

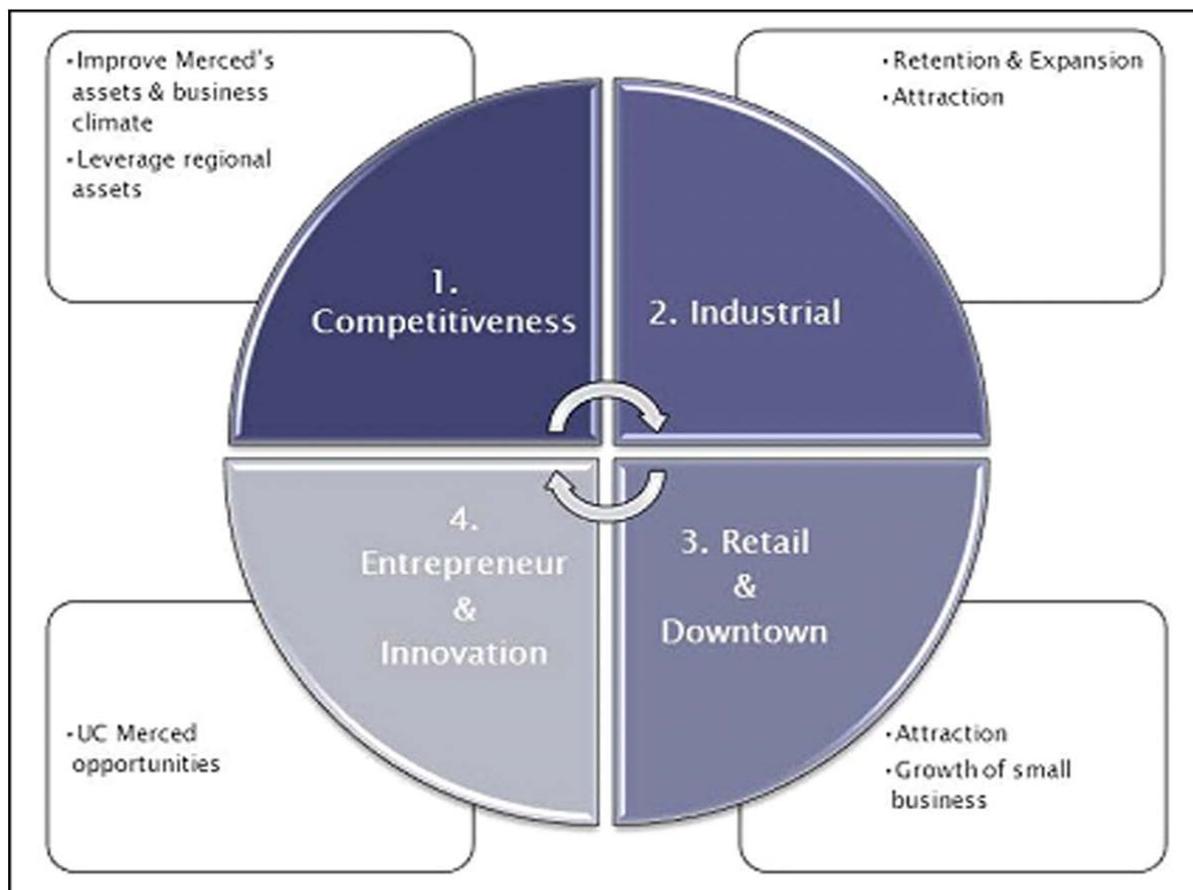
CITY OF MERCED

2012



Inventing California's Future

ECONOMIC DEVELOPMENT ACTION PLAN



*This Plan is the result of the City of Merced's
January 2012 Council Goal-Setting Workshop &
Economic Development Work Session Held February 23*

