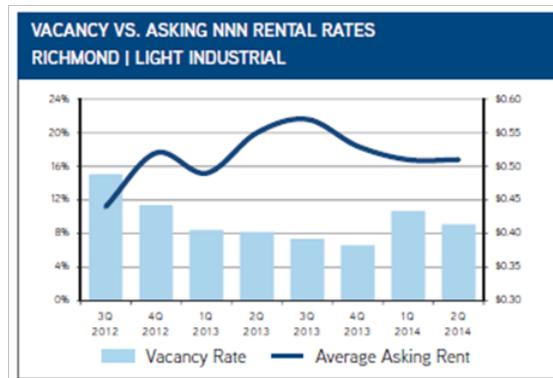
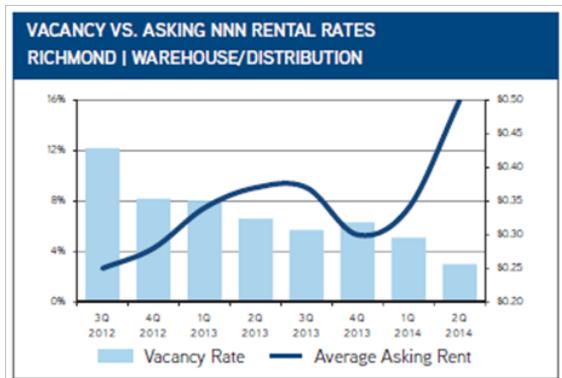
MARKET INDICATORS	Q2	PROJECTED Q3
	VACANCY	↓
NET ABSORPTION	↑	↑
CONSTRUCTION	↔	↔
RENTAL RATE	↑	↑

Source: Colliers International

## Richmond Submarket

The Richmond industrial market consists of approximately 12.6 million square feet, with industrial space totaling approximately 4.9 million square feet, warehouse space totaling 4.4 million square feet and R&D/Flex space totaling 3.4 million square feet. The warehouse distribution market is flourishing, the current vacancy rate is 3%, and rental rates are at \$.50 per square foot. In comparison, one year ago, the vacancy rate was 6.5% and asking rents were \$.37 per square foot. Vacancy rates are expected to continue to decline and rents to increase.

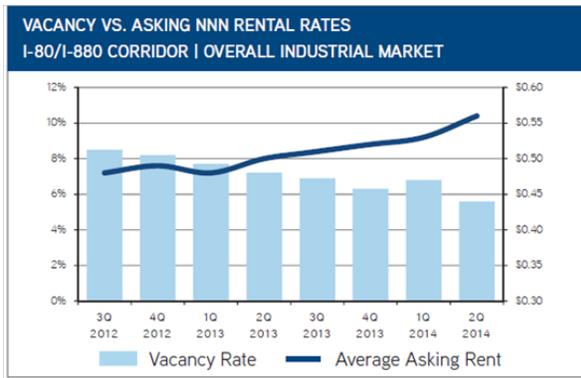
A 700,000 square foot new development is planned for the 42-acre site at 2005 Atlas Avenue, and a 500,000 square foot speculative development is planned for the Pinole Point Business Park. The light industrial sector is anticipated to continue to lag behind the warehouse sector because existing space is largely comprised of older, obsolete space.



## Oakland / I-880 Submarket

The I-880 submarket is extremely strong but is being driven by a lack of manufacturing space. There is a severe shortage of physically usable manufacturing space as much of the space is bordering on obsolescence. Most of this demand/shortage is centered in Oakland. There are currently no manufacturing projects under construction in the I-80 corridor, but there is a 330,000 square foot project currently planned for the Hayward Bridge Industrial Park. Until new supply is made available, it is anticipated that rents will continue to rise and vacancy rates will continue to drop.

The completion of the 575,000 square foot warehouse distribution complex in Newark to be occupied by Amazon was the most notable deal of Q2 2014. This lease has reportedly opened the floodgates for additional new development and transactions, including the development of a 173,000 square foot warehouse distribution space in Fremont on a 9.3-acre site that was improved with an obsolete 51,000 square foot R&D building. A 15-year lease with global food distributor JFC International was recently announced for the space.



Source: Colliers International

MARKET INDICATORS	Projected	
	Q2-14	Q3-14
VACANCY	↓	↓
NET ABSORPTION	↑	↑
CONSTRUCTION	↑	↑
RENTAL RATE	↑	↑

## 4. Benicia Industrial Park's Competitive Position

Benicia was the most active submarket in the Solano/Napa County area during the second quarter of 2014. Three of the four largest leases in the region were located in the BIP. The largest lease signed in the quarter was Pro-Form Laboratories, which manufactures powdered nutritional products. Pro-Form will occupy the space to be vacated by Saxco Glass, which is relocating and expanding in Fairfield. The other two large leases are an 80,000 square foot warehouse space to Metropolitan Van & Storage and 27,000 square feet of warehouse space to Kingsum.

As discussed in the previous Market Analysis section, there is demand for new large warehouse distribution buildings as well as manufacturing space, particularly in the Oakland area. The demand is currently either being met by new development in Fairfield or Richmond or not being met at all, resulting in rising rental rates and historically low vacancy rates.

All the brokers interviewed expressed the general opinion that there is a shortage of true industrial parks in the area, parks that are focused on serving light and heavy industrial tenants. Brokers appreciate that the BIP does not try to be everything to everyone, it serves the industrial and warehouse market well, should continue to do so, and that there are opportunities for BIP to build that niche. But in order to build on and improve on its market position, according to the brokers, the BIP needs to be expanded and infrastructure improvements must be made.

