

2 ECONOMIC DEVELOPMENT AND FISCAL SUSTAINABILITY

Fresno's economy plays a crucial role in the physical development of the Planning Area and the City's ability to support implementation of General Plan policies and programs. The City is committed to economic development and fiscal sustainability. In fact, the outcome of many other General Plan initiatives is tied to the city's economic success. More specifically, to further this commitment, this element focuses on improving the business climate, retaining local businesses, developing a high-skilled labor force, attracting new industries, supporting the tax base, and sustaining the City's ability to provide public services for current and future residents.

2.1 INTRODUCTION

Fresno has a substantial array of opportunities to act upon for long-term economic development and job creation potential. These include its strategic geographic location within the California market, world-class agriculture industry, urban water resources, and the ability to capitalize on renewable energy and energy efficiency opportunities, as well as further the initiatives that the Swearingin Administration has put into place. There are, however, a growing number of severe conditions and challenges that must be addressed and successfully overcome to realize Fresno's future economic potential and ensure fiscal sustainability over the long term. These opportunities and issues represent major themes for this element and will involve:

- Responding to the city's relatively low household income and high rates of poverty, and the related importance of education and workforce development for raising income and quality of life in the long term;
- Expanding the export oriented industry sectors that build on Fresno's inherent strengths, such as agricultural and food value industries, and the potential of leveraging key assets, such as the Downtown, California State University, Fresno, and similar institutions of higher education;
- Understanding the relationship between the City's fiscal health, capacity for action, and economic development policies in the General Plan; and
- Formulating appropriate economic development policies to support job creation for all Fresno residents.

This General Plan recognizes that solutions to current fiscal problems must be structural and long-term, as opposed to merely deferring costs or increasing debt. The policies in this element are intended to support the City's fiscal health and the long-term viability of employment, housing, education, civic and cultural programs in Fresno - all of which require the delivery of efficient and effective municipal services from the City of Fresno.



Entertainment and recreation facilities, such as Chukchansi Park pictured above, are some of the key assets that play an important role in improving the quality of life in Fresno and the economic vitality of the city. Photo: Don Davis

Relationship to City of Fresno General Plan Update Goals

The objectives and policies in this element support a wide range of General Plan goals. In particular, this element supports the following General Plan goals:¹

1. Increase opportunity, economic development, business, and job creation.

Use urban form, land use, and Development Code policies to streamline permit approval, promote local educational excellence and workforce relevance, significantly increase business development and expansion, retain and attract talented people, create jobs and sustained economic growth, strategically locate employment lands and facilities, and avoid the over-saturation of a single type of housing, retail or employment.

12. Resolve existing public infrastructure and service deficiencies, make full use of existing infrastructure, and invest in improvements to increase competitiveness and promote economic growth.

¹ The commentary in italics following certain goals is not part of the goal itself, but is instead advisory and informational language intended to further discussion, clarify the goal, and help guide the objectives of the General Plan.

Emphasize the fair and necessary costs of maintaining sustainable water, sewer, streets, and other public infrastructure and service systems in rates, fees, financing and public investments to implement the General Plan. Adequately address accumulated deferred maintenance, aging infrastructure, risks to service continuity, desired standards of service to meet quality-of-life goals, and required infrastructure to support growth, economic competitiveness and business development.

Key Economic Factors

The city and surrounding areas are expected to continue experiencing high rates of population growth over the planning horizon of this General Plan, although this growth is expected to be at half of the rate as that of the past 30 years. The overall county population, including that of the city, is projected to increase in age and become increasingly Hispanic or Latino in composition, trends that create new leadership opportunities and economic possibilities.

Fresno’s population has low rates of income in comparison to the rest of California. In fact, Fresno has a poverty rate twice as high as the State and 14 percent higher than Fresno County. Its extreme poverty (family income less than \$10,000) rate is more than double that of the State. In addition, the percentage of families receiving food stamps is significantly higher in the city than that of the state. Table 2-1 provides details.

Related, the city also has a relatively low level of education attainment, as shown in Table 2-2, with fewer than six percent of the labor force holding graduate or professional degrees, about half the statewide rate. The proportion of the labor force with bachelor’s degrees is about two-thirds that of the State average. In addition, one quarter of the city’s labor force never graduated from high school. This is 25 percent higher than the State percentage. These characteristics are reflected in Fresno’s low median household income and per capita income that are both 35 percent below the State average. These linked factors impact the City’s main revenues—sales tax and property tax—and directly affect economic development. To put it in actual dollars, per capita, city residents have \$9,910 less to spend yearly compared to their State counterparts, and \$995 less than Fresno County residents. Per family, the amount is \$23,172 less per year compared to their State counterpart.

TABLE 2-1: INCOME COMPARISONS			
Family/Per Capita Income	City of Fresno	Fresno County	California
Median Family Income	\$44,286	\$49,177	\$67,458
Families with Income Below Poverty Level	25.1%	22.0%	12.3%

Family Income Less than \$25,000	30.2%	26.4%	16.6%
Family Income Less than \$10,000	10.0%	8.4%	4.6%
Families with Food Stamp Benefits	21.2%	18.4%	8.3%
Per Capita Income	\$18,666	\$19,621	\$28,576

Source: U.S. Census 2010-12 American Community Survey

TABLE 2-2: EDUCATION LEVEL COMPARISONS

Education Level	City of Fresno	Fresno County	California
Less than 9 th Grade	14.3%	16.3%	10.3%
9 th to 12 th No Diploma	11.2%	10.7%	8.6%
No High School Diploma (Total)	25.5%	27.0%	18.9%
High School Diploma or Equivalent	23.6%	22.8%	20.8%
Bachelor's Degree	13.7%	13.0%	19.4%
Graduate or Professional Degree	5.7%	6.1%	11.1%

Source: U.S. Census 2010-12 American Community Survey.

Labor Force

Fresno's labor force as a percentage of the total population remained relatively steady over the past decade, then began slightly declining after the 2008 recession, indicating that many adults have been dropping out of the work force or are no longer searching for work. At the same time, the city has suffered job losses and watched its unemployment rate markedly increase, which has contributed to discouragement amongst the labor force. However, as of September 2014, the unemployment rate in the City has fallen to 8.9 percent.