Merced City Council



**Mayor
Stan Thurston**



**Mayor Pro Tempore
Noah Lor**



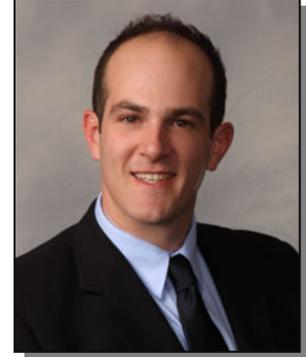
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Introduction

Situation

Merced has experienced double-digit unemployment for years. In 2011, the unemployment rate varied from 15 to 21%. The last month of single digit unemployment was May 2007 at 9.4%. Although the *Milken Institute* recognized Merced as the “Biggest Gainer” in the Best Performing Cities of 2011¹, *US News & World Report* ranked Merced #1 as one of the 10 Worst Cities for Finding a Job².

Merced City Council does not want this downward trend to continue. During a Council Workshop in late January, the Council established goals for 2012 of which two of the top five were economic development.

Action Plan Purpose

The purpose of this Action Plan is to guide economic development priorities and initiatives based on assessment of success and opportunities to achieve the Council’s goals.



City Council Work Session for Economic Development

As follow-on to the City Council’s planning and goal setting workshop on January 27, the Council conducted a work session focused entirely on economic development.

Donny Paslowski, Austin Consulting, an international site location firm representing companies seeking new locations for their facility investment, presented to the Council the details of the site location process. Donny was familiar with City of Merced from previous work in analyzing Merced as a potential location for his clients, including the siting of Arvin Sango. In addition, Donny along with Allison Larsen, Chabin Concepts spent the day prior to the work session touring Merced and meeting with key stakeholders.

Paslowski’s presentation included the specifics of the evaluation and community screening process, as well as, critical community factors in the site decision process, which helped the Council understand the complexity of business location decisions. No one factor, such as incentives, solely drives the decision. A comprehensive investigation and comparison of combined factors determines the “optimal location”, a balance of one-time costs, operating costs and risk aversion.

¹ Best Performing Cities 2011, Where America’s Jobs Are Created and Sustained by The Milken Institute, December 2011 (<http://bestcities.milkeninstitute.org/>)

² US News & World Report, The 10 Worst Cities for Finding a Job, January 2012 (http://www.usnews.com/news/articles/2012/01/20/the-10-worst-cities-for-finding-a-job_print.html)

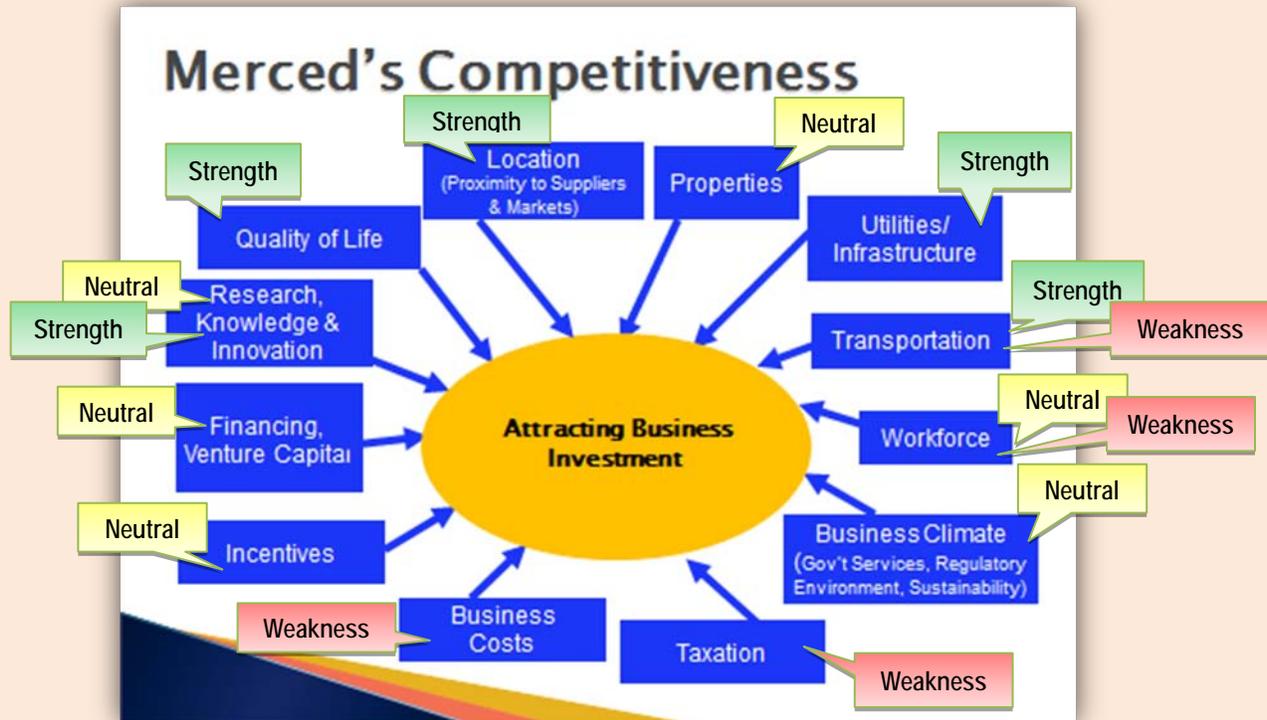
Since the Economic Development Work Session, Area Development Magazine published its 26th Annual Corporate Survey regarding the top site location factors. The table below highlights the top 20 site location factors.

