

Prosper Merced

Economic Development Strategy

City of Merced, California

2006

Background and
Detailed Strategy



Prosper Merced 2006 Economic Development Strategy

Prepared By:

City of Merced
Office of Economic Development &
Economic Development Advisory Committee

Prepared For:

Merced City Council

Adopted:

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1. A Vision for Merced's Economy

A VISION FOR MERCED IN 2016

Merced is a vibrant, growing, diverse community with balanced economic opportunities for all of its population. The City is economically prosperous, characterized by safe and attractive neighborhoods and high-quality development. Merced is the center of trade, services and government for the region. Excellence in education and local services provide a foundation for expansion in technology-led industry, which has grown to complement traditional industries in the area, such as agriculture. The community prizes innovation and welcomes diversity.

BACKGROUND TO THE VISION STATEMENT

This 10 year vision is both ambitious and achievable. Traditionally, Merced has been diverse and growing. The presence of UC Merced allows “balancing” of the economy through the addition of higher-wage employment.

Balancing the economy means that Merced's economic base in agriculture and manufacturing will be supplemented, but not replaced.

Finally, a vision is expressed of a tolerant community, which recognizes contributions made by all members of society, and which embraces change and innovation.



University of California Merced

2. Mission of the Merced Economic Development Program

OUR MISSION

Expand economic opportunities in Merced and strengthen Merced's role as a regional center, by enhancing Merced's climate for business and industry, and continually improving the quality of the community.

CHANGES IN THE CITY'S ECONOMIC DEVELOPMENT MISSION

The City first adopted a mission statement for its Economic Development program in 1991. The former mission statement was:

Make Merced a place of economic opportunity, offering abundant employment, with a broad base of services and shopping to meet the needs of the region.

This mission statement has been reviewed and updated with the following principles in mind:

- Expansion of economic opportunity remains the keystone of the mission.
- From 1991 to 2005, Merced was successful in solidifying its position as the regional center. Now the task is maintaining and strengthening that existing position.
- The City recognizes its key role as a partner in helping to establish the community's business climate, and the new mission reflects that role.
- Increasingly, future prosperity will depend on the quality of a community, rather than the pricing of a community. With globalization of industry, it is simply not possible for Merced to compete to be the least expensive location to manufacture. The quality of the community will determine its economic success.

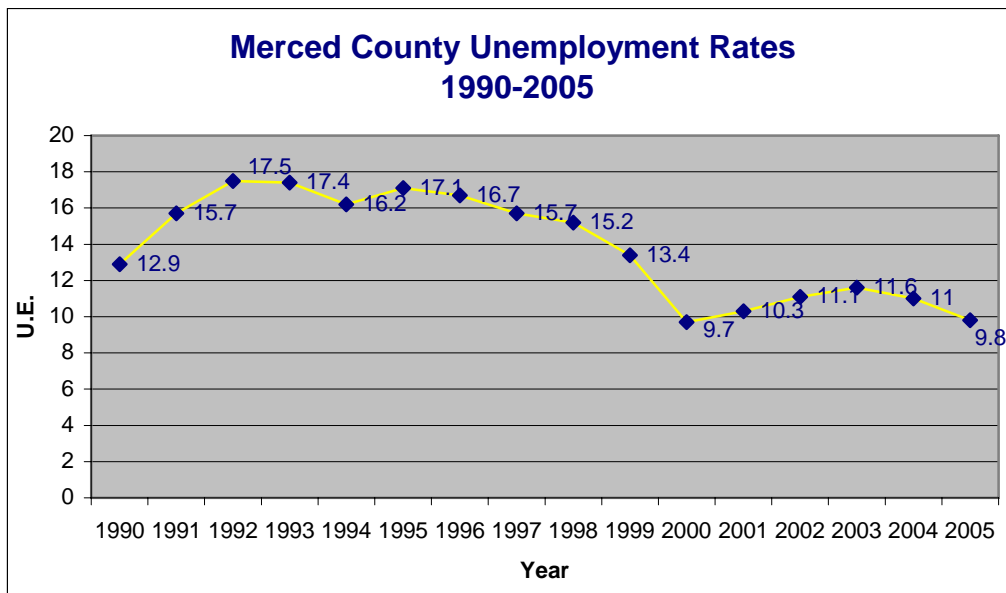
3. Merced's Situation

MERCED'S ECONOMIC SITUATION

Merced is a rapidly-growing city that has traditionally relied on its agricultural base, combined with light industry and a role as the regional center for trade and services. Merced's population is very diverse and one of the youngest in the nation. Although the community's past has been characterized by low incomes, high unemployment and low educational levels, Merced is entering a period of rapid transition. Merced's unemployment rate in 2006 was nearly the lowest in 20 years.

Merced is:

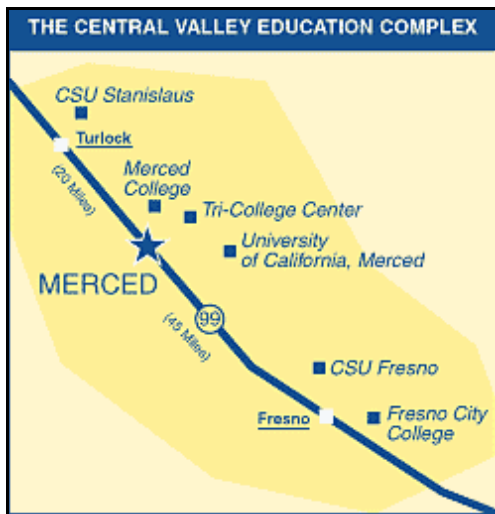
- A mid-sized, rapidly growing community, serving as the center of its region.
- Located in Central California, on major trucking and rail transportation routes, with an airport and regularly scheduled air service, with easy access to major California markets.
- Midway between larger metropolitan markets in Fresno and Modesto. This also means Merced shares a regional labor market, and commuting is common both in and out of Merced County.



The opening of the University of California Merced campus in fall 2005 introduced significant economic opportunity for Merced, as well as the possibility of profound community change. Merced is well prepared for this change with community planning and infrastructure systems, although some systems are nearing capacity and require significant expansions. As transition occurs over the next decades, Merced has an opportunity to improve the quality of its development and community institutions.

STRENGTHS, LIMITATIONS, OPPORTUNITIES AND THREATS

Strengths:



Merced is home of the University of California Merced. The presence of the University opens possibilities for Merced which were simply not available prior to 2005. Merced will become attractive to companies in the high-technology and knowledge-based industries, particularly since the campus will offer strong science, engineering and technology programs.