A contributing factor to Fresno's declining labor force appears to be the mismatch between available jobs and the skills of the available labor force. The recent economic downturn has not had an equal effect on all sectors of the economy. In many cases, the sectors suffering the most losses are those that require low-skill labor—jobs that fit the educational attainment of many of Fresno's workers. A February 2011 article in the *Washington Post* reported that while Fresno's unemployment was then at 16.9 percent, “managers at the 7,000-employee Community Medical Centers say they cannot find enough qualified technicians, therapists, or even custodians willing and able to work with medical waste. The situation is much the same at Jain Irrigation, which cannot find all the workers it wants for \$15-an-hour jobs running expensive machinery that

spins out precision irrigation tubing at 600 feet a minute, 24 hours a day, 7 days a week.”²

One positive aspect of this trend is that the city is still adding jobs that pay living wages, are career-oriented positions, and require specialized skills or training. Ultimately, it is precisely these types of jobs that will buoy the city’s long-term economic base. At the same time, much of the current workforce is not equipped for these positions, pointing to the need for a significant and long-term focus on workforce training and education. Fresno Regional Workforce Investment Board, California State University, Fresno, Fresno Pacific University, State Center Community College District (SCCCD), West Hills Community College District (WHCCD), the local school districts, and the many private technical and educational institutions are among the region’s most important assets. Together, they are providing training beyond high school to almost 100,000 Fresno Area residents each year (See Table 2-3). The Fresno Area is the “education capital” of the Central San Joaquin Valley because of its education and training infrastructure. These institutions are doing a significant amount to address the region’s “skills gap” issue, but this must continue to be the area’s top economic development priority for the next decade or more.

TABLE 2-3: VALLEY HIGHER EDUCATION INSTITUTIONS

Institution	Number of Students
California State University, Fresno	21,728
Fresno Pacific University	2,649
State Center Community College District (SCCCD)	
Fresno City College	33,763
Reedley College	8,839
Willow International	8,155
Madera Center	4,118
Oakhurst	1,033
SCCCD Sub Total	55,908
West Hills Community District (WHCCD)	
Coalinga	3,830
Firebaugh	2,860
Lemoore	7,557
Lemoore/NAS	170
WHCCD Sub Total	14,417
Grand Total	94,702

Source: Fresno Works. *Expression of Interest for CAHSR, Heavy Maintenance Facility*. 15 January 2010.

² Fletcher, Michael. “Why does Fresno have thousands of job openings – and high unemployment?” *The Washington Post*. 2 February 2011.

Jobs and Employment

The growth potential for Fresno’s major employment sectors was an important economic factor used for programming land use and development under this General Plan. Table 2-4 shows employment projections by economic sector for the city as well as Fresno County.

The current and future health of the real estate market to support those sectors is important, as well as the fiscal impact of those uses on the City’s budgetary ability to maintain high levels of services and overall quality of life for residents. Generally, jobs in health and professional services, educational services, manufacturing (including water technology and food manufacturing), information technology, government, and finance are relatively high-income jobs that support a growing economy. In contrast, lower skill jobs in retail, wholesale trade, and hospitality services may also support the economy, but are characterized by much lower pay scales.

TABLE 2-4: ECONOMIC SECTOR COMPARISONS

Economic Sector	City of Fresno	Fresno County	Difference +/-
Agriculture	5.9%	10.7%	4.8
Construction	5.3%	5.7%	0.4
Manufacturing	6.8%	6.8%	0
Wholesale trade	3.7%	4.1%	0.4
Retail trade	12.0%	11.0%	-1.0
Transportation and warehousing	5.1%	5.1%	0
Information	1.5%	1.4%	-0.1
Finance and insurance	6.1%	5.1%	-1.0
Professional, scientific, and management	9.1%	8.4%	-0.7
Educational services, and health care	23.9%	22.7%	-1.2
Arts, entertainment, and food services	10.1%	8.4%	-1.7
Other services, except public administration	5.1%	4.8%	-0.3
Public Administration	5.6%	5.8%	0.2

Source: U.S. Census 2010-2012 American Community Survey.

Direct and indirect employment in production agriculture and finished food products remains the economic base of the San Joaquin Valley—the most productive food and beverage producing region in the country and a critical area for the nation and world’s food supply. Fresno County is at the heart of the Valley and still sees a significant number of its jobs in the agricultural sector—both in direct farming and in related food processing, storage, and shipping. Total farm employment in Fresno County in 2013 was 49,200 jobs.³ While employment in this industry is projected to decrease to approximately 11.7 percent of total jobs by 2020, because of its job multiplier effect, the

³ State of CA. Employment Development Department, Labor Market Information, Fresno County, 2013.

sector still retains its importance and is expected to remain an important driver of related industries moving forward.

A balance of jobs across all industry sectors throughout the county ensures that jobs are offered across the income spectrum and support all aspects of a healthy local economy. The strong industries identified above—government, healthcare, and others—provide a range of middle-class, living wage jobs. Table 2.5 shows a range of other industries that generally pay high salaries and provide opportunities for career advancement are Financial Activities (3.7 percent of jobs in 2010), Information (0.9 percent), Education Services and Healthcare (11.2 percent), Professional and Business Services (7.3 percent), and Manufacturing (6.6 percent). While this data is for the entire county and these sectors do not currently represent a very high percentage of total jobs, except for manufacturing and financial activities, all are projected to increase its share over the next decade. Since the large majority of the county's job base is located in the city, this is an encouraging statistic for the city. Fresno's challenge will be to continue to attract high-skilled workers—and to improve training of workers already here to be able to meet the demands of these jobs.

Fresno still must seek to diversify its economic base into other sectors to meet job creation goals, keep revenue local, and fully serve the population. One of the primary factors for doing this, and a critical contingency in expanding existing industries and developing new ones, is the education and skill level of the local workforce. The General Plan includes policies and implementation strategies that support expanding economic activity, but the quality and wage levels of the jobs will be related to the capacities and competencies of the workforce to meet the demands of business and industry.

