

OAK HARBOR WATERFRONT REDEVELOPMENT and BRANDING PROGRAM

CASH FLOW ANALYSIS BY FUND/PROJECT		2005	2006	2007	2008	2009	2010
1	Lodging Tax (basic 2%) revenues	75,000	75,000	80,000	90,000	100,000	110,000
2	Transfer in from 1% add-on	0	27,500	40,000	45,000	50,000	55,000
3	Transfer in from 1% add-on	0	0	0	10,000	10,000	10,000
4	• Style guide creation	10,000	0	0	0	0	0
5	• Professional photo library	5,000	0	5,000	5,000	5,000	5,000
6	• Website development	15,000	0	0	0	0	0
7	• Keyword sponsor matches	500	900	900	1,200	1,350	1,500
8	• E-marketing program	0	7,500	7,500	7,500	7,500	7,500
9	• Website updates	2,500	4,500	4,500	4,500	6,000	7,500
10	• Splash page for city site	750	500	500	500	500	500
11	• Press kit creation/updates	0	12,000	1,000	1,000	1,000	1,000
12	• Sales materials for Event Center	0	0	14,000	0	0	0
13	• CVB personnel (Chamber)	0	0	30,000	45,000	60,000	80,000
14	• Activities Guide creation	30,000	20,000	20,000	20,000	20,000	20,000
15	• Chamber of Commerce	52,500	52,200	25,000	25,000	25,000	25,000
16	Total balance fwd (cumulative)	(41,250)	(36,350)	(24,750)	10,550	44,200	71,200
17	Lodging Tax (add-on 1%) revenues	37,500	37,500	40,000	45,000	50,000	55,000
18	• Identity usage agreement	2,500	0	0	0	0	0
19	• Signage program services	10,000	0	0	0	0	0
20	• Signage program implementation	35,000	0	0	0	0	0
21	• Transfer to basic 2% funds	0	27,500	40,000	45,000	50,000	55,000
22	Total balance fwd (cumulative)	(10,000)	0	0	0	0	0
23	Lodging Tax (add-on 1%) revenues	37,500	37,500	40,000	45,000	50,000	55,000
24	• County-wide promotion program	37,500	34,800	34,800	36,000	39,000	40,800
25	• Transfer to basic 2% funds	0	0	0	10,000	10,000	10,000
26	Total balance fwd (cumulative)	0	2,700	7,900	6,900	7,900	12,100
27	Clock tower reserve fund (balance)	180,000	120,000	75,000	30,000	0	0
28	• Temporary gateway signage	20,000	0	0	0	0	0
29	• Kiosk design/const. bids	10,000	0	0	0	0	0
30	• Event Center concept plan	30,000	0	0	0	0	0
31	• Kiosk development	0	45,000	45,000	30,000	0	0
32	Total balance fwd (cumulative)	120,000	75,000	30,000	0	0	0
33	General funds						
34	• Debt service Regatta Beach	0	0	0	300,000	300,000	300,000
35	• Business papers	7,500	0	0	0	0	0
36	• Program management	60,000	90,000	0	0	0	0
37	• Contracts management	0	0	90,000	90,000	30,000	0
38	• Opportunities marketing piece	14,500	0	0	0	0	0
39	• Recruitment services	30,000	30,000	0	0	0	0
40	• Architectural & engineering	150,000	200,000	250,000	0	0	0
41	• RV Park land swap/negotiation	20,000	0	0	0	0	0
42	• Community Profile	0	15,000	6,000	6,000	6,000	6,000
43	Total:	282,000	335,000	346,000	396,000	336,000	306,000

Yellow cells:
Funding not identified yet

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							Project cost:	Year:
44	Downtown BIA revenues	0	0					
45	• BIA formation	30,000	0	0	0	0	30,000	
46	• Debt service	0	0	0	305,400	305,400	305,400	
47	• Architecture/engineering	0	250,000	0	0	0	250,000	2006
48	• Street reconfigurations	0	0	0	0	0	1,200,000	2007
49	• Boardwalk development	0	0	0	0	0	1,800,000	2008
50	• Façade/beautification	0	0	0	0	0	650,000	2009
51	• Signage/gateways	0	0	0	0	0	340,000	2009
52	Total balance fwd (cumulative)	(30,000)	(280,000)	(280,000)	(585,400)	(890,800)	(1,536,200)	4,270,000
53	Special Event Center (.08 funds)	0	500,000	500,000	500,000	400,000	400,000	500,000 Equity in project
54	Naming rights (revenue)	0	0	0	150,000	150,000	150,000	
55	• Debt service	0	0	0	380,000	380,000	380,000	
56	• Initial operating subsidy	0	0	0	90,000	100,000	100,000	
57	• Land acquisition	0	500,000	0	0	0	0	
58	• Capital reinvestment	0	0	0	0	50,000	100,000	500,000
59	• Archtecturaal/engineering	0	0	510,000	0	0	510,000	
60	• Construction	0	0	0	0	0	8,400,000	Construction cost
61	Total:	0	0	(10,000)	170,000	190,000	160,000	9,410,000
62	Regatta Beach development							
63	• Relocation of aircraft	0	10,000	0	0	0	0	10,000 2006
64	• Relocation of ball fields	0	0		0	0	0	260,000 2007
65	• Architectural/engineering	150,000	200,000	250,000	0	0	0	600,000 2006
66	• Lagoon/amphitheater	0	0	1,400,000	0	0	0	1,400,000 2007
67	• Scuttlebutt Park (event area)	0	0	1,200,000	0	0	0	1,200,000 2007
68	• Concession/vendor shops	0	0	860,000	0	0	0	860,000 2007
69	• Celebration Gardens/Heritage Trl	0	0	540,000		0	0	840,000 2007
70	• Knockabout Park (family area)	0	0			0	0	1,299,900 2007/08
71	• Grand entrance/parking	0	0		0	0	0	875,000 2007
72	• Secondary gateway	0	0			0	0	820,500 2007/08
73	• Promenade extension/pier park	0	0	0		0	0	600,000 2008
74	• Trail of Honor	0	0	0		0	0	600,000 2008
75	• Trolley purchases	0	0	0	0		0	70,000 2009
76	• Signage system	0	0	0		0	0	300,000 2008
77	Total expenditures (w/funding)	150,000	210,000	4,250,000	0	0	0	9,735,400
78	Regatta Pier							
79	• Engineering	0	0	375,000	0	0	0	375,000 2006
80	• Pier construction	0	0	0	3,100,000	3,100,000	0	6,200,000 2007/08
81	Freund Marsh grant funds	0	250,000	250,000	250,000	500,000	500,000	
82	• Interpretive Center	0	0	0	0	150,000	990,000	1,104,000 2009/10
83	• Trail system	0	0	150,000	150,000	150,000	150,000	600,000 2009/10
84	Total balance fwd (cumulative)	0	250,000	350,000	450,000	650,000	10,000	1,704,000
85	RV Park development							Yellow cells: Funding not identified yet
	• Negotiate partnership/revenues	20,000	0	0	0	0	0	
	• Construction (including A&E)	0	0	2,800,000	0	0	0	