Merced has excellent access to other higher education resources in the region. Not only is the University of California being established in Merced, but the community is also home to Merced College, and is within easy reach of CSU Stanislaus and CSU Fresno, as well as several other small colleges and professional schools.

Merced is close to major markets. This is particularly important for distributors and manufacturers who are interested in serving the large California markets in the Bay Area and Southern California. Merced has pricing and distribution advantages for companies serving these markets.

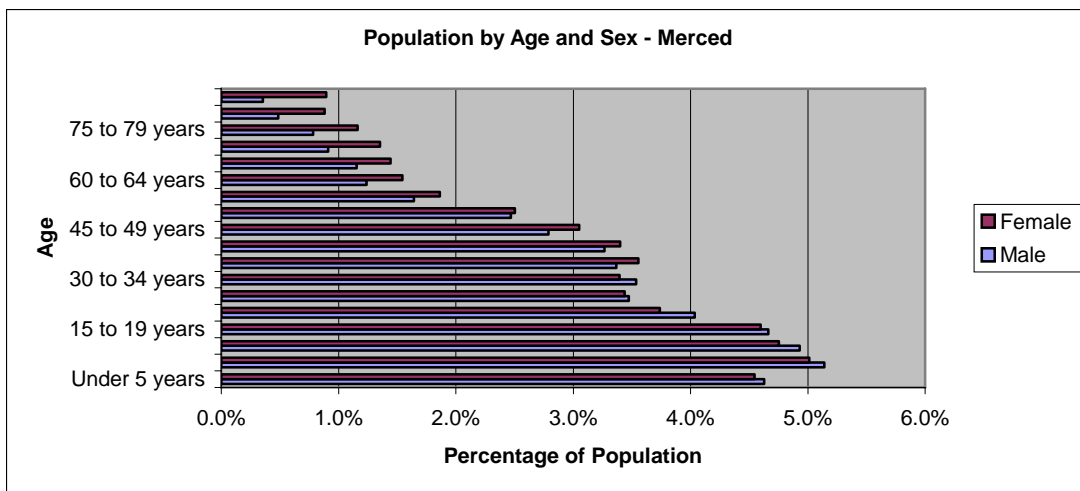
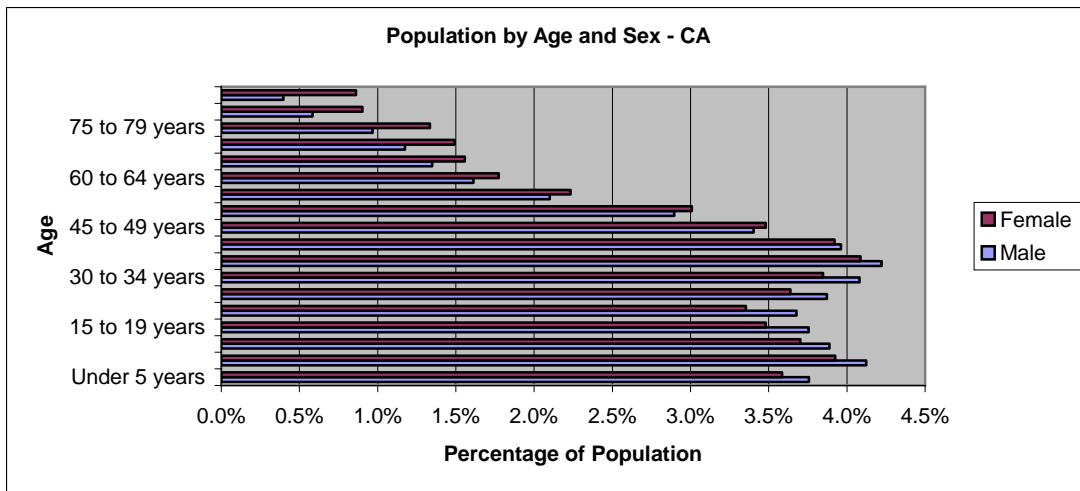
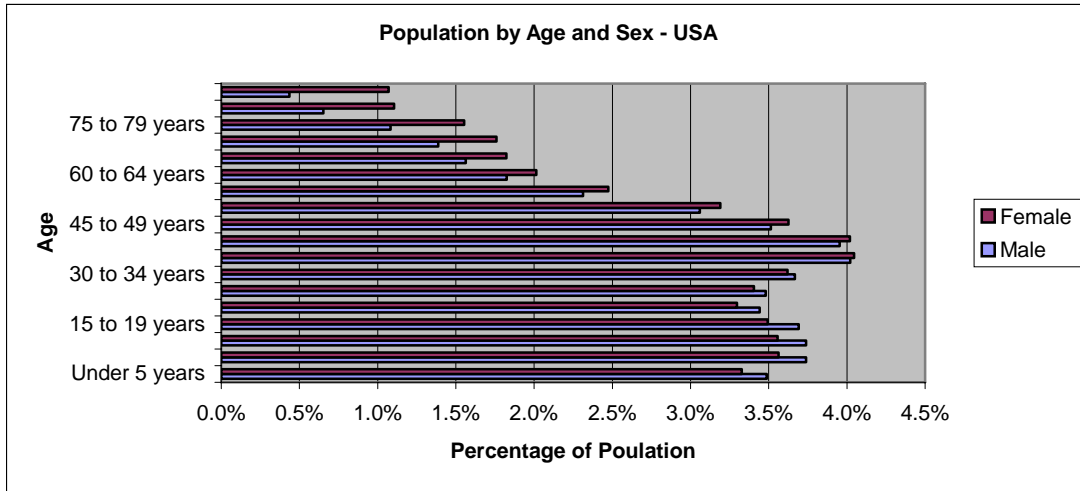
Merced is on major transportation routes. Merced is on Highway 99, close to I-5, and on the main lines of both the Union Pacific and Burlington Northern Santa Fe Railroads.

Merced's local government is user-friendly and motivated for economic development. The City government and the community as a whole has made enormous strides in streamlining permit systems, and in accommodating business expansion and location more readily.

Merced has a selection of available, serviced, ready industrial sites. Other communities of Merced's size frequently lack serviced and ready industrial sites. Merced has fully-serviced industrial parks "ready to go." More sites will need to be brought on line.

Merced has an abundance of agricultural resources. The county is the fifth largest agricultural producer in the nation, and other San Joaquin Valley counties are also leaders in agriculture. This is attractive to food processing and other ag-related industries.

