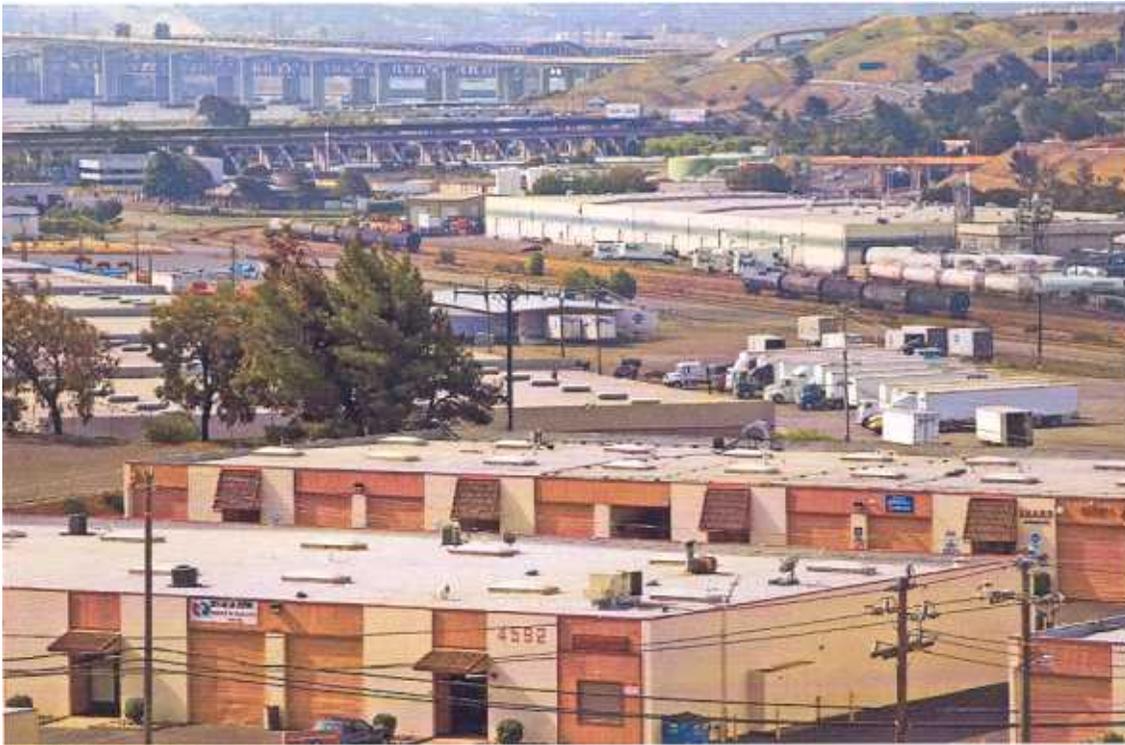


# ECONOMIC DEVELOPMENT STRATEGY

## CITY OF BENICIA, CALIFORNIA



September 2007



# **ECONOMIC DEVELOPMENT STRATEGY**

## **CITY OF BENICIA, CALIFORNIA**

### **City Council**

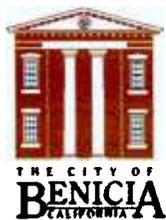
**Mayor Steve Messina**  
**Vice Mayor Alan Schwartzman**  
**Councilmember Mark Hughes**  
**Councilmember Elizabeth Patterson**  
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### **City Staff**

**City Manager Jim Erickson**  
**Economic Development Manager Amalia Lorentz**  
**Administrative Secretary Teri Davena**



## Introduction: Welcome to Benicia

From its beginning as a ranching land grant to a military compound to waterfront tanneries and canneries to a factory town to a suburban hamlet – Benicia’s economic identity has evolved since its founding over 150 years ago, and will certainly continue to change. This Strategy provides direction for the form of the changes. Today’s seven million square foot industrial park hosts a number of corporate headquarters, while the charming downtown offers boutiques, salons, and dining where rough-and-tumble saloons once stood.

This "split personality" is reconciled in a town with career opportunities across a wide spectrum of salaries and fields, and a built-in customer base for downtown. It’s also a town with a preponderance of middle-income and high-income households, very low crime by Bay Area standards, and a strong affinity for the “small town” lifestyle, with big parades, festivals, and neighborly greetings in the street. This fortunate situation allows the City to focus on economic development efforts for businesses, rather than struggle with quality of life issues that inhibit business growth, like panhandling, homelessness, and vandalism.

