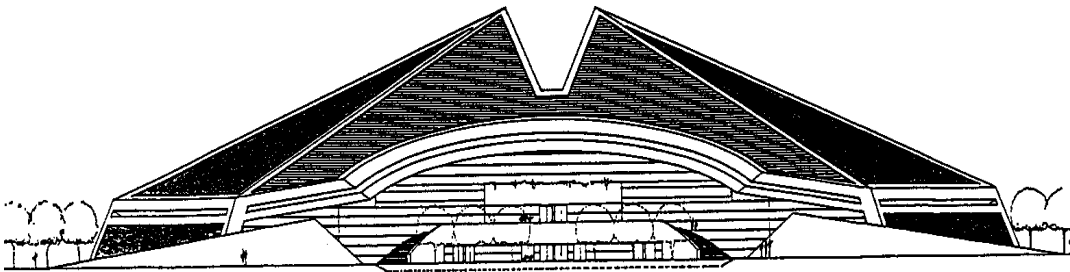


Fresno Economic Recovery Project

*Bold and Innovative Strategies to Stimulate
Economic Development,
Create Jobs and Make Fresno Competitive*

Final Revised Plan & Recommendations

*Presented to the Fresno City Council
September 21, 1999*



Fresno City Hall • 2600 Fresno Street • Fresno, California

Fresno Economic Recovery Project

***Bold and Innovative Strategies to Stimulate Economic Development,
Create Jobs and Make Fresno Competitive Again:***

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Fresno Economic Recovery Project

Final Plan and Recommendations

The following report is a result of countless hours of work and commitment by members of the Fresno Economic Recovery Committee, in final collaboration with the offices of the Mayor and City Manager. As directed by the Fresno City Council, a Sub Committee was formed with the above mentioned offices for the purpose of evaluating common goals and accomplishments and returning to the Council with final recommendations. New ideas and current efforts were presented and evaluated by Committee members and City Staff. These sessions, which allowed for the exchange of valuable information provided a broad perspective of current accomplishments within the City of Fresno and identified areas which are in need of direction and improvements.

It is with a collaborative spirit by the Mayor, committee representatives of the Fresno City Council, City Manager and Fresno Economic Recovery Committee that the final document is presented to the Fresno City Council for consideration of adoption.

Plan Strategies and Recommendations

I. Wholesale & Manufacturing Business Tax Cut

ORIGINAL STRATEGY:

1. Direct staff to make the Fresno tax rate competitive with Santa Clara, which currently has the lowest tax rate in California.

Recommendations:

- *The City of Los Angeles is currently undergoing business tax reforms. City staff has obtained information from Los Angeles and is reviewing the direction and strategies being pursued there to provide assistance and generate ideas for tax reforms in Fresno.*
 - *It is also requested that a break down of the utility, employee, and business license taxes be provided with this study to further evaluate the tax structure and revenue streams generated.*
 - *Staff is also pursuing options for creating a tax policy model which will identify the economic impact of strategies designed to spur growth in specific segments of wholesale and manufacturing industries, focusing on job creating industries.*
2. Take all of the tax generated from new jobs and existing businesses expanding and earmark those funds for future growth and expansion incentives, and for new business development. The intent is to take these funds which have not already been added to the general City budget and invest them directly back into additional expansion and growth.

Recommendation:

- *Prior to committing the taxes generated from new business to future growth projects or incentives, it is agreed that there must be a complete evaluation of the results of the staff work currently being conducted.*

II. Impose a ten-year moratorium on all industrial sewer and water fees.

ORIGINAL STRATEGY:

1. Impose a ten year moratorium on all industrial sewer and water fees. A ten year moratorium will send a strong message throughout the State that Fresno values new businesses and jobs and is now ready to seriously compete for them. It is believed that the additional future revenue generated from new jobs resulting from new businesses locating in Fresno and existing businesses expanding (for example, business tax, property tax, money spent throughout the city for new jobs) will more than offset an initial loss of industrial fees, particularly since there is no significant industrial development occurring in Fresno currently.