These same sentiments were repeated by the tenants. The tenants interviewed like the location and access the BIP affords them, access to market, suppliers, and workers. But when the times comes that they need to expand or the traffic congestion, and/or outdated infrastructure begins to affect their bottom line, a move to another location in the region would not be difficult.

Following is a summary and highlights of the broker and tenant interviews.

### 4.A. Broker Interviews

Brokers who are actively engaged in leasing space at the BIP and throughout the market area were interviewed. Interestingly, the assessments of the individual brokers were very similar.

- Brokers appreciate that the BIP does not try to be *everything to everyone*. It serves the industrial and warehouse market well and should continue to do so.
- Lease rates are attractive relative to the market area. BIP's lower price points are a significant marketing advantage, particularly with respect to competing with the Highway 4 submarket.

- There is demand for new large warehouse distribution buildings, particularly in the Oakland area. Targeting these industrial tenants that cannot be accommodated by Oakland represents a potential opportunity for the BIP— if the BIP had sufficient land to accommodate new development.
- The wine industry is a key driver of the BIP (bottling and warehouse operations). BIP’s ability to continue to competitively serve the this industry will be impacted by the amount of new construction underway in the market area. Unfortunately for the BIP Fairfield is currently better-positioned to capture the demand because the Highway 12 widening project will enhance transportation between the wine country and Fairfield; and Fairfield has quality business parks with excellent infrastructure and sufficient available land to accommodate new development.
- To improve its competitive position in the market the BIP needs 1) to expand; and 2) make investment in infrastructure (roadways and broadband, in particular). The need for infrastructure investment was also mentioned by several BIP tenants interviewed. The City of Benicia is aware of and working on addressing the upgrades needed. The next chapter (5. Industrial/Business Park Development Trends) provides information on the features of new business parks being built around the nation.

## 4.B. Tenant Interviews

Approximately fifty businesses located in the BIP were contacted to determine, among other things, why they are located in the BIP, what they like about the BIP, their potential expansion opportunities and continued location in the BIP. Three potential expansions and/or re-locations were identified through the interviews and were referred to the City.<sup>4</sup>

- When asked about their company’s recovery from the economy, the majority of those interviewed are “doing OK,” i.e. maintaining or slowly recovering. A few are starting to see some growth.
- Average length of tenancy in BIP is 22 years; range 3 to 42 years.
- Average age of BIP facilities is 40 years; range is 10 to 75 years old.
- About half of those interviewed have facilities in other locations, e.g. sales offices, affiliates, divisions, regional and global operation locations.
- Those that have facilities outside of the BIP because product was not available (offices, warehouse, or production) would prefer to consolidate and would stay in the BIP. One company in particular started in a 1940’s building, has expanded multiple times and is now in nine different buildings. The company would prefer to be under one roof, and ideally stay in the BIP. Other companies have

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*“Would like to buy a 10,000 to 20,000 square foot building here but none are available.”*

BIP Tenant

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<sup>4</sup> Responses to business interview questions are summarized and included in the Appendix of this report. Interviews were conducted confidentially and responses are not attributed to any specific company.

moved multiple times but always within the BIP. These statements and the average length of occupancy in the BIP are excellent testaments about the BIP. The challenge is in meeting current and future company expansions with the limited building and land inventory.

- About half of the companies interviewed own their facility(ies). Of those that are leasing, most are on short-term leases, three to four years. Fortunately the companies want to stay in the BIP. The pro-business attitude of the City was often mentioned. But if the BIP is not able to accommodate their growth, they may be forced to look elsewhere.
- The most-mentioned reason for being located in the BIP was location. The location is important to them because it is convenient for their current employees, access to a large labor market, customers, and highways. How truly critical those reasons would be when an expansion decision needs to be made is unknown especially as more, newer industrial parks are coming on line within the region. As one company representative said, ***“[BIP is a] good location for our employees and customers. However if we have to, we’ll move and all it will do is add 10 to 15 minutes drive time for our employees and drivers. We can live with that.”***

## 4.C. Competitor Parks

Table 5 presents a brief profile of thirteen industrial parks within the region that are the most-likely competitors to the BIP. According to interviews and information available, these parks represent a total of approximately 2,300 acres for primarily heavy and light industrial, warehousing. As noted some of the parks have office, commercial and some R&D/Flex space. Similar to BIP, several of these industrial parks have limited acres available, while others are making plans to accommodate new investment; e.g. 350 acres recently annexed by the City of American Canyon, and City of Fairfield.

With the BIP’s limitations in accommodating new and expanding businesses, the developments presented below—particularly new and expanding parks—render it even less competitive.

**Table 5 – Brief Profile of Benicia’s Competitor Parks**

<b>Busch Corporate Center Fairfield</b>	<ul style="list-style-type: none"> <li>▪ Location: I-80 and Highway 12</li> <li>▪ Size: 250 acres total; 141 acres of available land</li> <li>▪ Use: light industrial, office and flex; portions are rail-served</li> <li>▪ Tenants: Anheuser-Busch, Guittard Chocolate Company, Papyrus, Sutter Medical Center, Tricor Braun, Harbinger</li> </ul>
<b>Cordelia Business Park Fairfield</b>	<ul style="list-style-type: none"> <li>▪ Location: Fulton Drive and Lopes Road (between I-80 and I-680)</li> <li>▪ Size: 102 acres total; 13 acres available</li> <li>▪ Use: light industrial</li> <li>▪ Tenants: Glass Pak, Pacific Coast Steel, Dependable Plastics, Scott Lamp Company, Comcast, Bay-Tec Engineering, Munters</li> </ul>