Focusing our vision on business growth also makes for an economic development challenge in terms of meeting the needs of all the existing as well as prospective businesses. The fine-grained fabric downtown bears little resemblance to the corporate park atmosphere on the other side of the freeway. The type of support locally-owned small businesses need and the programs they are eligible for are different than the issues facing big corporations - recognizing that with Benicia's largest employer, Valero Refining, topping out at around 500 employees, our biggest businesses are not faceless conglomerates.

Regardless of size of the business, this 2007 *Economic Development Strategy's* ten-year goals apply to all: **retention** and **expansion** of our existing business, and **attraction** of new ones. The City will not rest on the laurels of its recent achievements - like tax-sharing agreements to retain two of the top sales-tax generating companies in town, or a fee deferral agreement to attract a new hotel to the east side - but rather, use them as a spur to build more businesses and further diversify the economic opportunities. Citywide programs already underway supporting these goals include outreach to all businesses via an economic development letter in the annual business license renewals, electronic newsletter, and funding the Solano College Small Business Development Center’s presentation of bimonthly trainings in Benicia for business owners.

Until now, Benicia’s official Economic Development Strategy (“Strategy”) dated from 1994-95. Cities use economic development strategies for a variety of purposes which can include building relationships with the business community, focusing staff activities, providing guidance during budgeting times, and giving more detailed analysis than that contained in the General Plan’s required economic development element. While the old Strategy appropriately responded to economic concerns of the time, it did not address economic development issues that have come to the forefront for Benicia in the 21st century, such as tourism, Internet access and speed, and business improvement districts.

This Introduction reviews the demographic background of the community and establishes the baseline data from which its priorities were created.

## Community Demographics

Census 2000 data shows that Benicia (population 26,865 in 2000, since increased to 27,916 in 2007 as estimated by the State Department of Finance) is above average for both income and education, relative to both the County and the State. The median household income (in 1999 dollars) was \$67,617 in Benicia, compared to Fairfield's \$51,151, Vallejo's \$50,030, and the State's \$47,493. The recent Downtown Mixed Use Master Plan estimated that the median household income jumped to \$78,794 in 2006. Benicia residents are highly educated – 37% of adults had a bachelor's degree or higher, compared to 20% in Fairfield, 21% in Vallejo, 27% in California, and 24% nationally.

Census 2000 data showed that white-collar professions (management, office, sales, etc.) are predominant among the 14,139 employed residents. There were 4080 people who lived and worked in Benicia. The unemployment rate was a low 2.6%.

In 2006, the Benicia labor force had grown to 17,100 with an unemployment rate of 3%, according to the State of California's Employment Development Department. This still compares positively to the 2006 statewide unemployment rate of 4.9%, and the Fairfield-Vallejo area (including Benicia) rate of 4.8%.

In 2006, there were 1,640 licensed business entities in Benicia, collectively reporting 7,887 jobs on their City business licenses. That excludes government employees, insurance agents, banks, religious organizations, and any other entity exempt from the business license tax. Data from the 2004 County Business Patterns reports a total of 11,908 employees citywide, highlighting the difficulty in correctly estimating the total number of jobs in town, depending on the data source, time of year of survey, and other variables.

The fact that the Census 2000 data indicated less than 30% of employed Benicians are employed in Benicia suggests a labor market imbalance. Data from 2003 suggests that this imbalance is not inherent to the existing economic mix of businesses in Benicia. There were a high number of technical/sales/financial companies here, as well as a smaller number of manufacturing and construction businesses. (The data in the following chart does not reflect jobs in the public sector or businesses with zero employees.) Better connecting employment growth to the type of jobs likely to be held by Benicians will enhance individual opportunities, but also help ameliorate the environmental impact of commuting.

|                                 |      |
|---------------------------------|------|
| Management/professional/related | 6455 |
| Service                         | 1785 |
| Sales/office                    | 3677 |
| Construction/maintenance        | 1005 |
| Manufacturing/transportation    | 1175 |
| Farming/forestry                |      |
| <b>Total employed residents</b> |      |

*source: Census 2000*

| <i>Business Category</i>     | <i>Number of Businesses</i> | <i>1-4 employees</i> | <i>5-9</i> | <i>10-19</i> | <i>20-49</i> | <i>50-99</i> | <i>100-249</i> | <i>250-499</i> | <i>500 +</i> |
|------------------------------|-----------------------------|----------------------|------------|--------------|--------------|--------------|----------------|----------------|--------------|
| Farming/forestry             | 1                           | 1                    | 0          | 0            | 0            | 0            | 0              | 0              | 0            |
| Construction                 | 104                         | 54                   | 21         | 8            | 7            | 8            | 4              | 2              | 0            |
| Manufacturing/transportation | 121                         | 32                   | 26         | 26           | 20           | 10           | 6              | 1              | 0            |