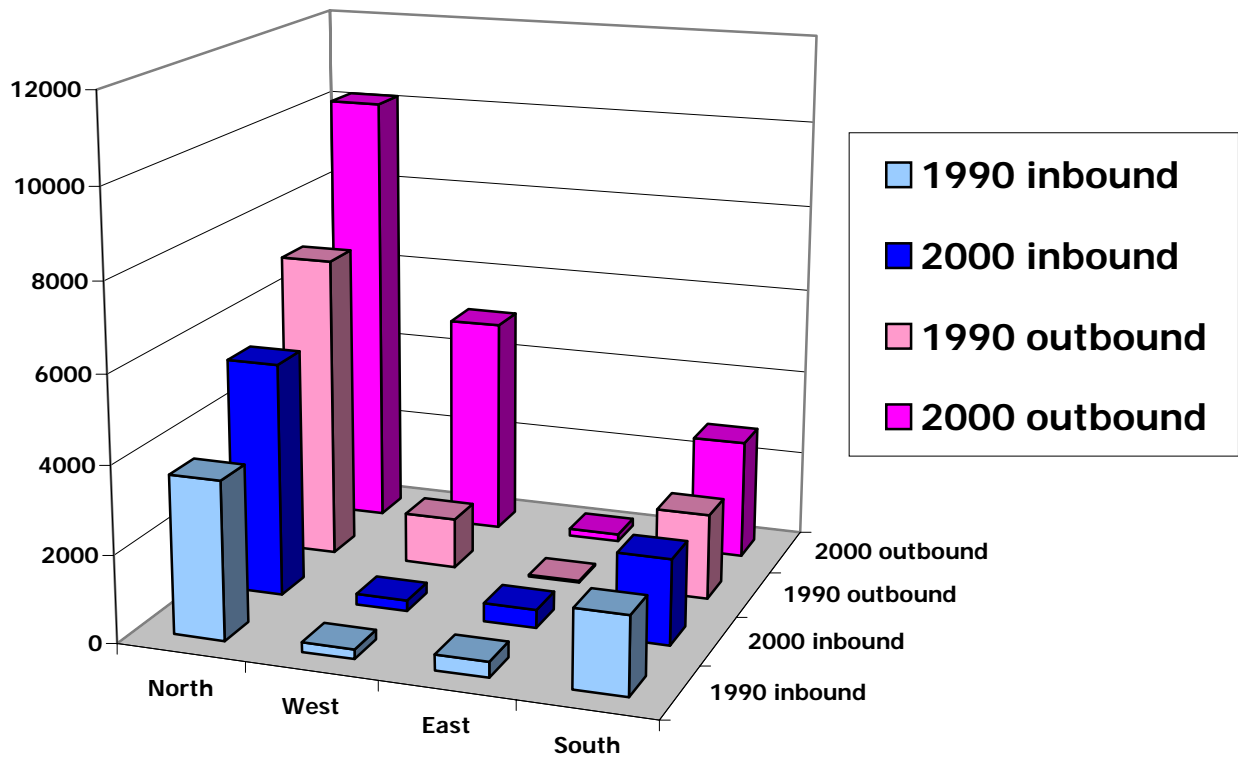
MERCED: A STATISTICAL SNAPSHOT



Source: U.S. Census Bureau
July 15, 2005

MERCED COMMUTING PATTERNS

North: Stanislaus, San Joaquin, etc.
 West: Greater Bay Area, etc.
 East: Mariposa
 South: Madera, Fresno, etc.



Source: US Census Bureau
 July 15, 2005

Merced has a good water supply. Merced has ample ground water for its expected growth. While water conservation measures are in place, Merced's water situation is much better than many California cities which are facing long-term water shortages.

Merced is a well planned community close to many major attractions. Merced has been well planned, without the endless commercial strips or visual clutter presented by other Valley cities. Merced is within two hours' drive of Yosemite, the Sierras, San Francisco Bay Area, and beach destinations.

Limitations:

Merced's labor force is not yet highly skilled or educated. Compared to national and state norms, Merced's labor force is not as educated or skilled. However, Merced can draw a labor force from a broad surrounding area. Some industries requiring high skills levels will have limited interest in Merced. To address this issue, Merced County provides award winning job training programs through its Department of Workforce Investment.

Merced schools are experiencing significant challenges. The school systems are struggling to cope with various issues. Currently, schools are a quality-of-life issue which does not attract to the community. Decision-makers may be discouraged from locating certain types of corporate facilities in Merced due to school issues.

Merced experiences a perceived and real crime problem, which is reflected in publicly visible ways such as graffiti and gang activity. Merced experiences crime rates in excess of the national average, although lower than several other principal Central Valley communities. Community perceptions are that crime is a significant issue, although the areas of the community perceived as most troubled by crime are in fact relatively safe.

Transportation problems from railroad obstacles need to be resolved. Merced's north-south circulation is impeded by barriers including two mainline railroad tracks and several creeks. Increasing rail traffic in recent years has caused growing problems in track blockages.

Merced has a low-income consumer base for retail, constraining the types of retail which can be recruited. While not critical to manufacturing, Merced's low income levels affect retail development. "Upscale" retailers are not interested in the community's current demographic profile, restricting the overall shopping available in the community.

The regulatory environment, including air quality regulations, limits the types of industrial growth Merced can accommodate. The unified San Joaquin Air Quality District “levels the playing field” among Valley communities competing for industry, but also limits the community’s ability to target certain industries due to air permitting issues.

Some areas of Merced are blighted and need revitalization. While Merced has made significant progress in redevelopment of central and south Merced, and Downtown, much remains to be done.

Development of adequate student housing may be a constraint. The University projects at least 50% of its students need to be housed off-campus. The community does not have a well-developed supply of housing specific to students.

Opportunities:

The University of California will provide spinoff benefits. Research-based universities bring economic spinoffs through:

- Attraction of related companies
- Direct creation of spinoff companies formed by university faculty and staff
- Indirectly attracting enterprises and people because of community quality changes



The Mission Interchange project in southeast Merced is scheduled for substantial completion in late 2007. The Caltrans interchange project is shown in orange, and the connecting Campus Parkway in yellow.

The completion of the Mission Interchange at Highway 99 opens commercial, industrial, and office opportunities. The project provides access to significant industrial areas in southeast Merced, and will provide freeway commercial sites. The interchange also links to the west, improving access to the Merced Municipal Airport and the Airport Industrial Park.

The Mission Interchange has been planned since 1963 by the State of California. The interchange will draw development interest to southeast Merced and will be the connection point to Highway 99 for southwestern Merced and eventually the University of California campus.