TABLE 2-5: EMPLOYMENT PROJECTIONS BY TYPE, FRESNO COUNTY ¹			
Total	Annual Average Employment		Growth
	2010	2020	
Total Employment	364,200	423,100	58,900
Self-Employment	28,400	30,900	2,500
Unpaid Family & Private Household Workers	10,300	11,700	1,400
Total Farm	46,000	49,400	3,400
Total Nonfarm	279,500	331,100	51,600
Industry	Percent of Total Employment		% Change
	2010	2020	
Construction	3.3%	4.4%	1.1%
Manufacturing	6.6%	6.2%	-0.4%
Trade, Transportation, and Utilities	15.1%	15.5%	0.4%
Information	0.09%	0.09%	0%
Financial Activities	3.7%	3.5%	-0.2%
Professional and Business Services	7.3%	8.0%	0.7%
Education Services, Health Care, and Social Assistance	11.2%	12.0%	0.8%
Leisure and Hospitality	7.4%	7.9%	0.5%
Other Services	2.7%	2.7%	0.0%
Federal and State Government	5.8%	5.2%	-0.6%
Local Government	12.6%	11.9%	-0.7%
<i>Subtotal</i>	<i>76.7%</i>	<i>78.2%</i>	<i>1.5%</i>
Self-Employment, Family Workers, and Private Household	10.6%	10.1%	-0.5%
Total Farm	12.6%	11.7%	-0.9%
<i>Subtotal</i>	<i>23.3%</i>	<i>21.7%</i>	<i>1.6%</i>
Total	100.0%	100.0%	

1. Totals may not sum precisely due to rounding.

Source: California Employment Development Department, 2013.

Obstacles to Job Creation

The 2012 Fresno County Employment Study included input from 4,937 area employers within seven industry and two occupational clusters and documented numerous obstacles that employers identified as constraints to doing business, expanding business, and creating more jobs. Twenty-four percent of respondents cited “market conditions” as an impediment, including a tight banking climate, low sales, and customers’ difficulty in accessing financing. Labor availability and cost was identified by 18 percent of respondents, including lack of qualified workers for technical and high-skill positions, high turnover, job seekers’ poor skills and lack of training, lending support to some of

the trends described earlier surrounding the labor force. Regulatory constraints were identified by 11 percent of respondents, including issues such as the permitting process, regulations continuing to change with no efficient way to stay informed, difficulty attaining air quality and emissions standards, and licensing and certification requirements. Sixteen percent felt constrained by the cost of doing business, mentioning cost of compliance, and costs associated with taxes, workers' compensation, healthcare, utilities, and labor.

Opportunities for Action

This General Plan seeks to improve Fresno's overall economic competitiveness by supporting employment opportunities for residents and maintaining and improving community livability. Expanding, retaining, attracting and creating businesses is one of the greatest challenges facing the city today.

Providing for Professional, High-Paying Jobs

There is a connection between the education level of the work force and our ability to support the economy required for resilient land use and a healthy built environment. The lack of high-tech, professional, high-paying jobs is leading to the departure of educated people from the city. Young people often leave Fresno for higher education or career opportunities and do not come back. Recent efforts to stem this outflow and retain local talent have been successful, including the Creative Economy Council, Creative Fresno, FLYP (Fresno's Leading Young Professionals), Creative Fresno's Boomerang Project, and Bitwise, a private business incubator.

Traditional and Emerging Industries

Industries well-suited to Fresno's location and workforce include agricultural technologies, supply chain management, agricultural services (brokering and export), food innovation and processing facilities, water technology, and other precision manufacturers. A recent boost in medical industries is a trend worth supporting, as is the developing concentration of green industries in the region, such as solar, biofuels, recycling and other forms of alternative energy. Another bright spot are tech start-ups. Bitwise Industries opened in the summer of 2013, and as of 2014, its 8,000 square-foot building is filled with 24 small tech companies on its first floor, with 26 more on a waiting list. Their Geekwise Academy on the second floor has trained over 100 students in the basics of software coding and website development. From 2009 to 2014, the annual competition "59 Days of Code" provided an opportunity for Valley coders to access a world-class network of advisors to help with every aspect of business, to directly connect to seed and venture capital, and to show off the creative programmers located here in Fresno and the San Joaquin Valley.



The revitalization of Downtown Fresno is anticipated to boost the economic health and vitality of the city. Photo: Fresno Bee

Downtown Revitalization: A Positive Impact

Ongoing Downtown revitalization efforts have potential for a significant positive impact on the city's economy. A healthy and vibrant Downtown boosts the economic health and quality of life in a community. Specifically, it helps the city attract and retain "knowledge workers" who prefer a vibrant, urban center for their live/work/play spaces. A revitalized Downtown creates jobs, incubates small businesses, reduces sprawl, protects and improves property values, and increases the community's options for goods and services. In the case of Fresno, it will also increase the property values of currently vacant or underutilized land, thereby increasing tax revenues. In other vibrant cities, downtowns are a symbol of community pride and history.

As shown in Table 2-6, the magnitude of reinvestment in Downtown is projected to account for about 31 percent of the city's total office growth, 21 percent of total retail growth, and 14 percent of total housing unit growth within the 2035 planning horizon for the General Plan. This General Plan anticipates and supports the revitalization of Downtown by targeting infill development in Downtown and along the major corridors within the city. It is anticipated that a subsequent community plan, such as the proposed Downtown Neighborhoods Community Plan and the Fulton Corridor Specific Plan, may further refine and implement a strategic development and regulatory plan for Downtown to support this projected growth.

TABLE 2-6: LAND USES IN 2035 - PERCENTAGE OF FLOOR AREA IN DOWNTOWN AND THE BROADER PLANNING AREA

Development Type	Downtown	Planning Area Outside Downtown
Office	31 %	69 %
Retail	21 %	79 %
Residential	14 %	86 %

Source: City of Fresno.

Role of the City

Overall, Fresno possesses a number of assets that make it attractive to business and industry. These include its central location on the West Coast and access to major transportation corridors; airports; affordability; good neighborhoods; and training and educational opportunities that occur at institutions such as California State University, Fresno. The key to capitalizing on these assets is to market them effectively.