**Table 5 – Brief Profile of Benicia’s Competitor Parks**

<p><b>Gateway 80 Business Park Fairfield</b></p>	<ul style="list-style-type: none"> <li>▪ Location: I-80 at Highway 12</li> <li>▪ Size: 52.4 acres; rail-served</li> <li>▪ Use: industrial, manufacturing, warehousing, R&amp;D</li> <li>▪ Neighboring Tenants: Anheuser Busch, Amcor PET Packaging, Meyer Cookware, Jelly Belly, Sutter Surgery Center, Marcel Schurman, Northbay Medical, Copart, Abbott Labs, Frank-Lin Distillers Products, Clorox, St. Gobain, Kiewit Construction, Ball Metal Containers</li> </ul>
<p><b>Green Island Industrial Park American Canyon</b></p>	<ul style="list-style-type: none"> <li>▪ Location: I-80 and Highway 29</li> <li>▪ Size: 265 acres of industrial land; 30 acres recently opened for development; additional 350 acres recently annexed by City for future industrial development</li> <li>▪ Use: office, warehousing, industrial</li> <li>▪ Neighboring Tenants: Sutter Home Winery, Mezzetta, Pokka Beverage Co.</li> </ul>
<p><b>Greenwood Business Park Napa</b></p>	<ul style="list-style-type: none"> <li>▪ Location: Airport Blvd and Highway 12/29</li> <li>▪ Size: 544 acres total</li> <li>▪ Use: industrial, warehousing</li> <li>▪ Tenants / Targets: winery, distribution</li> </ul>
<p><b>Napa Valley Business Park (Airport Center) Napa</b></p>	<ul style="list-style-type: none"> <li>▪ Location: Airport Blvd and Highway 29</li> <li>▪ Size: 17 acres</li> <li>▪ Use: industrial, warehouse, commercial, office</li> </ul>
<p><b>Mare Island Vallejo</b></p>	<ul style="list-style-type: none"> <li>▪ Location: Highway 37 near I-80</li> <li>▪ Size: 150 acres</li> <li>▪ Use: industrial, office, commercial</li> </ul>
<p><b>Phez Park Napa</b></p>	<ul style="list-style-type: none"> <li>▪ Location: Highways 29 and 12; near I-80</li> <li>▪ Use: industrial, showroom, manufacturing, flex space</li> <li>▪ Tenants / Targets: wineries</li> </ul>
<p><b>Pinole Point Business Park Richmond</b></p>	<ul style="list-style-type: none"> <li>▪ Location: Atlas Road and Giant Highway (near I-80 and 580 interchange)</li> <li>▪ Size: 80 acres</li> <li>▪ Sale/Lease: sale, lease, build to suit, land sales</li> <li>▪ Use: warehousing, distribution, manufacturing</li> <li>▪ Tenants: Whole Foods, Restoration Hardware, BioRad, Standards of Excellence, Serena &amp; Lilly, Broadline Medical, International Delicacies</li> </ul>
<p><b>Regatta Business Center Richmond</b></p>	<ul style="list-style-type: none"> <li>▪ Location: I-580 and Regatta Boulevard</li> <li>▪ Size: 10 acres</li> <li>▪ Use: light industrial, R&amp;D, flex</li> <li>▪ Buildings range from 10,500 to 42,000 square feet</li> </ul>

**Table 5 – Brief Profile of Benicia’s Competitor Parks**

<p><b>Solano Business Park Fairfield</b></p>	<ul style="list-style-type: none"> <li>▪ Location: Chadbourne Road and Beck Avenue</li> <li>▪ Size: 220 acres; portions are rail-served; 20+/- acres available</li> <li>▪ Use: office, light industrial, flex space</li> <li>▪ Tenants: Jelly Belly Candy Company, Calbee America, Engelhart Fine Foods, Pacific Bell Data Center, Abbott Labs/Ross Division, ABCO Laboratories, Professional Hospital Supply, Amcor PET Packaging, and TenCate</li> </ul>
<p><b>Tolenas Industrial Park Fairfield</b></p>	<ul style="list-style-type: none"> <li>▪ Location: Air Base Parkway and Peabody Road</li> <li>▪ Size: 273 acres; 20 +/- acres available</li> <li>▪ Use: heavy industrial; rail-served</li> <li>▪ Tenants: Clorox, Duracite, Macro Plastics, Ball Metal, St. Gobain, Frank-Lin Distillers, Ashland Chemicals, Rexam</li> </ul>
<p><b>Vaca Valley Business Park Vacaville</b></p>	<ul style="list-style-type: none"> <li>▪ Location: I-80 and 505</li> <li>▪ Size: 416 acres; available land</li> <li>▪ Use: manufacturing, distribution, R&amp;D, office</li> <li>▪ Tenants: Kaiser Permanente, Genentech</li> </ul>
<p><b>Solano Logistics Center Fairfield (partially complete)</b></p>	<ul style="list-style-type: none"> <li>▪ Location: Cordelia and Chadbourne Roads (near I-80 and Highway 12)</li> <li>▪ Size: 52 acres; 1 million square feet; some rail-served</li> <li>▪ Use: distribution, manufacturing, light and heavy industrial uses, R&amp;D</li> <li>▪ Status: street improvements, rough grading, sewer, water and drainage improvements completed</li> <li>▪ Tenants: Encore Glass and Saxco International</li> </ul>
<p><b>Fairfield Train Station (planned)</b></p>	<ul style="list-style-type: none"> <li>▪ Location: between I-80 and Highway 12, north of Travis AFB</li> <li>▪ Size: 300 acres (100 for light industrial; 200 for heavy industrial)</li> <li>▪ Use: industrial, manufacturing, R&amp;D, corporate HQ</li> <li>▪ Status: approximately five years out; build-out 20+ years; infrastructure improvements needed</li> </ul>



# 5. Industrial/Business Park Development Trends

In today’s market, a new model for business park development is quickly taking hold. Emerging products, specifically those referred to as “modern” or “innovation parks” are being created across the nation. Although innovation is often tied to universities or university-related developments, generally speaking what makes a business or industrial park “modern” or “innovative” in today terminology are the features and amenities offered to tenants, which often includes access to university resources but not necessarily close proximity to a university.