| <i>Business Category</i>                       | <i>Number of Businesses</i> | <i>1-4 employees</i> | <i>5-9</i> | <i>10-19</i> | <i>20-49</i> | <i>50-99</i> | <i>100-249</i> | <i>250-499</i> | <i>500 +</i> |
|--|-----------------------------|----------------------|------------|--------------|--------------|--------------|----------------|----------------|--------------|
| Sales/office (not incl. real estate sales)     | 222                         | 98                   | 50         | 40           | 18           | 10           | 4              | 1              | 1            |
| Professional/scientific /financial/real estate | 199                         | 134                  | 37         | 21           | 4            | 1            | 2              | 0              | 0            |
| Services                                       | 232                         | 126                  | 39         | 46           | 18           | 2            | 1              | 0              | 0            |
| Unclassified                                   | 2                           | 2                    | 0          | 0            | 0            | 0            | 0              | 0              | 0            |
| <b>Total Businesses</b>                        | <b>881</b>                  | <b>447</b>           | <b>173</b> | <b>141</b>   | <b>67</b>    | <b>31</b>    | <b>17</b>      | <b>4</b>       | <b>1</b>     |

source: *County Business Patterns, 2003*

**Sales tax:** Sales tax revenue is a primary measure of economic vitality, and a benchmark statewide. The City receives \$1 for every \$100 in taxable sales. The citywide total for 2006 was \$5,351,476, which was a 210% increase over 2002, just four years earlier. The total sales tax grew each successive year by 9-41%. The annual per capita sales tax in 2006 was about \$200.

Property tax revenues are not discussed in any detail throughout this Strategy because recent years have shown that the real estate market's swings are not directly correlated to economic development activity. New capital investment is taken as a desirable effect of economic development efforts, but doesn't in itself necessarily mean more jobs or a stronger business sector.

**Where to Go?**

On paper, it looks like Benicia - with an urban limit line precluding expansion beyond the existing City limits without voter approval - has relatively high amounts of developable property. There is two-thirds more commercial land vacant and one-third more industrial land vacant than what is currently developed. However, the industrial opportunities consist mainly of large properties with development challenges, and the commercial opportunities are mainly in the downtown (mostly small infill parcels, notably the two-acre City owned gravel parking area on East E Street at East 2nd Street) and the historic Arsenal area, which has current and former proposals for new residential rather than commercial on the largest vacant parcels on Jefferson Ridge and Grant Street.

**Vacant and Developed Land:** The City's Community Development Department completed a Municipal Services Review in 2005. The study found 511 acres of vacant commercial/industrial property (including the Discovery Builders site, estimated as 311 developable

| <b>Non-Residentially Zoned Available and Developed Acreage</b> |            |
|--|------------|
| Downtown/Office Commercial                                     | 11         |
| General Commercial   | 44         |
| Commercial subtotal  | 55         |
| <i>(includes City-owned E Street lot)</i>                      |            |
| Limited Industrial   | 367        |
| General Industrial   | 89         |
| Industrial subtotal  | 456        |
| <i>(includes both Yuba and Pine Lake)</i>                      |            |
| Available Land Total:  | 511 acres  |
| Developed Land Total:  | 1299 acres |
| Commercial:  | 86 acres   |
| Industrial:  | 1213 acres |

acres) that could be developed. This does not include land designated as permanent open space, public facilities, or environmentally-constrained land like wetlands.

Clearly the Benicia Business Park (BBP) project with over 300 acres in the entitlement process in summer 2007 represents the bulk of the opportunity for new development. Over the lifespan of this Strategy, the older buildings in the industrial area outside the BBP will be redeveloped, but those will be over time at unpredictable intervals, while the BBP comprises a quarter of the inventory in one project, albeit phased. Unequivocally stating the community's economic goals for the industrial area will be even more important to do before BBP construction starts.

### **Current Policy Framework: General Plan**

A number of General Plan Goals (fully enumerated in Appendix A) directly and indirectly address economic development, including:

- the value of the "small town" identity (2.1);
- development fees (2.4);
- sustainable new development (2.5);
- balanced business mix (2.6);
- high-wage jobs (2.7);
- sensitivity to the Port's needs (2.8, 2.9, 2.10);
- balanced land use mix in the lower Arsenal (2.11);
- strengthening downtown (2.12) while supporting other commercial centers (2.13);
- good access to the industrial park (2.24);
- maintaining historic character (3.1); and
- promote special events and the arts (3.5, 3.6).

All these values established by the General Plan represent the parameters of our economic development initiatives, and no changes to any of them are proposed as part of the Strategy.