Looking ahead, the City needs to continue to take an active role in supporting local businesses and expanding and attracting both traditional and emerging industries. Cities throughout the Western U.S. are competing for employers. So, Fresno needs to be aggressive in marketing itself and be accommodating to businesses, with development permitting processes that are easy to navigate, streamlined, predictable, and priced competitively with other comparative cities. One way to support expanding industry in Fresno is to identify and reserve large areas of land with state route and railroad access for industrial development and provide infrastructure to these areas: water, sewer, roads, and Information Technology (IT) capability, including fiber connectivity.

Priorities set in the General Plan include creating new, large employment areas targeted for development, as shown on Figure LU-1: Land Use Diagram. There are an estimated 3,625 acres of vacant land in six clusters within the planning area, out of a total of approximately 5,000 acres of vacant industrial and business park designated land, which are being assessed as to the cost of major street and utility infrastructure improvements. Existing industrial areas also need to be cleaned-up; in some cases, physical and technology infrastructure need to be improved and landscaped so there is better “curb appeal” and productivity capabilities. This will help attract research and development and other professional industries.

Defining an Economic Development Strategy

A coordinated economic strategy is essential to support the City’s economic development objectives. Such a strategy includes initiatives targeted to specific economic sectors of the local economy, a managed program of fiscal development,

strategic public improvements, and a balanced approach to land use, consistent with the goals, objectives and policies of the Plan.

In 2010 and again in November 2013, Mayor Swearingin outlined the City’s economic development plan to the City Council. The plan notes the difference between “primary” and “secondary” industries in the Fresno region. Primary industries are defined as those that export products and services outside the local economy and, as a result, have the highest job multiplier effect and best economic impact on the city. Secondary industries are defined as “people serving” industries (e.g. residential development, retail, etc.) that generate a level of economic activity, but do not tend to drive the major improvements needed in the local economy, such as lowering unemployment or improving wage levels.

The City’s economic development plan recognizes that different strategies are needed to support differing types of industry segments, whether they are “exporting” or “people serving.” Table 2-7 provides a useful description of targeted, export-oriented businesses, which are the primary focus of the City’s economic development plan.

TABLE 2-7: SCREENING CRITERIA FOR TARGETED INDUSTRIES	
Economic Characteristics	Business Firm Characteristics
Above average wages	High value added; may include training for workers
Employs local residents	Labor-intensive
Basic sector or primary engine of growth ¹	Purchases local goods and services
Labor or service driven	Requires minimal public investment
Large investment per employee ²	

1. Basic sector and primary growth businesses typically generate secondary uses and are export oriented. They cater to the region, rather than just the local market. For example, a company manufacturing automobiles would require suppliers and distributors (thus generating secondary businesses), while a car dealership is local serving and generates few (if any) secondary uses. Earnings generated are forwarded outside the region.

2. Businesses with larger local investment tend to be more permanent.

Source: Dyett & Bhatia, 2014.

The components of the City’s economic development plan include:

- **Strategies to Support the Expansion of “Export Oriented” (Primary) Industries**
 - *Preparation of Industrial Land and Infrastructure.* Activities include prioritizing industrial land in the General Plan; ensuring the City’s water, wastewater and transportation capital improvement plans are aligned with servicing targeted industrial parts of the city; and supporting the private development of industrial parks, particularly with a focus on providing on-site, affordable, clean and renewable energy to the park locations. Financing for infrastructure

will need to be secured, and major public infrastructure improvements can be made to achieve “shovel ready” sites that will attract desired and targeted industry and business park uses.

- *Industrial Business Expansion and Retention.* This is the “bread and butter” of a solid economic development program for any City. The City of Fresno has lacked regular communication with its major industrial businesses and, as a result, has missed opportunities to support the expansion of our existing industrial businesses. The City has now begun a communications program to make contact with industrial firms in the city to let them know of incentives that exist to expand their operations in Fresno. This effort was initiated on a pilot basis in March 2013 and has already yielded several expansion opportunities. If the City does nothing else in terms of economic development, this outreach to our existing industrial businesses must continue. It will most certainly reap opportunities for business expansion and job creation.
- *Incentives.* Incentives for industrial expansion are difficult to come by in the State of California. However, the City of Fresno collaborated with Pacific Gas & Electric to establish a very powerful incentive in the Enhanced Economic Development Rate approved by the California Public Utilities Commission in early 2014. The incentive can be used to support business expansion, retention, and location. In addition, the City of Fresno has adopted an impact fee waiver for industrial development within city limits, which provides another tool to incentivize business expansion. Lastly, the State of California announced in April 2014 the *New Employment Credit* (NEC), which is a hiring credit for businesses in California communities with the highest rates of unemployment and poverty. Fresno was selected as one of the five Pilot Areas for this tax credit.
- *Integrating the “Food Value Chain.”* Following the example of several agricultural communities elsewhere in the state, the City will be taking its industry targeting one step further to capitalize on its strategic edge in agricultural-related employment. The idea is to more closely integrate businesses involved in food production, processing, storage, distribution, and marketing by working with current and potential employers to identify shared needs and resources. This will help support the expansion of Fresno’s existing food “cluster” and the attraction of new businesses.
- *Business Trade Show.* An early initiative to further enhance Fresno’s food related industry is the launch of a trade show to support local food producers and manufacturers. Known as the Fresno Food Expo, the trade show attracts hundreds of buyers from retail, wholesale, and industrial markets all over the United States and several international locations. Now in its fourth year, the Fresno Food Expo has grown each year and provides area businesses the opportunities to pitch their products to some of the biggest food buyers in the

- world. As the Fresno Area food manufacturers are successful in growing their businesses and expanding their customer bases, the City of Fresno benefits from the additional jobs those businesses will create.
- *Export Commission.* The City's economic development plan also calls for the creation of an "export commission," which would be tasked with helping local businesses gain access to export markets they are not currently serving. This initiative is in development and will rely on involvement from the business community and local economic development organizations to be successful.
 - *Investing in Human Capital: Workforce Development and Adult Education.* The City's economic development plan recognizes the critical importance of workforce development and adult education to support economic development. The City works with the Adult Education Task Force, the Fresno Housing Authority, the Fresno Regional Workforce Investment Board, the Fresno County Economic Opportunities Commission, area school districts and community colleges, and local universities on a number of initiatives, including Learn2Earn to promote the expansion of adult education and job training.
 - *Efficient and Effective Development Processes.* The City of Fresno has a direct role in how efficiently and effectively development applications are processed in the City. While a number of agencies and utilities are involved in approving and processing development within the city limits, the City of Fresno is the lead agency on the process and, as a result, can either add value to industrial and other types of development with its application process, or create road blocks that hinder job creation. Ensuring an efficient and effective development process is a key strategy for supporting the expansion of both "export oriented" industries, as well as "people serving" industries. The Business Friendly Fresno (BFF) initiative is aimed at providing high quality customer service for development applications. Business Friendly Fresno was initiated in October 2013 with the first major report from the work delivered to the City Council in summer 2014. While there is much work to be done to ensure the successful implementation of the BFF work, significant changes are under way.