The new Mercy Hospital scheduled for a 2009 opening will improve the health care situation, as will the planned UC Merced medical program. Merced's medical services may expand markedly with the opening of a new Mercy hospital. In addition, the University is developing plans for a medical school, which departs from a traditional medical school model that will strengthen area medical services.



Mercy Hospital, opening 2009

The Merced Municipal Airport is renewing itself and expanding. The Airport is expanding scheduled air service, adding more corporate hangars, and growing in general aviation facilities. This activity will support industrial and commercial development.



A Boeing 737 is fueled at Merced Municipal Airport. Merced is one of 27 airports in California with scheduled passenger service, and serves a growing charter and commercial market.

Diversity provides a vibrant and interesting community. Merced is an interesting place for its size, offering different cultural and ethnic experiences. These are possible due to the community's diversity, reflected in aspects of community ranging from restaurant choices to festivals.



Great Valley Arts Festival, 2005

Threats:

The State's ongoing budget problems may limit funding for the growth of UC Merced. UC Merced's development is dependent upon state bond issues and support for operating budgets. If the State's budget picture tightens in coming years, it will be important to be vigilant to support ongoing funding for the University.

Infrastructure limitations are being approached, particularly in wastewater treatment. The City has traditionally offered ample wastewater treatment capacity, but recent changes in regulation have had the effect of diminishing available capacity. Growth has also absorbed much of the previously available capacity, and there is a need for expansion of the wastewater treatment plant.

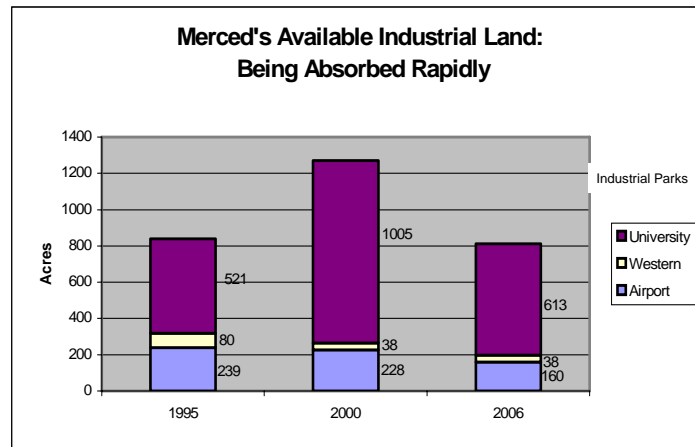


Merced's Wastewater Treatment Plant

The supply of industrial land is dwindling and needs diversification of ownership.

The present industrial land supply consists of a few remaining parcels at the Airport and Western Industrial Parks, and large holdings at the University Industrial Park. Rapid development since 2002 has absorbed much of the industrial land supply. Most land is in the hands of two key owners.

Development threatens the Municipal Airport with encroachment problems. The City's Airport in southwest Merced has not traditionally faced growth pressures. However, with



residential expansion since 2002, various proposals are now being made which could encroach upon the Airport and harm its operations.

MERCED'S COMPETITIVE POSITION FOR INDUSTRIAL DEVELOPMENT

Industrial development is extremely competitive. For industrial development, our primary competitors are those which offer the same key advantages as Merced does.

Industrial Competitors Compared to Merced

- | | |
|--|---|
| <p>1. Nearby Valley competitors</p> <ul style="list-style-type: none"> Atwater Modesto Madera Fresno | <p><i>Very similar competitively; fewer good sites; a little lower development costs</i></p> <p><i>Higher development costs; attractive to Bay Area companies; more educated labor</i></p> <p><i>Available sites; cheap, very aggressive</i></p> <p><i>Few available sites; pricing is comparable</i></p> |
| <p>2. Other northern Valley communities (Modesto to Sacramento)</p> | <p><i>More expensive, closer to Bay Area for branch plants</i></p> |
| <p>3. Other southern Valley communities (Fresno to Bakersfield)</p> | <p><i>Very similar in cost, better Southern California connections, not as good for Bay Area access</i></p> |
| <p>4. Nevada, particularly Reno</p> | <p><i>Less expensive, less regulation, cheaper power, but more expensive transportation cost, more distance to major markets.</i></p> |

Past site selection efforts in which industries have not selected Merced confirm these areas as our primary competitors. Recent site selection history confirms that most of the industries looking at Merced are searching for sites throughout the Valley, and particularly the northern end of the Valley. Competing with the southern end of the Valley is also common, but not so frequent.

CONCLUSIONS: MERCED'S COMPARATIVE ADVANTAGES

Merced's comparative advantages lie in what Merced has that others do not. Based on the discussion in the previous section, Merced has advantages for users seeking:

- a growing UC campus
- a growing local population
- easy access to markets
- abundant low-skilled labor
- secure future water supplies

Merced will be attractive to manufacturing companies from higher-cost areas, primarily California. Merced is likewise attractive to companies dependent upon the agricultural base and to industries which do not pose air quality problems. Due to labor force characteristics, Merced will be attractive to companies performing traditional manufacturing tasks.

Merced will also be attractive to certain kinds of "tech-led" companies willing to invest in Merced in the early years of the University's presence.

4. Strategy and Actions: Six Points for the Next Five Years

One: Keep Merced as the center. Protect and build Merced's role as the region's center for retail trade, education, and professional and medical services.

Merced must maintain its role as the dominant market center between Fresno and Modesto. In the early 1990s, Merced suffered considerable retail sales leakage to these adjacent market centers. This led to concerted effort to designate more commercial land and seek major retailers to keep retail sales local.

These efforts were successful. The retail expansion in Merced in the 1990s drew upon the work of the Economic Development Office and the Economic Development Advisory Committee, which recommended key policy changes to the City Council.

Major Commercial Expansions and Locations in the Last Decade

<u>COMPANY</u>	<u>DATE</u>	<u>SIZE (sq. ft.)</u>	<u>NEW JOBS</u>
Ross Dress For Less	2005	22,000	50
Applebee's	2004	5,126	40
Linens N Things	2004	28,262	35
Lowe's Home Improvement	2003	138,247	120
Best Buy	2003	30,985	75
Pier 1	2003	9,504	20
Barnes & Noble	2003	21,710	40
Smart & Final	2003	20,000	20
Perkos	2002	3,000	25
Wallace Theaters	2001	55,000	50
Starbucks	2001	1,500	20
Merced School Employees FCU	2000	7,000	15
Quiznos	2000	1,484	10
Home Depot	1999	130,000	150
Walgreen's, North	1998	13,737	50
Marie Callender's	1998	5,864	50
County Bank	1997	28,000	70
Albertson's Supermarket	1997	51,744	100
Kragen Auto Parts	1997	8,000	30
Staples	1996	15,000	30

Specific Action Steps

1.1	Bring significant retailers, professionals, and medical service providers to Merced, especially those which support technology-led industries.	City	Continuous
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Merced will continue its recruitment program for retailers, and broaden the effort to place new emphasis on professionals, particularly medical service providers.