This section provides a look at newly built modern parks and older, established parks renovated to attract innovative tenants and the amenities being created to attract tenants. Table 6 contains brief profiles of some of the more progressive innovation parks across the U.S. As the City of Benicia considers expanding and making upgrades to the BIP, some of the features described here may be incorporated.<sup>5</sup>

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*[Innovation parks] are developing... where underutilized areas (particularly older industrial areas) are being re-imagined and remade.*

from *The Rise of Innovation Districts*

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## 5.A. Traditional Industrial Parks

A traditional industrial park is generally a designated area, built away from the city-center, zoned for industrial uses (as opposed to residential, commercial or even business office park). Industrial zoning is generally for a group of industries and businesses, typically light or heavy manufacturing converting, fabricating, or assembling materials into products for distribution. An industrial park will often have a dominant cluster of industries, such as oil refineries, ports, warehouses, distribution centers, chemical plants, plastics manufacturers, food and beverage processors, aviation, automobile manufacturers, steel manufacturers, metal fabricators and advance product manufacturing. Because of the nature of the conversion of raw material to finished product these industries provide the highest economic impact to a community.

Industrial parks typically are large areas with heavy and/or light manufacturing, warehousing and flex space; they are configured to accommodate truck turning radius, easy highway access and a network of transportation modes, as noted in Figure 7.

Some industrial parks transition at their outer boundaries to more light manufacturing and office parks, typically noted by landscaping designs.

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<sup>5</sup> Appendix C: *The Rise of Innovation Districts: A New Geography of Innovation in America*. Appendix D: *Corporate Office Perspectives*.

Figure 8 – Industrial Park Building Types

	Building Type					
	Manufacturing	Warehouse			Flex	
			Distribution			
Primary Type	General Purpose	General Purpose Warehouse	General Purpose Distribution	Truck Terminal	General Purpose Flex	Service Center Showroom
Primary Use	Manufacturing	Storage Distribution	Distribution	Truck Trans-shipment	R&D, Storage, Office, Lab, Light Mfg, High-tech, Data/Call Center	Retail Showroom Storage
Sub-Sets	Heavy, Light Manufacturing	Bulk Warehouse, Cold Storage, Freezer Storage, High Cube	Overnight Delivery Services, Air Cargo	Heavy, Light Manufacturing		
Size(SF)	Any	Any	Any	Any	Any	Any
Clear Height (ft)	10+	16+	16+	12-16	10-24	Any
Loading Docks/Doors	Yes	Yes	Yes	Cross-dock	Yes	Yes
Door-to-SF Ratio	Varies	1:5k-15k	1:3k-10k	1:500-5k	1:15k+	1:10k
Office Percentage	<20%	<15%	<20%	<10%	30-100%	30+%
Vehicle Parking Ratio	Varies	Low	Low	Varies	High	High
Truck Turning Radius (ft)	130	130	120-130	130	110	110

NOTE: This matrix is intended to be an aid in classifying properties between the principal industrial building types, subject to the following considerations:

- These are intended to be TYPICAL characteristics of different properties, actual characteristics may vary.
- In classifying properties, the user should select the classification which most closely fits a given property.
- The most important characteristics of each type are highlighted. While these characteristics are not “acid tests,” they should guide the user in most instances.
- Divisibility varies depending on building size and configuration.
- Truck turning radius is an important consideration and varies by building size. Large pure distribution facilities have a turning radius of 130 feet; medium to large facilities are 120 feet; and smaller facilities are typically 110 feet.

**Manufacturing**

A facility used for the conversion, fabrication and/or assembly of raw or partly wrought materials into products/goods.

**Warehouse**

A facility primarily used for the storage and/or distribution of materials, goods and merchandise.

**Flex**

An industrial building designed to allow its occupants flexibility of alternative uses of the space, usually in an industrial park setting.

**Truck Turning Radius**

The tightest turn a truck can make depending on several variables of truck configuration, trailer size and location of adjacent objects that obstruct the inner turn radius.

Source: North American Office & Industrial Market (NAIOP) Terms and Definitions, 2012

## 5.B. Innovation Parks, Centers, and Districts

### Why look at Innovation Park Trends?

In addition to the profiles on the competitor parks in the region, and to help the City as it considers the short- and long-term actions it may take regarding improving the marketability of the BIP, additional research was conducted on the latest buzz “innovation parks, centers and districts” that is happening across the nation. The following information presents a summary description of what innovation parks are, amenities typically associated with these districts and design features. Profiles of new innovation parks, redevelopment and retrofits are summarized in Table 6. It is a trend to be watched as it relates to the large regional market trends around Benicia to help shape and meet future demands.

### Innovation Park Definition

Innovation parks are built on open systems, tenants may be from disparate sectors and specializations, although there is often a focus on specific types of technology e.g. IT, software development, life sciences, medical, etc. The open systems help to facilitate industry collaboration and knowledge-sharing. A partnership with a university or R&D center is often a feature but not always as some can be renovation of older industrial parks to cool spaces desired by the market (both companies and talent).