The City of Oak Harbor's Tourism Development & Marketing Plan has evolved into a major Waterfront/Downtown Redevelopment Program with \$32 million in capital projects as follows:

- Regatta Pier (the pier project)..... \$6,575,000
- Oak Harbor Special Event Center..... 9,410,000
- Signage & Wayfinding Program..... 45,000
- Regatta Beach development..... 9,735,400
- Freund Marsh & Interpretive Center..... 1,704,000
- Downtown redevelopment 4,270,000
- Marketing & branding initiatives..... 200,000

Total program: \$31,939,400

This does not include marina redevelopment projects, but does include a total redevelopment of the entire waterfront from the Freund Marsh area to the marina, including the downtown core area of Pioneer Way.

Implementing these projects will turn Oak Harbor's lackluster waterfront into a first-class destination for both residents and visitors alike. For nearly 50 years the waterfront has seen little improvement and, by many accounts, has actually deteriorated. While there have been recent attempts by local businesses and public officials to reverse the trend, the missing ingredient has been the creation of a Redevelopment Program for the entire waterfront area.

There is no question that implementation of this plan will greatly increase property values, revenues from both local and visitor spending, and increase lodging tax revenues and extended stays in the community. Likewise, retail sales in the downtown core area should more than triple within five years of the projects' completion.

The accompanying spreadsheet itemizes the components listed above, the year they would be implemented, costs, and possible funding sources. The following numbered items correspond to the numbered items on the spreadsheets.

1. LODGING TAX (The basic 2%)

This portion of the lodging tax is part of the sales tax paid by visitors when staying in local lodging establishments or RV parks. This money, by state law, must be used for the promotion and development of tourism. The City currently generates approximately \$75,000 a year in basic 2% lodging tax receipts.

Being conservative, we kept the receipts at \$75,000 for both 2005 and 2006. In 2008, we projected an increase of \$5,000

(6%) to \$80,000 based on a new, stronger marketing effort.

In 2008 we projected an increase of 10% to \$90,000 based on the development of an additional hotel property (partial year collections), and increasing to \$100,000 and \$110,000 in 2009 and 2010 respectively. These increases, which are twice the state's projected average increases, are based on the development of the Special Event Center – a major missing component in attracting large-scale events, conferences and meetings.

These increases also take into consideration a new RV park, which would have nearly three times the current spaces in a much nicer setting, generating increased nightly revenues, and increased occupancies.

2. TRANSFER FROM 1% LODGING TAX

In addition to the "basic 2% lodging tax," the City has imposed a 2% "add-on tax." This tax is paid by overnight visitors staying in RV and lodging units and is added to the existing sales tax. Currently, these funds have gone to a county-wide marketing effort and other small projects.

This plan reallocates those funds, and beginning in the 2006 calendar year, some of those funds are added to the 2% basic fund to beef up marketing efforts and projects, as outlined below.

3. TRANSFER FROM 1% LODGING TAX

The 2% lodging add-on tax has been split for 2005: 1% going to capital projects, and 1% going to the countywide marketing effort. This plan reallocates that spending as well, and beginning in 2007, some of those funds have been added to the basic 2% fund to strengthen the marketing effort. With a new RV park, a Special Event Center, a revitalized downtown, new hotel rooms, and a redeveloped Regatta Beach event-oriented park, marketing will be of critical importance – thus the need to allocate the necessary funds for this effort.

4. CREATION OF A STYLE GUIDE

This plan calls for a re-branding effort of Oak Harbor around a nautical/maritime theme. This includes a new logo for city, chamber and other local organizations, decorative signage matching the brand, and other initiatives. Like any branding effort, continuity will be critical in marketing efforts by numerous local organizations and events.

\$10,000 has been budgeted for 2005 for the creation of a "Style Guide." This guide will outline proper uses of the new identity (logo), color themes and graphic elements for sales materials, websites, and attractions signage. Any

successful brand requires a consistent look that is pervasive throughout the community. The Style Guide would be used by the Chamber of Commerce, the City of Oak Harbor, and other local organizations.

