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## Chapter 5. Economic and Business Development

### BACKGROUND

This section broadly addresses economic conditions and trends identified for the State, region and City. It is not an exhaustive discussion of economic factors, but rather a brief sampling of key facts and figures.

#### State and Regional Context

For much of the last three decades, the four-county Sacramento region, including Yolo, El Dorado, Placer and Sacramento, seemed immune from downward economic cycles as it grew primarily in agriculture, transportation, military, education, and federal, state and local government.

Troubles in the State economy became evident, however, in 1989 when large defense contractors in Southern California and their suppliers began laying off their workers.

In the next four years, about 800,000 jobs were lost in California. Three military bases were slated for closure in the Sacramento region alone. The defense cutbacks hit other industries, including retail and banking. Manufacturers began moving to other states who offered tax breaks and free land, they cited business taxes, regulations and workers' compensation costs as factors. The value of real estate began to decline.

The State's economic downturn hit the Sacramento region in mid-1990. Real estate sales, construction, financial services and retail slowed and manufacturers announced layoffs. By 1992, the State's budget deficits swelled. The region's economic vulnerability was evident. Economists pointed to a need for diversification and growth in the private sector to balance the government oriented economy.

Despite the recent downturn, the region continues to have positive attributes: a well educated work force; a strategic location with access to all Western markets; affordable real estate (compared to other parts of the state); a relatively close distance to the San Francisco bay area; and an excellent quality of life.

The latest economic conditions and trends of the four-county region, as outlined by the Sacramento Business Journal,<sup>1</sup> include the following:

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<sup>1</sup> "All About Business in Sacramento, A 1996 Almanac of the Regional Economy", May, 1996.

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- Government's share of employment remains the greatest at 35% of all jobs, compared to services (30%), retail (25%) and manufacturing (20%). The services sector is closing in on government as having the greatest share of employment and may exceed government by the year 2000.
- The State of California employs more people than the next ten employers combined. Other government entities (including universities and school districts) account for ten of the region's 25 largest employers. The region's ten largest employers are:
  1. State of California, 70,700;
  2. U.C. Davis, 14,910;
  3. Sacramento County, 11,790;
  4. Sutter Health, 5,975;
  5. Kaiser Permanente, 5,130;
  6. Sacramento City Unified School District, 5,000;
  7. Raley's, 4,900;
  8. Pacific Bell, 4,440;
  9. Mercy Healthcare Sacramento, 4,370; and
  10. City of Sacramento, 4,000.
- The Sacramento economy shows signs of recovery. In 1995, about 22,300 net new jobs were added in the four-county region, a 32.8 percent increase over the previous year. The private sector, not the public sector, led in job growth.
- Electronics, biotechnology and medical technology are currently the hottest industries for job growth.
- In 2001, McClellan Air Force Base, which once employed 16,000 people, will become the third Sacramento military base to be closed in a decade. The Clinton administration promises that as many jobs as possible would be "privatized". Many of the base's 10,000 civilian employees are trying to bid on the work.
- The other two facility closures were Mather Field in 1993 and Sacramento Army Depot. Some new uses have been found, some with financial incentives from the city of Sacramento, and other uses continue to be sought. Mather Field and McClellan Air Force Base are both expected to become important and expanding industrial centers.
- Yolo County is the region's top agricultural county in value of crops and ranks 19th out of the state's 58 counties.

### **Economic Impact of UC Davis**

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U.C. Davis is the third largest U.C. campus in enrollment and budget and is the northernmost and largest in terms of campus area. Table 2 in Section II shows the

enrollment and employment at U.C. Davis since 1987-88. The city's population has remained approximately twice the university's enrollment.

U.C. Davis is an acknowledged international leader in agricultural, biological, biotechnical and environmental sciences and stands 22nd in research funding among U.S. universities. The university and the city are collaborating increasingly in attracting new business to the region and retaining existing business. U.C. Davis has been ranked among the nation's top 10 public universities (*U.S. News and World Report*). The faculty were judged 16th in quality among comprehensive public universities nationwide, according to a study by the National Research Council.

U.C. Davis revenues have increased from \$951.8 million in 1990-91 to \$1,145.2 million in 1994-95. Expenditures have increased from \$893.9 in 1990-91 to \$1,047.0 in 1994-95 (source: U.C. Davis, 1994-95 Annual Report). It must be recognized, however, that less of the university's funding is coming from the state, requiring the university to explore more private sector partnerships.