Merced has traditionally been viewed as a medically underserved area. However, two events will create new opportunities in the medical field:

- Mercy Hospital's new facility, to open in 2009.
- The planned medical school at the University of California Merced.

1.2	Build and maintain relationships with commercial brokers, consultants, and intermediaries through participation in International Council of Shopping Centers (ICSC) and other means.	City, EDAC	Continuous
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The City has traditionally used ICSC as a vehicle to forge relationships in the retail community. These have been highly effective and resulted in retail locations in Merced.

1.3	Achieve new lodging development of at least 300 new business class or upscale hotel rooms.	City, EDAC, RDA	June 2009
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Since 2004, there has been a high level of interest in new hotel and motel development in Merced. Currently, there are about 900 lodging rooms in Merced. Over 100 more are being built, and others are in beginning stages.



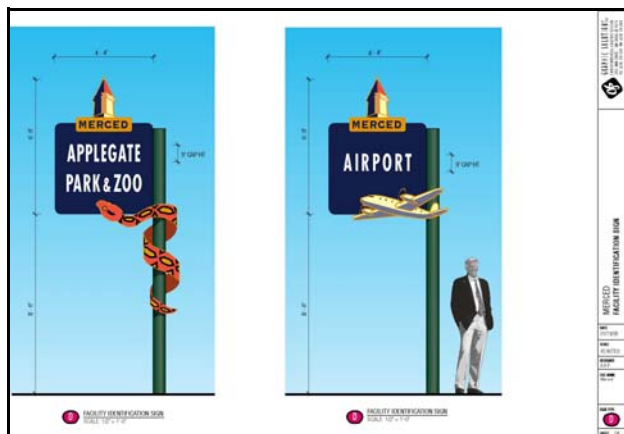
New Marriott Courtyard under construction on Motel Drive. Over the past year, interest in lodging investment in Merced has increased dramatically.

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| 1.4 | Develop a data base of commercial properties suitable for location of retailers, professional and medical uses. | City, EDAC | June 2007 |
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The City already maintains information on commercial properties. This will be refined and expanded to include professional and medical office information.

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| 1.5 | Carry out a wayfinding signage program that reinforces Merced's "sense of place" consistent with other economic development efforts. | City | By June 2007 and continuing |
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Merced is receiving more visitors from throughout the region and the state, particularly because of the University of California. Welcoming features and signage are needed in Merced for these growing levels of visitation. A California Welcome Center is operated by the Conference and Visitors Bureau, and serves as a central point of welcome. Wayfinding signs and directions for visitors are needed throughout the community, particularly in gateway areas and downtown.



Conceptual designs for wayfinding signs, developed by Graphic Solutions for the City of Merced. The signage is intended to provide a unified graphic image for the community, using the Merced Theatre tower as a symbol.

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| 1.6 | Incorporate into all economic development efforts the vision of Merced as a "go-to" City, instead of a "go-through" community. | City, EDAC | Continuous |
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All economic development efforts should emphasize Merced as a destination, rather than as a city to pass through on the way to other places.

Two: Move forward. Strengthen Merced's environment for technology-led industry, building upon relationships with the University of California Merced.

Merced's economic environment will change rapidly in the next several years, due to the University of California Merced's location here. This introduces a possibility of new technology-led industrial development. Consequently, the City needs to develop new approaches for the new economic opportunity.

The University of California Merced (UCM) campus opened in September 2005 with about 800 students. It is projected to grow by about 800 students per year to a long-term buildout of about 25,000 students. The University's principal areas of focus include the disciplines of sciences, technology and engineering. A medical school is also under discussion.

UCM will be the economic engine of Merced, not only through direct employment and payroll, but also through economic spinoffs. A dual challenge is faced:

- How can the community support the University's development as a research institution?
- How can the University's strengths best be used to develop a high-quality community?

Merced and UCM will grow in tandem, with the outcome being a university-based medium-sized city.

Specific Action Steps

2.1	Engage UC Merced in discussion and development of policies that harmonize with University-based entrepreneurship.	City, UCM	July 2007
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Universities' potential as economic engines depends on many factors, but an often-ignored issue is the University's own policy on private sector relationships and commercialization of research. The City and University need to engage in discussion of mutual policies to encourage entrepreneurship and economic development.

2.2	Create a program to identify and encourage University-related entrepreneurship in Merced.	City, UCM	June 2008
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Identification of University-related entrepreneurship includes not only faculty and staff, but also spouses and other related individuals. Means of identifying potential entrepreneurs will be established as well.

2.3	Develop relationships to encourage spousal employment for UC Merced and other significant employers.	City, UCM, new Industrial Roundtable	June 2008
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Universities located in small to mid-sized cities frequently encounter recruitment problems due to a lack of spousal employment opportunities. Local employers may benefit from the high skill levels of University spouses and household members. Relationships between local employers and the University may be of great mutual benefit.

2.4	Identify physical and knowledge-based infrastructure needs to support a technology-led economy.	City, UCM	June 2008
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City staff and EDAC will work with the University to identify and deal with impediments to tech-led development which are infrastructure-related. These may go beyond traditional municipal infrastructure such as sewer and water systems.

2.5	Encourage venture capital and other programs to support and encourage entrepreneurial development, drawing upon University-based knowledge areas and Merced’s existing economic base.	City, UCM, MCEDCO	June 2009
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While the City does not expect to enter the venture capital business, the City may encourage and support other organizations which provide assistance in entrepreneurial development, particularly in areas of small business counseling and finance.

2.6	Collaborate to develop a workforce development program and talent recruitment program that caters to technology-led industry.	City, UCM, DWI, Merced College	June 2008
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The City does not directly operate employment training programs, but will work with the Merced County Department of Workforce Investment and UCM to assist in developing programs for training and talent recruitment.

2.7	Support enrollment growth at the University of California Merced.	City, EDAC	Continuous
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City policies may either constrain or encourage UCM enrollment growth. Provided that such enrollment growth is positive in its community impacts, the City should take actions and adopt policies which encourage enrollment growth.

