

January 3, 2017

To: City Council, City Manager,
and City Attorney
From: Michael Belluomini

Michael Belluomini

BACKGROUND:

The unemployment rate in Merced exceeds 9% one of the highest in the state. This means there are approximately, 3,000 men and women who are looking for a job and cannot find one in the City of Merced. They are unsure how they will pay the rent, PG&E, feed the family, and keep their car working. Unemployed people lack funds to buy goods at local businesses contributing to the struggle to keep local businesses open. The desperate need for funds may drive the unemployed to crime, especially for the third of the population living in poverty. In addition to unemployed people there are many underemployed who can earn more if they had the opportunity.

The most important driver of economic development and increased employment is basic export industry which manufactures a product which is sold to end users outside Merced County. These export industries bring wealth from outside the county into Merced. The city's goal ought to be to increase employment and economic prosperity with export of goods and services and import of revenue by facilitating the establishment of basic export industries

What factors within the control or influence of city government can facilitate and foster the development of basic industries? A November 2013 economic development study by the consultants, Audrey Taylor and Don Schueldall, contracted for by Merced County, Merced City and other cities identified industrial sites ready for immediate development as critical to attracting industry.

IMPORTANT FACTORS TO INDUSTRIAL DEVELOPMENT:

What factors are important to industrial developers that denote a property as ready for immediate development. The economic development consultant listed the following factors: 1) water service availability; 2) sewer service availability; 3) storm water drainage services; 4) local road and highway/freeway ease of access; 5) a streamlined local permit process; and proactive planning for industry; 6) community support for industry; 7) electrical power service availability; 8) a documented adequately skilled labor force; 9) land price. The first five of these factors are significantly influenced or controlled by the city council.

MERCED'S INDUSTRIAL INVENTORY:

The attached table with maps reviews the current industrially zoned areas and the first five factors important to identifying a property as ready for immediate industrial development. The table demonstrates that there is only one readily developable vacant industrial parcel over 10 acres in the Western Industrial Park, that in the Airport Industrial Park there are 60 acres of vacant land owned by the city, and that approximately 500 acres of vacant industrial land owned by Lyons Company and 315 acres of vacant industrial land owned by Wal Mart making up over 80% of the city vacant industrial land is in the University Industrial Park. Since 2013 Wal Mart has indicated it is postponing developing this site. In 2014, 2015, and 2016 discussions with the Lyons Company indicated that it was not prepared to make significant investment in city planning/entitlements to make this industrial park more marketable and competitive with the industrial parks of other cities. Generally there are insufficient vacant industrial parcels that are ready for development in the city.

UNIVERSITY INDUSTRIAL PARK PROS AND CONS:

The University Industrial Park has several positive characteristics. Road access to the 99 Freeway is excellent via the newer Mission Ave/Campus Parkway interchange. Sewer service of 24" or larger is abutting 372 acres of the site. This sewer service could be significantly enhanced by the city facilitating sewage pretreatment on the industrial site as the city council discussed in 2015. Railroad spur access is available to 152 acres of the site.

The University Industrial Park has some significant deficits. One deficiency is that city water service is 1,500 ft to 3,600 ft away from the edge of 371 acres or 70% of the industrial park. Storm drainage pipeline and system exists only on parcel 9 of 95.4 acres. Industrial development is often characterized by large parking lots and roofed areas which shed storm water needing a drainage plan to prevent localized flooding. There is not an area wide drainage system.

INCREASING CITY INDUSTRIAL LAND

The City of Merced does not have enough vacant industrial land to attract and accommodate new business development that would create jobs, improve tax revenues, and reduce poverty. Where and how could the city increase its industrial land inventory? Of the five important factors to industrial development that the city can control or influence, highway/freeway access and sewer service are critical. Of the six highway 99 interchanges in the city only the Campus Parkway/Mission Ave interchange is adjacent to a large area of relatively vacant land. Mission Ave connects highway 99 to highway 59. There are large sewer lines in the area.

The size of an industrial park allows for economies of scale for infrastructure, and space for several complimentary industries to locate. Other central valley industrial parks are between 600 and 1,200 acres similar to University Industrial Park. Southwest of the highway 99/Campus Parkway interchange such large areas of farmland exist.