### Design

With respect to design new developments are introducing sustainable elements, such as clerestory windows and skylights to bring in daylight and efficient building systems. New distribution space features minimum ceiling heights of 30 to 32 feet, dock-high doors (elevated four feet above the truck court surface) and as many doors as the building can accommodate. They also feature large paved areas for parking and maneuvering trucks. These features are designed to expedite the movement of goods. The shift in providing more space for trucks translates into a smaller building footprint.

Physical attributes of an innovation park include: 1) an emphasis on sustainability in building design and materials, energy efficiencies, landscaping, etc.; 2) pedestrian-friendly amenities, close to downtown, housing, transportation centers, e.g. airports, interstates, rail, public transportation; and 3) public spaces for community e.g. meeting rooms, parks, walking/biking trails, etc.

The innovation parks researched for the Benicia Market Study range from 5 to 60,000 acres. Commonly, the parks are +/-200 acres. There is typically a variety of spaces (land and buildings) to accommodate start-ups, small, growing, and mature companies. Buildings are designed with open and shared work spaces, conference rooms, food courts, food trucks, and outdoor spaces. These open systems facilitate collaboration on technologies and/or product development and allow smaller companies to conduct R&D without large capital investment.

**Table 6 Profiles of Established Innovation Parks**

<p><b>Sacramento Center for Innovation Specific Plan<sup>6</sup></b></p>	<ul style="list-style-type: none"> <li>▪ In December 2013, the City of Sacramento passed a Specific Plan for the Sacramento Center for Innovation. The City plans to develop 240 acres southwest of the Highway 50 and Howe Avenue intersection; east of downtown and southeast of CSU Sacramento. Nearby is Sacramento Municipal Utility District (SMUD), the Sacramento Area Regional Technology Alliance (SARTA) and UC Davis Medical Center. The planned industry focus is on clean energy, green technology, and bio-medical.</li> </ul>
<p><b>City of Davis</b></p>	<ul style="list-style-type: none"> <li>▪ The City of Davis is also exploring the feasibility of developing an innovation park. Studies and background research are available on the city website.<sup>7</sup></li> </ul>
<p><b>Gwinnett Innovation Park (Norcross, GA)</b> www.gwinnettinnovationpark.com City Population 16,131</p>	<ul style="list-style-type: none"> <li>▪ Five buildings, 150,000 square feet, flexible lease terms, furnished offices, manufacturing and warehouse space, eight presentation-ready conference rooms, on-site telecom switch and fiber-optic T1 lines, central mail service, business advisors</li> <li>▪ Amenities: three kitchens, snack bars, free parking, 24-hour secure access; and special events for tenants e.g. CEO roundtables, professional development seminars</li> <li>▪ Partners and Resources: Intelligent Systems Corporation (sponsor); access to network of attorneys, HR specialists, accountants, financing specialists; presentation planning and feedback</li> <li>▪ Tenants: software and IT, data storage and analysis</li> </ul>
<p><b>Innovation Park (Oro Valley, AZ)</b> www.innovationparkaz.com City Population 41,600</p>	<ul style="list-style-type: none"> <li>▪ 565 acres master planned, +/-190 acres for sale, land parcels up to 35 acres, 2.5 million square feet at build-out</li> <li>▪ Amenities: park and open space, trails and pathways, state park</li> <li>▪ Partners and Resources: University of Arizona, Arizona Biosphere 2 research complex, University of Arizona Bio5 Institute, Venture West (developer), CBRE</li> <li>▪ Tenants: pharmaceutical companies, life sciences, medical equipment</li> </ul>
<p><b>Iowa State University Research Park (Ames, IA)</b> www.isupark.org City Population: 61,000</p>	<ul style="list-style-type: none"> <li>▪ 400 acres, 500,000 square feet of building space, single and multi-tenant buildings from 500 to 21,000 square feet, 8,000 square foot wet-lab, technology incubator</li> <li>▪ Amenities: running and bike trails, cafeteria, fitness center, public transportation via hybrid buses, solar panel charging stations</li> <li>▪ Partners and Resources: Iowa State University, Iowa USDA, ISU veterinary program, Pappajohn Center for Entrepreneurship, Small Business Development Center, Nutrition and Wellness Research Center (facilities for human clinical studies), Iowa Start Up Alliance</li> <li>▪ Tenants: bio-science and bio-technology, ag-related research and commercialization, software development, genetic engineering, medical imaging, data collection technologies, advanced analytical instruments</li> </ul>

<sup>6</sup> <http://portal.cityofsacramento.org/Community-Development/Planning/Long-Range/Specific%20Plans>

<sup>7</sup> <http://city-council.cityofdavis.org/on-going-committees/innovation-park-task-force/innovation-park-task-force-background-reference-documents>