26th Annual Corporate Survey

Top Site Location Factors – Area Development		2011
Ranking		
1	Highway accessibility	93.8
2	Labor costs	88.4
2T	Availability of skilled labor	88.4
4	Corporate tax rate	86.0
5	Occupancy or constructions costs	85.9
5T	State and local incentives	85.9
7	Energy availability and costs	84.8
8	Tax exemptions	83.6
9	Proximity to major markets	83.0
10	Low union profile	81.0
11	Inbound/outbound shipping costs	79.2
12	Right-to-work state	77.5
13	Availability of advanced ICT services	76.6
14	Environmental regulations	76.4
15	Available buildings	76.3
16	Available land	73.9
17	Expedited or "fast-track" permitting	72.4
18	Availability of unskilled labor	70.0
19	Proximity to suppliers	67.8
20	Availability to major airport	58.9

MEASURING MERCED'S COMPETITIVENESS

The Councilmembers were asked to rank Merced's **competitiveness** for each factor considered when a company is evaluating a community for location, as compared to other communities in the Central Valley and out of state, on a scale of **Strength** (competitive advantage), **Neutral** (not competitive, but not a weakness) and **Weakness** (potential cause for elimination during a site search).



Council members had worksheets which provided details for each factor. Council ranked four factors with two rankings:

Transportation: considered strength for freeway access and also a weakness due to limited public transportation for workforce, rail at-grade service, and 2-lane highways.