- **Strategies to Support the "People Serving" (Secondary) Industries**

Several of the strategies listed above as being a support to exporters actually also benefit "people serving" businesses and industries in Fresno, namely Workforce Development and Adult Education and establishing Efficient and Effective Development Processes. In addition, the City's economic development plan includes the following strategies that are specifically focused on supporting retail and real estate-related industries.

- *Development Code Changes.* In conjunction with the General Plan update in 2014, the City has conducted a comprehensive review of its development code. In that process, several opportunities to streamline CUP processes for retail establishments have been identified.
- *Buy Local Initiative: Small, Local, and/or Owned by Historically Underrepresented Groups.* The City's economic development plan includes a focus on supporting small and local businesses as well as those that are owned by historically underrepresented groups, including women and people of color. Planned efforts include providing City Hall procurement briefings to ensure these entities know about opportunities to bid on City projects. The City also offers an excellent certification program for small businesses and businesses owned by women and minorities in accordance with the United States Department of Transportation Disadvantaged Business Enterprise Program. Lastly, the City has committed to tracking progress on diversifying its supply chain and reporting those efforts to the public.
- *Infill & Revitalization.* A major focus of the City's economic development plan includes supporting and incentivizing investment in parts of the city that have experienced significant decline and neglect over the last 50 years. This is an important aspect of the City's economic development plan, not just because of the importance of improving sales and property tax revenues in distressed parts of the city, but because attracting and retaining the human capital needed to compete in a knowledge-based economy depends on the creation of an attractive, urban environment. Local work by the Creative Economy Council and Creative Fresno, along with national and international publications, all point to the trend of young, creative professionals and "empty nest" professionals (the fastest growing segments of the population with discretionary income), desiring walkable, mixed-use urban neighborhoods.

The General Plan objectives and policies are a tool the City uses to implement this part of its economic development plan. The City recognizes that much work has to be done in order to see investment flow back into the established neighborhoods south of Herndon Avenue, along the Bus Rapid Transit (BRT) corridors, and in Downtown. There are clearly major barriers to investment in these parts of the city; if there weren't, then there would already be investment dollars flowing to these neighborhoods. The changes recommended in the Fulton Corridor Specific Plan, Downtown Neighborhoods Community Plan, General Plan Update, Downtown Development Code, and Development Code are intended to line up the City's policies and zoning code to create a better environment for investing in older parts of the city. Furthermore, the incentives described in this plan and in the Implementation chapter are designed to help change the investment environment in infill and revitalization parts of our city.

In addition to the above, the City of Fresno's economic development work needs to include expanded efforts in the following areas:

- **Marketing.** Marketing is more than just a mere promotion of place. Marketing can define Fresno's image and increase its visibility to potential investors and the world at large, stressing opportunities for innovation. The City will work to create a stronger web presence and make more information available online (since this is the most economical way of marketing), in addition to the marketing efforts listed under ED-3-b, *Commentary*.
- **Improving quality of life to attract and retain professionals to live in Fresno.** The City will work in partnership with Creative Fresno, FLYP, the arts community, and other business and professional groups to create programs to attract and retain professional class workers to Fresno. This can be accomplished through measures such as ensuring there are enough housing and neighborhood choices for both mid-career and young professionals and their families, partnering with local schools to improve school quality, and ensuring there are enough retail, entertainment, and recreation facilities that cater to families. Additionally, as indicated above, creating land use opportunities for higher intensity development types will attract young professionals (the "creative class") who are more attracted to active urban environments than single family neighborhoods.
- **Developing a strategy for the City's own real property assets.** One of the City's firmest investments is in its own land. Using City-owned property for "catalyst projects" will be a key tool for enabling physical development of a desired type and spurring further development in the surrounding area. The City's economic development strategy will strive to include taking stock of, evaluating the potential of, and planning for its own real estate assets.
- **Working regionally.** The current operating environment for cities is increasingly being impacted by the need to create cooperative processes and solutions to problems region-wide. Because cities do not exist by themselves but always in close proximity to others, many issues are best approached with a "think globally, plan regionally, act locally" mindset. This is especially true for issues that require cooperation with other jurisdictions in the greater metropolitan area, such as traffic flow, unemployment, crime prevention, and air quality. Good practices include keeping communication lines open with peer cities, surrounding and adjacent counties, non-profits and other agencies, as well as participating in regional economic alliances to ensure that the city's needs and interests are adequately represented.

Fiscal Sustainability

The Great Recession wreaked havoc on our nation and its communities over the last five years. The City of Fresno was particularly hard hit as the foreclosure crisis

impacted more families in Central California cities than other cities in the state. The Great Recession revealed long-term, structural imbalance in the City's General Fund, as well as the lack of a cash reserve. As a result of lessons learned from the Great Recession, ensuring fiscal sustainability over the long term is imperative. The City cannot repeat the mistakes of the past. Despite extensive and painful cuts, the most recent five-year projections demonstrate the continuing need for fiscal prudence, including incorporating long-term objectives and policies for fiscal sustainability in the General Plan. Those objectives and policies include: (1) restoring the City's overall financial health; (2) achieving financial targets; (3) ensuring that new development pays its way; and (4) matching ongoing expenditures to ongoing revenues and identifying options to build an adequate reserve. This discussion provides a context and describes the concepts and benefits of fiscal sustainability. The specific Economic Development policies are found in Section 2.2.