Recommendations:

- *After further review, it has been determined that the most serious issue is attributed directly with the sewer and water connection fees, and not with the current sewer and water rates.*
- *There have been recent successful efforts made by the city to reduce these connection fees. These reductions are provided in the STEP program. This program has offered the relief in fees which the committee intended to provide and are considered to meet the goals of the strategy.*
- *The following outlines the structure and benefits of the STEP Program.*
 - *Rewards businesses that create new employment opportunities in the community.*
 - *Rewards are given as a credit amount to be deducted from the total applicable Sewer Facility Charges each billing period for each equivalent full-time employee hired.*
 - *The credit amount is based on 150 gallons of the flow-based portion of the STEP charges. Over the course of 18 billing periods, the credit amount could equate to a fee reduction of up to \$510 per equivalent full-time employee.*

III. Eliminated all UGM fees from industrial areas and create one single development impact fee that contains fixed costs per square footage.

STRATEGY:

1. Eliminate all UGM fees from industrial areas and create one single impact fee which will not exceed \$1 per square foot. (This fee should include all city fees and charges including school fees and flood control fees). By simplifying our fees, reducing them to become more competitive and making them clear and justifiable, we will begin seeing our efforts at economic development becoming more productive and yielding greater results.

Recommendations:

- *Because of the current fees system in place and potential legal challenges of offering a Single Impact Fee the decision has been made to pursue a “Simple Impact Fee.” This new fee structure should include the following:*
 - *Quick Quote of Fees (Over the counter response & turnaround)*
 - *Reduction in the number of subareas for each of the categories of impact fees.*
 - *Provide a simplified summary of fees to avoid tedious and confusing fees and confusion.*
- *A complete private and independent audit of the UGM fees and their structure is currently underway and is being overseen by the City Controller. Working within the guidelines of AB 1600, the committee would like to see a revision of the UGM boundary lines. The goal is to move the Industrial Zones areas that are currently under the UGM Fee structure out of the UGM system as soon as possible.*
- *Additionally, in an effort to utilize future trends and technology the city shall explore KIVA as a tool to make the remaining fee formulas easier to administer.*

IV. Credits and incentives should be applied for every new job created as a result of an already existing business expanding in Fresno and for every new job created by a new business locating in Fresno.

STRATEGY:

1. Establish a \$2 million new jobs account to be used for offering incentives to employers to create new jobs in Fresno.
2. Issue an incentive of up to \$1,000 for each new job created. (Will not include retail or fast food). A program will be implemented and monitored in conjunction with the Fresno County Economic Development Corporation (EDC) with the goal of new job growth. The credit will be issued with a flexibility to allow for offers to be made in the form of a variety of incentive packages (example: infrastructure, fee credit, workforce recruitment, training, and land.) New jobs will be permanent and full-time and measured and defined by a baseline. This will not include rehires of layoffs, mergers, and buy outs. Quantifiable guidelines for disbursement would be set up by the City Council. After six months, results of the new jobs account would be reviewed by the City Council.
3. The committee felt that there should be five specific types of companies and job growth sought by these credits and incentives:
 - A. Ag and Food Processing
 - B. High Tech
 - C. Manufacturing
 - D. Back Office (Tele-marketing)
 - E. Medical Service
 - F. Warehouse Distribution Centers

Recommendations:

- *Providing incentives for new job creation for the five types of industry previously listed has been identified as an important part of Fresno's Economic Recovery. The way in which these incentives are administered and offered is an important part of ensuring the city's success in these efforts.*
- *The following tools needed to offer incentives are currently being worked on, or have already been made available:*
 - *The new STEP Program*

- *Inner City Fee Reduction Program.*
- *Deferrals - The City will defer impact fees to occupancy to lower the cost of business development to industrial users in an effort to provide economic benefit to industry making business development more financially attractive in Fresno.*
- *Reductions - The City has implemented a series of major fee reforms for sewer connection fees resulting in reductions ranging from 15 to 28 percent.*
- *Waivers - For industrial users in areas with existing trunk sewer mains, connection charges will be waived.*
- *Additionally the committee recommends that the City Manager and City Economic Development Department work with the Work Force Development Board to identify and implement employment training incentives to new and expanding businesses. A bold and high profile promotion of these incentives must also be coordinated within the City of Fresno and Fresno County EDC to promote Fresno and these incentives. These efforts should include establishing a partnership with groups such as Leadership Fresno, Local Chambers of Commerce, Industrial Real Estate Brokers and the BIA.*