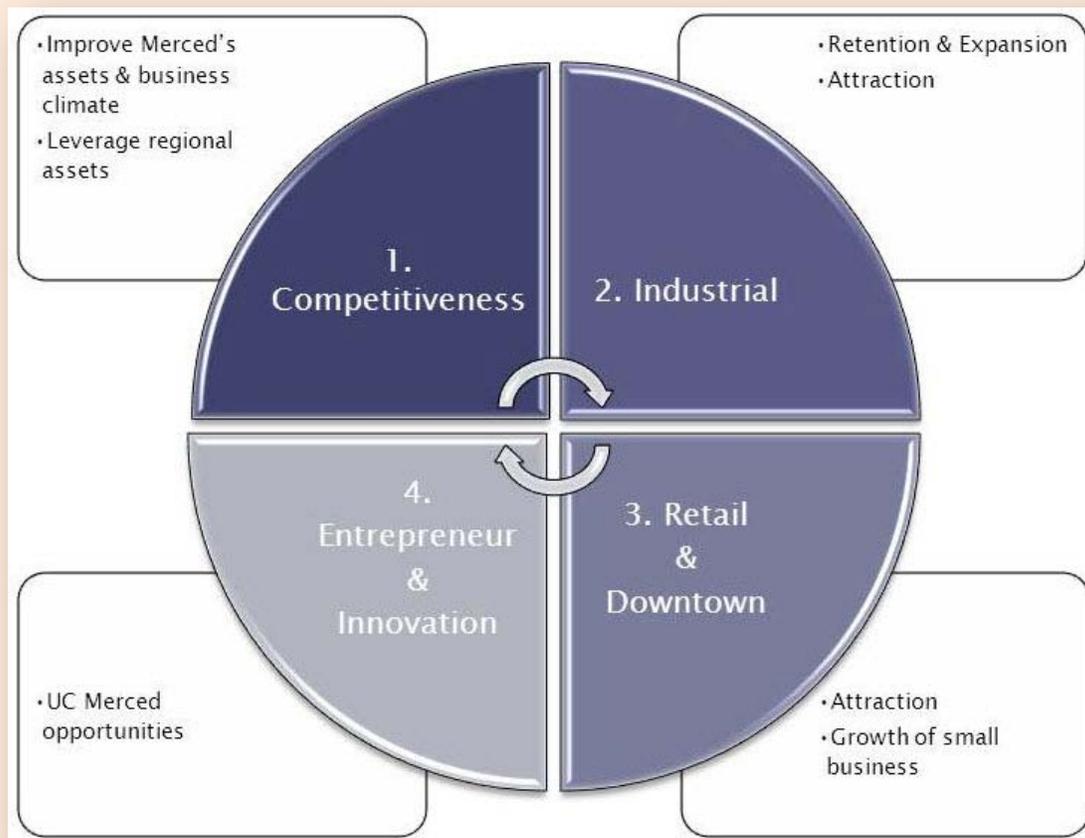
Workforce: generally considered neutral with low skills and education levels considered a weakness.

Research, Knowledge & Innovation: considered strength due to UC Merced's presence yet possibly neutral due to current scaling up of UC Merced's research capabilities.

Business Costs: a weakness compared to other states while unknown as it related to comparison for cities in the region.

Merced's Economic Development Priorities

The Council identified and prioritized three key initiatives for action over the next 12 months, 1) enhancing competitiveness of site location factors will contribute to the successful retention, expansion and recruitment of industries, 2) growing industrial and base level jobs and income which will also contribute to the growth and attraction of 3) retail and commercial businesses. Although Entrepreneurship and Innovation are important (#4), it was agreed this should be put on the back burner until UC Merced has capacity built for aggressive tech transfer and innovation. Until then, discussions and collaborations on opportunities with UC Merced should continue.



For the priority initiatives – Competitiveness, Industrial and Retail/Downtown – specific actions are outlined, which can/should be initiated in addition to what economic development staff are currently doing to support each prioritized area listed on the following pages.

1. Competitiveness

The City Council’s top priority is making Merced competitive for new job-creating investment. As noted in the work session, not all factors for attracting business investment are under the City’s control. This initiative focuses on factors that the City can influence.

CURRENT ACTIVITIES/ACTIONS	PROPOSED NEW ACTIONS
<p>Product Readiness</p> <ul style="list-style-type: none"> ➤ Implementing capital improvements to City wastewater treatment facility. 	<p>Product Readiness</p> <ul style="list-style-type: none"> ➤ Provide available properties (buildings and land) and readiness status to Council. ➤ Initiate third-party Certified Shovel-Ready Site designation for priority sites, verifying that sites are development-ready. ➤ Conduct assessment and third-party community competitiveness certification. <p>Research/Comparative Analysis</p> <ul style="list-style-type: none"> ➤ Conduct market analysis of land and development fees to competitive valley locations. ➤ Determine policy for city-owned land pricing. <p>Management/Analyst Tools</p> <ul style="list-style-type: none"> ➤ Purchase MetroComp³. ➤ Purchase Economic and Fiscal Impact Model⁴ which will enable analysis of any project as to return on investment. <p>Policies – Development & Impact Fees</p> <ul style="list-style-type: none"> ➤ Evaluate and establish policy for flexibility of local fees based on fiscal impact and economic impact criteria.