Three: Build community quality. Maintain and encourage high community standards for Merced's services, infrastructure, and private development.

Specific Action Steps

3.1	Raise standards for all new development projects in the City of Merced with attention to "quality of place" and balancing development benefits with community impacts.	City, Development Services	Continuous
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Quality of place is key in attracting talent, and high performance companies. Standards for development need to be maintained or increased (and adhered to). The City has had high development standards in place, but recent pressures show a need to add and revise standards. Issues such as traffic calming, neighborhood cut-through traffic, and graffiti prevention are a sample of the topics to address. Creating a higher quality of place is a powerful engine of economic prosperity.

3.2	Achieve improvements in Merced's transportation network, particularly north-south circulation and overcoming the barriers of railroad tracks and creeks.	City	June 2011
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Recent years have seen heightened concern in Merced about obstacles to north-south circulation. These concerns need to be addressed to deal with Merced's quality of life. New underpasses or bridges as well as increased arterial capacity, are required to overcome north-south circulation problems.

3.3	Protect the viability of the Merced Municipal Airport and continue with high-quality Airport development of corporate, general aviation and passenger facilities.	Airport Authority, City, EDAC	June 2010
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The Airport's location has traditionally not been threatened by encroachment of incompatible land uses, but recent development pressures have raised the threat. The Airport itself is also seeing new development opportunity, and high quality Airport development should be encouraged. New partnerships with the University of California in aviation may also be productive.

3.4 Strengthen interaction between education and the business community in a continuous effort to improve Merced's educational quality.	City, EDAC, MCOE	Continuous
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The single most important factor in knowledge-driven industries is the availability of a highly educated, highly skilled workforce. This involves local school quality, both for training of the workforce and for attracting highly educated professionals needed in technology-driven industry. Among community preparation tasks, this is by far the most difficult, demanding, and long-term in nature. It is also the most essential. The Economic Development program will:

- (a) Participate and cooperate in efforts to bolster the quality of local school systems, including cooperative efforts with business.
- (b) Continue to support the University of California Merced, and also work for the development of relationships with other higher education institutions, such as nearby California State University campuses.
- (c) Support and cooperate with efforts in workforce training, including adult education and job training programs.

3.5 Continue to support Downtown Merced's development as the City's center for dining, entertainment, arts, and culture.	City, RDAC	Continuous
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This is further supported in the City's downtown plans and redevelopment plans. The City has completed most actions called for in its 1999 Downtown Plan, and will develop a new Downtown Plan in 2007.



Restored Mondo Building

Four: Seize each opportunity. Capitalize on opportunities to retain, expand and recruit new basic jobs in Merced.

Merced's economic development program has traditionally emphasized work with individual companies to encourage retention and expansion of employers, and to recruit new employers.

4.1 Celebrate local business and economic success through the Merced Success Breakfast and other means. City, EDAC Continuous

Local business retention is a high priority for economic development. Recognition of local businesses' value is part of the retention effort. The annual Merced Success Breakfast spotlights specific companies that have made positive contributions, and is a very popular event. This event, and possibly others, give a way to recognize local employers.



Award winners at the 2006 Merced Success Breakfast.

4.2 Visit local employers and their headquarters locations to build constructive relationships with company officials. City, EDAC Continuous

National data generally indicate that most jobs are created through expansion of local firms. The City has maintained a retention and expansion program for local business, which will continue. Like the recruitment program, the retention and expansion program is:

- Client-centered
- Relationship-based
- Individualized



Scholle Corporation, in Merced since 1993

The City will carry out a program of visits to local companies to build positive community relationships with them, and address problems or issues facing those companies.

Because many Merced manufacturing companies are headquartered in other areas, retention/expansion calls will be made as part of investment mission trips to other areas. Especially strong linkages exist between Merced and headquarters locations in Chicago and Los Angeles.

4.3	Respond to inquiries from industries and basic employment creators for locations in Merced.	City, EDAC	Continuous
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The City will continue its practice of responding to inquiries received in a thorough and professional manner. However, if a company's needs are not compatible with the community, a polite decline of interest will be made.

4.4	Aggressively pursue new employment in targeted industrial clusters.	City, EDAC	Continuous
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The City will not only respond to inquiries received from new job-generating companies, but will also aggressively pursue new opportunities for new targeted industries.

Merced's Targeted Industry Clusters:

- Professional offices and consulting
- Warehousing and distribution
- Non-water intensive food processing
- Tech-led clusters: biotechnology, biomedical, communications, energy (particularly alternative), environmental
- Light manufacturing, particularly metal stampings and related products
- Packaging, especially plastics
- Machining
- Overnight lodging
- Developers of business, research-technology, and industrial parks
- Retail and service catering to youth, families, and tech-led industry
- Medical services

Target Markets by Geographic Priority

<u>Area</u>	<u>Why</u>
1. Merced	<i>Retaining and expanding what we have, and growing new local firms is the most cost-effective development</i>
2. San Francisco Bay Area	<i>Close proximity, opportunities for branch plants, high costs pushing companies out; labor shortages</i>
3. San Jose/Silicon Valley	<i>Close proximity, opportunities for branches, high costs pushing companies out; labor shortages</i>
4. Southern California	<i>Opportunities for branches, high costs</i>
5. Midwestern United States	<i>Agricultural related</i>
6. Other U.S. locations	<i>Possible prospects</i>

Economic development efforts are aimed at a very select and narrow market: the decision maker within a corporation (or other company structure) who can make a decision to locate or expand a company in Merced. Mass marketing techniques and appeals are usually not appropriate, except in special circumstances.

There is a second audience as well: the intermediaries or "influencers", who may advise or participate with the decision maker in a facility decision. These include site location consultants, real estate brokers, developers, and others.

Most industrial location decisions are made directly between a community or property owner and the industrial company, usually without a third-party developer or consultant. In the retail/service marketplace, tenants are most often represented by brokers or developers with whom they have some existing relationship. The difference in the two markets is crucial: to approach industries a community will often need to deal directly with them. Approaches to retail and service tenants can frequently be made through developers and brokers.

4.5 Support and assist the Merced Industrial Roundtable City, EDAC June 2007
developing and fostering relationships between local industries and the City.

Beginning efforts are now being made to create a regular meeting of managers of manufacturing industries in Merced, to discuss topics of mutual interest. These efforts will be supported and facilitated. The possibility of meeting with separate industrial park user groups will be explored. Business owners and managers in particular industrial locations may share problems and issues which are effectively addressed together.