V. Processing Times for Permits and Plan Checks

STRATEGY:

1. To correct Fresno's previous problem of lengthy permitting times, the Development Director has ensured that:
 - A. All building permits are completed within 30 days.
 - B. All site plan reviews are completed within 1 week.
 - C. Simple tenant improvement plans should be completed over the counter within 1 day.
 - D. Tenant improvements for approximately 5,000 square feet or more should be approved within 1 week.

Recommendations:

- *The City of Fresno has achieved such positive results and maintains a high level of confidence that the time lines above will be met. The City is prepared to offer a "Money Back Guarantee" if these time lines are not met. The recommendation is to develop and advertise a "Money Back Guarantee" program.*
 - *The committee acknowledges and commends the tremendous efforts that have been recently made to improve the permitting and processing times in the Development Department. Input and letters from local developers indicate that the processing and permitting times have become very reasonable and competitive.*
 - *City Department Heads are all made available on Thursday mornings at 11:00 AM to provide quick response and direct answers to development issues.*
 - *Centralized project reviews and sign off authority are now completed within the Development Department to decrease project processing times and consistently and equitably apply public improvement requirements.*
 - *The City has reduced conditional use permit and site plan review processing times by accepting amended and revised projects in lieu of new applications reducing processing times by 50%.*
2. There should be only one person that a company or business has to talk with to get their permits and plans approved. That one City employee should be streamlining the process for the business.

Recommendation:

- *The committee recommends that a Development Department Ombudsman be made available to coordinate the process of gaining permitting and plan approval to ensure a smooth and pleasant experience for the customer.*
3. A City attorney should be made available to the Development Department to expedite the approval process.

Recommendation:

- *The committee recommends that Councilmembers Bredefeld and Steitz coordinate with the city attorney to ensure that a member of the city attorney's office be exclusively assigned to work on issues pertaining to the Development Department. This will be done to ensure quick response to legal issues regarding development projects and to ensure that delays do not occur because of the assigned city attorney being reassigned to projects outside of the development department.*
4. There is a great concern that delays in approval times are also related to hold-ups in the Public Works and Public Utilities Departments. Consequently, the Department Director's need to work with the Development Department to assist and approval times and avoiding delays. Greater monitoring of the Public Works and Public Utilities Departments needs to be initiated in order to ensure they streamline industrial permitting times and plan checks.

Recommendations:

- *There have been recent improvements made to streamline this process. It is recommended that additional improvements and streamlining be pursued by the Department Directors to enhance the plan check process and to facilitate the improvements needed in the Public Works and Utilities Departments. These new procedures and streamlined process should include making the Public Works and Public Utilities accountable similar to the Development Department.*
 - *Additionally, future trends and technology with programs such as KIVA may provide a tool to simplify and expedite the process even further.*
5. It is felt by many that the policy process that each project or permit faces is too complex. Therefore, it is the Committee's recommendation that a committee should be appointed for the sole purposed of Policy Review in regard to the Site Plan and Review procedures followed by the Development, Public Works and Public Utilities Department. This committee should consist of staff from all three departments, the City Attorney's Office and local businessmen

and women. They should meet to review the City's policies and procedures for review and approval of new projects and applications and develop further recommendations to streamline the process.

Recommendation:

- *It is recommended that a New Sub-Committee be formed as outlined above. The goals of the committee will be to focus on code streamlining, pursuing options for CEQA reforms and coordinating efforts with the Citizen Advisory Committees in an effort to uniform their operating processes and scope of involvement limited to industrial projects.*

6. Evaluate the Site Plan Review and Impact Fee for Industrial Development and determine if it is competitive with other cities.