³ MetroComp, a software business operating cost model, which compares operating costs in Merced to other areas (up to 30 areas).

⁴ Economic and Fiscal Impact Model is customized to Merced; each project can be analyzed for its economic impact on the community.

2. Industrial

INDUSTRIAL BUSINESS RETENTION & EXPANSION

Existing business is a priority. Typically, the existing base will account for 75% of a community's economic and job growth over time. Also if a local business closes or relocates there is often a negative ripple effect in the community, affecting other businesses with a closure. Taking care of existing business also builds Merced's reputation and business climate as a great place to do business.

CURRENT ACTIVITIES/ACTIONS	PROPOSED NEW ACTIONS
<p>Business Outreach/Visitation</p> <ul style="list-style-type: none"> ➤ Visiting one major company per month. ➤ Conducting outreach to companies located in the Enterprise Zone to encourage uptake of the incentive benefits. ➤ Sending quarterly newsletter and updates. ➤ Hosting business roundtables for each industrial park. ➤ Tracking news on local/HQ employers in Merced and business targets. <p>Recognition</p> <ul style="list-style-type: none"> ➤ Recognizing accomplishments of local businesses through the "Merced Success" program. 	<p>Management Tools</p> <ul style="list-style-type: none"> ➤ Purchase <i>ExecutivePulse</i> for Business Attraction, and Retention & Expansion⁵. <p>Business Outreach/Visitation</p> <ul style="list-style-type: none"> ➤ Increase personal meetings with businesses utilizing Council and other department staff⁶. ➤ Conduct work session on business retention call protocol. ➤ Schedule meetings⁷ with headquarter offices not located in Merced. ➤ Conduct annual survey of local employers. ➤ Modify park-specific roundtables into a citywide <i>Merced Industrial Roundtable</i> two to three times a year⁸.

⁵ Executive Pulse, a cloud-based, economic development contact management system, to track and schedule interactions with local employers and prospects.

⁶ ED Staff currently has relationship with manufacturers, Council and other department staff (who have time and are interested) could call on other business sectors, major employers and sales tax generators.

⁷ City had done this in the past but cut back due to budget.

⁸ *Merced Industrial Roundtable* should be venue that provides value to the businesses, kept simple, could have business speaker on a specific issue and allow businesses to network and City to get feedback.

INDUSTRIAL BUSINESS ATTRACTION

Merced’s business attraction activities focus on building a pipeline of prospects, targeting companies, real estate brokers and site location consultants. Merced is a member of TeamCalifornia which extends and leverages Merced’s limited budget for marketing and business attraction.

CURRENT ACTIVITIES/ACTIONS	PROPOSED NEW ACTIONS
<p>Marketing Tools/Exposure</p> <ul style="list-style-type: none"> ➤ Maintaining and preparing new industry-specific Business Cases for target industries. ➤ Developing new economic development website, with property database and online proposal system. ➤ Tracking available sites and buildings. <p>Marketing & Prospecting</p> <ul style="list-style-type: none"> ➤ Participating in TeamCalifornia events: Meet the Consultant Conference, CoreNet Global, Industrial Asset Management Council, California League of Food Processors, Medical Device Manufacturers and Bay Bio. ➤ Conducting quarterly outreach meetings with California industrial real estate brokers, and hosting community tours in Merced. ➤ Participating in Expansion Management’s Roundtable Conference and scheduling face-to-face meetings with site location consultants. ➤ Contacting businesses in pipeline and identifying new target businesses to recruit. ➤ Coordinating with other City departments & regional economic development partners to prepare customized client proposals. ➤ Organizing and hosting prospect site visits. 	<p>Marketing Tools/Exposure</p> <ul style="list-style-type: none"> ➤ Launch new website for Merced Economic Development. ➤ Maintain inventory of available properties and data on new City Economic Development website. ➤ Post news on local companies and economic development activities. ➤ Send monthly electronic newsletter to brokers, site consultants and prospects. <p>Prospecting</p> <ul style="list-style-type: none"> ➤ Negotiate fees and incentives based on economic and fiscal impacts. ➤ Conduct Exit Surveys with all prospects – win or loss – use feedback to readjust competitiveness. ➤ Outreach & Target Audience Intelligence ➤ Conduct annual survey of consultants and brokers as to their perceptions of Merced.

