

3 ECONOMIC DEVELOPMENT

The Economic Development Element is an optional General Plan element. Its purpose is to bring the vision of improving the area's job climate and market opportunities to a policy level with the City Council. The Economic Development Element incorporates the directives from the City's adopted *Economic Development Strategy* within its goals, policies, and implementation measures.

3.01 The Community Vision: Available opportunities and community direction

3.01.01 Summary of major findings

In 1991, the City of Ukiah authorized a study to be prepared by Delphi Consulting to learn the attitudes and opinions of City voters related to the long-term growth and development of the area. "Bring more jobs to Ukiah" was the prevalent response to the question asking what should be done to improve the quality of life. Other questions showed a split between those supporting growth-oriented concepts and those voters desiring to limit or control growth rates in the Valley. The survey results suggest that the people of Ukiah want more or better jobs, but they want a small town.

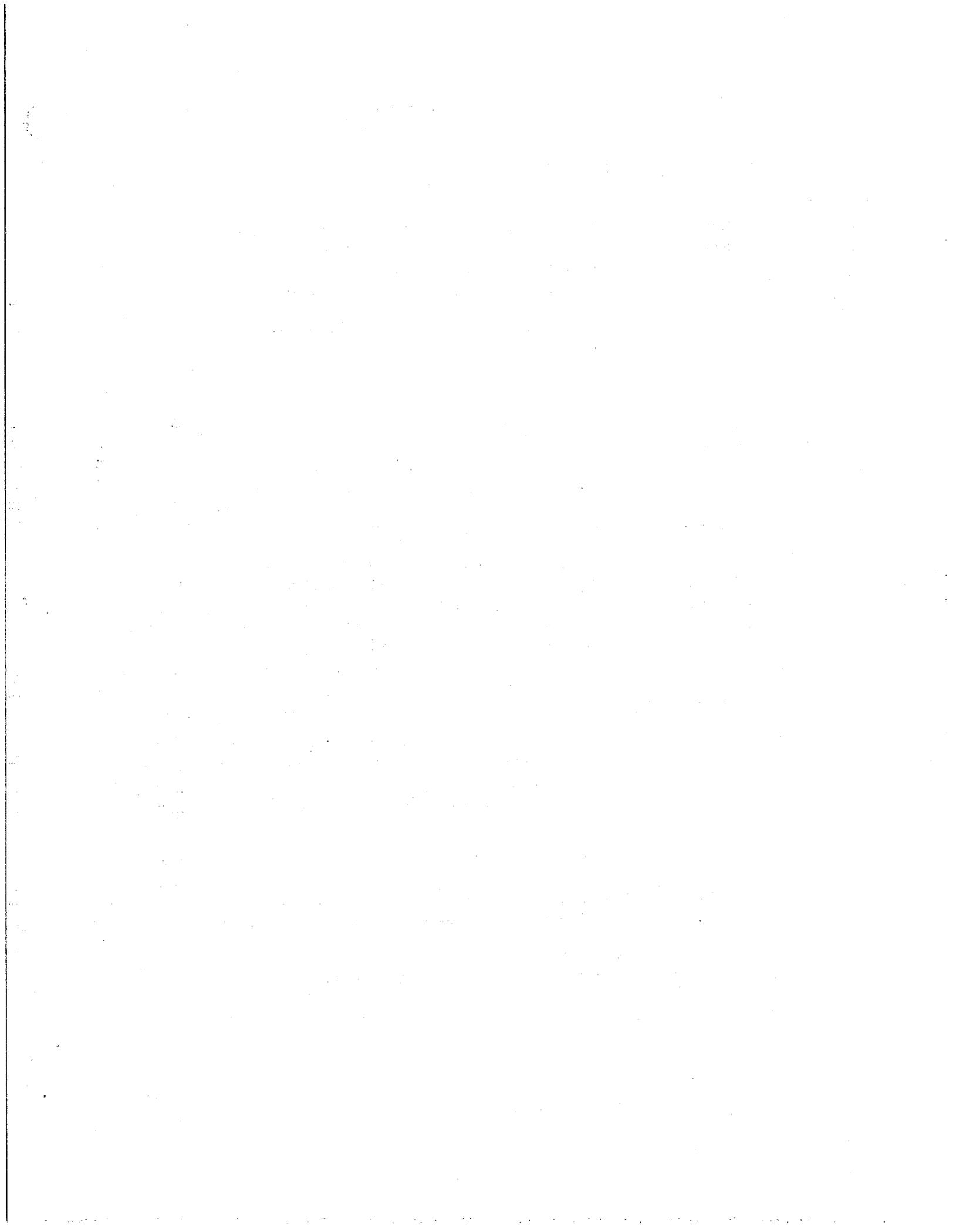
The economy of Ukiah is completely integrated with the unincorporated areas of the valley, and the goals and policies envisioned for Ukiah have application to the rest of Mendocino County and to a lesser extent much of Northern California. Many of the policies can not be effective without implementation by the county as well. Therefore, in creating an ongoing process of economic development, the creation of a close working relationship between the city and county, and ultimately the cooperation and collaboration between resource based counties, is essential. This will also be important in soliciting needed outside funding resources and in creating regional cooperatives that reflect the regional nature of our resource base. Furthermore, cost savings can be achieved by coordinated efforts with the county and region.