5. PROFESSIONAL PHOTO LIBRARY

Nothing sells tourism as well as quality photography. We have added \$5,000 to the 2005 budget to secure licensing agreements for professional photography to be used in marketing efforts. Photography will include featured businesses, attractions and activities. The budget also includes \$5,000 a year, beginning in 2007, to cover the cost of new photography of Regatta Beach, the Special Event Center, downtown revitalization efforts, and re-licensing of existing photography.

6. WEBSITE REDEVELOPMENT

More than 90% of all travel is now researched on-line. Likewise, a new website comes on-line an average of every three seconds. The most critical of all tourism marketing efforts revolves around the internet. The Chamber of Commerce is already working on a redesign of the tourism website, and this allows funding for the creation of a first-class website good enough to "close the sale." The site will include a number of enhancements detailed in this plan.

We have budgeted \$15,000 in 2005 for this project.

7. KEYWORD SPONSOR MATCHES

Having a website is only half the battle. More than seventy percent of on-line browsers don't go past the first two pages of search engine results. Millions of websites vie for prominent positioning on search engines. Getting at the top of the list – or even on the first page is extremely difficult. In order to be successful, bidding for keyword "sponsor matches" is necessary and should be a part of every marketing effort.

We have budgeted \$75 a month for keyword listings (\$500 in 2005) on www.overture.com (Yahoo!, AltaVista, AOL and others), and with www.adwords.com (Google). Google and Yahoo! make up nearly 70% of all search engine usage.

8. E-MARKETING PROGRAM

Starting in 2006, we have budgeted \$7,500 to develop a database driven e-marketing program. This is a service where visitors can sign up on-line to receive periodic e-mails catered to their wishes. For instance, a visitor may want to be notified of upcoming events in Oak Harbor. Every month (or every other month) they would receive a short e-mail letting the visitor know of upcoming events, providing a link to the site for more information.

This effort creates Top Of Mind Awareness (TOMA) as the visitor is reminded of Oak Harbor as a destination for upcoming getaways or vacations.

9. WEBSITE UPDATES

A website becomes a "been there, done that" site unless it's frequently updated and enhanced. This is often an overlooked element of marketing programs. The budget includes \$2,500 for monthly updates in 2005, and \$4,500 a year for the following three years, gradually increasing to \$6,000 and \$7,500 in years 2009 and 2010.

10. SPLASH PAGE FOR CITY WEBSITE

Every Oak Harbor organization should have a "splash page" or "front door" that promotes the community as a great place to live, work and play. The splash page usually has moving pictures and teaser text to draw visitors inside where they can get additional information. Creating a splash page for the city site (and other local organizations) will create continuity for the branding effort. As part of the tourism website redevelopment, we've added \$750 for the creation of the splash page. This would be updated every year, and \$500 has been earmarked each year for that purpose.

11. PRESS KIT CREATION/UPDATES

You build your brand through public relations, while advertising is used to maintain your position. Communities such as Langley, Port Townsend, LaConner and Leavenworth get far more business from public relations efforts than from advertising. While advertising is still important, PR will provide a much stronger return on investment.

Core to any PR effort is the creation of a press kit – both hard copy and on-line. In 2006 we budgeted \$12,000 for development of a press kit. This includes design and printing of a presentation folder, which would also be used for economic development and business recruitment efforts, letterhead, labels, writing of numerous insert pieces, photo contact sheets (sample photography), etc.

Once developed, \$1,000 year has been set aside for reprinting letterhead, labels, presentation folders, etc.

12. CONVENTION & VISITORS BUREAU (CVB) CREATION

Once the Special Event Center has been developed, its operation may require a dedicated effort solely to tourism sales: bringing conventions, meetings, trade shows, outside events, reunions, and retreats to the Event Center. Chambers of Commerce often play so many roles that it makes it necessary to begin an effort solely dedicated to outside sales.

We have budgeted for a CVB operation, which we recommend take place as part of the Chamber of Commerce so as not to duplicate or add overhead costs - a problem which plagues many communities that have two distinct organizations.

The CVB would have its own budget, it's own staff, but would work under the umbrella of the Chamber.

However, it's quite possible that a new hotel property, built in conjunction with the Special Event Center, will take on this role under an operating agreement. If this takes place, then the funding would stay solely with the chamber, who would simply assist in marketing the facility, but would not be charged with its management.

The budget includes \$14,000 (2007) for the formation of a Sales Program and materials.

13. CVB OPERATIONS

The chamber has been funded approximately \$52,300 a year for marketing Oak Harbor and for providing visitor information services. We kept this in place through 2006, and then shifted the funding to the CVB side of the chamber beginning in 2007 at \$54,000, increasing to \$60,000, then \$72,000 and \$84,000.

14. ACTIVITIES GUIDE CREATION

We recommend replacing advertising-driven Visitor Guides with a public/private Activities Guide that features primary attractions (island wide), events, travel information, contact information and editorial and photography that will be far more effective in attracting visitors to Oak Harbor. The Activities Guide would also be digitized and placed on the new website in a downloadable and printable PDF format.

This will be the signature printed marketing piece for Oak Harbor's tourism efforts. The first issue will cost \$30,000 to produce and print. In following years, the cost drops to \$20,000, using a similar format but updating the content, the cover, and other annual changes. The guide would be printed in full-color on glossy paper aiding a general "up-scaling" of Oak Harbor's image.

15. CHAMBER OF COMMERCE FUNDING

We have kept chamber funding at its current levels through 2006. By mid-year, 2006, a decision would need to be made regarding the creation of a CVB or increased responsibilities for the chamber with regards to a sales effort around the Special Event Center.

