

11 ECONOMIC DEVELOPMENT AND FISCAL ELEMENT

The Economic Development and Fiscal Element reflects Livermore's desire to maintain a balanced mix of economic activities and opportunities, as well as fiscal vitality and stability for residents, employers, employees, and visitors.

The Economic Development and Fiscal Element contains goals, objectives, policies, and actions to encourage economic vitality and attraction of new businesses that contribute to Livermore's quality-of-life, sustainability, and fiscal vitality. This element, which is not required by State law, is intended to provide broad policy guidance for economic development and fiscal policy.

A. Background Information

Overview of Livermore Economy

Livermore's economy has grown moderately between 1990 and 2000. According to estimates from the Association of Bay Area Governments (ABAG), Livermore's job base grew from 37,366 in 1990 to 41,500 in 2000, an increase of eleven percent. The mix of jobs in Livermore has shifted somewhat during that time, with declining agriculture and transportation sectors, and service and retail sectors experiencing strong growth.

Key Sectors

National Laboratories

The Lawrence Livermore National Laboratory and Sandia National Laboratories are important economic generators in Livermore, employing large numbers of people and creating innovative technological advances that offer opportunities for local economic expansion.

The Lawrence Livermore National Laboratory (LLNL) is a Department of Energy (DOE) national laboratory that conducts innovative science and technology research. LLNL was established in 1952 to design, develop, and provide stewardship of nuclear weapons. In 2002, the Laboratory employed approximately 8,100 people with an annual budget of \$1.5 billion. LLNL is the largest employer in Livermore, and significantly impacts the local and regional economy. Part of LLNL's defined mission is to enhance community welfare, quali-

ty-of-life, and educational excellence. Its scientific and government-funded work generally buffers the Laboratory from business cycles, providing a steady employment base to Livermore residents.

Sandia National Laboratories has operated in Livermore since 1956. As a U.S. Department of Energy national laboratory, Sandia's main mission is national security. This role has expanded to include nonproliferation, assuring energy and critical infrastructures, and counter- ing terrorism. In 2002, Sandia employed approximately 900 people at the Livermore site, including more than 400 professional staff with advanced degrees. Sandia is a major contributor to the economic base in the Tri-Valley area, with an annual payroll at the Livermore site of close to \$67 million in 2002.

Agriculture, Wine, and Tourism

The Livermore Valley is one of California's oldest wine regions and played a pivotal role in shaping California's wine industry; vineyards, wineries, and ranches continue to exist and expand in the area surrounding the City today. Innovations developed in the Livermore Valley include overhead irrigation, mechanical harvesting, and roller crushing in the vineyard. The Livermore Valley Wine Appellation status, granted in 1983, gives Livermore Valley vintners greater access to the premium/variety wine market. Attracted to the rich winemaking tradition, climate, soil and geography, new winemakers and vineyardists are working alongside fifth generation winegrowers to create a Livermore wine renaissance. In 2002, the region had over 5,000 acres of vineyards and 24 wineries, with several more about to open. Wineries vary in size from limited release, 100-case output from craft wineries to 400,000-case industry leaders, and grapes range from familiar Merlot and Chardonnay to Italian, Rhone, and Spanish varieties.

The agricultural heritage of Livermore is an anchor of the tourism industry in the region. Events such as the Livermore Rodeo, Livermore Days of Wine and Honey, Harvest Wine Celebration, and the Farmer's Market attract visitors interested in Livermore's history, culture, and agricultural heritage.

Retail Sales

Retail sales are an important economic sector in Livermore, and have performed strongly during the 1990's. From 1990 through 2000, Livermore experienced a 135 percent increase in taxable retail sales (inflation-adjusted), rising from \$366 million in 1990 to over \$858 million in 2000. This is attributable to both an increase in retail opportunities, as well as an increase in total population growth in Livermore. Among specific store categories, taxable sales fell for apparel and home furnishings, but sales for general merchandisers rose 310 percent, due to the opening of several new value-priced stores.