Quality of life is a vital factor in attracting new businesses and sustaining existing local businesses. In addition, research indicates that companies throughout the country and specifically within California, are choosing to relocate to smaller rural communities that emphasize quality of life as reflected by lower crime rates, improved education, rural environment, decrease in traffic and community involvement by the residents.

For many years, the timber industry had been the largest employer. Recently its role has been reduced as fewer and fewer jobs are available. Government employment has remained steady and private sector jobs have declined slightly. Increased fruit and vineyard/winery operations have resulted in a small increase in agricultural jobs. The greatest increase in employment came from the retail and service sector.

In developing a specific marketing strategy to attract new business from outside the area it is important to focus the limited available resources. To provide such focus a proactive marketing approach should be directed towards companies that build upon the existing businesses and services in Ukiah and that are consistent with a resource based economy and the community values, as defined in the Vision Statement.

For these same reasons retirees are attracted to quality communities. The largest segment of income in the valley is from retirement income — more than manufacturing or agriculture. Retirees bring wealth both in pension money and savings. They support service and retail jobs and provide the most stable



income. They are also a source of volunteer labor for many non-profit and social activities. We should continue to attract retirees who are affluent enough to add economic strength to the community.

Mendocino County's quality of life and ability to serve business results from a combination of factors: generally abundant water supplies, favorable climate, and available land for industry and agriculture. Capitalizing on these resources can be a positive attraction to improving the area economy rather than trying to compete for businesses needing resources the area must import.

The Vision Statement identifies an "ecologically-sustainable community" and "responsible use of resources" among the major goals for the future. To meet these goals the community must maintain a balance between the area's renewable resources and the population that can be supported by sustained use of these available resources.

In 1993, Mendocino College, the City, County, private groups, and other public agencies hosted a County-wide Economic Summit. This convocation not only highlighted the need for protecting the environment and enhancing the quality of life, but specifically provided direction to moving toward a sustainable resource-based economy. In concert with the overall intentions of the community driven General Plan process, economic development needs to be focused on the key values of the community as defined in the Vision Statement. From this perspective the enhancement of a "small town" identity becomes a central strategic element of this Plan.

The Summit also focussed on the need for higher income producing employment as well. Mendocino County and the City of Ukiah both lag behind the State in per capita income. Of greatest concern is that with the decline of traditional manufacturing jobs and increases in the retail sales field, the gap between the State's per capita income and the Valley's is widening each decade.

Building upon the existing resource-based economy (agriculture, forestry, fisheries, and natural environment) in a sustainable manner becomes the central guiding elements of the future economic development of the Valley. Eighty-five percent of business growth in rural Northern California communities is occurring from expansion of existing business. This success is derived from economic development strategies that look at niche marketing based on existing resources rather than expending resources on attracting business expansion from outside the area.⁵

Looking at long-term trends, the number of full-time jobs filled in Mendocino County has been going up coincident with proportionally smaller employment in the seasonal timber industry.

The support for this is four fold:

1. In surveying the resource based jobs throughout the county and looking at expanding these job opportunities through remanufacturing it is clear that such jobs will provide higher wage and improved benefits to the community. The average wage of manufacturing jobs is 2.2 times the average wage of retail trade jobs. In turn manufacturing jobs will provide for greater tax revenues and support city and county infrastructure. Remanufacturing accomplishes another goal, one of reducing the seasonal cycles of unemployment.
2. Logistically, building upon business sectors with existing resources and services is more economical and feasible than creating entirely new businesses.

3. Some of the area's existing renewable natural resources are unique and provide current and long-term business niche opportunities. These opportunities include products derived from fruit and related processing, winegrapes and viticulture, and a still-available timber industry.
4. A resource-based economy provides long-term viability when managed in a sustainable manner.