### **Moving Forward**

Now we move from the overall background of the community's economics and the general goals of business attraction, retention, and expansion, to their specific application in priority areas. At its September 2006 meeting, the EDB came to consensus on the following priority items for the new Strategy:

- Increasing tourism;
- Supporting and maintaining downtown as the community's core;
- Increasing research and development (R&D) and campus-style office uses in the Benicia Industrial Park (BIP), through zoning changes, incentives, or other means.

The next two sections are grouped by priorities: tourism and downtown together, and BIP expansion of R&D/office campus as a stand-alone priority. In reality of course, growing companies in the BIP only helps downtown because it brings in new customers, and a thriving downtown impresses prospective BIP company owners. We are one community, and the success of one must be the success of all.

## I. Tourism and Downtown

Downtown is the key to understanding Benicia's character and community values. First Street between the water and Military, and one block east and west, is the dining and strolling epicenter, the gathering spot for community events, and the home to the State Capitol Historic Park. Its eleven blocks of interesting architecture, charming boutiques, and historic flavor give downtown a special place in the heart of the community. Changes to downtown are not to be lightly proposed, but staying the same will not attract more tourists and residents to spend more time and money downtown. The recommendations for the downtown and tourism priorities keep that in mind.

**Develop a tourism plan for the community, starting with a tourism brand, which will drive future marketing programs and partnerships with the City and private sector.**

Tourism is widely acknowledged as both a significant economic influence for downtown retailers now, and as a big opportunity for the City in the future, for the downtown, the waterfront open spaces, and the Arsenal areas in particular. Capitalizing on that opportunity will take more financial and human resources than the community has devoted to the issue in the past.

Benicia needs a "lure" (or brand) for tourism, as a first step in a tourism plan that would encompass signage, marketing, events, etc. Before embarking on any of those implementation pieces - as desperately needed as new signage is - the brand has to be developed and adopted. If not, the tourism effort will continue to suffer from uncoordinated marketing and advertising, and little to no leverage of the City's tourism funding.

### What is Tourism?

Tourism is generally defined as movement of people outside of their normal dwelling or working environment. It carries the implication that the visitors intend to have a pleasurable, leisure-oriented experience. Thus, the primary tourist market in this discussion is not residents, employees of local companies, or people visiting town for work. **Tourists are people who visit Benicia with the express purpose of enjoying themselves.** They are pre-disposed to have a good time!

The recommended way to pursue branding is to hire a marketing professional, most likely through a Request for Proposals (RFP) process. The funding for this (estimated to be in the \$50,000 range) was approved as part of the 2007-09 Economic Development budget, and the RFP was issued in July 2007. The scope of work will start with a public process with the many local tourism stakeholders, to develop a brand that is meaningful for the community. The public process in and of itself will be invaluable in building cooperation among the tourist attractions, merchants, non-profits, and the City.

The professional experience of the consultant will be invaluable in determining the market potential (who the target audience is and what messages appeal to them) of the brand's implementation. The benefits should include an enhanced sense of community and a tool to increase tourism revenues. Once the brand is in place, a consistent tourism plan across channels can be developed.

Tourism, while a focus of many downtown stakeholders, is not limited in scope to the downtown. The historic Arsenal and many miles of waterfront are other potential tourism mines. The Arsenal, physically removed from downtown, will particularly benefit from a comprehensive tourism plan that taps into its historic assets.

**Encourage first-floor retail uses on First Street.**

Downtown Benicia's retail strength is its restaurants, collectively accounting for 54% of the sales tax gathered in the downtown in 2006, followed by specialty stores (including gifts, arts, antiques, apparel, and sporting goods) at 18% of the total and home improvement and furnishings, at 15%. Preserving and growing retail downtown is the reason for encouraging more ground-floor retail uses fronting First Street.

Currently, office uses are allowed in the Downtown Commercial (CD) district that encompasses most of First Street, and will be allowed with some restrictions in the forthcoming Downtown Mixed Use Master Plan (DMUMP), anticipated to be adopted in late summer 2007. Some merchants feel that ground-floor offices detract from the character of the shopping district. Many communities have grappled with this issue and the EDB discussed it many times, most recently weighing in that incentives rather than penalties or outright exclusions were the better route. Another approach would require landlords to hold a vacant space that was suitable for retail open for retail for a reasonable amount of time, giving prospective retail tenants a little extra time to find the space. A use permit process would be the vehicle for that.

**Fund Business Improvement District (BID) start-up costs if requested by a ratepayers' committee.**

BIDs are assessment districts voluntarily formed by the payees. The prospective assessees vote on the district by a mail-in vote tabulated by the City Clerk; if the vote is passed, the City Council is asked to approve the district. If authorized, funds are collected by the City and passed through to the BID, which has its own board and budget.