In 2000, Livermore's \$11,706 per capita taxable sales from retail outlets was slightly above the per capita average for Alameda, Contra Costa, and Santa Clara Counties. However, per capita sales for the Tri-Valley as a whole were even higher, at \$15,423 per capita, suggesting that additional retail sales could be attracted to Livermore, particularly in apparel, home furnishings, and automobiles.

Real Estate Market

Office and Industrial/Warehouse Market

Although Livermore's economy diversified in the 1990's, its mix of office and industrial space is still predominately in light industrial and warehouse functions. In 2002, Livermore had 1.86 million square feet of office space, primarily in newer business parks, accounting for approximately eight percent of Tri-Valley's office space total. Office space vacancies reflected the economic downturn of the region, registering a rate of 36 percent vacant in 2002. Livermore's substantial industrial and warehouse space inventory of 12 million square feet, had an 11 percent vacancy rate at the end of 2002.

The presence of substantial office and warehouse vacancies, coupled with approved development and additional vacant land available for business park development, suggests that Livermore may experience a future over-supply of this type of job-generating land use. Livermore also faces the challenge of providing a market-driven mix of land uses that promotes economic development while allowing for balance and diversity.

Residential Market

The residential real estate market in Livermore has experienced strong demand, accommodating population and economic growth in the Tri-Valley area. Development has focused on single-family homes, which represented 92 percent of residential building permits issued in the 1990s. In 2000, 73 percent of Livermore's housing stock was single-family detached homes (compared to 69 percent for the Tri-Valley overall). As reported in the Housing Element, in 1999-2000 the median sale price for single-family homes in Livermore was \$293,500. More recent sales data indicates Livermore's continued strength in single-family homes - data from early 2002 indicated a median sale price for single-family homes in Livermore of \$368,000, compared to a Tri-Valley overall median price of \$550,000. Other sales data indicated that Livermore's single-family homes were typically smaller and priced somewhat below the average per square foot of Tri-Valley home sales.

For multi-family for-sale units, Livermore has experienced a limited amount of market-rate development. As reported in the Housing Element, condominiums had a median price of \$140,000 in 1999-2000. More recent data show a median price for condominiums of \$226,500 in 2002, and an average price per square foot of \$253. Despite the small inventory, it is interesting to note that average prices per square foot for condominiums are similar to single-family homes in Livermore, indicating strong potential demand for this product type.

The rental market in Livermore is also relatively small, but shows signs of market strength. As reported in the Housing Element average Livermore rents were \$1,100 in 2001. In March 2002, Livermore had an inventory of 2,268 units in large multi-unit buildings, with an average rent of \$1,169 and an occupancy rate of 94.5 percent. Livermore's average apartment rents were slightly lower than the Tri-Valley average of \$1,323. Livermore's occupancy rate in March 2002, at 94.5 percent, was slightly higher than the Tri-Valley. Average rents in Livermore have also declined more slowly than Tri-Valley since year-end 2001, with Livermore average rents declining 7.6 percent compared to Tri-Valley's 10.4 percent drop. Livermore will need to provide additional market rate rental housing opportunities to maintain a diverse array of housing types for future residents and assist employers in meeting their housing needs.

Jobs/Housing Balance and Match

ABAG has estimated a total of 41,500 jobs in Livermore in 2000, compared to 26,123 occupied housing units and 38,525 employed residents. This translates to a jobs/housing ratio of 1.59, and a jobs/employed residents ratio of 1.08. A jobs/housing ratio of 1.5 (to accommodate residents that are not working), and a jobs/employed residents ratio of 1 are considered ideal for a balanced community, since these goals translate into sufficient jobs to employ the community's working residents and the potential to minimize in-and out-commuting. According to both measures, Livermore's ratios in 2002 were close to the ideal.

