




County of El Dorado

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DATE: March 13, 2015
TO: Board of Supervisors
FROM: Michael J. Ciccozzi 
Acting Assistant Chief Administrative Officer
SUBJECT: Economic Development Program Update

Staff is presenting an update to the Board of Supervisors on the Economic Development Division's projects and programs. The purpose of this update is to provide the Board with 1) information on recent Economic Development activities and related funding, and 2) to receive input and preliminary direction from the Board regarding the priorities for future economic development activities and programs.

This report outlines the following:

- **What is Economic Development?**
- **Economic Development in El Dorado County**
- **Economic Development Partners**
- **Current Programs, Projects and Funding**
- **Future Direction and Priorities**

What is Economic Development?

Economic development means different things to different people. On a broad scale, anything a community does to foster and create a healthy economy can fall under the umbrella of economic development. Economic development is the creation of wealth through which community benefits are created.

From a public perspective, local economic development involves the allocation of limited resources – land, labor, capital and entrepreneurship – in a way that has a positive effect on the level of business activity, employment, income distribution patterns, and fiscal solvency.

Local governments play a key role in Economic Development by fostering a strong business climate that is conducive to business growth and job creation, developing economic drivers, and mitigating business barriers to the extent feasible to promote fiscal stability and greater economic development.

It is important to note that *economic development* is a process focused on improving local economies, while *community development* is a process for making a community a better place to live, work and play. Although economic development plays a role in community development, it is a separate and distinct function from community development.

There are a number of ways in which economic development helps communities:

- **Increased Tax Base** – Additional revenue provided by economic development supports, maintains, and improves local infrastructure, such as roads, parks, libraries, and emergency medical services.
- **Job Development, Retention, and Attraction** – Economic development provides better wages, benefits, and opportunities for advancement.
- **Business Retention** – Businesses feel appreciated by the community and, in turn, are more likely to stay in town, contributing to the economy.
- **Economic Diversification** – A diversified economic base helps expand the local economy and reduces a community’s vulnerability to a single business sector.
- **Self-sufficiency** – A stronger economic base means public services are less dependent on intergovernmental influences and alliances, which can change with each election.
- **Productive Use of Property** – Property used for its “highest and best use” maximizes the value of that property.
- **Recognition of Local Products** – Successful economic development often occurs when locally produced goods are consumed in the local market to a greater degree.
- **Improved Quality of Life** – More local tax dollars and jobs raise the economic tide for the entire community, including the overall standard of living of the residents.

Today, most of California’s local governments have a full program of economic development services. Significantly, most of the growth in local economic development has occurred from the 1990’s through today. In that time, California communities have realized that local government plays an essential role in local economic development.

The pressure to provide essential public services in the face of constraints on finances has led the majority of local governments to fund a department or organization to attract business investment in their communities. Promoting local economic development adds to sales tax, transient occupancy tax, and other revenues. A past survey of counties conducted by CSAC found that 71% of the 33 counties responding to the survey have an economic development program in the county and 82% of those responding have adopted an economic development strategy or have one in progress. Eighty percent of the programs are administered from within the CAO’s Office or by a Department of County Government. This high degree of emphasis indicates that counties are viewing economic development as a means of improving their fiscal condition.

History of Economic Development in El Dorado County

Until the late 1990’s, Economic Development efforts were primarily provided by external partners such as the Chambers of Commerce. In 1996, the County included an “Economic Development Element” in the General Plan. This element contains a policy calling for an officer at the county level to coordinate and implement Economic Development programs for the County. In 1998, the County hired its first

dedicated staff person for economic development, to act on behalf of both the County and private sector economic interests to oversee policy and provide liaison activities to facilitate the timely implementation of the program objectives. This County official also serves as the main point of contact for the business community and coordinates all activities to support the Economic Development Plan for County agencies and departments.

Additionally, the General Plan (adopted in 2004 and ratified by the voters in 2005) identifies an “Economic Development Services Provider Network” to advise and recommend to the Board of Supervisors policies and a course of action to facilitate the County’s economic vitality. In 2006, the Board of Supervisors formally established this Provider Network as the Economic Development Advisory Committee, now the Community and Economic Development Advisory Committee (CEDAC) – committee name was changed in 2013.