Recommendations:

- *A review of the 1999 Kosmont "Cost of Doing Business Survey" ranks Fresno as 9 in a group of 31 cities studied in the category of Developer Costs in a typical Manufacturing project. It should be noted that the maximum cost levels to the developer ranged from \$0 to \$231,000 with Fresno at a maximum level of \$16,000 or a per square foot charge of \$0.32 in comparison to the 31st city with a square foot cost of \$4.62. It should also be noted that six of the eight cities ranked above us have indicated that additional traffic impact fees will likely be negotiated on a case-by-case basis.*

VI. Enterprise Status of Development Department

STRATEGY:

1. Take the planning function out of the Development Department budget and put the fiscal responsibility back to the General Fund, as planning affects all resident in Fresno and should be the financial responsibility of new and expanding business and development

Recommendations:

Due to the demand for services that have been identified as a high priority in our community and requires the use of General Fund expenditures, it would not be practical at this time to add additional general fund support for the planning function. However, several reforms have been completed which reduce the costs to businesses that engage in development activities in our communities. Specifically,

- *Over the past two years charges for processing general plan amendments have been reduced from \$32,230 to \$12,500.*
- *The Department's enterprise revenues of the Department have been provided a 200% increase in Community Development Block Grant Funding. In 1998 this revenue source provided \$75,000 in funding to the Department. In 1999, this revenue source totals \$225,000 which represents a \$150,000 increase.*

In addition, completion of the General Plan update will significantly reduce the instances when plan amendments are required for a development entitlement.

Because this issue has recently become a national debate, the city should also pursue grant opportunities with the state and federal government.

2. The costs and amounts being charged to the Development Department must be reevaluated. This Department has been charged with the burden of operating as an Enterprise System, but continues to be charged rates for services far above what is considered fair market value or reasonable for services rendered. Specific examples given included the cost of rent per square foot, the high charge per month per employee for Information Services (Computers) and the per month rent charge for other government agencies assigned to the Development Department's budget. These ID or inter-departmental charges are often unjustifiable and only serve to force Development to also charge high, non-competitive fees to its customers.

3. The ID charging system needs extensive review in order to ensure fairness, accuracy, and appropriateness to those charges being levied against each department, particularly the Development Department. The Committee recommends that the responsibility of this review be given to an outside, independent group of business and community leaders who, at the end of their work, will provide a report to the City Council and Mayor.

Additional Information:

Several initiatives helped reduce the instances where charges are made against the Development Department Enterprise Fund for actions unrelated to the Department's activities. Specifically, attorney charges and damage claims for actions of the City Council in development processes use to be charged against the Development Department's enterprise funds. The practice ceased in 1998.

Charges for technology have increased to this department and throughout the City organization, to fund an across the board technology upgrade. This technology upgrade is important to maintain competitiveness. It will also provide cost accounting and project management tools needed to manage costs and increase accountability throughout the city organization. The charges allocated to the Development Department is consistent with the methods these charges are allocated throughout the city organization.

The rental rates for City Hall space are a cost that is spread to all departments that use City Hall for their business operations. The rate is set based on the need to spread the \$3.5 million annual debt service payment for the construction of City Hall.

Proposals to establish market based rents for City Hall and for other city facilities used by City Departments have been examined over the past two years. It is believed that such an initiative would have several benefits, including better ability to determine the competitive market based prices of the services provided. However, those "respreads" resulted in an estimated \$1 million in net additional General Fund Costs, which is a cost that the current General Fund cannot support.

VII. Continue the positive changes at City Hall to be more business friendly.

STRATEGY:

1. Evaluate the training and education budgets for all departments that are instrumental in establishing the image of the city. In areas where it is deemed necessary, the emphasis on training should be on customer service and empowering both line staff and management. Additionally, a “customer” constituent friendly attitude should continue to be the goal towards all city residents that are served by our employees city wide.