Background

The City is at an important juncture in its efforts to control costs and maintain essential public services. Given the effects of the recent economic recession, the long-term structural imbalance of the City's General Fund, and increasing expenses, it is increasingly difficult for the City to deliver services that are critical to the health, safety, and well-being of Fresno residents: police protection; fire protection; street and traffic system maintenance; and maintenance and operation of parks.

In fact, the largest General Fund costs are associated with employee salaries, fringe benefits (including health benefit costs), and pension and other post-employment benefit costs. Eighty percent of the General Fund is dedicated to covering personnel expenses. Currently, essential City services are at a minimum level, and further reductions could have an adverse impact on the overall health and safety of residents. Less-essential City programs have been eliminated or severely curtailed, including parks maintenance and operations that come out of the City's General Fund. Many of these changes are likely for the foreseeable future. Similarly, Fresno's aging utility infrastructure has suffered from deferred maintenance. Utility rates had not been kept current to help cover costs.

The City has sought opportunities to increase revenues, including adoption of Commercial Solid Waste and Commercial Recycling franchises, an increase in the PG&E gas service franchise fee, increased building permit fees, and an aggressive Business License Tax audit program. Local revenues have been weak the past five years and are expected to rebound gradually, while longer-term prospects are stronger, based on the fiscal impact analysis and financial modeling done for the City.

With this in mind, in order for the City to achieve and support long-term fiscal sustainability, the following steps could be included in implementing Objective ED-5: Achieve Fiscal Sustainability and its associated implementing policies:

- **Improve the City's Credit Rating.** The most current five-year projections indicate the City is on track to address its structural imbalance and pay off remaining internal loans. If the City continues down the path outlined in the five-year projections, by 2019, the City will have paid off internal loans, begun to restore public safety services, and have a minimum cash reserve.

The recent poor financial health of the City has resulted in significant downgrades in the City's bond rating by all major bond rating agencies. Good credit ratings ensure access to debt markets at competitive rates and improve the City's ability to do lease-purchase acquisition of police and fire vehicle replacements and safety equipment. Restoring the City's financial health will depend on the City's ability to achieve positive fund balances in its accounts, have a long-term operating balance in the General Fund, and rebuild emergency cash reserves to levels appropriate for a City with a budget the size of Fresno's. The Reserve Management Act adopted by the City Council in 2011 provides the policy framework needed to ensure that reserves are at appropriate levels and that our credit rating improves. This would include maintaining appropriate financial reserves in Enterprise Funds to provide necessary bond debt coverage ratios and emergency reserves for these essential utilities.

- **Achieve Long-Term Fiscal Sustainability.** In March 2012, the City Council adopted the Fiscal Sustainability Policy, which provided a path for the City to achieve financial health. Future City Councils and Administrations need to remain committed to implementation of the Fiscal Sustainability Policy in order to address the underlying, structural drivers of the City's financial problems. In addition, the City should remain committed to the following: 1) proactive management, 2) eliminating developer subsidies for infrastructure (primarily transportation infrastructure funded through the local sales tax transportation program which has historically paid for roads to growth areas), and 3) reducing public service and maintenance costs in growth areas.

In sum, the objectives and policies in this element provide a viable framework for fiscal sustainability by restructuring operations to match expenditures to available revenues and restoring General Fund reserve fund balances. The City exists to provide core services to the public. In 2014, there are very few remaining service level cuts possible without the possibility of serious effects on public health, welfare, and safety. For this reason, the General Plan's policies for fiscal sustainability are a priority.

Link between Land Use and Fiscal Condition of the City

The fiscal analysis conducted by Economic & Planning Systems demonstrates the link between land use characteristics and the economic and fiscal well-being of the City. Land use and public policy priorities in the General Plan have broad implications for Fresno's economic and fiscal well-being. As such, land use and physical development decision-making needs to be understood within this broader context of interdependence with many different and related outcomes and impacts. While this has always been true, it is particularly important in these times of economic stress and volatility in California. In the face of such challenges, the major question is whether future land use planning will continue historical expansionist patterns or whether a focus on distinct urban boundaries, infill development, and revitalization of existing urban areas is adopted.

Specifically, if this General Plan succeeds in improving Fresno's quality of life by supporting strong public safety, other municipal services, good schools, an efficient transportation system, improved air quality, diverse housing opportunities, and attractive recreational and commercial amenities, it will attract and retain residents and employers who might otherwise choose other locations in the San Joaquin Valley or beyond. An improving employment base can, in turn, create a positive feedback loop by boosting property values and household incomes, and improving economic and social conditions. Achieving these quality of life factors will also boost the City's tax base and enable further investment in the type of public services and infrastructure needed to maintain economic growth and quality of life.

Of course, the City's economic and fiscal health are also affected by a variety of factors outside of its control, including the national business cycle, State and federal budget decisions, business climate, international trade, and the performance of key local industries. Thus, a key challenge during recessionary periods is to guard against a negative economic and fiscal spiral triggered by declining tax revenues and further exacerbated by disinvestment in critical public services and infrastructure that in turn reduces quality of life and ultimately the loss of valuable jobs and employed residents.

As part of General Plan implementation, the City should continually treat its land use, economic, and fiscal performance as fundamental and integrally linked components that over the long run will rise and/or fall together. The City, through the General Plan, will be able to approach, analyze, and evaluate contingent and related items holistically, rather than as distinct or independent items. For example, an over-emphasis on creating additional capacity for revenue generating land uses, such as "big-box" retail, will not necessarily improve the City's long-term fiscal health if household incomes do not support growth in consumer demand or if new store sales "cannibalize" existing retail areas. Likewise, overly permissive land use or development standards may result

in an urban landscape that is unappealing, one-dimensional, discontinuous, or neglectful of established neighborhoods.

In this context, the focus of this General Plan is on improving Fresno’s quality of life and related social and economic fabric through interrelated land use strategies, even if immediate budget constraints make the desired investments and municipal service standards difficult in the short-term. In the long-run, Fresno cannot win the economic and fiscal interplay by “competing for the bottom” (being a low-cost provider) or expecting a “silver bullet.” A balanced and integrated approach to planning future land use and investing in municipal services and facilities that improves quality of life for existing and future residents is the best way to ensure viable growth and the City’s economic and fiscal well-being.

2.2 OBJECTIVES AND POLICIES

OBJECTIVE

- ED-1** Support economic development by maintaining a strong working relationship with the business community and improving the business climate for current and future businesses.