4.6	Continue to participate in industrial recruitment programs such as Team California and site consultant roundtable forums.	City	Continuous
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Merced has established itself as a member and participant in Team California, which provides access to industrial trade show marketing. This will continue, as will participation in site consultant roundtable forums. These forums are valuable in maintaining relationships with consultants who can bring industrial clients to Merced.

4.7	Restart the Opportunity Merced program offering annual programs for out-of-area investors and the local development community.	City, EDAC	October 2007
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In the past, Merced has annually offered the "Opportunity Merced" program, held locally and designed to expose Merced to outside investors, brokers, and site consultants. This one-day program, which involves presentations on community economic trends and features a community tour, will resume.

4.8	Incorporate more technology to assist with the City's economic development efforts.	City	July 2007
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The Economic Development Program will incorporate additional technology, with emphasis on the website and materials which can be generated rapidly for proposals and responses to clients.

4.9	Re-evaluate the City's development and permit processes to improve, streamline, and fast-track commercial and industrial projects where appropriate.	City, Development Services	July 2008
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The quality of service offered by a community to an industrial client can be far more important than slight differences in price. Due to the quickening pace of development, it is progressively more difficult to offer rapid turnaround on development proposals and requests. Because service is critical, staff will evaluate ways in which to streamline processes and offer superlative service.

Five: Be prepared. Provide adequate job-generating land and infrastructure, to assure a competitive community position.

A basic policy responsibility of the community is to provide sufficient land designation for the activities and uses planned in Merced. In addition, the City must be capable of serving development with both communitywide and site-specific infrastructure.

An inventory of serviced, appropriately-zoned sites is especially important to Merced's competitive position for business and industry. Because Merced's economic structure will be changing over the next decade, the phrase "employment-generating" land is used here, because traditional boundaries between industrial, commercial and office designations may be blurred or redefined. This is especially true in the case of technology-led development, in which companies prefer locations which are often described as "campus-like".

Specific Action Steps

5.1	Review Merced's commercial land supply and forward recommendations for changes to the City Development Services Department and Planning Commission.	City, EDAC	June 2007
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Merced has been successful in establishing a market presence with national retailers and stimulating new demand for commercial development. However, by mid-2006, commercial sites are becoming scarcer in the community. City economic development staff will work with EDAC and the City's Development Services Department in identifying possible new sites to add to the commercial inventory.

5.2	Identify sites, refine and develop City standards, and encourage development of research technology parks and business parks.	City, EDAC, Development Services	June 2009
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Technology-based industries prefer campus-like environments for their facilities. This demands "research-technology parks", rather than traditional industrial parks. The Economic Development program will work with property owners and other City departments to assure properly zoned, planned, and restricted parks.

5.3 Annex additional industrial land to the City, including areas in the vicinity of the Airport Industrial Park.

City, Development Services

June 2009

The eastern industrial area of Merced has been partially developed and serviced for many years. Now this area has undergone significant changes in size and ownership. The 1999 annexation of the University Industrial Park resulted in an increase of more than 460 acres of industrial property.

The South Airport Industrial Park project completed by the City in 2000 resulted in the full servicing about 100 acres of light industrial land. However, much of this area has been absorbed by recent sales for industrial expansions.

Over 250 acres adjacent to the South Airport Industrial Park Merced are approaching readiness for annexation. The City's Economic Development Office will work with owners to investigate the possibility of annexation.



South Airport Industrial Park

Merced's Existing Industrial Supply in Acres, 2006

	Western Industrial Park	University Industrial Park	Airport Industrial Park
Total Area	240	1005	421
Available Land	38	613	160
"Ready to Go" Sites	38	310	78

"Available" is vacant and for sale.

"Ready to go" is vacant, for sale, and fully serviced with no additional public improvements needed.

5.4 Support expansion of the City's wastewater treatment plant to 12 MGD by 2008 and 16 MGD not later than 2015.

City, EDAC, Development Services June 2011



The City's wastewater treatment plant is approaching its capacity. A project is already underway to expand the current 10 million gallons per day (MGD) to 12 MGD. This will accommodate needs for a short period, when capacity expansion is again needed to a 16 MGD level.

This may be the primary issue limiting Merced development if unresolved.

5.5 Identify underused commercial and industrial land for redevelopment and re-use.

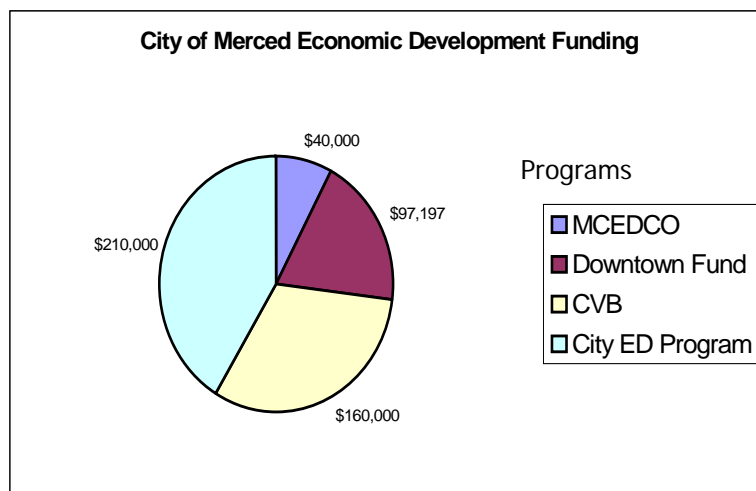
City June 2008

City staff will focus efforts on identifying underused land, which may offer opportunities, especially in redevelopment project areas.

Six: Connect the dots. Deliberately integrate all of Merced's economic development efforts.

The City of Merced directly operates its Economic Development Office. The 2006-07 budget is about \$210,000. But in addition, the City also funds other services:

- The Merced County Economic Development Corporation is contracted to provide additional regional economic development services, primarily in the area of industry and new basic jobs. The contract amount varies, but is typically about \$40,000 annually.
- The Merced Conference and Visitors Bureau is contracted to provide visitor promotion services. The contract amount is \$160,000 in 2006.
- Downtown Merced promotional efforts are managed by the City's Redevelopment Agency staff. The 2006-07 budget is about \$97,000 for promotion, advertising, security and cleanliness.



Each of these efforts are economic development-related, and need to be coordinated to reinforce one another. All can be used to establish a consistent image and message for the community.