Recommendations:

- *To determine the current status of employee training, an evaluation and inventory of all training programs is needed in the following areas:*
 - *The current training available to all city employees*
 - *What is required training for city employees and is it being completed?*
 - *What training needed to achieve peak productivity and effectiveness?*
 - *It was agreed that specialized customer service training in some cases is needed. Identify if sensitivity training is needed for any of the employees that maintain regular contact with “customer” constituents. A customer friendly attitude is the goal at all levels and in all departments that participate with the public.*
 - *Recent additions of new technology have been done with the intention of empowering city employees. GroupWise provides a networking, scheduling and communication system that can link the entire City of Fresno staff. PeopleSoft provides tools to increase productivity through auditing and automating countless tasks for city employees. There must continue to be training required by city staff of these programs to ensure the optimum results are achieved.*
2. Create financial incentives for those employees who are top performers and demonstrate business friendly attitudes and high production. Development special recognition and appreciation awards for similar top-producing employees.

Recommendations:

- *Prior to developing new incentive programs, the existing programs and their criteria will be inventoried. This evaluation will also determine which programs are tied to a performance base.*

- *After the current programs are evaluated, it will be determined which areas are in need of additional incentive programs. Rewards for these programs will include financial incentives and could include non-monetary incentives such as special parking spots, time off, special recognition, etc. The current programs as well as addition of new incentives will be widely promoted to all eligible employees.*
3. Customer satisfaction surveys should be implemented in all departments serving the public. All customers at City Hall should be asked to complete or be mailed satisfaction surveys. The feed back received should be incorporated instantly to further improve that department's service to each business. The Mayor and City Manager should also receive a copy of each survey completed.

Recommendation:

- *Customer Satisfaction surveys will be developed for all departments which serve the public. These surveys will be done professionally and will be tailored specifically to each department. The surveys will be routed directly back to the internal audit staff for evaluation and tabulation of results. Reports and monitoring of these surveys will be the responsibility of the internal audit staff. Reports and results will be distributed to the Mayor, City Council, City Manager, Department Director and public for review.*
4. Internal performance evaluations should also be implemented. Not only should managers fill out evaluations on employees but employees should be able to evaluate managers anonymously (a 360 degree evaluation).

Recommendation:

- *Internal Performance Evaluations will be developed by the Human Resources Department. These will include evaluations for staff as well as employees anonymously evaluating their managers providing the 360 degree evaluation process as outlined. This program will be maintained within the Personnel Performance System.*
5. The Fresno City Employees Association leadership needs to partner with management to implement the above suggestions. With the support of the association and other labor leaders, those changes can occur. With the leadership of management and labor working together, the Committee feels that the attitude at City Hall can become more business friendly and the result will be enhanced economic development throughout Fresno and improved employee moral.

Recommendation:

- *Members of the City Administrative Staff and committee will meet with the leadership of the FCEA and City of Fresno's Professional Employees Association to carry out the recommendation as stated above.*

IX. Airport Air Service in Fresno

STRATEGY:

1. The Airport will add a dedicated marketing and public relations position with the 2000 budget year to work in conjunction with the Director of Transportation for development of air service. Focus for the PR position will be public awareness of current facilities and services, education of airline practices, as well as airline retention. A Regional Advisory Committee is in the formation process, with plans to enlist business and political members throughout the Valley for air service promotion. This Committee, in coordination with the Airport staff as point, could generate regional dollars for air service investment.
2. The new Director of Transportation was hired with a primary focus of improving service for the traveling public. As in the past, airline/airport/concession consultants are hired as necessary to research and promote the growth and functionality of the Airport. Of immediate consideration will be a passenger profile survey conducted by an expert consultant. This survey will be used to evaluate current service options, future service needs, and necessary guidance for the upcoming concourse construction details, *e.g.*, ADA, concessions, and signage requirements.
3. Restrictions placed on federal funds and airport bonds limit the options that may be offered to airlines for recruitment. Promotional options such as waivers of rents and fees are prohibited by federal regulation. FYI's marketing program now in place is offered to all air carriers without prejudice, an FAA requirement. The program matches funds on a dollar-for-dollar basis toward marketing dollars spent in the Valley, advertising new and expanded airline service. This "Marketing Match" has been two-fold: (1) as an agreement based on more than one year with the dollar match declining proportionately as the service gains acceptance with FYI ridership (*e.g.*, Horizon Air's 3 year agreement), and (2) as an individual promotional tool (*e.g.*, American Eagle's introduction of SAAB aircraft). In addition to the marketing match, the Airport generally advertises all airlines and services through the newsletter, flight guide and magazine placement (Sunset, VIA, California Visitor's Guide). The Airport also sponsors a variety of valley wide events that have a travel theme as a demonstration of support as a good Corporate Neighbor (*e.g.*, Metropolitan Museum Flight Exhibit).
4. Immediate plans to support current air carriers include site visit to American Airlines in Dallas, to SkyWest in Utah, and to United Airlines in Chicago. The Airport includes all air carriers in all advertising produced for FYI, whether or not co-marketing dollars are received from the airlines. The Airport is working with the media to familiarize them regarding the airline business so that stories regarding the airport have a better foundation and promote a positive image.