Further, the General Plan (adopted in 2004 and ratified by the voters in 2005) includes the following principles for guiding Economic Development:

- *The General Plan provides opportunities for positive economic growth such as a full range of local employment opportunities, a more diversified local economy, greater capture of tourism, and increased retail sales.*
- *The General Plan provides an opportunity to strategically plan for El Dorado County’s role in a growing regional economy.*
- *The General Plan provides land use guidelines which create opportunity to further economic self-sufficiency and foster a sound economic base to afford quality service levels while maintaining economic competitiveness and encourage retention of El Dorado County’s quality of life.*
- *The General Plan provides land use guidelines that will permit and encourage economic activities that create employment opportunities that are commensurate with local housing costs, generate a positive sustained revenue flow into the County, maximize economic multiplier effects, and minimize reliance upon County services and expenditures.*
- *The General Plan recognizes, promotes, facilitates, and supports activities that provide a positive sustaining economic base for the County, maximize the economic potential of the County’s natural resources, reduce out-of-County retail purchase and employment travel, and provide housing and job opportunities that are accessible to all levels of our society.*

Underlying these principles are a number of objectives designed to enhance economic growth, provide an improved local business climate, expand the local tax base, and enhance employment opportunities, and reinforce the planning process as a positive part of economic development.

As the Board works to develop and implement its countywide Strategic Plan, consideration of these *principles*, as well as the goals and objectives identified in the General Plan, is essential and will help to inform and guide the Economic Development Division’s work plan for the future.

Additionally, consideration of economic development *strategies* is needed. Most economic development efforts are focused on three primary approaches:

- Business Attraction – attracting and encouraging the growth of *new* business
- Business Expansion – encouraging the growth of *existing* businesses
- Business Retention – *enhancing and retaining* existing businesses

Competition for business site selection is fierce and many jurisdictions are willing to make a significant investment of public funds to create a business friendly climate in order to grow local economies.

Economic Development Partners

The County’s Economic & Business Relations Manager position was established to play a key role in countywide economic development. That position is currently vacant and recruitment is in process. The Chief Administrative Office is working to identify a candidate who possesses not only a comprehensive knowledge of factors affecting business and community viability, but who will also function as a community strategist, building collaborative community relationships toward economic vitality; a customer-driven problem solver, someone to act as a catalyst in creating *economic growth*.

Economic development does not happen in a vacuum, and there is a wide variety of organizations actively involved with business development in one form or another. Economic development can only occur through ongoing collaboration with relevant partners – internal (i.e. the Board of Supervisors’ Community & Economic Development Committee, and other departments such as the Health & Human Services Agency-Workforce Investment Act Program and Community Development Agency-Long Range Planning Division), as well as external partners, including the following:

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| Commercial Real Estate Brokers | Greater Sacramento Area Economic Council |
| El Dorado County Chamber of Commerce | Sacramento Area Regional Technology Alliance |
| El Dorado Hills Chamber | Sierra Economic Development Corporation |
| South Tahoe Chamber | Sierra Business Council |
| Divide Chamber | Golden Sierra Workforce Investment Board |
| Coloma-Lotus Chamber | El Dorado County Farm Bureau |
| Cameron Park-Shingle Springs Chamber | El Dorado Winery Association |
| Pollock Pines-Camino Chamber of Commerce | Apple Hill Growers Association |
| Sacramento Metro Area Chamber | Economic Development Corporation of El Dorado County |

An example, SEDCorp manages a small business loan program (generally federal funds), while the Economic Development Division provides funding for small business loans (generally state funds). The County’s program is intended for very-small companies known as “Micro-enterprises,” while SEDCorp has greater resources and is able to finance larger loans to larger businesses. This coordination of services complements each entity’s programs and objectives. Likewise, Economic Development staff works often with the County Health and Human Services Agency “Connections” program, which focuses on workforce development and services for the unemployed. A strong partnership between workforce and economic development programs helps connect job seekers and employers within the County.

