

6 ECONOMIC DEVELOPMENT

The Economic Development Element establishes policies to maintain and enhance economic development opportunities within the City and to define a long-term framework for sustainability. The specific focus of this Element is on how the City can direct local resources to retain and assist local businesses and attract new industry that will increase the City's tax base and support efforts to strengthen and diversify the local economy.

If Chico is to sustain its community character, new economic development must be sensitive to the environment and compatible with existing and planned land uses. Additionally, Chico is the center of retail commercial activity and services for the Tri-County area with substantial employment (see Figure 6-1); maintaining this regional status is essential for the economic vitality of the City.

The General Plan Diagram shows sites for commercial and industrial development at appropriate locations within the Planning Area. Some of these are environmentally constrained, so site development costs will be higher than development at unconstrained alternative locations. One of the purposes of the Economic Development Element is to ensure that additional costs are not imposed on new development because of unnecessary governmental constraints. In this context, the City will be acting as a "development partner", facilitating the approval process while still ensuring that environmental resources are protected, consistent with the General Plan.

Sites that are not already annexed require consent of property owners and environmental review under CEQA as well as approval of the annexation by the Butte County LAFCO before the City can consider a development application. This prolongs the risk and the costs — measured both in time and in dollars — for businesses seeking sites in the City. Reduction of the time and the effort involved for individual project proponents would go a long way towards increasing Chico's attractiveness to potential businesses. If infrastructure and services were available, that would be an added benefit, but first priority should be to annex potentially developable industrial sites.

To sustain its ability to provide public services for existing and future residents and fund programs for environmental protection, the City will need to enhance its revenue base through new retail, commercial, office, and industrial development. Concurrently the City must also help local businesses grow and provide employment for existing and future residents. A healthy, vital community can be sustained with a diverse economy offering useful and satisfying work for Chico residents.

RELATIONSHIP TO STATE LAW

The Economic Development Element is an optional element of the General Plan under the Government Code of the State of California which states: "the general plan may include any other elements or address any other subjects which, in the judgment of the legislative body, relate to the physical development of the county or city."

RELATIONSHIP TO OTHER GENERAL PLAN ELEMENTS

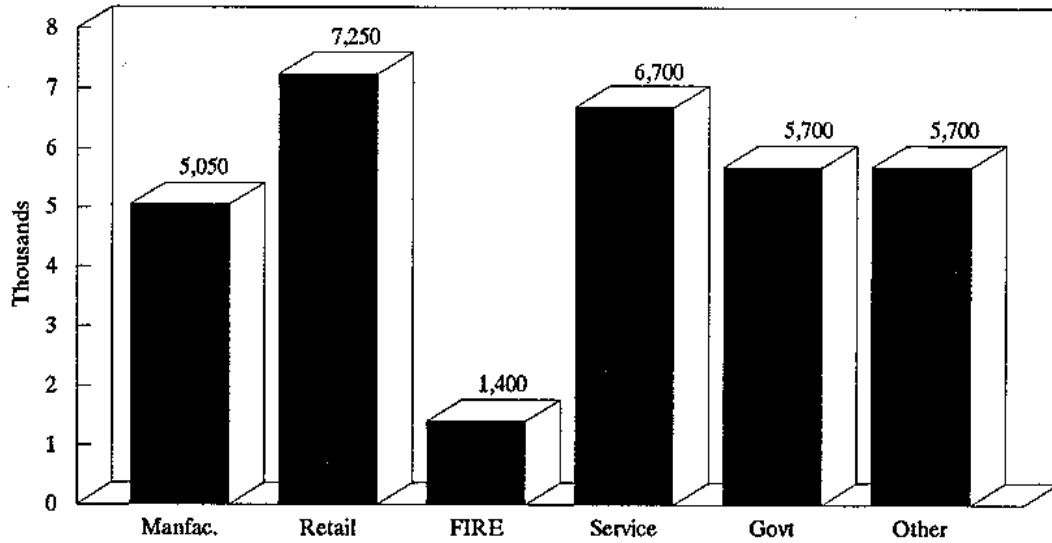
The Land Use Element establishes the physical framework for development, and addresses the jobs/housing balance, while the Transportation Element provides for circulation system improvements that will serve new development. The Transportation Element also includes policies for the Municipal Airport, goods movement and railroads. Finally, the Housing Element includes policies and programs for affordable housing, which will also help economic development.