Annexation of land to city for industrial development must be approved by the Local Agency Formation Commission (LAFCO) and conform to state law. LAFCO related state law is written to prevent "leap frog" city development by requiring that all annexation be contiguous to the existing city limits. Similarly the law requires that the boundary between an area to be annexed and the city limit be large thus preventing "pan handle" annexations that are connected to a city by only a narrow road right of way. To promote efficient provision of public services to residents LAFCO law prohibits annexations which result in an unincorporated county area being surrounded by land within the city limits. Such "county islands" exist but new ones are prohibited.

POTENTIAL ANNEXATION AREA

The attached exhibit shows a 713 acre potential annexation that is contiguous with the city limits along highway 99 for approximately one mile. It has access to the Campus Parkway/Mission Ave interchange at highway 99. It has road access to Mission Ave, Gerard Ave, Vassar Ave, and Henry Street. Expanding this annexation any further west along Mission Ave may be prohibited because it creates a county island. This area has nine property owners. The attached aerial photo shows that it is largely farmland with dairy buildings except for the two businesses nearest the highway. It seems the best suited area for industrial development.

ANNEXATION AND GENERAL PLAN PROCESS

The 713 acre potential annexation for industrial development is shown on the city general plan north of Mission Ave as residential of varying density from apartments to single family houses and south of Mission Ave as an area of interest. See Exhibit 10. In order for the city to annex this area, all of it must be shown in the city sphere of influence with a general plan

designation of the planned land use that will develop there. A general plan amendment for this area with associated environmental documentation is required to develop it as a business park/industrial development. The amendment needs processing through public comment, planning commission and the city council.

Once the general plan is amended to include this area and designate it for business park/industrial development then an application for annexation can be submitted to LAFCO. LAFCO wants to know to what extent the city and the landowners are in agreement that the area should be annexed to the city. A resolution of the city council initiating the annexation and a petition signed by the landowners indicating their agreement to annexation should be submitted to LAFCO. Unanimous agreement of landowners is not required but it is desirable. An annexation can proceed to approval if a majority of the property value owners agree or if there are 12 registered voters in the area then an election is held and the majority of voters approve or reject the annexation.

Landowners who are generally in favor of annexation will need to be reassured that they will be able to continue their farming and dairy activities until industrial development occurs which could take 10 to 20 years. As was done for past city annexations of rural areas the city will need to agree to such continued use. In the past that was done by amendment of the animal control ordinance. Amendment of the zoning ordinance to allow agriculture is another method to achieve this.