16. TOTAL EXPENDITURES AND FUND BALANCES

This figure shows a first-year subsidy of \$41,250 so that major marketing initiatives can be facilitated. This line item is cumulative, meaning that the next year shortfall of \$36,350 includes the \$41,250 from 2005. In 2007 the shortfall is reduced to \$23,750 and in 2008 and thereafter, the fund begins to build a healthy balance.

The plan is to build up a \$100,000 "rainy day fund" in case of future natural disasters or events that would significantly reduce lodging revenues. Excess revenues over that amount could be spent on new programs or projects.

17. LODGING TAX (ADD-ON 1%)

All lodging and RV park establishments charge customers an additional 2% tax on top of the standard sales tax (which includes the basic 2%). In past years this 2% fund has been spent on the cooperative island-wide marketing effort. In 2005, the city reduced that by half so that funds could be available for key product development initiatives.

This add-on tax fund obviously generates the same amount of funding as the basic 2% fund, which we've split here into two 1% funding pots.

18. IDENTITY USAGE AGREEMENT

A new Oak Harbor identity has been developed and its use must be safeguarded. While the city should encourage its use in promoting the community, usage guidelines must be put in place and agreements secured by parties using the identity. We have included \$2,500 in the budget for the creation of a usage agreement - a binding legal document. Since the identity will be synonymous with the City, its usage and protection is extremely important. This cost will cover legal fees for the creation of the licensing agreement.

19. SIGNAGE PROGRAM SERVICES

One of the primary projects to be implemented in 2005 is the Wayfinding Signage Program. While the Chamber of Commerce has taken the lead on this project (saving tens of thousands of dollars in consultant fees), professional assistance should be secured to finalize exact locations, fabrication and installation specifications, final design of each sign, exact wording on each, heights, compliance with Dept. of Transportation requirements, etc.

This will require continued assistance from the Chamber, but will give the city documents ready for actual fabrication bids, and installation specifics. The budget includes \$10,000 for the Wayfinding Signage Specifications document.

20. SIGNAGE PROGRAM IMPLEMENTATION

The signs designed by the Destination Development team will cost between \$400 and \$500 per sign, including mounting hardware. All signs would be utility pole mounted, saving months of time in permitting, and cutting the program costs by half of that required for free-standing signs.

The \$35,000 budget should allow for the fabrication of approximately 70 signs - about 47 providing visitor-related signs and 23 providing community service signage.

21. TRANSFER TO BASIC 2% FUNDS

After the initial 2005 expenditures (primarily the signage program), the funds would be transferred to the basic 2% fund to provide the necessary funding for a stronger promotional effort.

22. TOTAL BALANCE FORWARD

In 2005, the fund would be in the red \$10,000, but would be repaid the following year and all future funds would be forwarded to the basic 2% fund to increase the marketing and sales program. As a "fund," this item would then be eliminated.

23. 24. 25. LODGING TAX ADD-ON 1%

The second 1%, in 2005, has been earmarked for the county-wide marketing program. We recommend that a fixed-amount be provided to the county marketing effort in following years. Beginning in 2008, this would free up \$10,000 a year, which would help offset the marketing and sales costs of the Special Event Center.

26. TOTAL BALANCE FORWARD

This is a cumulative figure that will leave a small amount in the fund for future needs.

27. CLOCK TOWER RESERVE (BALANCE)

These funds are actually lodging tax receipts set aside for a proposed downtown project. We recommend investing these funds in other programs that will provide a much more solid return on investment. The reserve currently holds approximately \$180,000.

28. TEMPORARY GATEWAY SIGNAGE

Once the new wayfinding signs are put in place, they will identify City Beach Park as Regatta Beach, and downtown as Harborside Shops. Since the actual construction of new gateways and on-site signage won't take place until 2007, we have budgeted \$20,000 for "temporary" signage. These identification signs will always be used, but may be moved to different locations once the grand entrance and permanent signage has been developed for both downtown and

Regatta Beach.

29. VISITOR INFORMATION KIOSK DESIGN/BID DOCUMENTS

The plan calls for the construction and placement of eight visitor information kiosks at various locations in Oak Harbor and other areas of the island. We have budgeted \$10,000 for architectural design, construction drawings, installation specifications, and bid documents for the kiosk - to be along the lines of the information kiosk at the transit center on Bayshore Drive.

30. EVENT CENTER CONCEPT PLAN

We have budgeted \$30,000 for the hiring of architectural services for conceptual planning of the Special Event Center. This would include a floor plan, exterior design renderings, and a location analysis. This effort will be used to recruit a partnering hotel for the project and would be used as Regatta Beach undergoes its architectural and engineering design.

31. KIOSK CONSTRUCTION, INSTALLATION

At a cost of \$15,000 each, the budget calls for building and placement of three kiosks in 2006, three more in 2007, and two in 2008. It's possible that all could be fabricated at one time and kept in storage until areas of Regatta Beach and downtown are ready for installation. The budgeted cost includes fabrication, shipping, and installation - including footings and utility hookups (where possible or reasonable).

32. TOTAL BALANCE FORWARD

The "clock tower funds" would be used to create and install the eight visitor information kiosks, design of the Event Center, and downtown and Regatta Beach signage. All of these should provide a strong return on investment. Once the fund has been spent, it will be removed from the books with a zero balance.

33. GENERAL FUND EXPENDITURES

So far, all projects detailed here have been paid for from lodging tax revenues. In order to implement this program, it will require the use of general fund revenues. We believe that within four years of the redevelopment of downtown and the waterfront, that increased tax base, new construction projects, and increased retail sales will provide the citizens with a solid return on the investment.