RELATIONSHIP TO MASTER ENVIRONMENTAL ASSESSMENT

Detailed background information relating to economic development is presented in the *Master Environmental Assessment* in following sections:

- 2 Population and Economic Growth,
- 3.2 Existing Development Pattern and Land Use, and
- 3.4 Current Development Trends.

FIGURE 6-1: PLANNING AREA, ESTIMATED JOBS BY INDUSTRY

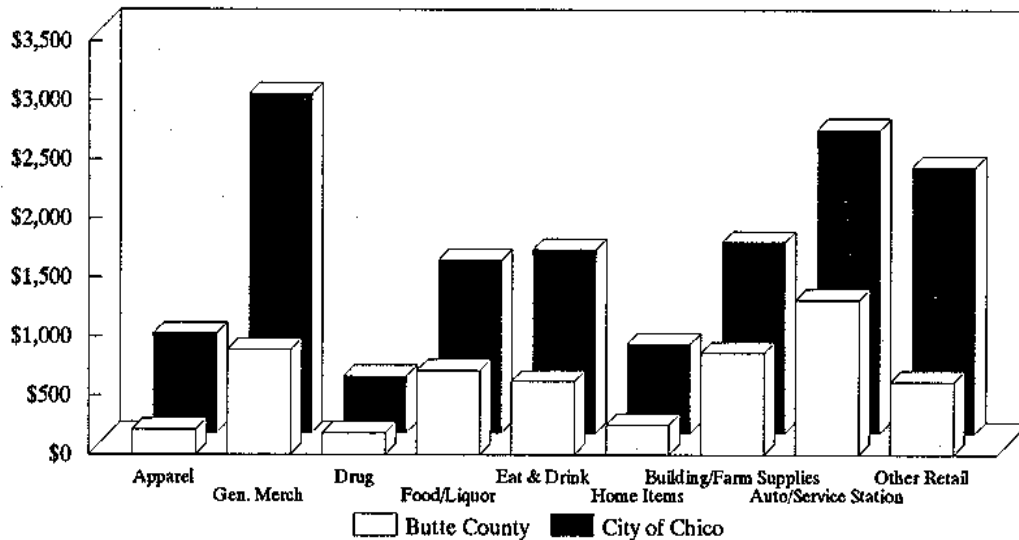


FIRE: Finance, Insurance and Real Estate

Other: Fisheries, Forestry, Agriculture, Construction, Mining, Transportation, and Utilities, each representing less than three percent of Planning Area jobs.

Sources: California Employment Development Department; 1990 U.S. Census; and, Chico Chamber of Commerce.

FIGURE 6-2: 1991 PER CAPITA TAXABLE RETAIL SALES, CITY OF CHICO AND BUTTE COUNTY



Sources: California State Board of Equalization; and, California Department of Finance

6.1 BACKGROUND

Chico's economy is quite diversified. The largest numbers of jobs are in sectors that have seen recent growth and have good long-range growth prospects. Services and retail trade are the two largest sectors of employment, together accounting for an estimated one-half (47 percent) of the jobs in the Planning Area. Government and education (19 percent) and manufacturing (17 percent) are the next largest sectors. As of 1990, the local labor force included 38,750 residents, and the number of jobs per employed resident assuming a 7.5 percent unemployment rate, was 0.91. Further information on the estimated number of jobs in the City and employment trends by sector and firm size is in the *Master Environmental Assessment*.

6.2 REGIONAL INFLUENCES ON THE LOCAL ECONOMY

Regional and inter-regional influences are playing an increasingly influential role in economic growth and structural changes in employment composition occurring in Chico and elsewhere in the Central Valley. In the Valley as a whole, employment in production sectors, such as manufacturing, has been growing more slowly than employment in population-serving sectors such as retail, services, and finance, insurance and real estate. Growth in service sectors in the Central Valley has been strong, even compared to growth in other parts of California and had a marked influence on the labor market of larger Valley cities, such as Sacramento, in the 1980s.