**Table 6 Profiles of Established Innovation Parks**

<p><b>Notre Dame Innovation Park (South Bend, IN)</b>  <a href="http://www.innovationparknd.com">www.innovationparknd.com</a>            City Population: 100,900</p>	<ul style="list-style-type: none"> <li>▪ 12 acres, 55,000 square feet, private offices, shared collaboration space, conference rooms, printing services, wet and dry labs, access to mass spectrometry testing and analysis</li> <li>▪ Amenities: dark fiber broadband, café, game tables, furnished balcony and patio, catering kitchen, walking distance to Eddy Street Commons</li> <li>▪ Partners and Resources: University of Notre Dame, Mendoza College of Business, accounting and financial consulting, HR services, law firms</li> <li>▪ Tenants: multidisciplinary environmental research, sterilization technologies, software and IT, data analytics, healthcare research, pharmaceuticals</li> </ul>
<p><b>Innovation Village at Cal Poly (Pomona, CA)</b>  <a href="http://www.innovationvillage.org">www.innovationvillage.org</a>            City Population: 151,000</p>	<ul style="list-style-type: none"> <li>▪ 65 acres, 1,000 to 10,000 square foot buildings, R&amp;D, light manufacturing, wet labs</li> <li>▪ Amenities: shared conference rooms, university library, dining and lodging facilities, fitness center, pedestrian trails, outdoor seating</li> <li>▪ Partners and Resources: Cal Poly University, Center for Training Technology &amp; Incubation, NASA Commercialization Center</li> <li>▪ Tenants: health technology, biomedical, aerospace, electronics, education, architects, engineering</li> </ul>
<p><b>Innovation Park at Penn State (University Park, PA)</b>  <a href="http://www.innovationpark.psu.edu">www.innovationpark.psu.edu</a>            County Population: 155,000</p>	<ul style="list-style-type: none"> <li>▪ 118 acres, single and multi-tenant facilities, 1,000 to 75,000 square foot buildings, flex space, build to suit</li> <li>▪ Amenities: special lunch delivery services to park employees, on-site casual and fine dining restaurants, child care, presentation center, labs, conference rooms, fitness center, professional development programs, free bus service, social and networking events for tenants</li> <li>▪ Partners and Resources: Penn State, Center County Industrial Development Corporation Incubator Program, Penn State Small Business Development Center, mentoring, funding</li> <li>▪ Tenants: software, IT, Penn State, advanced materials, R&amp;D, biotechnology, communications, engineering, financial, lodging, law</li> </ul>

**Table 6 Profiles of Established Innovation Parks**

<p><b>Innovation Park of Tallahassee (Tallahassee, FL)</b>                  City Population: 186,000</p>	<ul style="list-style-type: none"> <li>▪ 208 acres, research and manufacturing firms</li> <li>▪ Amenities: furnished and unfurnished office suites, short and long-term leases, shared conference room and kitchen, Farmers’ Market, different food trucks serve the park each day</li> <li>▪ Events: roundtable discussions, open houses, seminars, conferences focused on student population</li> <li>▪ Managed by Leon County Research and Development Authority which is governed by a nine-member Board of Governors appointed by county, city, universities, and college</li> <li>▪ Partners and Resources: Florida State University, Florida A&amp;M University, Tallahassee Community College, Economic Development Council of Tallahassee/Leon County, Small Business Development Center, Centers of Excellence, Florida Institute for Commercialization, and more</li> <li>▪ Tenants: advanced aero propulsion lab, biotechnology, fuel cell technology, advanced protection materials and armored vehicles</li> </ul>
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Offices at Gwinnett Innovation Park are furnished with modular (flexible) work stations



Shared kitchen facilities at Gwinnet Innovation Park



Conference facilities at Notre Dame Innovation Park



Many new business parks provides tenants and employees with an on-site fitness center

# 6. Market Findings, Opportunities and Recommended Actions

## 6.A. Market Analysis Findings

- Businesses in the BIP have, or are beginning to recover from the recession. When asked about their company's recovery from the economy, the majority of tenants interviewed are maintaining or slowly recovering. A few are starting to see some growth.
- BIP's lease rates are attractive relative to the market area.
- Over the past two years vacancy rates have declined, rents are increasing, and new construction is underway including speculative space of approximately 2.9 million square feet.
- The City is experiencing declining sales tax revenue.

### **Benicia Industrial Park Considered Built-Out**

- 99% of all industrial space in the City of Benicia is in the BIP.
- Currently there are only 23 acres of undeveloped space in the BIP; the largest vacant parcel is under 10 acres.
- Approximately 925,000 square feet of building space in the BIP is vacant and available, however nearly half of the vacancies are concentrated in just three buildings.
- Because the vacancies are concentrated in a few buildings and there is little undeveloped space, leasing brokers perceive the BIP to have a low vacancy rate. This perceived built-out condition is a key constraint for the BIP.
- Most of the BIP tenants interviewed are on short-term leases (three to four years). Fortunately they prefer to stay in the BIP but if their growth cannot be accommodated, they may be forced to look elsewhere.
- Some BIP tenants already have facilities outside of the BIP because product was not available (offices, warehouse, and production). They would prefer to consolidate under one roof and stay in the BIP. Again, the challenge is in accommodating a consolidation and company expansions with the limited building and land inventory.
- Brokers' general opinion is that there is a shortage of true industrial parks serving light and heavy industrial tenants. They appreciate that the BIP does not try to be everything to everyone. It serves the industrial and warehouse market well and should continue to do so.

## **Demand**

- The trend of locating distribution facilities close to population centers and transportation hubs is driving much of the demand throughout the entire Bay Area. The goal is to expedite the delivery of merchandise.
- The Bay Area and Napa's wine industries have a growing demand for large warehouse space. Much of this demand is driven by food and beverage companies and is expected to continue to increase.
- There is a severe shortage of physically usable manufacturing space particularly in the Oakland area, much of the space is bordering on obsolescence.

## **Vacancies and Lease Rates**

- Solano County — overall vacancy is approximately 8.6% and lease rates are attractive relative to the market area.
- Napa County — overall vacancy is approximately 5%, the lowest submarket within the market area; asking rents are the highest of any submarket within the market area.
- Highway 4 — light industrial has a vacancy rate of only 5.5%; the warehouse market is struggling with a vacancy rate over 19%; lease rates are the second highest in the market area.
- Richmond — warehouse market is doing well, current vacancy rate is 3% and lease rates are at \$0.50/SF; light industrial sector is expected to lag behind warehousing because existing space is older and obsolete.
- Oakland — there is a severe shortage of physically usable manufacturing space, much of the space is bordering on obsolescence.