A report by the U.C. Davis Graduate School of Management (Dean Robert Smiley, June 26, 1992) described the economic impacts of U.C. Davis on the six-county region consisting of the counties of Yolo, El Dorado, Placer, Sacramento, Solano and Sutter.

U.C. Davis directly infuses approximately \$290 million into the Yolo County economy and \$1.13 billion into the six-county region annually through wages and benefits, and expenditures by students and visitors.

Assuming an economic multiplier effect of at least two dollars of output for each dollar spent, the impact of U.C. Davis in Yolo County alone is more than \$580 million per year and the impact in the region is more than \$2 billion. In addition, 33 jobs are created for each million dollars spent. In the last decade, half of U.C. Davis employees lived in the city and this amount appears to be dropping slightly.

### **Local Economic Profile**

A useful indicator of the type of economic activity in an area is the pattern of existing and projected employment. The 1990 Census showed that the total number of employed persons in the City 16 years and older was 42,765 (including full and part-time jobs). Most were employed in various "professional and service sector" jobs (58 percent), particularly in "educational services" (33 percent) and other professional services (10.5 percent).

Table 12 shows the ten largest employers in the Davis area, and clearly the University heads the list.

Basic industries, as opposed to local-serving industries, produce goods or services consumed mainly by persons whose residence is outside the Planning Area. Only about six percent of the full-time jobs in Davis are in basic industries other than U.C. Davis. Some of the leading basic industries are Hunt-Wesson and Calgene.

Another economic indicator for a local area is the amount of taxable retail sales a city provides. The City of Davis makes up approximately one-third of Yolo County's population, but the city's taxable retail sales are only about one fourth of the total taxable retail sales in the County. Excluding the grocery stores and automotive sectors, the total Davis area retail demand in 1995 was \$245 million but total sales was only \$133 million, resulting in a retail leakage of \$112 million.

Figure 29 shows the actual building permits issued for commercial development since fiscal year 1987-88. During this period, commercial permits were issued for an annual average of 140,500 square feet of commercial uses, with a high in 1988-89 and a low in 1990-91. In this instance, "commercial" uses include all types of retail, office, industrial, light industrial, business parks, and research development uses. Commercial development has significantly lagged behind the projections in the 1987 General Plan. This lack of commercial construction has led the city to initiate a variety of economic development efforts.

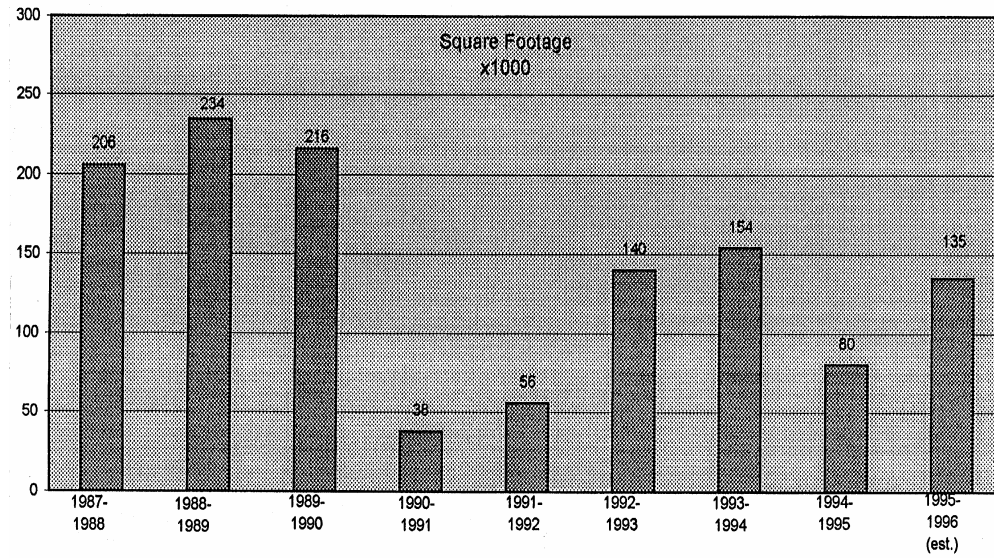
**Table 12**  
**MAJOR EMPLOYERS IN THE DAVIS AREA**