Looking deeper into the type of business development that is occurring in rural California, research indicates that of the 85% local development, more than 50% of this development occurs in business with less than twenty employees. Bearing this in mind, the economic development strategies of the future must identify mechanisms that will allow smaller resource based businesses to compete in a global marketplace. Job growth in the '90s and beyond will come primarily from those business that are overcoming their structural problems in meeting new market demands. The formation and support of cooperatives has proven to be an extremely successful strategy in the wood products industry in Oregon and Washington. Collectively, the small business community is a vital sector of the area's future economic development. It needs help in joining together to create strength in the marketplace. This can be effectively accomplished within a single structure which can communicate the needs of the local economy. This concept needs to be embraced as a successful strategy for communities such as ours and expanded into the other aspects of our resource economy.

With the desire of the Community to see more job development in the Valley, there is a need to coordinate training and retraining efforts of existing educational institutions and organizations to provide for these changing employment needs. This need can provide training in a system that coordinates industry need with available educational services and facilities. Providing training within the community can provide job opportunities to those calling the valley "home." The Ukiah Business Enterprise Center formed in 1993 provides a central clearing house that serves to connect existing and prospective businesses with people and educators who can help meet their labor needs. More than matching labor forces, the Business Center also provide assistance in preparing business plans, networking, as well as other ongoing support work.

Although the general concept for economic development is to create new employment opportunities through service and manufacturing employment, retail has its place in the community. In the downtown area, small retailers — provide a combination of values in revitalizing the City's core area. Specialty retailers — proprietorships and partnerships — help attract business to the downtown. As activity downtown increases, so will interest in renovation, all-day activities, and the general economic health and value of the area. The City has adopted a Downtown Master Plan to achieve these goals.

The City needs to provide support services to help meet the needs of existing local businesses. This is the simplest method of sustaining the local economy — encouraging expansion and the health of local businesses. The type of support that the City and County can provide includes assisting the Chamber of Commerce, Mendocino College, Ukiah Unified School Districts, and business groups to provide technical assistance and other resources to small businesses.

The visioning process preceding preparation of the General Plan shows the interest of the community is to reflect the social and ecological values of the area in future economic development. An objective of area economic development is to complement the available resources and labor market by aiming programs at businesses that are compatible with local values.

3.02 The Community's needs: Continued economic growth

3.02.01 Summary of major findings

In 1992, the City funded an economic study to provide recommendations and analysis of economic issues. The Study found that industrial and manufacturing employment had declined since 1980 in all fields except food processing.¹⁰ The greatest amount of increased employment opportunities were found in the retail and service sectors. Government employment increased by about twenty percent in the 1980s — although increases in Federal and City employment have been partially offset by attrition and lay-offs by Mendocino County in the 1990s.

Traditionally, retail and service sector jobs pay employees lower wages with fewer benefits than manufacturing jobs. The City's economic study also cited the service sector's lower multiplier effect. This effect is the process by which activity in one industry catalyzes an activity in related industries, resulting in additional locally generated incomes. An example is the winery that purchases wooden gift boxes that are produced by a local woodshop which buys the wood from local timber companies. In this example, the process of selling a wine gift boxes generated income for two additional local businesses.

In order to counter the trend towards increased retail employment, the Economic Study recommended that recruitment and attraction efforts focus on businesses paying higher than retail wages and offering year-round employment opportunities. The visioning process identified that these types of businesses were strongly desired by the community at-large. The challenge is to attract businesses that can function in the Valley's environment. Attracting new manufacturing may be difficult for industries that must ship large or heavy products. Although Ukiah is located on US 101 and has a good truck link to the Sacramento Valley, its distance from the Bay Area may make supplying a manufacturer difficult or at least more expensive. However, certain types of industries — timber-related, food and food processing, mail order, and manufacturers of express shipper sized products — could find the Valley an attractive setting that does not result in excessive shipping or production costs.

While timber-related employment has been declining, other manufacturing-related employment has shown steady increases. The increases, however, have not been adequate to offset the timber industry job losses. In agriculture, the number of new jobs has increased nearly twenty percent since 1985. The largest acreage of agricultural crops are wine grapes and pears. Apple orchard acreage ranks a distant third.

Retail employment has increased by nearly sixteen percent since 1985. As Ukiah becomes a regional shopping center for the North Coast, retail employment is expected to continue to grow, eventually producing the largest number of new jobs. The addition of WalMart and other proposed major retail expansion will add hundreds of new retail trade positions. Increased retail sales increase local sales tax dollars — which is fast-becoming the largest source of unencumbered local government revenue — but retail sales may not be contributing to the local private economy.