34. DEBT SERVICE REGATTA BEACH

The city has already considered spending between \$200,000 and \$300,000 on City Beach Park improvements and upgrades. We recommend that the city borrow the funds so the projects can be facilitated at a cost savings, and provide

the people of Oak Harbor a world-class waterfront today, instead of small projects each year for 20 years. We have budgeted \$300,000 a year, beginning in 2008 (the year following construction) for 20 years. This will fund approximately \$4 million of the total \$10 million cost.

Once again, we believe that the city will see tax increases offsetting most of this cost by 2010.

35. BUSINESS PAPERS

With the adoption of the new Oak Harbor identity, we recommend immediate design and printing of new business cards, labels, envelopes, letterhead and other business papers. The logo will be provided so that as other forms are depleted they can be reordered using the new identity. We budgeted \$7,500 for this initial printing. DDI will design the business papers as part of its contract so that the only cost is that of production and printing.

36. PROGRAM MANAGEMENT

This may be the largest project undertaken by the City of Oak Harbor in recent memory, and one that is desperately needed. There are many nuances to the implementation of this plan and many elements are fluid. We recommend that professional services be hired to manage the implementation of the plan through 2009. The budget includes \$90,000 annually for this assistance program.

Responsibilities will include development and management of all contracts, RFPs for ongoing services, program administration (making sure things stay on track), committee formations for different elements, managing budgets, assistance in securing grants and other funding sources for various projects, being a liaison for the city, council, public and contractors, scheduling and management of deliverables, etc. Current city staff is not equipped to add the management and implementation of this plan.

This is a temporary contract that takes the city up to the actual construction of the major projects. The funding then shifts to construction management from program management.

37. CONTRACTS MANAGEMENT

Item #37, in 2007, would shift to expertise geared more to actual construction. Most of the marketing, branding, recruitment, and other initial implementation projects should be completed by the end of 2006 and in 2007 actual construction will take place. We have budgeted \$90,000 a year to manage the contracts for actual development of Regatta Beach, relocation of the ball fields and A-6 aircraft, construction of the Special Event Center, Walk of Honor, etc.

38. OPPORTUNITIES MARKETING PIECE

A major element of this program is recruiting a hotel developer to the project. As part of the recruitment effort, attracting more development to downtown – including retail, spa services, waterfront seafood dining, condominiums, etc. will also be part of the recruitment effort.

We have budgeted \$14,500 for the design and printing of an “Opportunities” marketing piece (or pieces) that will be used in the recruitment effort. It will detail “Why Oak Harbor” including the opportunities, incentives, key statistical and demographic information, etc. This piece will showcase Oak Harbor as a world-class destination and will focus on the tremendous potential the area has in terms of tourism and non-tourism economic development. This is a one-time cost and approximately 1,000 pieces would be printed in full color.

39. RECRUITMENT SERVICES

Key to the success of this program is attracting hotel and downtown investment to the community. This will trigger economic development low-interest financing, HUD Section 108 loans, and the New Markets Tax Credit program through the creation of new jobs in Oak Harbor.

The budget includes \$60,000 (running from June of 2005 to June of 2006) for professional recruiting assistance to bring key projects to Oak Harbor. Recruitment is a specialized field and requires a sales approach – not submittal of RFPs or ads in magazines and newspapers. This may be the most critical of all the redevelopment initiatives in this plan.

40. ARCHITECTURAL & ENGINEERING REGATTA BEACH

Architectural and engineering of Regatta Beach will cost approximately \$600,000. The city has currently budgeted more than \$200,000 for City Beach Park enhancements, and we recommend that this funding be spent of architectural and engineering of the park. We have budgeted \$150,000 in 2005, \$200,000 in 2006, and \$250,000 in 2007.

41. RV DEVELOPMENT SITE NEGOTIATION

Recommendations include redevelopment of the RV park to another location. We recommend that the RV park be developed and operated by a private operator. However, the RV park generates income for the city’s Parks Department and so this needs to be considered in its redevelopment. We have budgeted \$20,000 to offset legal and other costs associated with a potential land swap, creation of a public/private partnership, etc.

42. COMMUNITY PROFILE

Budgeted for 2006, the City of Oak Harbor should have a Community Profile that is updated every year. The initial cost is \$15,000, but following years will include updates and reprinting at annual costs of \$6,000. Approximately 4,000 would be printed each year and distributed to local real estate firms and agents, be a key element in relocation efforts, and will be used in recruiting business interests to Oak Harbor.

43. TOTAL GENERAL FUND EXPENDITURES

Of the \$32 million in total projects, between \$282,000 and \$396,000 has been budgeted each year for the redevelopment of Regatta Beach into a legacy project for Oak Harbor. However, it should be noted, this does NOT fund the entire project, but does fund nearly half of it. This annual expenditure includes a 20-year loan for \$4 million of the project.

44. DOWNTOWN BUSINESS IMPROVEMENT ASSOCIATION

The downtown redevelopment project is a major undertaking with \$4.2 million in infrastructure upgrades and improvements. Typically we recommend forming a Business Improvement District (BID) where a taxing district would be created and property owners would pay a set amount, per assessed value, to the program.

Unfortunately, the properties along Pioneer Way stretching from City Beach Street to Midway have a TOTAL assessed value of only \$13 million. This includes the Beselin property and site that was brought up for the library. At \$1.00 per \$1,000 of assessed value, this would only generate \$13,000 a year – hardly enough to make a dent in the projects. There are 51 properties fronting Pioneer Way and the average assessed value is \$255,823. Thirty-two of the properties are assessed at under \$200,000.