Current Programs, Projects and Funding

Funding for the Economic Development Division budget is provided primarily from a share of the County’s transient occupancy taxes (TOT). The FY 2014-15 Adopted Budget for Economic Development is \$2,281,975 which includes \$1,593,902 in current year funding and \$688,073 in unspent carry over funding from prior years. Funding is used for Economic Development Division staff as well as the programs and projects outlined below.

Programs

Business Services

The Economic Development Division maintains a subscription with Buxton, a consumer analytics data service. Through this subscription, staff is able to generate reports in a variety of economic subjects, including sales leakage, consumer demographics, and similar data, and can be broken down into sub-County regions. This data service can provide detailed demographic, health care, and retail information around a specific location, and is particularly useful for retail businesses.

Additionally, through County HHSA staff, industry and occupation data is available through Economic Modeling Specialists International (EMSI). This service provides a wide array of historical and forecasted data, including occupational, industry, demographic, and educational information. It can also provide limited economic impact analysis data on projects and programs.

Division staff responds to direct requests from businesses for assistance on a variety of topics, including demographic and economic data, financial assistance, permitting process and other regulatory issues, and availability of incentives and state and federal tax credits.

Division staff also collaborates with area Chambers of Commerce (Chambers) to conduct outreach. Once hired, the new Economic & Business Relations Manager will begin marketing this service extensively in 2015.

Business Retention Activities

Staff has begun meeting with businesses to assess current business conditions, through a number of Business Walks conducted by various Chambers, as well as one-on-one visits. Additionally, staff has begun to reach out to existing businesses to ascertain interest in participating on industry sector advisory committees to gain input on current economic conditions for those businesses. These sector committees provide useful “focus group” data on business conditions, and the approach is considered a best practice, according to Economic Development industry experts.

Housing, Community and Economic Development (HCED) Program

Economic Development staff is responsible for implementation and reporting for the Housing Element of the County General Plan and also administers affordable housing, community development and economic development programs for the County, its businesses and residents. Programs offered include the following:

- Application for financial assistance on behalf of the County, developers, businesses, residents and non-profit organizations through a variety of state and federal funding sources
- Housing Rehabilitation Loan Program
- First Time Home Buyer Loan Program
- Business Loan Program
- Microenterprise Technical Assistance and Loan Program
- TIM Fee Offset Program for Affordable Housing (Board Policy B-14)
- Affordable Housing Fee Deferral Program (Board Policy B-11)
- Affordable Housing Pre-Development and Development Loans

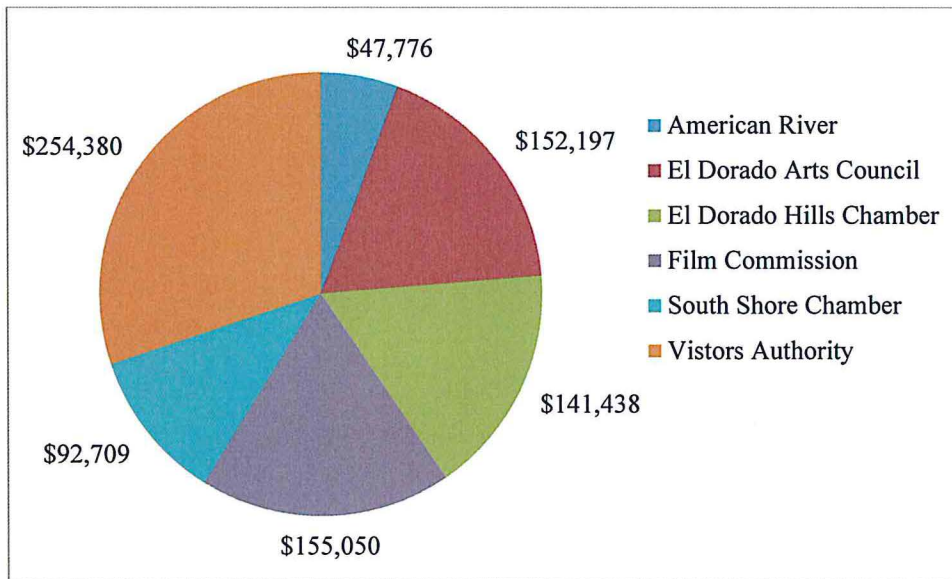
Over the last 20 years, HCED has received grant allocations totaling \$20.7 million dollars including:

Affordable Housing Project Loans/Grants	\$10,918,307
First Time Home Buyer Loans	3,481,250
Housing Rehabilitation Loans	2,333,730
Small Business Loans	2,060,000
Community Facility Grants	1,375,000
Planning & Technical Assistance Grants	323,515
Business Façade Loans	300,000

These programs are funded primarily from state and federal funds and help to stimulate and support the local economy with minimal or no cost to the County for administration activities.