However, a closer look at the ratio of jobs in Livermore and the number of residents who actually work in the local jobs offers a more refined picture. Despite the ratio of more jobs than employed residents, detailed data on who actually worked in Livermore in 1990 (last year for complete available data), indicated that just over 22 percent of local jobs were held by Livermore residents. This finding means that Livermore's economy has mismatches between jobs and residents, and the City likely continues to "import" workers living elsewhere, while many residents of Livermore continue to commute out to other employment centers offering higher wage jobs.

With the import/export mismatch between local jobs and local residents, and the relatively high cost of housing, it is important to assess the jobs/housing "match," which involves comparing wages earned in local jobs, resulting household incomes created, and how well those earnings do or do not equate with the cost of Livermore's housing. This analysis, conducted in 2002 for the General Plan Update, estimated that while low income jobs are roughly balanced with housing affordable to low income households, there are 3,000 very low income households and 1,200 moderate income households (with a member working in Livermore) that cannot find housing affordable at their income level in Livermore. Additionally, there are almost 4,000 more housing units affordable only to above moderate income households than there are Livermore jobs in this income category. Moreover, the jobs/housing match analysis considered only people working in Livermore jobs, and did not account for needed affordable housing for the non-working residents of Livermore. According to the 2000 Census, Livermore was home to approximately 1,350 unemployed persons, 2,300 nonworking disabled persons and 4,000 households with residents over 65.

These populations represent non-working Livermore residents, many of whom cannot likely afford current housing costs in the City.

These findings underscore the need for a better match between the economic base and housing market in Livermore.

City General Fund Fiscal Conditions

The City of Livermore General Fund provides most of the funding for public safety, libraries and other public services that are essential for the quality of life for Livermore residents. A somewhat typical profile of municipal revenues and expenditures is represented in the City of Livermore's fiscal year 2002-2003 General Fund budget, totaling \$63.8 million, that anticipated \$27.8 million of expenditures, or 44 percent, for public safety uses including the Police and Fire Departments. Community Development accounted for 20 percent of the total uses of funds, Library and General Services accounted for 13 percent, Administration accounted for 9 percent, and 8 percent was allocated for Public Services, such as the Maintenance Services. Funding for the Capital Improvement Plan (CIP) and transfers to other City funds account for the final 6 percent of budgeted expenditures.

The source of City General Fund revenue is primarily from traditional local taxes. In 2002, sales and use tax revenues from local retail and industrial businesses accounted for \$18.3 million, or 28 percent, of General Fund revenue. Property taxes generated \$14 million, or 22 percent, of revenues. City permits and fees accounted for \$9.5 million, or 15 percent of total funds, and the remaining 35 percent came from other taxes, intergovernmental transfers, and inter-budgetary transfers.

The maintenance and enhancement of the City's fiscal vitality is a key factor in continued ability to provide municipal services at high quality levels. With substantial vacancies in industrial projects, and a renewed focus on Downtown retailing and tourism, the linkages between fiscal vitality and economic development are growing increasingly important. The following goals, objectives, policies, and actions seek to guide City investments to ensure Livermore's high quality of life into the future.

B. Goals, Objectives, Policies and Actions

Goal ED-1 Maintain and expand a diverse economy to ensure economic vitality.
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Objective ED-1.1 Implement policies and actions that will encourage existing businesses to remain and grow in Livermore, and attract a range of new businesses to locate in Livermore.

Policies

- P1. To strengthen the economic base and to develop a central focus for the City, the Downtown Area (DA) shall be the exclusive location within the City for the development of all retail and commercial stores and services except those specifically allowed in neighborhood shopping centers, industrial, highway, service commercial, and community commercial areas.
- P2. To strengthen the economic base and to avoid the duplication of cost in delivery of urban services, the City shall unconditionally support the fundamental principle of sound urban management that “What is urban should be municipal.” All future urbanization within the City’s Planning Area shall be within the municipal control of the City of Livermore.
- P3. Initiate and implement an economic development strategy, utilizing stakeholders such as the laboratories, business community, developers, and educational institutions to create attraction and retention strategies for all of Livermore’s economic centers.
- P4. Participate in local and regional economic development efforts including those initiated by the Livermore Chamber of Commerce, Main Street, Tri-Valley Business Council, Bay Area Council, and the Economic Development Alliance for Businesses.
- P5. Implement the economic development strategy for the Isabel Neighborhood area, as established in the Isabel Neighborhood Specific Plan (INSP).