At \$1.00 per thousand, the average property would be levied \$256 per year. At \$10 per thousand, this would cost \$2,256 per year, but would generate \$130,500 a year, which would cover the debt service for approximately \$1.8 million in projects. Since BIDs MUST be approved by a majority of property owners, it’s extremely unlikely that they would agree to this levy amount.

On the other hand, we don’t believe the boundaries should be expanded beyond the “benefit area.” This is a funding puzzle we are still pursuing.

[NOTE: We are contacting the cities of Blaine, Enumclaw, Stevenson, and others who have undergone major downtown renovations to see how these were funded.]

45. BIA FORMATION

We recommend that professional services be retained to help solve the funding puzzle for the downtown redevelopment project. The cost would be \$30,000 and the selected consultant would work with downtown businesses and property owners to come up with funding solutions.

46. DEBT SERVICE

If all \$4.3 million were financed (no grants), the debt service would be approximately \$305,000 over 20 years. While construction would take place primarily in 2007, the first payments would be due in 2008. No funding source has been identified for this, but it could be repaid from BIA funding, or could be facilitated from a grant.

47. ARCHITECTURAL AND ENGINEERING

We have budgeted \$250,000 for architectural and engineering services. This particular project is one that could be facilitated with grant funding from EDA, CDBG or other grant sources. This effort would take place in 2006, funding permitting.

48. STREET RECONFIGURATION

We recommend that angle-parking be developed for the downtown core area. This project would include some resurfacing of streets, reconfiguration of sidewalks and pedestrian areas, landscape improvements, etc. A preliminary “estimate” of this cost has been set at \$1.2 million.

49. BOARDWALK DEVELOPMENT

We recommend that all sidewalks be demolished (most are in poor condition and many areas have been uprooted by street trees), utilities placed underground where the sidewalks now exist, and that a “boardwalk” be developed in their place. We recommend the boardwalk be constructed from Trex or other recycled materials that have a far greater life than traditional lumber, which require a high maintenance cost. The boardwalk will allow easier access to utility lines and will enhance the “pier” and maritime appeal of the downtown shops. The budget includes \$1.8 million for this project.

50. FAÇADE IMPROVEMENTS, BEAUTIFICATION

We have also budgeted \$650,000 for façade improvements, streetscape enhancements (lighting, crosswalks, landscaping, benches, trash receptacles, visitor info, etc.). This may require the city to obtain Façade Easements in order to attract grant funding for new awning and building improvements.

51. GATEWAYS AND SIGNAGE

The Harborview Shops (Old Town) area should have out-

standing gateways to this new Oak Harbor “attraction.” Signage should be decorative and unique to downtown. The budget includes \$340,000 for gateways and public signage (sorry, no merchant signage is included in this).

52. TOTAL BALANCE FORWARD

[this is an area we are still working on]

53. SPECIAL EVENT CENTER

Of all the projects, this is the most critical and will generate the most in visitor spending. It will make Oak Harbor a destination city for dozens of conferences, trade shows, events and exhibits.

The “.08 funds” or economic development funds that come from sales taxes to the county will play a major role in this \$9.4 million project. The County has NOT been approached about this project, but we recommend that \$1.51 million of these funds be used for:

- a) Architectural and engineering: \$510,000
- b) Land acquisition: \$500,000
- c) Equity (construction): \$500,000

\$500,00 would be spent in 2005 or 2006 for land acquisition, and \$510,000 be spent in 2006 for architectural and engineering but only after a partnering hotel developer has been secured. The equity funds (\$500,000) would be paid once construction begins in 2007.

This will not deplete the county’s reserve as the fund will grow by another \$500,000 this year and the same amount a year later, building the fund up by \$1 million for other projects.

Once the Special Event Center has been constructed, the .08 funds would be used to cover the debt service at a cost of \$400,000 annually over a 20 year period. Currently the city generates approximately \$250,000 of the .08 funds collected, and that is sure to grow to where it will exceed the debt service, which will be fixed over the life of the loan.

Funding of the Special Event Center is as follows:

- Land acquisition:..... \$500,00008 fund reserve
- A&E..... \$510,00008 fund reserve
- Equity investment \$500,00008 fund reserve
- Debt service \$5,000,00008 revenues
- Sub-total:\$6,510,000

This leaves a balance of \$2.9 million, which is where the hotel developer comes in. There is a new federal program called the New Markets Tax Credit program that can, in essence, pay for 40% of the event center cost – or \$3.76

million. However, the hotel developer will want some of this funding to assist in covering the development cost of the hotel to provide enough funding for an upscale product with plenty of rooms to accommodate major events, thus allowing additional incentive to invest in Oak Harbor.

54. NAMING RIGHTS

The Event Center would be available for naming rights and this should bring approximately \$150,000 a year to the project to help cover operating costs, improvements, and upgrades to the facility. For instance, the project might become the “Banner Event Center,” should a company like Banner Bank be the sponsor. This is an increasing trend for public facilities of this nature.

55. DEBT SERVICE

As noted before, the debt service would come from the county’s .08 funds at approximately \$380,000 annually over a 20 year bond. If constructed in 2007, the first payment would be due in 2008, allowing the county to increase its reserve even further.

56. INITIAL OPERATING SUBSIDY

Public assembly spaces rarely break even. In fact, it’s not their purpose to make a profit. These facilities are economic development tools to fill hotel rooms. The city and county will see a return on investment through increased lodging tax revenues, increased retail sales and services, and increased investment in Oak Harbor by the addition of new hotels, additional retail, etc.

Overnight visitors spend three times that of day visitors, and this type of facility will dramatically increase lodging revenues locally. The operating loss for a facility of this size averages \$180,000 annually. Half of this has been covered in the CVB funding to cover sales and marketing of the center.