PROPOSAL FOR INDUSTRIAL DEVELOPMENT

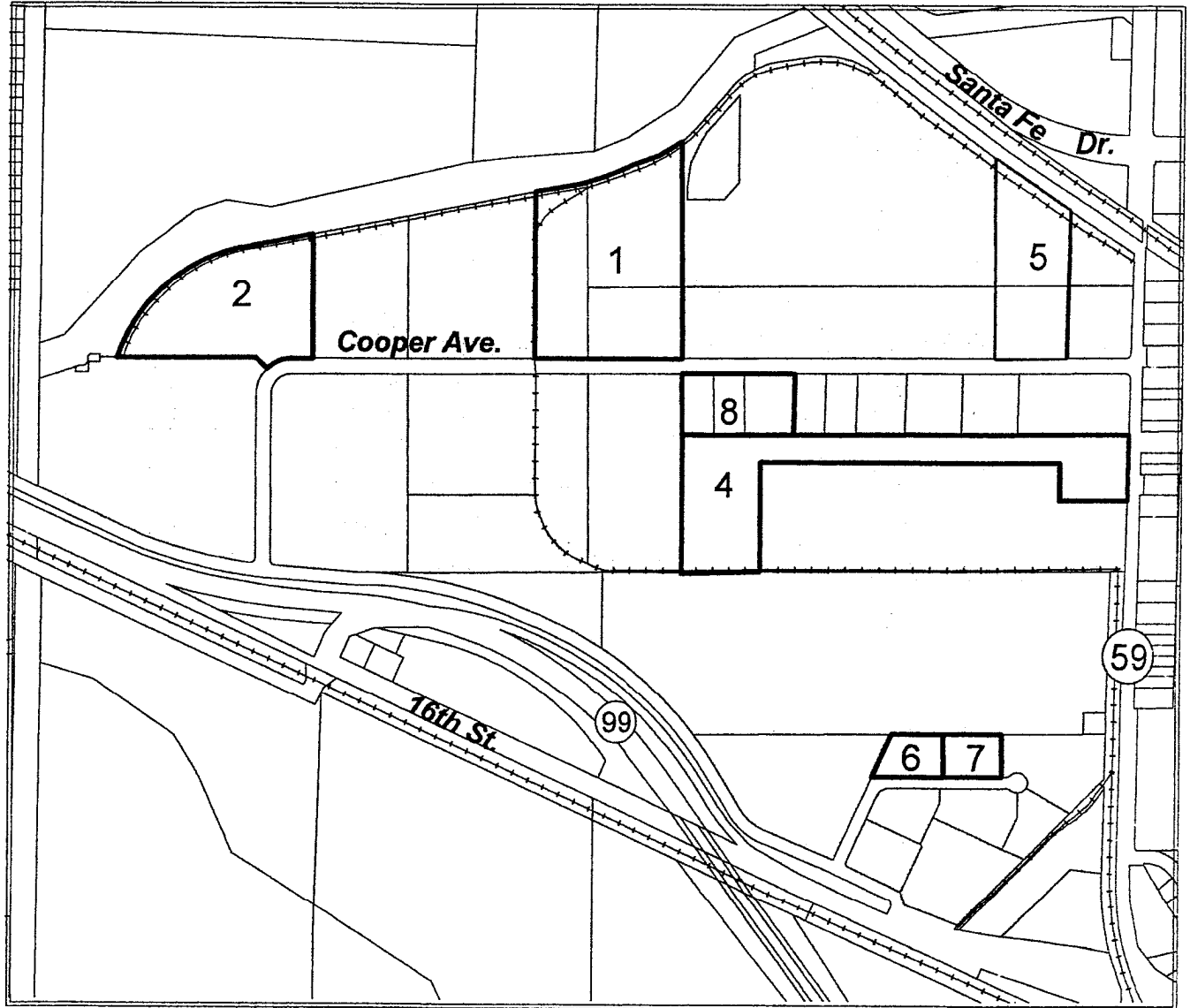
The City must lead the way to improve the local economy, improve employment opportunities and improve the business climate. Making well suited land available for industrial development with city services and master planning/entitlements is essential to improving the economy. Based on the information above the proposal is to direct staff to: 1.) Contact the nine property owners of the 713 acres regarding annexation; 2.) based on the results of discussions with owners, prepare a plan with necessary steps, cost and schedule to process a general plan amendment with environmental document and an annexation application; 3.) prepare a strategy for funding the general plan amendment, environmental document and annexation application and 4.) describe the alternative steps to make the industrial annexation master planned and marketable to potential developers.

		B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	X	Y
Characteristics of Vacant Industrial Sites in Merced January 2014																								
1																								
2	Assessors Parcel Number																							
3	Industrial Park Name	W	W	W	W	W	W	W	U	U	U	U	U	A	A	A	A	A	A	A	A	A	A	A
4	Site Number	1	2	4	5	6	7	8	9	11	12	14	15	47	48	49	59	72	73	74	75	76	79	80
5	Water Service																							
6	Size of Pipeline Abutting	12"	12"	N/A	12"	10"	10"	12"	12"	12"	1,500	3,600	2,800											
7	Distance to Pipeline			300'																				
8	Sewer Service																							
9	Size of Pipeline Abutting	12"	12"	N/A	12"	10"	10"	12"	12"	24"	12"	33"	33"	12"	15"	42"	42"	6"	8"	8"	8"	8"	8"	8"
10	Distance to Pipeline			300'																				
11	Storm Drainage																							
12	Size of Nearby Pipeline	48"	60"	36"	42"	24"	24"	36"	48"	N/A	N/A	N/A	N/A	36"	36"	60"	80"	N/A	36"	30"	30"	30"	30"	30"
13	Road/Highway Access																							
14	99 Freeway	3 of 4	3 of 4	3 of 4	3 of 4	3 of 4	3 of 4	3 of 4	4 of 4	4 of 4	4 of 4	4 of 4	4 of 4	4 of 4	4 of 4	4 of 4	4 of 4	4 of 4	4 of 4	4 of 4	4 of 4	4 of 4	4 of 4	
15	140 Highway Access								Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
16	Impact Residences													Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
17	Streamline Permit																							
18	Specific Plan/EIR	N/A	N/A	N/A	N/A	N/A	N/A	N/A	No	No	No	No	No	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
19	In Flood Plain	Yes	Yes	Yes	Yes	Yes	Yes	Yes																
20	Parcel Size (Ac)	13.9	9.1	12.2	7	1	1.3	3.5	95.4	58	57	157	157	5.9	7.3	6.7	10.3	4.1	4.9	5.9	4.6	4.9	6.1	7.6
21	Shape/Size/Other																							
22	Railroad Access																							
23	UnPac Line Abuts Site	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	Yes	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
24	Santa Fe Line Abuts Site								Yes															
25																								
26	W = Western Industrial Park																							
27	U = University Industrial Park																							
28	A = Airport Industrial Park																							