IMPLEMENTING POLICIES

- ED-1-a** **Economic Development Strategy.** Ensure the City of Fresno has appropriate resources in place to implement its economic development strategy and work in close coordination with other public agencies, private entities, the nonprofit-sector, and multicultural communities to coordinate of economic development efforts on a region-wide basis.
- ED-1-b** **Monitor Trends.** Conduct bi-annual monitoring of economic trends in the economic base to identify emerging industries, new market opportunities, and the performance and mix of businesses in the city to allow the City to be proactive and adjust to market changes.
- ED-1-c** **Buy Local.** Promote, educate, and market the benefits of a “Buy Local” campaign. Explore a “Buy Local” requirement for Public Works and other City purchasing decisions.
- ED-1-d** **Strategic Land Regulation.** Explore increasing the amount of land properly zoned, consistent with the General Plan, and ready to be expeditiously developed, redeveloped, and/or revitalized for economic

development and job creation purposes. Establish a priority infill development program for sites and districts.

ED-1-e **Ready-to-Go Sites.** Establish a list of “ready-to-go” or “shovel-ready” sites in consultation with property owners, and provide the list to interested developers and businesses seeking sites in the city.

ED-1-f **Economic Base Profile.** Maintain a detailed description of the economic base of the city and metropolitan statistical area which identifies businesses by type of firm, number of employees, total payroll, and location, and make this database available to all interested parties for an appropriate fee that covers cost of preparation and maintenance.

ED-1-g **Economic Development Communication Plan.** Ensure the City of Fresno develops and executes a strategic communications plan for economic development that targets the city’s existing businesses for expansion, as well as businesses with the potential to open new facilities in Fresno. The plan should include the development of all tools needed to most effectively support economic development and positively brand the Fresno Region.

ED-1-h **Regional Coordination.** Work with regional economic development organizations and surrounding cities on job creation programs of mutual interest.

ED-1-i **Economic Progress Report.** Submit an economic development progress report to the City Council, as part of the annual General Plan Report.

ED-1-j **Permit Streamlining and Incentives.** Continue implementation of the BFF initiative endorsed by the City Council, including needed technology upgrades. Monitor the BFF initiative and make modifications as needed. Monitor effectiveness of the impact fee waiver for industrial development, Enhanced Economic Development Rate, and other incentives and advocate for their extension if proven to be successful. Continue to identify any additional incentives for projects that are consistent with City plans and policies; that encourage increased business development, business expansion, utilization of existing vacant industrial and commercial buildings; and that increase job creation.

OBJECTIVE

- ED-2** Support local business start-ups and encourage innovation by improving access to resources and capital and help overcome obstacles hampering economic development.

IMPLEMENTING POLICIES

- ED-2-a** **Technical and Financial Support.** Support efforts that provide technical and financial assistance for start-up businesses.

Commentary: There are a number of entities in the Fresno Region that provide support to early stage businesses, including the Central Valley Business Incubator, the Water Energy Technology Center, the Fresno Area Hispanic Chamber of Commerce's Downtown Business Hub, the Lyles Center for Innovation and Entrepreneurship, the Small Business Development Center, the University Business Center, and the Fresno County Economic Opportunities Commission. In addition, Bitwise is a private business incubator in Downtown Fresno that provides space for early stage technology businesses.

- ED-2-b** **Revolving Loan Program and Other Partnerships for Initial Capital.** Seek private sector or grant support for existing revolving loan programs and other types of micro-lending and start-up capital for Fresno-based businesses needing temporary financial assistance.

OBJECTIVE

- ED-3** Attract and recruit businesses and offer incentives for economic development.

IMPLEMENTING POLICIES

- ED-3-a** **Business Expansion and Attraction Program.** Create, adopt, and implement programs to expand existing businesses and attract new businesses.

Commentary: This program will focus on desirable businesses and industries, which are those that:

- Possess a high growth potential, such as food- and medical-related businesses, water and renewable resource technologies, regional and local-serving retail, hotel and conference facilities;
- Generate net fiscal benefits to the City through increased tax revenues;

- *Provide a range of jobs that match the local workforce and provide opportunities for skill training;*
- *Create higher-paying and/or higher-quality jobs for local residents;*
- *Complement or augment existing goods and services in Fresno;*
- *Create less than significant impacts on the environment; and*
- *Don't require public investment beyond infrastructure and public safety services already available through the City of Fresno.*

ED-3-b

Marketing to Desired Businesses and Industries. Expand the City's marketing efforts, focusing on desired industries and businesses.

Commentary: Actions may include, but are not limited to:

- *Regularly contact existing City of Fresno industrial businesses and seek their input on how the City can support their expansion;*
- *Advertise in industry publications;*
- *Publicize local business success stories; and*
- *Prepare, update, and publish marketing materials, including an inventory of assets that Fresno offers, such as available development sites (and buildings), incentives, streamlined processing, affordable cost of living, quality of life, proximity to quality educational institutions and medical facilities, ease of access to communities throughout the Central Valley, and its multiethnic community.*

ED-3-c

Targeted Incentives Program. Create a list of incentives as part of a package to approach targeted industries and businesses about relocating to Fresno.

Commentary: As part of this program:

- *Identify quantifiable benchmarks to monitor and measure the progress of these incentives;*
- *Create a monitoring program to track the progress of the incentives, and*
- *Adjust and fine-tune the incentives as necessary to ensure they deliver the desired benefits to the city.*

ED-3-d

Strategic Catalysts. Undertake strategic initiatives to attract new retail and commercial development in key locations:

- Promote catalyst projects at key locations to stimulate private investment and revitalize existing neighborhoods in need of such projects;
- Encourage quality retail and restaurant uses to locate near existing successes and in neighborhoods deficient in such uses; and
- Build on synergies that could occur between complementary businesses.

Commentary: Initially the catalyst projects are likely to be in the Downtown, the Fulton Corridor and the Mixed-Use Centers shown on the Land Use Diagram (Figure LU-1). This will help spur infill development and investment in Downtown, the surrounding established neighborhoods, and along future BRT corridors, which is one of the goals of the General Plan.