We have budgeted an additional \$90,000 a year for maintenance, utilities, etc., increasing to \$100,000 a year after the first year of operation. We are anticipating that the adjoining hotel will contribute staff time for much of the actual operations since it will be a primary beneficiary of the business the facility brings to Oak Harbor. As a stand-alone facility, operating subsidies would be in the \$250,000 to \$300,000 a year range.

The public/private partnership (shared expenses) can cut the subsidy by nearly half.

57. LAND ACQUISITION

We have budgeted \$500,000 for land acquisition, but this by no means is geared to a single piece of property. It could

be the city’s portion of a \$1.5 million land acquisition – the balance purchased for the hotel development. Until a hotel developer has been secured, there’s no way to know, for sure, what property would be purchased and at what cost. It may be required, however, to use eminent domain to secure a property for the project. When highly visible projects of this nature are public, it often drives the land costs so high that the project is no longer feasible.

58. CAPITAL REINVESTMENT

As with any state-of-the-art facility, continued reinvestment and capital improvements are absolutely necessary in keeping the building up to date with regards to technology, furniture and fixtures, upgrades and improvements, etc. Beginning in 2009, \$50,000 has been added to the budget, increasing to \$100,000 a year thereafter.

59. ARCHITECTURAL & ENGINEERING

Typical costs for a project of this type would be 6% of the total construction cost, or \$510,000. This might be a joint A&E project for both the Event Center and the hotel, which would lower costs and create a single project with shared parking, amenities and other shared services.

60. CONSTRUCTION COST

Development of the Special Event Center has been estimated at \$8.4 million. This would construct a 40,000 square foot event center (not an engineered steel building) and includes fixtures, furniture and equipment. The primary exhibit/conference space would include approximately 20,000 square feet with the balance used for offices, common areas, exhibit space, and storage. It will take approximately ten months to build the facility.

61. TOTAL BALANCE FORWARD

Once the Event Center has been developed and funding in place, a reserve fund will start to build. Plans call for a \$100,000 reserve fund balance – a “rainy day” fund of sorts to cover unforeseen costs.

62. REGATTA BEACH DEVELOPMENT

Next to the Event Center, Regatta Beach is the key to Oak Harbor’s revitalization efforts. It is your legacy project and the one that will make Oak Harbor a first-class destination for locals as well as for visitors. It is the community’s showpiece or crown jewel. It is a \$10 million project that should not be compromised to save money.

We have included in general fund expenditures the architectural and engineering of the park, relocation of the A-6 aircraft, and debt service for \$4 million of the total development cost.

The \$4 million would cover the primary event areas where grant funding would most likely not be available to help offset costs. Those projects would include:

- a) Lagoon and amphitheater (the centerpiece of the park)
- b) Scuttlebutt Park (the primary event staging area)
- c) Concession and vendor shops
- d) Celebration Gardens/Heritage Trail (\$540,000. The remaining \$300,000 could be grant eligible)

We do NOT recommend that only this part of the project be developed and the remaining developed as funding becomes available. Hundreds of thousands of dollars will be saved if the project can be developed at one time. Additionally, this initial list of projects does not include the creation of parking areas, the grand entrance, and enhancements at the other side of the park – where the Event Center and hotel might be located.

We need the city’s help in identifying possible funding solutions so the entire project can be funded.

63. RELOCATION OF THE A-6 AIRCRAFT

One of the priorities is to move the A-6 to another location. It is quickly deteriorating in its current location and has become more of an eyesore than an attraction. While we have not identified a home, we have budgeted \$10,000 to offset costs of moving it to a new location.

64. RELOCATION OF THREE BASEBALL FIELDS

We recommend that the three baseball diamonds be relocated to another area. We have included \$260,000 for their redevelopment, which should be sufficient to create nicer fields. This cost does not include land acquisition and we have not identified a home for them. It would be nice if the fields could be relocated near other fields, creating a sports complex that would attract sporting tournaments from around the Northwest to Oak Harbor.

65. ARCHITECTURAL AND ENGINEERING

The city should immediately begin the task of developing a Statement of Qualifications and Proposal for architectural and engineering for the development of Regatta Beach. This would include design of the new ball fields in the new location, and Regatta Beach design from Baywatch Street to the marina.

66 through 74. REGATTA BEACH DEVELOPMENT

These are the individual projects that make up the park’s development. These should only be considered “separate” in terms of possible grant or other funding sources. We do

not recommend phasing the project's development. The plan calls for construction in 2007 and 2008. 2005 will be the year for funding solutions, hiring of professional services for various projects. 2006 will largely be a planning year and construction bids/selection. Most of the development would take place in 2007 and 2008.

75. TROLLEY PURCHASES

Once Regatta Beach has been developed, the gap between the marina and RV park, or Freund Marsh will extend nearly two miles – too far for most foot traffic. One of the keys required to connect the elements will be providing convenient, free transportation from one end to the other. Using transit or school busses is not an option. The transportation link needs to be part of the overall experience.

We recommend that the city purchase two trolleys, and we have included \$70,000 in the budget for this. During the peak season the trolleys would run every 15 minutes from one end to the other, crossing paths at mid-point. The city should explore a relationship with Island Transit regarding the operation of the vehicles.

Grays Harbor Transit Authority uses a shuttle trolley in Ocean Shores during the summer months – a program that has been very successful and is part of the visiting experience.

We have not included a budget item for fuel or maintenance of the trolleys. Initial thoughts are that they would be operated by volunteer drivers during the peak seasons or during conferences to shuttle attendees from the Coachman Inn, Best Western, and other hotels located away from Regatta Beach. If this is not possible for insurance or other reasons a funding source will need to be identified for their operation.