The value of agricultural production, in constant 1993 dollars, in Northern Sacramento Valley (which includes Butte County) climbed up during 1973–81 but has since dropped to about 1965 levels. Harvest bearing acreage has declined, with switching from low-value crops like pasture and field crops to high value ones such as fruits, vegetables and nuts. While the proceeds from sales of agricultural products are increasing, the cash value of crops produced in the County, expressed in constant dollars, decreased by about 12 percent between 1987 and 1991; the value of fruit and nut crops decreased by about 11 percent. Prices generally have continued to decline since 1991, although nut prices have been strong the last two seasons.

The potential for economic growth in the Planning Area is enhanced by the presence of a skilled workforce, available labor supply, and education and job training opportunities available through California State University, Chico and Butte College. The availability of health, cultural and recreational amenities in the region are also Chico's strong suits. Nationally and in Chico, the greatest job gains are likely to come through expansion in the service sector. Chico also may benefit from economic expansion under the North American Free Trade Agreement (NAFTA) and the recently completed world trade and tariff negotiations. Potential for expansion of wholesale trade is limited because of the City's distance from Interstate 5. If other centers of

retail activity emerge elsewhere in the region, growth in the retail trade sector in Chico and the County could be threatened, though this seems unlikely in the near future.

6.3 EMPLOYMENT GROWTH PROSPECTS

The wage and cost of living disparity between the coastal and Valley areas, and the availability of labor and land, is likely to continue providing impetus to continued job and population growth in Butte County and in Chico. Studies conducted for the Institute of Business and Economic Research at the University of California, Berkeley, indicate that despite the growth in non-agricultural employment and decline in agricultural employment, the income differential between Central Valley and San Francisco Bay Area and other coastal counties widened, both in relative as well in absolute terms, rather than narrowed in the past decade. If this trend continues, Chico should be able to attract new business because land cost are also lower than in the Bay Area and other coastal counties. However, these same studies also have determined that the effects of the coastal economy spillover on the Central Valley are limited primarily to the Southern Sacramento Valley and San Joaquin County. This is largely because of already existing economic diversity and proximity to major urban centers.

Projected Job Growth. Compared to the state as a whole, job growth prospects in the Chico area continue to be good. State and federal projection of job growth on the Chico urban area show that continued growth can be expected in the retail and services sectors, which have been the dominant sources of recent growth (Table 6.3-1). Some gains in manufacturing and relocation of manufacturing industries from outside the area can also be expected, though gains due to relocation are likely to be modest in comparison to the overall population growth.

Retailing. Chico has long been the center of retailing in the Tri-County area. This has led the growth of retail activity in all sectors and, in recent years, regional malls and major discount stores have opened to serve the growing population. Per capita retail sales are substantially higher in the City than average per capita sales in the County (see Figure 6-2 and Table 6.3-2.).

**TABLE 6.3-1
CHICO METROPOLITAN STATISTICAL AREA PROJECTED JOB GROWTH 1990-1997 AND
1990-2020**

Industry	Percent Increase in Jobs	
	1990-1997^a	1990-2020^b
Agriculture, Forestry and Fisheries	3.1	0.2
Construction and Mining	4.3	5.2
Manufacturing	5.4	4.6
Transportation and Public Utilities	3.7	2.7
Wholesale Trade	1.1	-0.2
Retail Trade	21.3	21.2
Finance, Insurance, and Real Estate	5.1	14.0
Services	43.8	49.4
Government and Education	12.2	2.9

^a California Employment Development Department, 1992.

^b U. S. Department of Commerce, Bureau of Economic Analysis, 1992.

Source: Blayney Dyett, 1994.

Looking ahead to the year 2020, sales for convenience goods and restaurants, and highway-oriented and specialty stores are likely to grow in proportion to Planning Area population growth and increases in personal income (see Table 6.3-2). Growth in department store sales and wholesale or discount store sales also is expected, but long-term prospects will depend on Chico's ability to maintain a regional competitive advantage and the unknown effect that home shopping with computers and mail-order business will have on local retail sales.¹

Visitor-serving Facilities. In Chico, visitor-serving facilities are an important component of the local economy. They serve academic, professional and trade organizations, and conventions and visitors drawn to the community by CSUC and Butte College. Although there are a wide range of facilities available in the community for meetings and banquets, the City does not have a convention or community center or a substantial number of hotel rooms adjacent to CSUC and Downtown. The General Plan Land Use Diagram designates sites for visitor-serving facilities to encourage development in this sector.