3. Retail & Downtown

RETAIL/COMMERCIAL BUSINESS RETENTION, EXPANSION & ATTRACTION

Downtowns are the heart of the community and often are the “place making” identity for the community. Creating a healthy downtown as well as neighborhood centers requires a public/private partnership. The City is actively involved in downtown and retail business retention, expansion and attraction.

CURRENT ACTIVITIES/ACTIONS	PROPOSED NEW ACTIONS
<p>Managing and supporting infrastructure and maintenance for retail activity⁹:</p> <p>Conducting Retention/Expansion Outreach:</p> <ul style="list-style-type: none"> ➤ Hosting Downtown Merchant Meetings. ➤ Hosting and/or sponsoring small business workshops. <p>Increasing Customers for Local Businesses:</p> <ul style="list-style-type: none"> ➤ Advertising: Downtown Life Magazine, Community Conversations (local radio). ➤ Organizing events: Thursday Night Market, Cap & Town, Christmas Parade. ➤ Maintaining Facebook pages for Downtown Merced & Streets of Merced. <p>Marketing & Prospecting</p> <ul style="list-style-type: none"> ➤ Participating in International Council of Shopping Centers (ICSC) ➤ Conducting quarterly outreach meetings with California retail real estate brokers. ➤ Making regular calls to retail prospects in Merced’s pipeline. ➤ Conducting meetings with retail prospects. 	<p>Marketing Tools/Exposure</p> <ul style="list-style-type: none"> ➤ Develop a Retail Market Analysis that documents relevant information for retail site selection decisions.¹⁰ ➤ Maintain available retail/commercial properties inventory on new City Economic Development website. ➤ Implement <i>CityAppMaker</i>¹¹, a program to promote local businesses via a smartphone application. <p>Retention/Expansion Outreach</p> <ul style="list-style-type: none"> ➤ Monitor sales/business tax contributions from local businesses. ➤ Meet regularly with top sales tax generating companies. ➤ Send a monthly electronic newsletter with links to resources and meeting announcements. <p>Retail Attraction¹²</p> <ul style="list-style-type: none"> ➤ Host ICSC work session on franchise businesses opportunities in Merced. ➤ Attend ICSC National Conference.

⁹ Merced Theatre renovation project, Downtown parking district, Security cameras, Pressure washing, Capital improvement projects, Funding for Art Hop, Playhouse Merced.

¹⁰ The Retail Market Analysis is the key retail marketing piece for a community. Dedicate a page to the City Economic Development website that presents the Retail Market Analysis information, with link to download full report.

¹¹ <http://www.cityappmaker.com/>

¹² The process to attract retailers, especially brand name companies, is a different process than industrial prospects. Retailers make site location decisions based on thresholds of population, income and other demographics relative to specific sites. Often they have a community on their radar and are waiting until growth and income meet their desired levels; such as, when UC Merced achieves a certain student population, more retailers will pursue a location in Merced. Good retail analysis will help to identify targets, market opportunities. Packaging specific site opportunities will also help the retailer understand the community is ready.

4. Entrepreneurship & Innovation

UC Merced is a key asset and opportunity for the City of Merced. As the University builds capacity in Tech Transfer, it will be increasingly important for the City to collaborate with the University on an entrepreneurship and innovation program. For now, the plan is to support open communications with UC Merced and serve as a resource, as needed.