5. Airport staff now contacts businesses, travel agents and community agencies regionally for program support and assistance. The creation of the Airport Advisory Committee, proposed to include the COG, CVB, Valley Chambers and business entities, will offer additional input and opportunities to expand FYI's resources.

Recommendations:

- *Continue to pursue the "Marketing Match" as an incentive.*
- *Work on public awareness and education to create support for the current air carriers located in Fresno.*
- *As needed work with airline/airport/concession consultants to research and promote the growth and functionality of the Airport*
- *Support the efforts of the Mayor's Office and his Airport Task Force to address the issues and in finding solutions to them.*

X. Additional Committee Recommendations

- A. Work with the school districts to encourage them to offer a reduced fee to new industrial development projects. This would not reduce income to schools because the fees should be included in projected budgets as revenue. The fact that industrial projects do not add costs or students to schools in the area they locate would justify this request.

Recommendation:

- *Members of the committee have been participating in preliminary meetings with school districts in the area for the purpose of outlining the need for a collaborative effort with the schools. It has been determined that the school districts in the area would be interested in doing their part and waiving the school impact fees on industrial projects for the sake of providing an incentive and economic development tool. The willingness is based on an understanding that all of the school districts in the area would do the same. A meeting with the school boards as well as a final execution of this recommendation will take place with the assistance of the committee.*

- B. Make a commitment by the City to aggressively pursue all available State and Federal grant money to aid in economic development and growth programs.

Recommendation:

- *The addition of a Grant Writer by the City Manager's office has fulfilled this goal of the committee. State and Federal Grant monies are currently being pursued for programs which will encourage economic development and growth.*

- C. Explore all opportunities for getting "Value Added" food processing plants to Fresno. Seek out companies looking to expand or move and recruit them to Fresno.

Recommendation:

- *The committee recommends to actively pursue opportunities for job growth in this industry by utilizing the tools currently available including job credit incentives as previous outlined in this report.*

Sub-Committee Plan Additions and Recommendations

- *The City's EDC should combine efforts with Fresno's Industrial Brokers for the purpose of conducting "Briefing Sessions." This line of communication will serve to identify Brokers needs as well as give the city the opportunity to emphasize what is available to the Brokers and their clients.*
- *The city shall provide professionally developed Primers on what is available to Industry and New Business in the City of Fresno*
- *In an effort to further enhance the image of the City, an experienced and qualified Public Relations/Information Officer should be added to develop communication strategies and provide positive public relations messages for the City of Fresno which will result in further image enhancement.*
- *The committee also recognizes the need for further efforts and improvements within the Flood Control District which may at some point consist of a proactive involvement including setting new policy and a revised fee structure. Making the necessary changes in the Flood Control District will provide benefits city wide which will offer assistance and a competitiveness in regard to new projects being proposed in the City of Fresno. Many of these projects offer the economic development and growth which both the Committee and City of Fresno are together seeking.*
- *The committee additionally recommends that the Mayor's office and the RDA expeditiously work together to develop the tools to provide immediate incentives for further economic development.*

Closing and Direction

It is the sincere hope of the Fresno Economic Recovery Committee along with the offices of the Mayor and City Manager that the recommendations and acknowledgments of this plan are embraced, supported and implemented by the Fresno City Council.