County Promotions - \$843,550

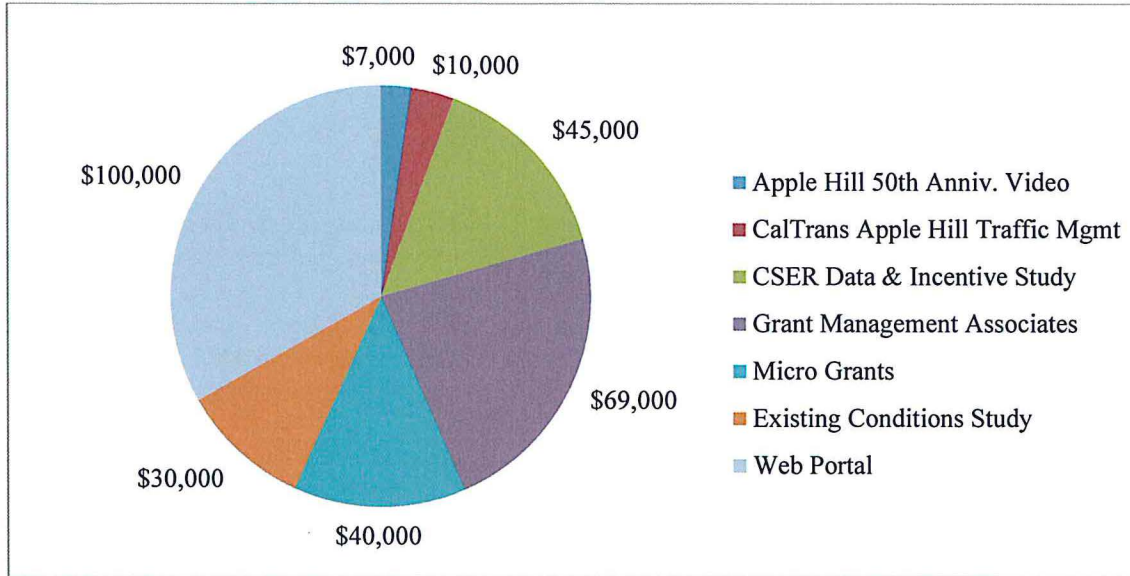
The County contracts with several local entities for the promotion of tourism, entertainment, business, and leisure travel in El Dorado County. These contracts focus on providing services and events to support new and existing businesses and increase tourism for the County.



Projects

Special Projects - \$301,000

The chart below identifies funding that has been approved for a number of special projects. Some projects have been completed and others are ongoing.



Web Portal

The CEDAC-recommended Web Portal project is intended to create a virtual, single point of contact for residents and online visitors seeking information about various aspects of the County. The consultant has completed the framework of the portal, equivalent to 50% of the overall project. The remaining tasks will require outreach to the various communities and stakeholder groups in the County to ensure that content that is built upon the framework will be satisfactory for all users and stakeholders. This portion of the project will require extensive research and community input, and Economic Development Division staff is looking to collaborate with other department staff to assist with managing this project. Staff forecasts a beta version to be ready for review later this year.

Grant Consultant

In July 2014, the Board approved contracts to fund a CEDAC-recommended Grant Consultant project to assist County departments and local, community-based organizations by providing grant searching and grant application services to successfully compete for and obtain grant funding for projects. To date, the consultant has assisted with the submittal of 8 grants totaling \$2,320,907. Of that amount, \$600,000 has been awarded and the remaining applications are pending award notification later this month.

Cultural & Community Development Grants

In March 2013, the Board approved a Cultural and Community Development Grant Program to provide small grants (\$5,000 or less) to private non-profit and public organizations to fund projects and events that encourage tourism and help increase County TOT revenue, and provide programs of local cultural benefit to the residents of the County and projects that facilitate community identification. A total of 44 applications have been received, and 27 were approved for funding totaling \$115,420.