¹ On a national scale, consumer and business mail order sales decreased from 4 percent of total U.S. retail sales in 1982 to 3.5 percent in 1991, suggesting that this factor will not have a significant effect on retail space needs over the long-term unless home computer use becomes far more wide spread.

Table 6.3-2
Planning Area Projected Retail Sales and Space Needs
(1991 Dollars in the thousands; space in square feet)

Retail Category	1991 Taxable Retail Sales		Chico Share of County	Projected Sales at Buildout	Net Change 1991 to Buildout	Additional Space Needed
	Planning Area	Butte County				
Convenience Goods & Restaurants						
Drug	22,921	34,224	0.67	37,831	14,910	90,361
Food	71,727	124,810	0.57	118,384	46,656	266,608
Packaged Liquor	6,832	8,658	0.79	11,275	4,444	20,199
Eating and Drinking	75,794	116,167	0.65	125,096	49,302	197,208
Total	177,274	283,859	0.62	292,586	115,312	574,376
Comparison Goods						
Apparel	36,032	40,078	0.90	52,237	16,205	98,213
General Merchandise	121,981	165,808	0.74	176,841	54,860	332,482
Home Furnishing and Appliances	36,393	47,791	0.76	52,760	16,367	99,196
Total	194,406	253,677	0.77	281,838	87,432	529,891
Highway Oriented						
Building Material and Farm Supplies	103,315	161,272	0.64	170,518	67,203	516,948
Auto Dealers and Auto Supplies	107,961	180,025	0.60	178,187	70,226	390,143
Service Stations	34,295	65,100	0.53	56,602	22,308	148,718
Total	245,571	406,397	0.60	405,307	159,737	1,055,809
Other	93,196	115,748	0.81	153,817	60,621	404,143
Total Retail	710,447	1,059,681	0.67	1,133,549	423,102	2,564,220

Notes:

1 Unincorporated Planning Area 1991 sales estimated in proportion to unincorporated County population.

2. Projections for comparison goods assume that Plan buildout would occur in 2012.

Sources: California Board of Equalization; and Blanyney Byett

6.4 DEFINING AN ECONOMIC DEVELOPMENT STRATEGY

A viable economic development strategy is proactive; it anticipates and responds to future growth prospects. Besides ensuring that adequate sites are available for future commercial and industrial development at appropriate locations, the City needs to take a comprehensive look at all aspects of the local economy. The broader policy issue is how involved the City should be in economic development; should this include planning and technical assistance or direct financial assistance? The strategy outlined in this element includes a number of specific programs as well as policies intended to improve the overall business climate and establish positive working relations with the private sector. This strategy is intended to protect and enhance existing business, develop higher education limits with CSUC and Butte College, target environmentally-sensitive, future-oriented industries, and improve those aspects of the community that support and enhance the City's image.²

6.5 POLICIES

For policies related to commercial, office, industrial, and research and development facilities, see Chapter 3: Land Use Element.

Guiding Policies: Economic Development

ED-G-1 Maintain a balanced land use program that provides opportunities for commercial and industrial development, dispersed throughout the community and at appropriate locations within the urban area served by adequate infrastructure.

The General Plan Diagram also recognizes that industrial users have a broad range of needs, and so provides for more land than may be needed over the planning period to allow for a choice of sites.

ED-G-2 Actively promote economic development opportunities and knowledge of Chico in the region, state and nation; maintain a positive, small-business climate, and

² For further information on success stories in other communities, see *Business Opportunities Casebook, A Rural Revitalization Program for Community*, published by the U.S. Small Business Administration.

strengthen the City's tax base by encouraging environmentally sensitive development with tax generation potential.

ED-G-3 Build long-term partnerships between the City and businesses, business organizations, and the educational, arts and environmental communities.

ED-G-4 Promote economic development activities that link residents with businesses in the City, such as job training and job development and facilitates jobs/housing balance.

For further discussion of jobs/housing balance, see Section 3.12 in the Land Use Element.

ED-G-5 Encourage agricultural processing and cooperative distribution and marketing of agricultural products grown locally.

ED-G-6 Promote high technology and research and development activities.