CURRENT ACTIVITIES/ACTIONS	PROPOSED NEW ACTIONS
<ul style="list-style-type: none">➤ Scheduling regular meetings with UC Merced leadership to discuss needs from City and potential opportunities to partner.	<ul style="list-style-type: none">➤ Track UC Merced news and post to City of Merced.org and/or Merced First.com website, i.e., “<i>What’s happening at UC Merced?</i>” to demonstrate growth and progress of new university.

Monitoring & Measurement

Measuring effectiveness and progress of an Economic Development Program is critical. One of the major outcomes desired from economic development is changing Merced’s reputation/perception as a friendly place to do business, both to the local constituents and newcomers. Based on the work session and the priority actions the following should be used to measure progress.

MEASURING PROGRESS

- 1. Are we competitive with other San Joaquin Valley communities? Communities in other states?** [Competitiveness: operating costs]
- 2. Do we have happy local companies?** [Industrial: business retention visits; survey of retail/commercial businesses]
- 3. Have we built a pipeline of prospects considering Merced for their site search?** [Industrial: business attraction]
- 4. Are we changing perceptions of Merced as a business-friendly community?** [Industrial: business retention visits; survey of prospects & site selectors]
- 5. What is the economic impact of our efforts?** [Measured by individual company investments in Merced]

Communicating Progress

Staff Reports — The Economic Development Department will report monthly to Council on plan progress and accomplishments.

Social Media — Individually City Councilmembers are actively engaged with Merced residents on Facebook. Staff could use the Facebook medium for short updates, including pictures, on economic activities (excluding confidential client issues). Councilmembers will be updated while having the mechanism to comment and share the City’s economic development activities with their Facebook “friends”.

Local Media — City Council, teamed with staff, may want to consider regular update meetings with the Merced Sun Star and other local media outlets to share progress towards goals. Editorial meetings are a common practice for successful economic development programs. However, specific client information should remain confidential as a professional economic development code of conduct.

Economic Development Work Session, February 23, 2012

On February 23, 2012 the City Council held a public work session with Economic Development Staff and two consulting firms, Chabin Concepts, an economic development consulting firm and the Austin Company, a site location consulting firm. Given the Council's planning goals for economic development the intent of this work session was to build a framework for economic development priority actions. The Consulting Team review the current situation and pressing needs in the City of Merced, reviewed the complex details of the Site Selection (or elimination) process and then participated in a working evaluation of Merced's strengths and weaknesses and priority actions. Following are copies of the presentation.

Consulting Team



Audrey Taylor, President and CEO, Chabin Concepts

With over 30 years of experience, Audrey has assisted and represented over 300 communities in California, Colorado, Oregon, Washington, Nevada, New Mexico, Oklahoma, Hawaii, and Alaska. She has worked with companies such as 3M, Sony, Spectra-Physics, Joy Signal, Rio Pluma and NCI Building in strategic location analysis. Governor Schwarzenegger appointed Audrey to the California Workforce Investment Board and she serves as the Marketing Chair for TeamCalifornia.



Allison Larsen, Principal, Chabin Concepts

With over 23 years of experience in economic development, sales and business management, Allison has worked with a variety of communities (both rural and urban), regional organizations and even states helping with comprehensive strategic plans, marketing roadmaps, key message development, target industry studies, asset inventories and community assessments. Allison is actively engaged in social media and an outgoing facilitator.



Donny Paslowski, Senior Consultant, Austin Consulting

Donny has performed and directed site location studies for a diverse clientele for over five years. Specific areas of expertise include food processing plants, bakeries, industrial manufacturing, warehouses, cross docks and distribution centers. His work on location studies has included supply chain studies, labor market analysis, favorable area analysis, metropolitan area site searches, community assessment, site and building evaluation, and property due diligence. Donald has also conducted incentive negotiations on behalf of clients.

Merced Economic Development Team

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