Center for Strategic Economic Research (CSER) Study

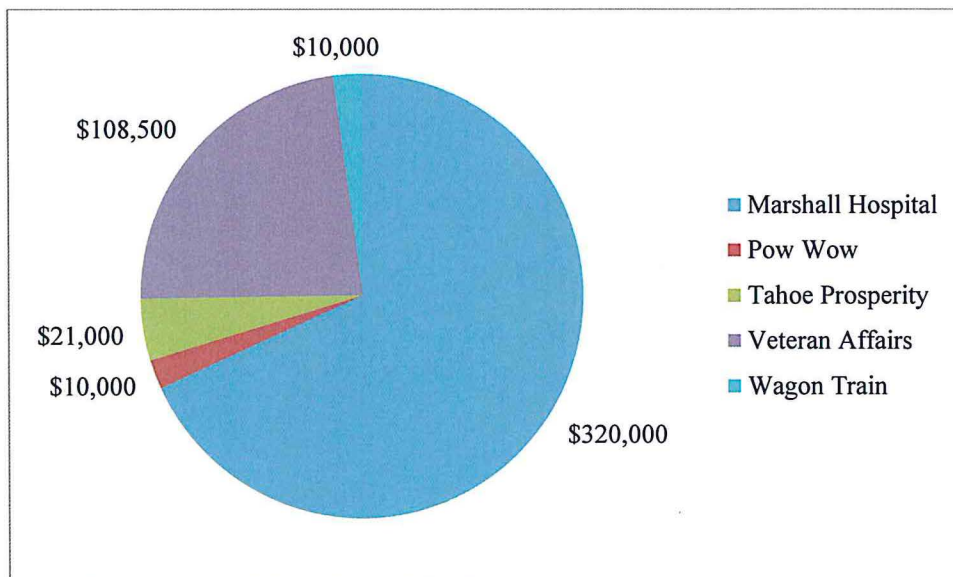
The Economic Development Division contracted with CSER to update a 2010 economic assessment that the firm conducted for the County. Among many other issues, the current study addresses the various industry clusters that have potential for growth in the region. A copy of the final report has been approved and is available on the County’s Economic Development web page. Additionally, CSER is conducting a survey and will provide a report on incentive programs offered by nearby jurisdictions. This incentive report will assist staff in developing recommended updates to the County’s Economic Incentive Policy J-7.

Existing Conditions Analysis

Economic Development and the Long Range Planning Division of the Community Development Agency have partnered in a project to prepare an existing conditions analysis of all parcels designated as commercial, industrial, and research & development within the unincorporated area of the County. Data collected in the analysis will be used by Long Range Planning as part of the 2016 El Dorado County General Plan 5-Year Review and other required monitoring efforts. This data will also be used by Economic Development staff to identify and market available sites for businesses.

Contributions - \$469,500

The Board approved funding agreements with a number of local organizations to support promotional, cultural and community activities that provide valuable public services that have a significant local economic impact:



Other Projects

Strategic Framework

In January, 2014, community volunteers approached CEDAC with a proposal to develop an architecture (or framework) for economic development in the County. Members of CEDAC and staff began working with the volunteers and in June 2014 CEDAC established a formal ad hoc subcommittee that worked to complete a “framework” for sustainable economic development in El Dorado County. This document is not intended to be a final strategic plan with detailed actions and measurement of impacts, but more of an

outline of the approaches. CEDAC approved the “Framework” document in January 2015 and staff is working to schedule a presentation by CEDAC to the Board of Supervisors.

UC Davis Satellite Campus Proposal

On March 10, 2015, the Board gave conceptual approval for the County to pursue development of one or more proposals for siting a UC-Davis satellite (or branch) campus within the County. A university campus would provide significant economic growth, create job opportunities (both for current and future County residents), offer a local four-year university education opportunity, help to reduce the number of residents leaving the County for educational opportunities, and serve as a spotlight for the unique nature of El Dorado County. Staff from Economic Development will participate in a steering committee formed by the Treasurer-Tax Collector to assist in the development of the proposal(s).