The BID board's budget determines the amount of the total assessment, and characteristics like location and use can also affect the individual assessment amount. For example, a retail business in the "central zone" might pay more per square foot than an office in the "outer zone", however the BID board defines those areas. BIDs fund "above and beyond" improvements or activities like security, advertising, sidewalk cleaning, events, parking, planters, etc.

Case studies indicate that successful BIDs start

**BID Alphabet Soup**

The different types of BIDs are:

- B(Business)BID - *assesses businesses*
- P(Property)BID - *assesses businesses and property owners*
- T(Tourism)BID - *assesses tourist-serving businesses*
- CBD (Community Benefits District) - *assesses commercial and residential property owners*

The trend seems to be away from BBIDs and toward PBIDs downtown, because PBIDs generate more funds and are authorized to last longer. With the increasing amounts of for-sale infill housing being built in downtowns, the number of CBDs nationally is expected to rise.

with a core group of business owners and property owners who plan an improvement program for an area, estimate a budget to implement those improvements, and then build support for the program throughout the district. City staff is usually involved throughout the process to ensure the BID's legal and financial feasibility. Some BID committees request government financial support at an early stage to fund consultant services and legal work to shape the BID.

The City of Benicia should consider funding the start-up costs to create a BID downtown – or elsewhere in town, like the Arsenal or Industrial Park - when a steering committee of assesses develops a proposal to initiate one. City staff should also be made available, if possible, to support the steering committee's work, ensuring a successful public-private partnership to keep downtown visitor-friendly.

### **Invest in capital improvements downtown.**

Continued investment in capital improvements downtown has been an ongoing EDB priority. This means completing the recommendations in the City's own *Downtown Streetscape Plan* (1990), as well as undertaking additional capital projects that will stimulate new private investment and bolster the existing business district, as detailed in the EDB's 2007-09 Strategic Plan priorities. Those projects are (in order of importance as determined by the EDB):

- First Street tourism-oriented beautification - plaza and more benches on street, nighttime accent lighting on trees and/or street poles, hanging flower baskets, wayfinding signage, information kiosk, etc.
- First Street circulation and parking improvements - bulbouts at crosswalks, crosswalk improvements (special paving, lighting, etc.), implement angled parking (or painted Ts), use trolley for special events.
- Develop E Street lot as mixed-use residential over commercial building with public parking component.
- News rack ordinance leading to standardized racks.

The beautification improvements in particular are examples of the types of projects that a BID might contribute funding to for downtown's benefit.

### **Downtown and Tourism Benchmarks**

**Sales tax:** There can be no question that downtown Benicia (First Street from the water north to Military, and one block east and west) is growing economically. The sales tax received from Downtown was \$204,981 in 2006, which was 4% of the Citywide total. Downtown sales tax was up from \$199,516 in 2005, reflecting an increase in sales of more than a half-million dollars from 2005 to 2006, attributable to a combination of new merchants and growing merchant strength. The area has filled in to the point where only three vacant lots on First Street itself remain, and one of which will be under construction with a mixed-use development imminently.

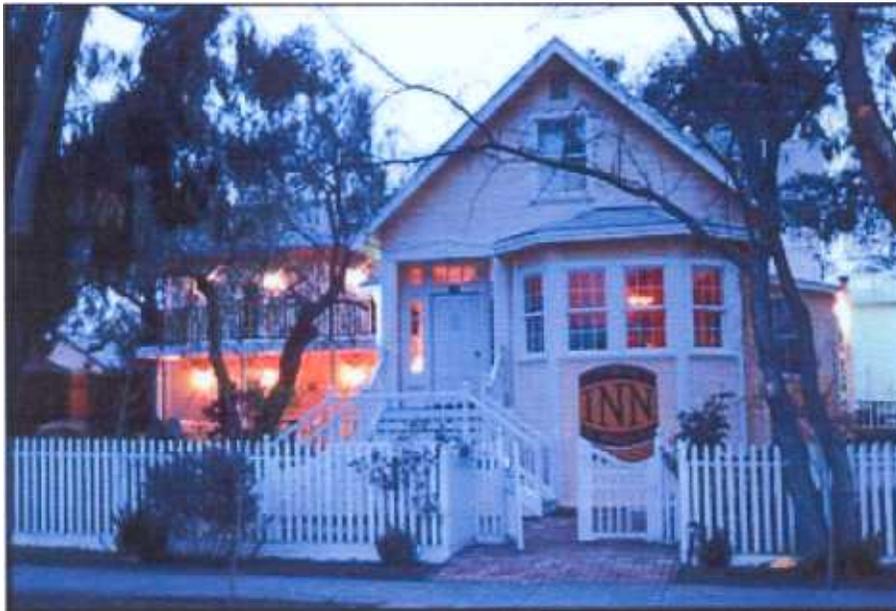
**Jobs:** The 265 licensed downtown businesses together provided 477 jobs in 2006. As of late 2006, about 70% of ground-floor frontage downtown was in retail (including restaurant) use, with about 30% as office or other non-retail use. This is an increase for retail from 2002, when

the breakdown was estimated at 66% retail and 34% non-retail. However, future changes in the split will be a reflection of the overall commercial market, since there is no absolute requirement in the forthcoming DMUMP or recommendation for such in this *Strategy*.