## **Advantages and Potential Opportunities**

- BIP's average asking rent for industrial space is approximately \$.64 per square foot compared with \$.80 per square foot for industrial space along Highway 4—a significant marketing advantage.
- If the BIP had sufficient land to accommodate new investment, it would be well-positioned to take advantage of the tight real estate market, particular in Oakland where there is demand for new large warehouse and distribution buildings.

## Benicia Industrial Park's Competitive Position

Competitive Advantages	Related Challenges
<p><b>MARKET</b> ► The market is expected to remain strong; BIP tenants reported growth and anticipate expanding. Declining vacancy rates and increasing rents in tight markets (e.g. Oakland) will open up opportunities for the BIP.</p>	<p>There is approximately 3 million square feet of new competition planned to come onto the market. Spec building is occurring for the first time in many years. Without additional land and building inventory, BIP will not be positioned to act on the market opportunities.</p>
<p><b>IMAGE</b> ► The BIP has a strong image of a true industrial park with generally marketable building stock; brokers do not perceive physical obsolescence as being a significant weakness.</p>	<p>BIP is perceived by brokers to be built-out because of the limited building inventory and lack of land to accommodate new development and expansion of existing businesses.</p>
<p><b>COST</b> ► Lease rates are attractive relative to the market area.</p>	<p>The infrastructure improvements needed along with the limited inventory could cause new or expanding businesses to look elsewhere regardless of the cost advantage.</p>
<p><b>INDUSTRY</b> ► The BIP has historically served the wine industry well with bottling, warehousing and distribution operations.</p> <p>The manufacturers currently located in the BIP consider the park and its location favorably and would like to remain.</p>	<p>Fairfield is currently better-positioned to capture the wine industry's increasing demand. The Highway 12 widening project improves transportation between the wine country and Fairfield. New and planned parks have / will have good infrastructure and sufficient land to accommodate new development.</p>
<p><b>LOCATION</b> ► Location was the most-mentioned reason for current tenant's choice of the BIP. It is convenient for employees, vendors, accessing a large labor market, customers, highways and other transportation facilities.</p>	<p>The BIP is at-risk of losing quality tenants, jobs and sales tax revenue if there is no inventory or room for new investment to accommodate expansions.</p>
<p><b>DEMAND</b> ► There is demand for new industrial and warehouse distribution buildings, the type of operations that BIP has typically served well. Expanding companies that cannot be accommodated, particularly in Oakland, represent an opportunity for the BIP.</p>	<p>The competition is increasing, new construction is underway and more is planned. The BIP will be positioned to capture opportunities only when there is sufficient land to accommodate new investment.</p>

## 6.B. Primary Challenges

The City of Benicia is faced with four primary challenges to ensuring the BIP can remain competitive in the marketplace and be a viable revenue-generator for the City. These challenges may force new or expanding businesses to look to the newer industrial parks in the region as they would be able to maintain their current employees and have equivalent market access in these other parks; but it will result in a loss of jobs and sales tax-revenue to the City of Benicia.

- Limitations in serving expanding existing businesses and attracting new industries without redeveloping existing areas, retrofitting existing buildings to modern uses or adding additional land
- Small inventory of vacant buildings and what does exist is primarily suitable for warehousing only;
- Aging infrastructure, particularly the condition of streets, traffic circulation, lack of modern communication infrastructure; and
- Increasing competition in the regional market from new parks planned and under development, approximately three million square feet of new development.

***Without redevelopment, building retrofits and/or additional land to accommodate expanding tenants and new business investment, the BIP is at risk of losing quality tenants and being viewed as an obsolete park attractive only for warehousing, non- or minimal tax-revenue generating businesses.***

## 6.C. Short-Term Market Opportunity Recommendations

Short-term actions (two to five years) should focus on: 1) existing tenants with growth potential who will need additional space to accommodate their growth and those tenants with short-term leases over the next two to three years; 2) continuing to aggressively address major infrastructure issues; and 3) aligning potential light manufacturing businesses to existing vacant facilities and implementing focused business attraction campaign (assuming facilities can accommodate uses). Short-term proposed actions are outlined below:

1. Increase business retention/expansion meetings (BREP) and communications with BIP tenants, particularly those identified that will need expansion/consolidation space.
2. Package and deliver to BIP businesses the services and potential incentives the City can bring to assist expanding businesses, such as, financing for equipment or real

**Given current market challenges, what can the City do now, in the short-term?**

- Aggressive BRE program
- Package incentives and assistance
- Identify vacant facilities to market as well as identify potential redevelopment and retrofit building opportunities
- Target marketing by geography and industrial uses
- Target small manufacturers, capital intensive users

estate; tax credit application(s); workforce training; utility rates; and potential self-reporting tax sharing agreements.

3. The BIP has long term challenges (infrastructure) that are of concern to some businesses, show how those challenges are being addressed with projected timelines.
4. Review and monitor existing use tax agreements with businesses and also determine if there are additional companies in Benicia that make significant purchases of equipment or material. There are incentives used by other cities, Business Cooperation Programs, to encourage businesses to participate in self-reporting of use tax which would increase revenue to the City and also be beneficial to the company.
5. Coordinate with Solano EDC to increase discussions with brokers, local and regional, on potential target users for vacant spaces, preferably optimal users that will benefit the City.
6. Along with above, discuss, review and identify with brokers areas that might be prime for redevelopment and/or buildings that need to be retrofitted or adaptive reuse to attract the right users. Redevelopment of an area (site, block or multiple blocks) and/or building retrofitting will require further analysis for economic and financial feasibility but are good options to consider when land is constrained. The identification of potential sites or buildings would only be the first step.
7. Target marketing should be very focused campaigns, marketing the existing product (land and buildings) to industrial clients in inner Bay Area locations of Oakland and San Francisco where there currently are tight markets for manufacturers (industrial) who may be feeling forced out of current locations or in need of a more cost effective location. Prior to marketing, research on manufacturers who align with the land/building configurations will need to be done. This effort should be coordinated with Solano EDC and local brokers. The sMaps website, provide with this analysis, will be a great marketing tool for the existing real estate product.
8. Continue to aggressively negotiate for high-speed broadband access.
9. Both the Port and the Arsenal area provide opportunities for niche marketing to specific types of businesses, i.e., the Port specializes in bulk products and motor vehicles and is uniquely situated for distribution. Given the niche markets the Port serves, working with the Port to identify potential users and its own competitiveness with other Ports could lead to a focused marketing effort. The Arsenal could accommodate smaller manufacturing and art-related users, as with the Port it would require a separate focused marketing effort but may not attract tax-revenue generating type companies.