Employer	Product or Service	Total Employees	Full-Time Employees	Remain- ing Employees
UC Davis (Davis Campus Only)	Education and research	15,293	9,944	Students
Davis Joint Unified School District	Education	1,125	752	Part-time
Hunt-Wesson Foods	Tomato canning	300 to 1,050	50	Seasonal
City of Davis	Government	724	357	Temporary
Sutter Davis Hospital	Health services	414	201	Part-time and on-call
Teichert Construction	Engineering and construction	103-303	53	Seasonal
Pacific Gas and Electric	Utilities	190	180	Part-time and temp.
Calgene	Plant Genetics Research	125	120	Part-time
United States Department of Agriculture	Conservation and agriculture research	117	113	Part-time
Safeway (West Covell)	Groceries	115	N/A	
Albertsons Food Center	Groceries	101	N/A	
US Post Office	Postal Services	100	50	Part-time and on-call

Note: All employers listed are within the City of Davis except for UC Davis and Teichert Construction.

Source: Telephone Survey, May 1996.





**Figure 29: Commercial Construction Permits Issued 1987-1996**



## **Economic Development Task Force**

In 1991, the Davis City Council appointed the Economic Development Task Force to examine the need for business and economic development in Davis. In October 1992, the Economic Development Task Force submitted a report, "Business Development in Davis".

The Task Force determined that the City must increase its sales tax revenue through expansion of local business. This was considered especially crucial because of the effects of State budget cuts on local governments and the shifting of property taxes from cities to school districts.

The Task Force developed a series of recommendations, including:

- Increase the number of businesses operating in Davis in order to generate more sales tax, hotel tax, business license fees, and business real and personal property tax;
- Foster a better business climate by developing communication among the business community, City Council and City administration;
- Develop the downtown into a regional tourist destination, featuring arts, entertainment, specialty stores, and related services;
- Develop a tourism marketing campaign to entice people from all over northern California;
- Target potential businesses and commit City resources for recruitment;
- Market Davis to residents and businesses; and
- Develop incentives for business retention and expansion.

In November 1999, the City Council proceeded with the implementation of a Visitor Attraction Program. The Council determined that the program should be oriented to "visitors" (coming to Davis for events and conferences) rather than "tourists."

## **GOALS, POLICIES AND ACTIONS**

### **CORE AREA**

**GOAL ED 1. Maintain and enhance the Core Area as a vibrant, healthy downtown that serves as the city's social, cultural and entertainment center and primary, but not exclusive, retail and business district.**

**Policy ED 1.1** Increase attractions and amenities that bring people to the Core, including local shopping, services, modest tourism, specialty retail, restaurants, festivals/special events, farmers' market and entertainment.

**Actions**

- a. Use media, publications and technology to encourage retailers and entrepreneurs to locate and build in downtown.
- b. Recruit specialty stores to the Core to create a critical mass of retail in the downtown.
- c. Monitor the share of ground floor space occupied by different categories of uses. Pedestrian and customer intensive retail uses are preferred at ground level in the downtown core (retail stores) area, although non-retail uses are not prohibited.
- d. Promote special events in the downtown developed by the City, Farmer's Market, DDBA, Chamber of Commerce and other community groups.
- e. Accommodate and encourage special festivals and events, (art, jazz), and public art in the Core.

**Policy ED 1.2** Promote Downtown Davis as a place to shop.

**Actions**

- a. Promote downtown Davis to current residents and the region as a shopping destination.

**VISITOR ATTRACTION**

**GOAL ED 2. Attract visitors to Davis.**

**Policy ED 2.1** Promote Davis as a destination for visitors with interests in eco-tourism, university/academic events and conferences, athletic events, culture and arts, and downtown shopping.

### **Actions**

- a. Create a Culture and Tourism program through the Davis Conference and Visitors Bureau (DCVB).
- b. Work with DCVB to develop a marketing campaign that will encourage people to visit Davis.

## **BUSINESS RETENTION AND EXPANSION**

**GOAL ED 3. Retain existing businesses and encourage new ones as means to increase higher paying jobs, create greater job diversification, and create a more balanced economy for all economic segments of the community, while also maintaining the City's fiscal and environmental integrity.**

**Policy ED 3.1** Adopt policies that make Davis a more business-friendly community and eliminate unnecessary barrier to business.

### **Actions**

- a. Create an on-going economic development advisory committee.
- b. Maintain the position of Economic Development Coordinator within the City.
- c. Evaluate Davis' competitive strengths and weaknesses within the trade area.
- d. Develop a business retention program by strengthening the current business "care and feeding" program.
- e. Maintain a revolving Redevelopment Agency loan program to encourage the retention of existing businesses by supporting businesses in temporary financial difficulty.
- f. Maintain regular contact with the Chamber of Commerce, the Downtown Business Association and other business groups to ascertain what types of support businesses need from the City.