**Rental rates:** The asking rate for commercial leases, offering a snapshot of the market, is another reflection of downtown's economic strength. In April 2007, retail-suitable vacancies were advertised at \$1.80 to \$2.50 per square foot per month, while office vacancies downtown are asking around \$2 per square foot per month. That figure approaches the asking rents for office in downtown Walnut Creek (\$2.68) and Bishop Ranch in San Ramon (\$2.35), according to real estate brokerage Cornish & Carey's *Fourth Quarter 2006 Market Summary*. This compares to an average asking rent of \$3.00 for new retail vacancies in the Southampton Center, and \$1.15-1.50 per square foot for office in the industrial area. These relatively high asking prices indicate property owner confidence in downtown.

**Hotel tax:** The Transient Occupancy Tax (TOT) of 9% collected by the City in 2005-06 was \$200,011, up from \$188,231 in 2004-05 and \$196,519 in 2003-04. Benicia's hotel market is comprised of more business than leisure travelers, so the TOT receipts are "depressed" by the number of long-term stays at any of the three hotels in the City (stays over 30 days are exempt from TOT payment). Room rates, of course, also influence the receipts. With a fourth hotel of about 35 rooms under construction now, the TOT revenue will rise starting in 2008. The City of Fairfield, as a comparison, generated \$1,459,800 in TOT in 2005-06, at a TOT rate of 10%.

**Economic impact:** The State of California provides County-level economic impact data for the travel industry. Dean Runyan Associates' *California Travel Impacts by County 2005* report shows that Solano County captured \$530,800,000 in visitor spending, resulting in \$6.3 million in local (city and county) tax revenue and supporting 6,840 jobs.



*The Inn at Benicia Bay in Downtown Benicia*

## **II. Increase research and development and campus-style office uses in the Benicia Industrial Park.**

The Benicia Industrial Park (BIP) is in many ways the economic engine in Benicia, as well as a significant employment center in Solano County. Benicia's industrial area is second only to Fairfield's in square footage in the county. Although the BIP is referred to as if it were one entity, in fact it is a business park with many property owners, developed over many years, and housing a variety of industrial and office uses, from biotech sales to construction yards to manufacturing lines. Anchored by the Valero refinery and its supplier companies, the BIP has diversified beyond petroleum into pipe organs, nutraceuticals, and motocross accessories.

The policy recommendations in this section are intended to ease the BIP area into the future without damaging the base. We know that in the future, the addition of the Benicia Business Park acreage will add about 25% more property to the developed BIP, which otherwise has only a couple infill sites remaining. Many factors go into companies' site selection process, such as proximity to workforce, customers, and suppliers, business costs, quality of life (crime, schools, weather), and infrastructure needs (transportation and technology). Each of these will be ranked differently by different companies, and no single community can meet all the criteria for all companies. The recommendations in this section aim at strengthening Benicia's position within the context of a competitive site selection process that offers partial opportunities to influence the outcome.

**Update Zoning Code to encourage clean energy, high-tech, research and development (R&D) uses in industrial districts, and/or create new overlay for certain technology uses without discouraging existing businesses.**

The existing Zoning Code divides the BIP mainly into Limited (IL) and General (IG) industrial districts, with smaller areas designated as Water-related Industrial (IW) and Industrial Park (IP). Research and development (the Zoning Code definition of which is not detailed) is allowed in all industrial districts except IW. Software design, medical device testing, green energy system designs, and other technology-related uses could fall into a number of categories, including "office", depending on the specifics. Stand-alone office uses are not allowed in any industrial district except IP (which is a very small corner of the BIP covering Bio-Rad).

Better defining the uses the community would like to encourage, and clarifying in which districts they are allowed, is a process through the Community Development Department that will assist in attracting those businesses. As staff and the EDB have frequently heard from brokers, adding certainty to the development process is good.