EXHIBIT 1

City of Merced Western Industrial Park

Sites 1-8



0 1000 2000 Feet



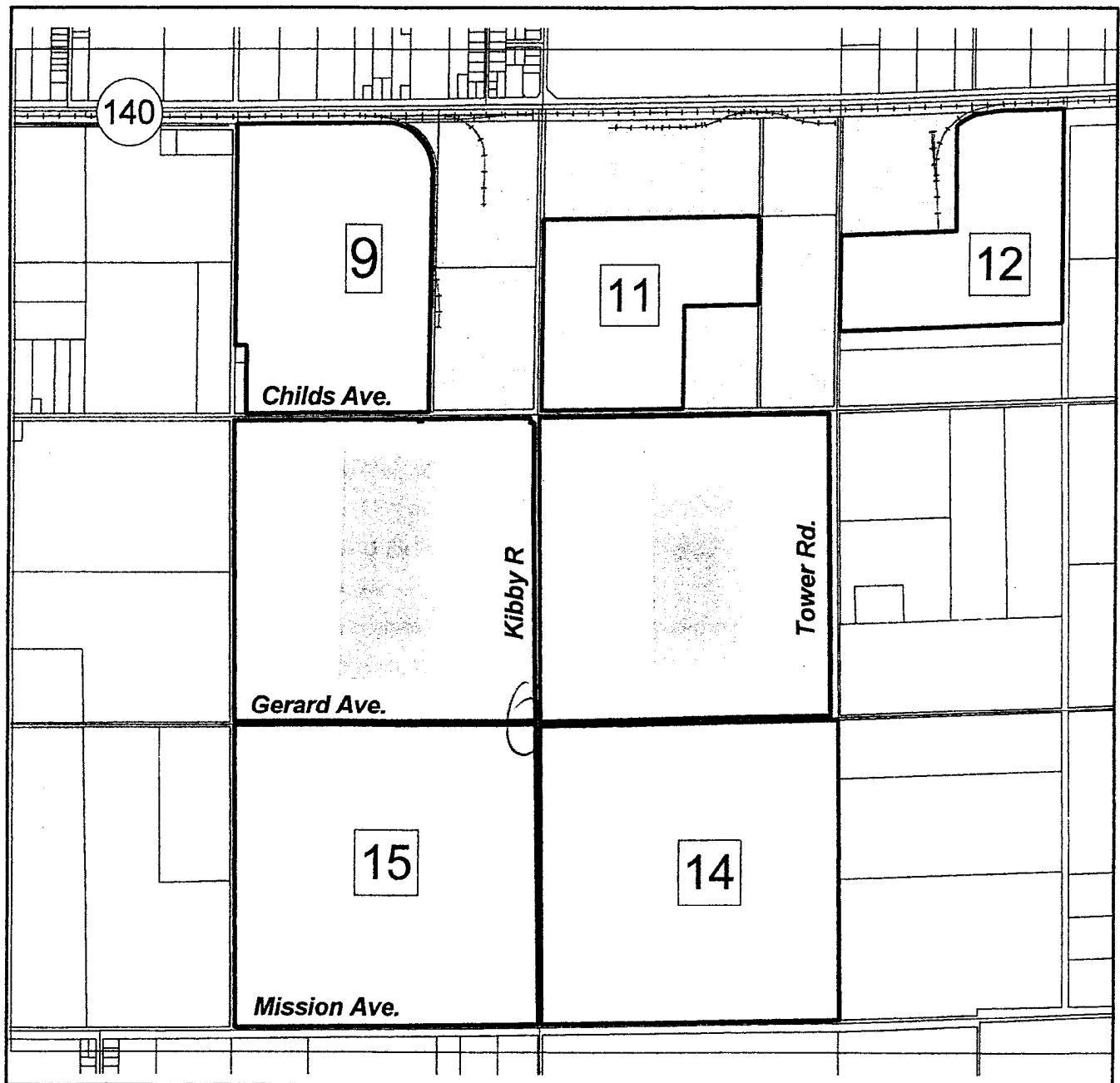
Contact: Frank Quintero
Office of Economic Development
phone: 1-800-723-4788 or 209-385-4788
fax : 209-723-1780
website: www.mercedecondev.com
email: econdev@ci.merced.ca.us