**Policy ED 3.2** Encourage new businesses to locate in Davis, targeting business which improve the city's fiscal base, are consistent with the City's values and identity, and match the employment skills of the population, such as those in the emerging technology and knowledge-based industries.

## **Actions**

- a. The city should establish fees at levels which are competitive with surrounding jurisdictions. In addition, in special circumstances (that is, job generation, business retention or the city's fiscal base) the city should consider providing fee and other incentives to targeted businesses that are considering locating in Davis in order to be competitive with surrounding jurisdictions.
  - b. Develop an industrial land use strategy that targets technology-oriented industrial and light industrial uses that contribute to the creation of jobs and the economic health of the community.
  - c. Recruit a task force of University and private sector contacts to define methods for attracting high technology firms.
  - d. Market the Davis community and its assets, such as Davis' high educational standards, to targeted businesses.
  - e. Explore the establishment of a specialized zone or incubator facilities to target specific industries, for example, a high technology or life science zone.
  - f. Study opportunities to designate lands for "green" technology, high technology and University related research uses within or adjacent to the City. Work closely with the local business community, community leaders and U.C. Davis officials in determining when and where such uses can best be accommodated in addition to the 25-acre enterprise site planned on the UC Davis campus. Preference should be given to sites that are viable economically and consistent with compact City form principles. As part of this study:
    - Consider re-designating or rezoning land(s) within the City limits (as of January 1, 2001) from Industrial, Business Park or General Commercial to research-oriented Business Park uses (that is, uses which allow a wider range of high technology, research and development uses than a URRP and which are complementary to UC Davis);
    - Encourage second floor and underground building construction to maximize the space available to accommodate URRP needs within the City limits;
    - Key considerations in such re-designation or rezoning shall include the timing of these potential development(s) and impacts and demands caused by these potential developments on the City and the Davis community. Impacts to address include, but are not limited to: traffic, water, housing (for example, growth demand), schools, effects on neighborhoods,
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and economics (for

- example, cost benefits and cost generation to the City); and
- Designation of a peripherally sited URRP shall only occur after:
  - a) It is determined that lands within the City limits would not meet the needs for “research-oriented” Business Park uses.
  - b) Specific guidelines for development projects on the periphery of the City are adopted.
- g. Maintain a database of available land for commercial and light industrial development.
- h. Maintain "packaged parcels" ready for issuance of building permits to targeted enterprises. These packaged parcels shall be zoned and have undergone environmental review, thereby streamlining the approval process and enabling Davis to compete with other locations for targeted enterprises.
- i. Clarify and simplify regulations and processing of development applications.
- j. Set major facility fees charged to businesses so that they reflect a fair share of the costs of providing infrastructure while remaining competitive with other cities.
- k. Develop, implement and manage a comprehensive and coordinated program to communicate the city’s economic development efforts and to promote the improved business opportunities in the community.
- l. Continue to implement an attraction program aimed at targeted retail stores and other businesses.
- m. Investigate and promote the use of the existing rail lines in the city as a resource for industry.
- n. Work as a member of local and regional economic development corporations on cooperative projects that will encourage business expansion and attraction in Davis.

**Policy ED 3.3** Work with other organizations to identify needs and develop work force and training opportunities in areas identified as needed by the Davis business community.

### **Actions**

- a. Provide information to businesses about existing job training and employer resources.
- b. Work with local community college districts to provide technical training programs for employers and employees.
- c. Encourage programmatic links between Davis high schools, community colleges and UC Davis, especially in the area of technology.
- d. Develop programmatic links between Davis high schools, community colleges and UC Davis, especially in the area of technology.
- e. Publicize existing job training resources.

**Policy ED 3.4** Continue to support the marketing efforts and expansion needs of the existing automobile dealers in the “Davis Auto Center”.

- a. Work to find sites for new auto dealers in Davis.
- b. Support efforts of the current auto dealers to enhance their visibility along Interstate 80.
- c. Conduct a feasibility analysis of the current land zoned “Auto Center” to determine current and long range development implications and needs.
- d. Develop specific strategies to attract new dealerships and encourage the expansion of current auto dealers.
- e. Work with the auto dealers to improve community signage to assist in better visibility.
- f. Maintain regular communication with the auto dealers on potential issues affecting their businesses and operations.