76. SIGNAGE SYSTEM

Areas of Regatta Beach will have various names. The signage system includes wayfinding signage throughout the park, identification signage and banners for different areas of the park, and vendor signage. The system would run the entire length of the waterfront from the marina to Freund Marsh – but does not include downtown signage, which is part of another budget category.

Names selected for areas of Regatta Beach:

- a) **Regatta Beach** – the entire waterfront from the marina to Freund Marsh
- b) **Staysail RV Park** – the new RV park
- c) **Scuttlebutt Park** – the major event area where the RV park currently exists

- d) **The Heritage Trail** – this will be the historical walk from Baywatch Street, terminating at the windmill.
- e) **Celebration Gardens** – the Heritage Trail passes Celebration Gardens, which will be an area for wedding, special events, and when not in use, will showcase native fauna and flora of the region. It would be anchored by oak trees and interpretive signage.
- f) **Regatta Pier** – this is the pier project
- g) **Knockabout Park** – the family recreation area where the sewer treatment plant now exists. This would be a major attraction worthy, in itself, to be a major draw to Oak Harbor for families
- h) **Regatta Beach East** – the current Flintstone Park area
- i) **Trail of Honor** – the walk extending from Midway to the marina
- j) **Spinnaker Lagoon & Stage** – the lagoon and amphitheater area
- k) **Harborside Shops** – downtown shopping district

77. TOTAL EXPENDITURES (WITH FUNDING)

This line identifies projects where funding has been identified. To the right of the chart, there is a list of the projects and approximate costs of each.

78. 79. 80. REGATTA PIER

The pier is another crucial element to the overall plan and is the connection between Oak Harbor and the water. The pier plays a critical role in connecting the marina to downtown, and provides a staging area for tour boats, harbor shuttles, day moorage, a docking point for kayak and canoe rentals, etc.

We have included \$6.2 million for actual construction of the project plus another \$375,000 for engineering and design of the pier. We have not included funding solutions in the plan for the pier's development. One option, and this is only an option, would be to consider a public vote for a \$12 million bond issue that would build the pier (\$6.6 million) and Regatta Beach (the promenade, Trail of Honor, Heritage Trail, Knockabout Park - the family recreation area, and grand entrance/parking areas). These items might be more "voter friendly" than the lagoon, amphitheater, and Scuttlebutt Park event area.

81. FREUND MARSH

Because this is an environmental project, it will be the easiest to secure grant and foundation funding to develop. While we have not identified specific grant sources, we have included a list of agencies where funding is available. We have not included any funding from local sources for its

development.

Freund Marsh will be a terrific diversion for visitors, creating another activity that will encourage extended stays in Oak Harbor. Initial estimates include \$1.7 million for trails and interpretive signage throughout the marsh and an interpretive center.

82. INTERPRETIVE CENTER

We have included in the budget \$1.1 million for a first-class environmental interpretive and learning center. The interpretive center would include a 3,000 square foot exhibit area and theater as well as outdoor displays and deck area with seating for interpretive speakers and wildlife pens for rehabilitating wildlife.

83. TRAIL SYSTEM AND INTERPRETIVE SIGNAGE

Walking trails throughout the marsh will be a terrific attraction for visitors and will include nearly 40 interpretive displays that may include audio commentary on local flora and fauna, and the Northwest environment. We have included \$600,000 for enhancing the trail system, already started.

84. TOTAL BALANCE FORWARD

While we've included Freund Marsh in the plan and budget, we have not identified specific funding sources for its development. There are more than a dozen agencies and organizations, which provide funding for environmental enhancement and education. Freund Marsh could be phased over a number of years as is now taking place.

Another consideration is that once the interpretive center has been developed, it will require an operating subsidy – as all do. Perhaps the center can become a "home" for a state agency, at no charge, in exchange for operating the center. Interns can be brought in during the peak months to provide tours and talks to visitors and school classes.

85. RV PARK DEVELOPMENT

We recommend that the RV park be developed by a private-sector developer. We have included \$20,000 in the budget for professional assistance (if needed) for negotiation of a potential land swap or public/private partnership, to safeguard the income generated by the existing RV park. With a redeveloped Regatta Beach, which will require a substantial increase in ongoing maintenance, it will be important that the city not lose revenues currently generated by the existing RV park.

Regarding maintenance of Regatta Beach, there will be other revenue sources as well: vendor space rentals, vendor agreements, day moorage at the pier, event plaza area

rental, etc.

SUMMARY

With the future of NAS Whidbey in question, now is the time to diversify the economy of Oak Harbor. Tourism is the fastest growing industry in the state, currently generating \$11 billion in tourism spending a year. Additionally, Oak Harbor is being eyed as a home for the aging, but active baby boom generation and second homes are already being built throughout the island.

Oak Harbor's waterfront is the heart of the community and offers a setting unparalleled in the Northwest. Oak Harbor's potential as a thriving hub for both business and community is tremendous. This plan includes \$32 million in total projects – small compared to many other projects around the state. The McIntyre Hall theater in Mt. Vernon was developed at a cost of \$18 million. The Everett Special Event Center was a \$70 million project. Olympia is contemplating a Children's Museum at a cost of nearly \$30 million.

Implementation of this plan will encourage additional investment in Oak Harbor, and we've identified nearly \$40 million in new tax base that the city will see as a result of a revitalized waterfront and downtown.

While it's not easy to solve the funding puzzle, we've identified ways to fund all but \$6 million of the Regatta Beach project, and the downtown redevelopment effort.

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