A great example of that is in one of our Solano County neighbors. The City of Dixon recently defined and added "bioscience" to its Zoning Code as allowed in light industrial districts to help bring in those uses to the community. Result: A Genentech research and development campus. The zoning was not necessarily the deciding factor, but according to Dixon City staff, it gave Dixon an advantage because it minimized the company's entitlement time and costs.

**Work with Benicia Industrial Park Association (BIPA) to conduct technology needs assessment for present and future Industrial Park users; implement its recommendations.**

Mixed reports come in from the BIP about the quality and availability of Internet access. Some businesses seem fine with their current service, but since our goal is to attract more technology companies, access will only become more important. The technology standard is ever-evolving: WiMax is now replacing WiFi as a broadband delivery vehicle, for example.

This is a situation that calls for an expert assessment of the present and future technology needs in the BIP, and recommendations for what the City should do to implement its findings. BIPA, a group of business representatives, property owners, and industrial brokers and developers, should be integrally involved in this study, with members offered the opportunity to contribute to it and define its parameters.

**Revise fee deferral program to target high-wage job growth; consider sales tax rebates and other financial incentives only for high-wage paying companies.**

Situations where incentives would make a genuine difference, or when the subject even comes up in discussion, are rare. The reasons relate to the larger issues around economic development in California.

Like most cities, Benicia is too limited in its resources to mount an effective national attraction campaign on our own. Staff does some outreach for smaller retail and restaurant users, but most attraction leads for industrial or large commercial uses come through the region and state. The State of California and the Solano Economic Development Corporation (EDC) work together to field business inquiries from out of state, generally receiving a request and then putting out information on behalf of the inquiring business/broker. The EDC is also proactive about attraction, attending trade shows to represent the region and targeting industries for marketing. These efforts turn into leads that Benicia can and does respond to when the City meets the specified conditions. Frequently cited conditions are proximity to four-year universities and major airports; depending on how these are worded and what distance is desired, Benicia may not meet those criteria. The EDC is working to further target its recruitment work, which may result in more business leads particularly suited to Solano County.

The State of California offers one financial incentive to California companies - employment training reimbursements. If the training and the company meet certain criteria, the State Employment Training Panel (ETP) may approve a grant. Four Benicia companies have taken advantage of these funds in the past 10 years.

Both the State and the City are involved in authorizing Industrial Development Bonds (IDBs), tax-exempt private activity bonds. The City (or another agency) acts as the Industrial Development Authority and approves the issuance, then forwards it to the State for approval. One company in Benicia, still located here, has done an IDB. When interest rates are low, this is a less attractive form of financing because of the additional processing time.

The City's existing fee deferral program guidelines need updating. The program is theoretically open to all businesses willing to work with staff and go to the Council to request it, even those that don't offer employment opportunities targeted to residents, or that don't significantly increase the City's fiscal base. The current main criterion is creating 10 new jobs that pay at least \$10 per hour. The program should be revised to target only those companies encouraged to locate here (high-tech, clean energy, etc.) that offer high-wage jobs. These are more likely to be held by Benicians, who are relatively well-educated, thus helping to reduce environmental impacts of residents commuting out of town to work, and employees commuting into town for their jobs.

The same criteria should be used when considering case-by-case sales tax rebates and other reimbursement/forgiveness incentives. While Benicia has seldom if ever offered cash-equivalent incentives to companies (land or rent write-downs, relocation costs, etc.), allocating funds to incentives could be considered; similar benefit criteria should be applied to the companies in the transaction. Up-front incentives are not uncommon, especially in other states and within California among cities and counties with redevelopment agencies.

### Industrial Area Benchmarks

**Sales tax:** The sales tax received from the BIP was \$3.8 million in 2006, equal to 71% of the citywide total. That was up from \$3.1 million in 2005, meaning that gross sales generated by BIP companies grew by over seventy million dollars from 2005 to 2006. Some of this is attributable to the Valero refinery's improvement program (Benicia receives sales tax on some components of the various projects), and some is because of the increased performance by almost all of the major sales tax generators in the BIP.

**Jobs:** The 452 licensed businesses in the BIP collectively reported 6,336 jobs in 2006. The biggest private employers citywide are all located in the BIP.

**Rental rates:** The asking rate for industrial leases, offering a snapshot of the market, is another measurement of the BIP's economic strength. In April 2007, warehouse vacancies were advertised at \$.33 to \$.75 per square foot per month, with manufacturing/flex space asking around \$.52-.80 per square foot per month. The few office-only listings in the BIP were in the \$1.15-1.50 range, whereas office rents in the newer business parks in Fairfield were asking \$1.75, indicating the BIP's office options are seen as undesirable, most likely because of their age.