Actions

- A1. Monitor land use to ensure a balanced inventory of commercial and residential land.
- A2. If appropriate, assemble land to provide sites that meet the needs of desirable businesses.
- A3. Develop an economic development strategy that identifies a desirable mix of businesses that will attract high wage jobs and enhance tax revenues on a continuing basis.
- A4. Work with businesses and employment recruiters to establish a process to employ Livermore and other local residents for Livermore-based employment opportunities.
- A5. Encourage and actively attract businesses in key industries that build upon Livermore's competitive advantages and offer high wage jobs.
- A6. Enhance the City permitting process to assist local businesses to expand, pursue adaptive re-use, and to attract new businesses to locate in Livermore without unnecessary delay or cost, ensuring a customer- and business-friendly program.
- A7. Develop a business retention and relocation program to facilitate and support implementation of the Downtown Specific Plan.

Objective ED-1.2 Expand agriculture and tourism as important economic sectors in the Livermore Valley.

Policies

- P1. Support visitor attraction services and amenities in the wine country and Downtown, including full service hotels and restaurants.
- P2. Support development of conference and meeting centers within Livermore.

- P3. Support the restoration of natural habitat and the revitalization of Downtown, including cultural arts facilities, to serve as significant visitor attractions.
- P4. Support expanded special events, particularly multiple day events, which draw upon the rich diversity of Livermore's history and physical landscape.
- P5. Support the efforts of other agencies and organizations to improve the viability of agriculture in the area.

Objective ED-1.3 Capitalize on the presence of the national laboratories in developing high technology and other related uses in Livermore.

Policies

- P1. Work with the Laboratories to develop training programs which will create the next generation of technologically-advanced workers.
- P2. Work with the Laboratories to locate private companies associated with the research at the Laboratories in Livermore.
- P3. Work with the Laboratories to locate new, spin-off companies and technologies in Livermore.

Goal ED-2 Balance the supply of job and housing opportunities in Livermore, and match jobs and wages to housing prices.

Objective ED-2.1 Initiate strategies to attract additional higher wage jobs, leading to decreased out-commuting and a better jobs/housing match.

Policies

- P1. The City shall work toward achieving a more “balanced” economy by attracting greater diversification of employment opportunities, particularly those which can use the local labor force.
- P2. Support and encourage businesses that provide jobs that would have a positive effect on Livermore’s job/housing match.
- P3. Maintain a range of quality housing options serving different lifestyle needs, income levels, and household composition, with increased opportunities for all income levels to achieve homeownership.

Objective ED-2.2 Facilitate educational and economic opportunities for young adults.

Policy

- P1. Collaborate with key stakeholders such as the national laboratories and Las Positas Community College to develop educational and training programs targeting the needs of technologically advanced companies, creating future opportunities for the school-aged and young adult population in Livermore.

Goal ED-3 Develop and maintain a stable fiscal base that is not overly dependent on any land use, major taxpayer, or revenue type.

Objective ED-3.1 Diversify the City’s revenue base by implementing policies and actions that will encourage a range of businesses to locate and expand in Livermore.

Policies

- P1. The City shall minimize earmarking or limiting the use of General Fund tax revenue for specific purposes, whenever possible, to preserve financial flexibility so that the City can effectively respond to changing fiscal conditions.
- P2. The City shall strive to maintain taxes and fees at a level adequate to provide necessary services.
- P3. The City shall maintain an economic development program with City staff dedicated to administer the program and the policies contained within the Economic Development and Fiscal Element.