The Ukiah Valley needs to achieve a sustainable economic balance. There must be a balance between the dollars generated by creating products within the region which are sold elsewhere and the dollars spent on products produced elsewhere and sold in the Valley. In industry, this concept is called "vertical integration." Some larger industries use this approach to control the complete development of a product from raw materials through distribution to resellers. For the Ukiah Valley, the concept would be to attempt to bring related industries to the area that would complement each other as suppliers and buyers of related products so that from raw materials to product, as much production, manufacturing, or assembly is complete in the region.

Ukiah serves the transient visitor with its tourism industry. The Valley has not been successfully promoted or marketed as a visitor destination. For this reason, although there was nearly \$2.4 million spent in Ukiah motels (incorporated area only) in 1990, there are no full service hotels, no motels with conference facilities, and few of the properties provide any resort or destination facilities to serve as a central attraction for visitors. Most accommodations are designed for the overnight guest needing a place to sleep or eat before moving on to their final destination. The tourism market has not effectively exploited the concept of "stay and play an extra day" in the Ukiah Valley.

3.03 Opportunities for the future: Economic Development Strategy

3.03.01 Summary of major findings

In 1993, the City Council and Redevelopment Agency adopted an Overall Economic Development Strategy for the purpose of "...concentrating and coordinating efforts, [City] opportunities, and resources." The strategy is intended to be a framework and strategy to guide three principal economic development activities. When successfully implemented, these activities — business recruitment, business retention and expansion, and job training — will enhance the economic climate and quality of life in the Valley. The full economic development strategy is reproduced in Appendix VIII.5.

The Strategy centers on an overall goal to "[attract] or assist in the expansion of a minimum of three manufacturing based businesses per year over the next five years which results, cumulatively, in the creation of at least 250 new jobs to the Ukiah Valley." The program adopted by the City Council and the Redevelopment Agency includes program goals in three categories: (1) Recruitment and development of new business; (2) Business retention and expansion; and (3) Job training.

The recruitment and development of new businesses requires that the City focus its energy on attracting manufacturing businesses that are resource-compatible with the Valley. This would follow the visioning concept of attracting businesses that will take existing area resources — such as timber and agriculture products — and add "value" to make a marketable product. The concept of added value is to take a raw material and add or change it through processing or manufacture into a product which is then shipped to a market. Many times, value added businesses can be started with smaller staffs and financial commitments. This approach makes it easier for the City to provide support and for new businesses.

In addition, the Strategy seeks to attract the headquarters and corporate offices of target companies. When a business brings its entire operation to the Ukiah Valley, it is more likely to make a stronger commitment to the community in terms of environmental preservation and the development of public facilities. This type of recruitment will add a high-end executive level employment base. As Mendocino's county seat, the City of Ukiah offers an available variety of professional and legal services. The Ukiah Valley also offers an exceptional quality of life. Additionally, compared to many areas in California, the Ukiah Valley's housing stock offers more home for similar dollars.

Retaining and expanding existing businesses is the best means of improving the economic climate. An existing business already located within the Valley has a commitment to the community and its employees. Expansion from a proven base is much easier to finance and less expensive to implement than a complete relocation. The Strategy includes goals to assist businesses in achieving success and creating an effective business climate.

Job training improves the value of one of the area's important resources — its people. As the timber industry continues to reduce its need for new employees, the focus must be on training people to provide labor for new and expanded local businesses. There are several job training facilitation agencies in the Valley. There are federal assistance programs. The school system needs to be integrated into the process as well. The Strategy calls for coordinated efforts which will educate, apprentice, and train members of the community for skills sought by local businesses.

One avenue could be to create a youth-oriented job training or apprenticeship program. Such a program could teach needed skills that would provide employment opportunities for local youth. The components of the program could include:

- Initiate awareness and outreach programs with the designated job training coordinator and the educational community to orient youth to available job training programs;
- City, through the Ukiah Business Enterprise Center, would take the lead in establishing youth apprenticeships/mentoring programs within local government and small business;
- Encourage youth participation in economic development policy setting forums in our community;
- Under the auspices of the Ukiah Business Enterprise Center, develop plans for youth oriented businesses run by peers.

3.03.02 General Plan goals, policies, and implementing programs

Goal ED-1: Support a strong local economy.

Policy ED-1.1: Take steps to reinforce the Valley's economy.

Implementation Measure ED-1.1(a): Maintain and keep current the Economic Development Strategy designed to meet the Valley's vision and needs.

Implementation Measure ED-1.1(b): Continue to carry out the Redevelopment Plan for the City.

Implementation Measure ED-1.1(c): Continue to carry out the Downtown Master Plan for the City.

Implementation Measure ED-1.1(d): Continue to carry out the Economic Development Strategy as adopted by the City.

Implementation Measure ED-1.1(e): Provide a City-County coordinated effort to encourage expansion of agricultural opportunities to diversify the Valley's economic base.