By comparison, office rates elsewhere in Benicia were in the \$2 range. Over the lifespan of this *Strategy*, the rental rates for office and warehouse/manufacturing/flex space will be affected by outside influences - namely, the larger Bay Area industrial market, and the influx of space at the Benicia Business Park coming on-line over a 20-year phased period.

#### Benicia's Top 10 Private Employers 2006

1. Valero Refining Company (538 employees)
2. Bio-Rad (181)
3. Dunlop Manufacturing (164)
4. Coca-Cola Bottling (145)
5. Pepsi Bottling (138)
6. Radiator Express (130)
7. Philip Services (120)
8. Cytosport (119)
9. Central Coast Wine/Henry Wine Group (104)
10. Benicia Fabrication and Machine (102)

### **III. Conclusion**

These policies are intended to create a better tax base and more revenue diversification for the City as well as supporting our businesses. One way of looking at the role of economic development is that it is supposed to make the pie bigger, rather than slice it up differently. To that end, the future could hold a number of actions not necessarily enumerated in detail in this Strategy, but consistent with its overall intent to "grow the pie".

Movement toward new or enhanced revenues - such as increasing the transient occupancy tax or creating a redevelopment project area to collect tax increment in the Arsenal/Yuba areas - are examples of next steps that may become feasible. Increased revenue would provide more support for economic development efforts as described in this plan. An increase in TOT, for example, is a natural funding support for tourism efforts, while exploring the establishment of a redevelopment area in the Arsenal/Yuba could address that area's unique infrastructure, historic, and economic needs.

Meanwhile, this plan depends on support from and partnership with organizations like the Chamber of Commerce, Benicia Main Street, arts providers, historical and cultural associations, and others, most of whom have existing relationships with the City to do their good works.

The City Council's adoption of this Strategy will provide policy direction to City employees and a clear message to prospective businesses about our community priorities and economic development interests. Regular monitoring of benchmarks like number of jobs and the tax revenues will provide opportunities for adjustments in focus for staff and the EDB, beefing up in some areas and scaling back in others. The excitement in local economic development comes in delivering programs that closely respond to business needs, and with this Strategy, our goal is to do just that.

## **Appendix A: Benicia General Plan Goals Guiding the Economic Development Strategy**

### **GOAL 2.1: Preserve Benicia as a small-sized city.**

“Small-sized city” refers to Benicia’s open and uncluttered space, safe neighborhoods and streets, pedestrian-friendly streets, the “Main Street” character of First Street, open vistas of hills and water, historic sites and buildings, strong sense of community and civic pride, good schools, well developed community facilities including parks and a library, low-crime, small town atmosphere, and numerous community-wide celebrations, cultural events, and family-oriented activities.

### **GOAL 2.4: Ensure that development pays its own way.**

State law allows cities to assess fees to ensure that development pays for itself; however the law also requires a nexus between fees imposed on developers and the public improvements funded by those fees.

### **GOAL 2.5: Facilitate and encourage new uses and development which provide substantial and sustainable fiscal and economic benefits to the City and the community while maintaining health, safety, and quality of life.**

Sustainable development maintains or enhances economic opportunity and community well-being while protecting and restoring the natural environment upon which people and economies depend. Sustainable development meets the needs of the present without compromising the ability of future generations to meet their own needs. This goal is the heart of the entire General Plan. It is a citywide expression of urban development policy. Nearly every policy and program in the General Plan, in some manner, serves to implement this goal.

### **GOAL 2.6: Attract and retain a balance of different kinds of industrial uses to Benicia.**

### **GOAL 2.7: Attract and retain industrial facilities that provide fiscal and economic benefits to—and meet the present and future needs of—Benicia.**

### **GOAL 2.8: Maintain the viability of the Port now and in the future to benefit the City of Benicia.**

### **GOAL 2.9: Ensure adequate land for port activity.**

### **GOAL 2.10: Provide for carefully-defined visual and physical public access where security and safety considerations permit.**

This goal is not intended to conflict with other goals and policies encouraging port viability and industrial growth.

### **GOAL 2.11: Encourage the retention and continued evolution of the lower Arsenal into a historic/cultural/commercial/industrial center of mutually compatible uses.**

The “lower Arsenal” is south of I-780, between the freeway and the water-related industrial lands.

**GOAL 2.12: Strengthen the Downtown as the City's central commercial zone.**

**GOAL 2.13: Support the economic viability of existing commercial centers.**

**GOAL 2.24: Continue to provide safe and direct access to the Industrial Park.**

**GOAL 3.1: Maintain and enhance Benicia's historic character.**

**GOAL 3.5: Promote events with wide community attraction.**

**GOAL 3.6: Support and promote the arts as a major element in Benicia's community identity.**