Traffic Impact Mitigation Fee/Capital Improvement Program 5-year Major Update

The County is currently undertaking a “major” 5-year update to the Traffic Impact Mitigation (TIM) fee program and Capital Improvement Program (CIP) that is targeted for completion in early 2016. This update is being done in compliance with State Law (AB 1600, relating to development impact fees) along with General Plan requirements (Policy TC-Xb and implementation measures TC-A and TC-B). A major goal of this project is to address the potential for lowering TIM fees while developing a CIP that supports the General Plan (including Measure Y). If the TIM fees are able to be reduced by a significant margin while achieving these goals, the County would likely be significantly more attractive to businesses (including hotels) looking to either expand operations or move to the County.

Future Direction and Priorities

As the Board develops and implements its countywide Strategic Plan, there are a number of economic development strategies, approaches, and activities to consider:

- Business Retention and Expansion
- Entrepreneurship Development
- Business Recruitment and Attraction (including site selection assistance)
- Workforce Development and Training
- Regulatory and Permitting Reform
- Infrastructure Development (including high speed Internet)
- Workforce development
- Completion and approval of the Targeted General Plan Amendment (TGPA) and Zoning Ordinance Update (ZOU) as a step towards improving the business climate.
- Support the entrepreneurial culture that currently exists in El Dorado County, and enhance “ease-of-entry” for businesses, including a review of permitting and impact fees.
- Economic Incentives

Potential Economic Development Initiatives

Staff has identified the following initiatives for the Board's consideration as key components of the countywide Strategic Plan:

1) Recruitment of Retail

Given existing sales tax leakage and current fiscal forecasts for the County the importance of building capacity for more sales tax revenue cannot be understated. In partnership with local developers and commercial real estate brokers, develop and institute an ongoing marketing effort to attract additional retail operations to unincorporated areas of the County.

2) Hotel and Conference Center Attraction

Transient Occupancy Tax (TOT) is a significant source of revenue for the County. Consider and pursue new hotel projects in the unincorporated area of the County, including projects that may increase conference and events capacity. This increased capacity would attract small conferences and corporate retreats, as well as increase lodging capacity for other County tourism destinations, such as Apple Hill.

3) Traffic Impact Mitigation Fee Hotel Deferral

In order to further incentivize the development and potential siting of hotels in the County, an effort is being considered to explore a TIM fee deferral program for all or a portion of a hotels TIM fees. The deferral would require another funding source to initially pay the appropriate TIM fees. The future Transient Occupancy Tax (TOT) collected from hotel stays would be utilized to pay back the fund that loaned the TIM fees. This potential program could provide a significant incentive to make siting within the County more attractive and feasible.

4) Tax Credits and Incentives

Explore available State and Federal Research and Development tax credits that may be available and provide related workshops for businesses, including farms and wineries. Currently there is a myriad of State and Federal tax credits that exist to assist local businesses. At the State level, a sales tax rebate is available for businesses that invest in new qualifying machinery for Manufacturing or Research & Development operations. The California Competes credit, administered by the Governor's Office of Economic Development (Go-BIZ), is offered on a competitive basis twice yearly, and is based on investment in expansion and job creation. When these credits were announced earlier this year, staff conducted outreach through various means to inform businesses of this credit incentive.

5) Entrepreneurship Development

There are a number of ways to support entrepreneurship, including identifying different types of technical and financial assistance to new enterprises. While a more specific approach will be identified in the upcoming Framework document, staff seeks approval to begin working with local stakeholders to create effective approaches to attract venture funding for new enterprises, as well as consideration of different potential incubation approaches.

6) Promotions Contracts

Consider new proposals for promotional activities. This process would provide the opportunity for the County to consider existing or new entities and marketing opportunities, while requiring additional reporting detail from new contracts.

In conclusion, staff is seeking Board input and preliminary direction regarding goals, objectives and priorities for Economic Development Division activities and welcomes other suggested programs or initiatives.

Now is the time to decide who we are as a county and where we want to go. We are at the beginning steps. This preliminary direction for the Board will help guide the efforts of our Economic Development Division which will bring back to the Board a more refined discussion of the various priorities discussed today.