ED-G-7 Enhance aspects of the community that help economic development and draw residents to Chico, including small-town ambience, educational, cultural, environmental and recreational resources, and affordable housing.

ED-G-8 Encourage large businesses in Chico to make purchases in the community whenever possible to support local firms

Implementing Policies: Economic Development

Coordination and Procedures

ED-I-1 Continue to have an Economic Development Coordinator on City staff with responsibility for promoting economic development opportunities and assisting new businesses in site selection, recruitment, training and relocation. The City should, when feasible, help groups of businesses undertake common promotional efforts and provide information on publicly funded revitalization or redevelopment efforts and state and federal loan programs.

ED-I-2 Continue to identify, pursue and capture state, federal and other grants on a sustained basis.

ED-I-3 Establish guidelines which link business activity revenues to the City's economic development program costs and determine the range of reasonable support costs for future economic development programs which the City may fund.

- ED-I-4 Establish bi-annual priorities between capital projects and economic development projects within the context of the City's Capital Improvement Program; consider expanding the CIP to include Economic Development and Revitalization Programs to be coordinated with the Redevelopment Agency's programs.

Programs

- ED-I-5 Continue to support a coordinated approach to working with key industries for the purposes of targeted marketing (on a case-by-case basis) to existing firms to be retained and new firms to be sought. Identify under-represented industries that may be attracted to Chico and actively try to recruit them.

Candidates include businesses involved with health services, tourism, professional services, agricultural services, computer software and services, organic agriculture and specialty foods.

- ED-I-6 Explore the feasibility of promoting resident job hiring and job training on all public works projects and projects receiving financial assistance from the City, including the Redevelopment Agency.

- ED-I-7 Develop an incentive program for key industries, providing limited financial incentives for business expansion or relocation in target areas, with maximum public and market exposure.

- ED-I-8 Assist local merchants and business organizations interested in forming business improvement districts to promote a definable identity for specific commercial areas through coordinated signage, landscaping and entry/identity symbols.

- ED-I-9 Investigate the feasibility of having the Redevelopment Agency provide low-interest loans for small businesses now located in Chico who want to relocate or expand within the urban area.

- ED-I-10 Work with EDD, CSUC and Butte College to establish practical job training and vocational education programs geared to specific industries and occupational needs. Examples may include the visitor industry, specific agricultural commodities, and high technology manufacturing.

- ED-I-11 Continue to support a local jobs program to link business with residents.

- ED-I-12 Establish a program, such as "Oregon Marketplace," to connect local business needs with local products and services.

- ED-I-13 Investigate the feasibility of establishing a Foreign Trade Zone in the Chico Urban area.
- ED-I-14 Assist the Farmer's Market by continuing to provide sites for market operations.

Cultural Amenities, Image and Business Climate

- ED-I-15 Continue to promote cultural amenities and facilitate special events in the community that will draw visitors to the community. Such events have included: the Chico Artisans Fair, Shakespeare in the Park, regional sporting events and other seasonal events that will attract visitors to the community.
- ED-I-16 Work with local hotels and motels, bed & breakfast operators, the Chamber of Commerce, and recreational organizations and business to promote a Chico "weekend package" of emphasizing the community's historical and cultural assets, educational facilities and recreational areas.
- ED-I-17 Explore the feasibility of establishing a convention center or performing arts center, either Downtown or in another accessible location.

Commercial and Industrial Development

See also policies in Chapter 3: Land Use Element.

- ED-I-18 Maintain a generous supply of "ready to go" industrial land by annexing and zoning sites prior to receipt of development applications.
- ED-I-19 Develop guidelines for adaptive reuse of commercial/industrial buildings and "incubator" development projects, including "live/work" studios.

Fees and Development Standards

- ED-I-20 Review current development standards and project mitigation fees and modify them, as appropriate, to encourage reinvestment and intensification of use of land and structures within the existing urban area.
- ED-I-21 Explore financing plans for existing businesses seeking to expand in Chico for whom payment of fees "up-front" may represent a major financial burden. Six- or twelve-month financing programs could be considered.

- ED-I-22 Provide incentives to attract and encourage environmentally desirable businesses and business activities, including possibly reduced fees for outstanding environmental conservation efforts.