**Redevelopment:** the act or process of redeveloping a blighted or obsolete area.

**Retrofit:** involves functional renovation and substantial change to modernizing an existing building.

## 6.D. Long-Term Market Opportunity Recommended Strategies

The ultimate remedy to the space challenge and new competition in the region is to expand the BIP which would call for continued major infrastructure upgrades to make the BIP competitive to new product coming on line and identify land and buildings (areas for redevelopment, building retrofits or new vacant land) to accommodate new development.

This will be a long-term and time consuming effort to strengthen the BIP's marketability and competitiveness to maintain its identity as a premier industrial park with unique location attributes, and ability to continue to be a dominant player in the marketplace.

1. Identify potential funding sources to continual invest in and improve the infrastructure of the BIP, this would demonstrate the City's commitment to the BIP and existing businesses. Look at these and other financing tools under consideration at the State.
  - Infrastructure Financing District (IFD)
  - Community Facilities District (CFD)
  - Business Improvement District (BID)
2. Develop, as part of communication message to businesses and brokers, infrastructure improvement plan with specific project improvement timelines (streets, drainage, traffic flow, and broadband) when projected to be funded, when project is started and report on progress.
3. As noted, the major long-term challenge for the BIP is land for expansion. Although land is identified as expansion land for the park it is being considered for other uses. Consider a Phase II Analysis which would assess and evaluate:
  - Feasibility of redeveloping areas and building retrofits identified in short-term actions;
  - Opportunities for additional buildable acreage that could be added to the park;
  - Infrastructure improvements that would be necessary to make it ready for new development;
  - Viability of developing any remaining vacant properties within the BIP;
  - Type of development that will attract tax-revenue generating businesses, aligned with real estate product and existing industry mix, and market opportunity;
  - The applicability of public and private sources of financing.

### What are the long-term strategies the City could execute?

- Invest in infrastructure that maintains the competitiveness of the BIP to newer, emerging real estate products in the region.
- Consider Phase II Analysis to identify feasibility for park expansion.
- Identify funding sources to continuously improve BIP.
- If BIP can achieve redevelopment, land expansion and/or building retrofits, an attraction campaign could potentially target emerging, tech and advance manufacturing to diversify BIP industry mix.

4. If and when the BIP is improved with expansion land and buildings shovel-ready, an aggressive business attraction campaign targeting mix of emerging industrial innovation, tech and advanced industrial tenants (to be review at that point in time with alignment of targets to land and buildings) should be implemented. The priority would be to continue to serve expanding existing tenants and increase business-to-business sales tax revenue. As a long-term strategy, this should be coordinated with existing marketing and business attraction efforts of the Solano EDC.

## 6.E. Conclusion

As noted throughout this report, without more land, redeveloped land, or retrofitted buildings that will enable current BPI businesses to expand and/or attract advanced industrial businesses, the BIP will fall behind the competition, become known as an obsolete park attractive to only warehouse-type or non-minimal tax-revenue generating businesses.



# 7. Appendix

*Appendices are under separate cover.*

- A. Detailed property and vacant building inventory, Benicia Industrial Park
- B. Individual and summary responses to business interviews
- C. Article: *The Rise of Innovation Districts: A New Geography of Innovation in America* by Bruce Katz and Julie Wagner, May 2014; Metropolitan Policy Program at Brookings
- D. Colliers International newsletter, August 2014: *Corporate Office Perspectives*, Jeffrey Weil
- E. Market Trends Data Tables and Charts
- F. Financing Options



# About the Consultants



## **Audrey Taylor, President and CEO, Chabin Concepts**

With over 34 years experience, Audrey has assisted over 350 communities from the east coast to the west coast including Hawaii and Alaska in developing and executing economic development action strategies. Her unique understanding of strategy development comes from her work with companies on research, expansion and locations which includes global companies such as 3M, Graphic Packaging International and Sony as well as closely-held companies such as Sierra Nevada Brewery, Spectra-Physics and Springboard Biodiesel. She has served five California Governors in different appointment capacities. [audrey@chabinconcepts.com](mailto:audrey@chabinconcepts.com)



## **Debbie M. Kern, Senior Principal, Keyser Martson**

Ms. Kern is a Senior Principal in Keyser Marston Associates' San Francisco office. She has over 20 years of experience in real estate consulting and has analyzed a broad range of real estate issues. Her broad experience combined with strong technical skills provide her with unique ability to advise on conceptual issues as well as structuring complex public/private transactions. Ms. Kern has participated as a speaker at a number of seminars, including 'Developing For-Sale Affordable Housing Programs,' sponsored by the California Redevelopment Institute and 'Economics and Planning,' a University of California, Davis Extension course. [dkern@keysermarston.com](mailto:dkern@keysermarston.com)



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