ED-3-e

Competitive Utility Costs. Strive to achieve and maintain price structures in Fresno for electricity, fuels, water, wastewater treatment and drainage that are competitive with other regions. Promote the Enhanced Economic Development Rate.

ED-3-f

Strategic Infrastructure. Strive to provide necessary major street infrastructure and utility capacities for properly zoned land, consistent with the General Plan, so this land can be efficiently and effectively developed in a timely manner. Ensure the City’s public works, public utilities, and transit capital improvement plans are aligned to support the economic development objectives in the General Plan.

Commentary: This is particularly important for fostering reuse of infill sites in areas where infrastructure and utilities are deficient.

OBJECTIVE

ED-4

Cultivate a skilled, educated, and well-trained workforce by increasing educational attainment and the relevant job skill levels in order to appeal to local and non-local businesses.

IMPLEMENTING POLICIES

ED-4-a

Industry-Education Partnerships. Facilitate partnerships between area businesses and training and education partners. Support the continuation of the Fresno Regional Workforce Investment Board’s bi-annual employment study to provide accurate information to the training community about job trends. Support expansion of Career

Technical Education in area schools. Promote adult education for residents who require basic education and training.

ED-4-b **Connect Residents to Jobs.** Pilot a “Jobs in Your Neighborhood” initiative to ensure residents are aware of job opportunities in their immediate neighborhood.

ED-4-c **Job Training Program Incentives.** Strive to create a program to provide incentives for local businesses to offer internship, mentoring, and apprenticeship programs to high school and college students in partnership with California State University, Fresno and other educational institutions and major employers.

ED-4-d **Employment Development Conference.** Participate in an employment development conference every two years to discuss employment training needs, collaboration opportunities, internship and apprenticeship opportunities, job and labor trends, and the educational performance of local schools, to come up with a list actions and strategies.

ED-4-e **Access to Education and Training.** Improve access to education and skills training by locating housing and employment opportunities near academic and vocational training facilities and programs.

ED-4-f **Private-Public Partnerships.** Support the use of private-public partnerships that bring together academic programs and employers through internships, mentoring, and outreach initiatives.

OBJECTIVE

ED-5 Achieve fiscal sustainability.

Commentary: Fiscal sustainability will occur when (1) core services are funded, (2) all fund balances are positive, and (3) emergency and maintenance reserves have attained at least minimally acceptable levels. To attain this objective, the City should periodically prepare and implement mid-term actions that achieve fiscal sustainability to support this General Plan. These will complement the normal budget process and may include specific actions needed for identified problems. Chapter 12, Implementation includes details on the strategies that the City anticipates will be established in support of fiscal sustainability.

IMPLEMENTING POLICIES

ED-5-a Standards and Service Districts. Establish levels of service and development standards for necessary public infrastructure to be built and maintained with funding through capital improvement and maintenance districts.

Commentary: These districts would be established to promote economic development in specific areas of the city, consistent with the Land Use Diagram of the General Plan (Figure LU-1).

ED-5-b Fair and Proportional Payments. Require new residential and commercial development that requires annexation to the City to pay its fair and proportional share of needed community improvements through impact fees, assessment districts, and other mechanisms. Approve new residential and commercial development projects that require annexation to the City only after making findings that all of the following conditions are met:

- No City revenue will be used to replace or provide developer funding that has or would have been committed to any mitigation project;
- The development project will fully fund public facilities and infrastructure as necessary to mitigate any impacts arising from the new development;
- The development project will pay for public facilities and infrastructure improvements in proportion to the development's neighborhood and citywide impacts; and
- The development will fully fund ongoing public facility and infrastructure maintenance and public service costs.

ED-5-c Properly Set Fees for Fee-Based Services. Ensure City services are being delivered as efficiently as possible. Eliminate duplicative efforts and streamline the development review process. Then, adopt fee structures that cover full City costs for fee-based services (e.g. staffing, legal services, noticing, and others). Identify services for which fees will be adopted and the percentage of such service costs that should be covered by the fee.

Commentary: The City provides a variety of services that are established on the assumption that they will be paid for in total or in part by user fees. State and local policy dictate that such fees not exceed the fully allocated costs of these services.

ED-5-d **Periodic Fee Studies.** Periodically conduct comprehensive fee studies to determine whether development impact fees fully account for the recovery of costs, consistent with applicable law.

Commentary: In the future, when the cost of providing services exceeds fee revenue, the City should identify such shortfalls through a comprehensive fee study. When it is not possible to reduce operating costs proportionately, the City should seek fee adjustments to avoid further subsidies. In cases where the City wishes to incentivize fee-based services, such as for infill development in established neighborhoods, the City should lower infrastructure requirements or identify other options for cost recovery.

ED-5-e **Fiscal Impact Analyses.** Require fiscal impact analyses for development proposals requiring a General Plan amendment or annexation to assess citywide impacts and to identify any burden such projects might create for the City, any school districts, special districts, and other public agencies within the City's Sphere of Influence.

Commentary: When preparing such measures for implementation, the City should explore the feasibility of a two-tiered system, in which larger projects must provide greater fiscal analysis than smaller projects.

ED-5-f **Fiscal Management.** Continue to implement responsible financial management practices.

Commentary: The City has adopted legislative polices for fiscal management including: Fiscal Sustainability Policy, Debt Management Act, Labor-Management Act, and Reserve Management Act. Collectively they provide for fiscal discipline and public transparency. When coupled with other General Plan policies, they create a framework for responsible fiscal management

ED-5-g **Budget for Maintenance.** Balance ongoing operating costs, paying off internal debt, and building reserves with the need to plan and pay for regular, basic maintenance and replacement of equipment and property.

ED-5-h **Fund Shortage Notification.** Pursuant to the Fiscal Sustainability Policy, continue to provide decision-makers timely notification of cash insufficiency and actions needed to ensure fiscal sustainability.

Commentary: The City Manager should continue to provide the Mayor and Council prompt written notification of the Manager's determination that a major government or enterprise fund is likely to have insufficient cash to cover its legal or budgetary obligations at year end.

ED-5-i

Explore the use of CFDs to Offset Costs. Explore opportunities for establishing Community Facility Districts as an ongoing revenue source for maintenance and operations of various City facilities and services.

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