Actions

- A1. Develop economic development strategies which promote a diverse economic base.
- A2. Seek mechanisms to capture Laboratory spin-off technologies locally in Livermore, including homeland security services and suppliers associated with Laboratory programs.

Objective ED-3.2 Ensure that development pays its fair share of public services, equipment, and facilities necessary to serve the development.

Policies

- P1. New development will provide the necessary monies (or equivalent facilities) to reflect the project's share of new or expanded buildings, facilities and services required to serve the development.
- P2. The City will coordinate with other public agencies to identify those public facilities and services these agencies provide to new development in Livermore. As appropriate, the City will ensure "fair share" fees (or other equivalents) are assessed against new development to fund such facilities consistent with each agency's policies and State law.
- P3. New development will contribute its fair financial share to develop and maintain an adequate level of public services in the following areas:
 - (a) Sewage transmission, treatment and export/disposal facilities.
 - (b) Water development, treatment, storage, distribution, and conservation facilities.
 - (c) Storm drainage and flood control facilities.
 - (d) Solid waste facilities and programs, including recycling and source reduction.
 - (e) Street, highway, pedestrian, bicycle, and related transportation facilities.
 - (f) Public transportation facilities, equipment, and programs.
 - (g) Public safety facilities and equipment including police administration building, fire stations, vehicles, and equipment.
 - (h) Public works maintenance facilities, equipment, and vehicles.
 - (i) Library facilities and equipment.
 - (j) General government administration buildings and equipment.
 - (k) Parks, recreational and cultural facilities and equipment including administration and support buildings.

- (l) Educational facilities and equipment including administration and support buildings.
 - (m) Public health facilities and equipment.
- P4. Recover the direct and indirect costs of providing services and facilities supporting development through a combination of fees, exactions, and dedications.
- P5. In order to achieve explicit economic development goals (as outlined in this element or a subsequently adopted strategy by the City Council for economic development), the City may provide economic incentives for projects that make a significant contribution to the economic base of the community when the City Council finds, based upon substantial evidence that the benefit to the community is greater than the economic incentive provided. Economic Incentives may be for all or part of new and expanding commercial or industrial development's share of public infrastructure improvements or City development impact fees or for all or part of an existing business's cost for on-site improvements that increase sales tax generation and property tax value, and contribute to the permanence of the business at its existing location. (Reso. 2013-072)

Actions

- A1. Conduct research and studies to determine the fair share financial contributions of new development necessary to develop and maintain adequate level of all public services.
- A2. Review and update ordinances and/or policy procedures to establish the mechanisms for collecting financial contributions from new development.
- A3. Modify the City's Capital Improvement Program to specifically identify the facilities/equipment necessary to respond to projected new development, as necessary.
- A4. Coordinate and assist other government agencies (e.g. park and school districts) in identifying future physical growth and the public facilities necessary to support such growth.

- A5. Investigate techniques and alternative funding sources for funding selected private development projects that further significant public goals, (e.g. lower cost housing, quasi-public uses).
- A6. Review and revise public facility programs at least every five years to respond to new land use policies and development projects, changed facility needs, and changed facility/equipment cost estimates.
- A7. As part of General Plan Land Use Amendment considerations, identify the general type of additional public facilities necessary to support the proposed land use.
- A8. Continue to implement necessary procedures and programs to ensure public facility impact fees are used to provide the necessary facility enhancements in a timely and economical manner.

Goal ED-4	Provide the most efficient and financially sound system of public services commensurate with the highest standards required to protect the health, safety, and general welfare of all persons living and working in the Planning Area.
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Objective ED-4.1 Provide public services through a phased program, ensuring the orderly implementation of policies and proposals of the General Plan, including the annexation of areas to be served and provisions for meeting the cost of such services.

Policies

- P1. Phased programs for the systematic provision of all public facilities and services shall be in accordance with short-, medium-, and long-range financial plans.
- P2. The financial plan for the City shall consist of the capital improvements program, the public services program and the revenue program necessary to support adequate public services.