Specific Action Steps

6.1	Assure that the City of Merced's economic development efforts are coordinated with and supported by the City's financial support for visitor services, downtown promotion, and regional economic development.	City, MCVB, MCEDCO	June 2007 and continuing
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The Economic Development Office will not be directly involved in the promotion of visitor services. That is addressed by the Merced Convention and Visitors Bureau, which provides service under contract to the City. However, the Economic Development Office will directly address the issue of developing more quality overnight lodging in the community. Market signals are that the local market is ready for addition of more overnight rooms. Therefore, it is a targeted industry, and efforts will be made in recruitment and expansion.

6.2	Annually evaluate and coordinate Merced County Economic Development Corporation (MCEDCO) with City economic development efforts.	City, MCEDCO	June 2007 and continuing
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The regional efforts by MCEDCO are a key contract which can add value to other economic development efforts. Annual evaluation by the Economic Development Advisory Committee is the action needed to assure good coordination.

6.3	Maintain the diversity, expertise, and depth of the City's Economic Development Advisory Committee in its key role in Merced's economic development.	City Council	Continuous
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The EDAC has been a key resource to the City's Economic Development program and is not replaceable by any other body. The membership of the committee has provided expertise in many fields, and committee members have added volunteer efforts to the Economic Development program. The City Council will continue to recruit and appoint well-qualified members.

6.4	Establish quarterly meetings with area economic development professionals and partnering organizations.	City, MCEDCO	March 2007
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The City will engage in cooperative actions with others in the economic development area, especially the key contractors identified in 6.1. Meetings are for the purpose of making efforts consistent and mutually supportive.

5. Organizational Plan

City Economic Development policies are established by the Merced City Council, and managed by the City Manager through City staff.

Staffing of the economic development effort is carried out by the City of Merced, through its Redevelopment Agency. The Economic Development Program is staffed with the support of the Assistant City Manager, the Development Manager, the Development Coordinator, a Redevelopment Technician, and Secretary.

Assistance is also received from other Redevelopment staff. Additional staff support is frequently provided by other departments, particularly Development Services.

ECONOMIC DEVELOPMENT ADVISORY COMMITTEE

The Economic Development Advisory Committee was established by the City Council in June 1991. The functions of the Committee are to advise the City Council and staff in economic development matters, participate in the development of the annual work program, and provide additional expertise which staff does not have. Additionally, the Committee participates in economic development efforts, such as the Retention and Expansion calling program, and represents the City at trade shows.

Economic Development Advisory Committee, December 2006

Lane Puckett, Chairman	<i>Pacific Gas and Electric Co.</i>
John Bankson, Vice Chairman	<i>Label Technology</i>
Kathy Andrade	<i>Merced Mall</i>
Duane Andrews	<i>Golden Valley Engineering</i>
Nancy Brawley	<i>California Land Investment Co.</i>
Richard Eason	<i>Eason Insurance Agency, Inc.</i>
Michael Hiller	<i>County Bank</i>
Richard Kirby	<i>Kirby Manufacturing</i>
Ron Lawrence	<i>JC Penney</i>
David Love	<i>Century 21/M&M & Associates</i>
Robert Olzack	<i>Coldwell Banker/Gonella Realty</i>
Gene Pike	<i>Market Access</i>
Grey Roberts	<i>Roberts & Allan, CPAs</i>
Susan Stetler	<i>Merced College</i>
Janet Young	<i>University of California Merced</i>

PARTNERSHIPS AND STRATEGIC ALLIANCES

No economic development program can succeed on its own without active collaboration with external organizations. Many other groups hold key roles in what might be envisioned as an economic development "system". Although the parts of the "system" are not housed within the same organization - and therefore do not make a neatly pyramidal organizational chart - they nonetheless can function together effectively, in a network.

Among the several organizations and functions outlined in the Table below, three must be particularly described. *Merced County Economic Development Corporation* was formed in 1994 and has a contractual relationship with the city to carry out various marketing activities. The *Merced Conference and Visitors Bureau* was created in 2005 as an entity separate from the Greater Merced Area Chamber of Commerce, which had previously managed visitor services for the community. The *Department of Workforce Investment* is the key county agency charged with job training programs and responsibilities.

Partnerships and Alliances

Organization	Programs/Roles
Merced County Economic Development Corporation	Business recruitment, retention issues, special projects
Greater Merced Area Chamber of Commerce, including Merced Boosters Club	Initial contacts with some industrial prospects, support for prospect activities
Merced Conference and Visitors Bureau	Visitor promotion for Merced
University of California Merced	Key community asset involved in many aspects of development
Department of Workforce Investment	Job training, employee screening, personnel issues, Enterprise Zone vouchers
Merced County Office of Economic and Business Opportunities	Economic research, grant writing, small business loans, export and government contracting assistance

6. Past Results

The City's first Economic Development Business Plan was adopted in August 1992, and much progress has been made since then. Among the most noteworthy accomplishments for the community:

- The University of California opened in Merced in 2005.
- Retailing in Merced has expanded dramatically.
- Merced's recruitment efforts have brought new industries to the community, creating jobs and increased payroll.
- Over 460 acres of industrial land has been annexed to Merced, in the Lyons Industrial Annexation. This provides the land base for creating thousands of jobs in the future.

Major industrial expansions and attractions in which the Economic Development Program has participated are listed below.

Industrial Expansions and New Locations

<u>COMPANY</u>		<u>DATE</u>
Safeway Food Processing, Phase II	Food Processing	2003
Scholle Corporation, Phase IV	Plastics Processing	2003
Unilever/Best Foods (Ragu)	Food Processing	2003
Clendenin Construction	Construction	2003
Creative Plumbing	HVAC	2003
Werner Ladder Company	Ladder Company	2002
Quebecor	Major Printing	2001
MercedNet	ISP/Data Center	2000
World Color Merced, Expansion	Printing	1999
Centurion Boats	Ski Boats	1999
Dobson Communications	Call Center	1999
Brewt Power Systems	Power Motors	1999
Werner Ladder Company	Ladders	1999
Scholle Corporation, Phase III	Plastic Packaging	1998
Malibu Boats, Expansion	Fiberglass Boats	1998
Stahl Metal Products	Truck Bodies	1998
Scholle Corporation, Phase II	Plastic Packaging	1997
Label Technology, Expansion	Label Printing	1997
Safeway Food Processing	Food Processing/Distribution	1997
Olde World Corporation	Store Fixtures Manufacturing	1995
Arvin Sango Incorporated	Auto Parts Assembly	1995
Scholle Corporation	Plastic Packaging	1993
Product Development Corporation	Warehouse & Distribution	1993
Central California Tomato Growers	Tomato Processing	1992
Crown Cork & Seal	Tin Can Manufacturing	1992