EXHIBIT 2

City of Merced University Industrial Park

Sites 9-15



0 1000 2000 Feet



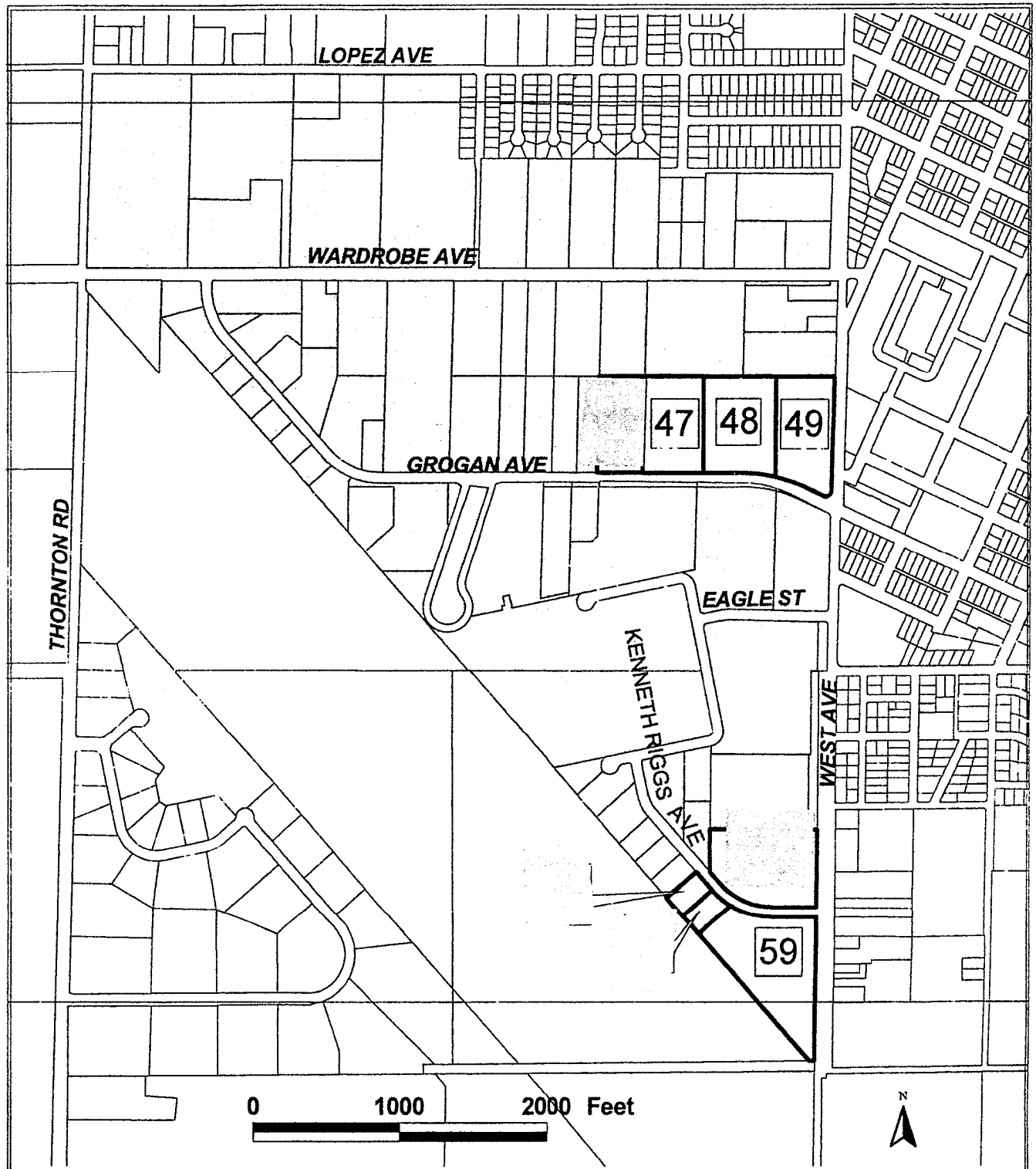
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EXHIBIT 3

City of Merced Airport Industrial Park

Sites 46-62



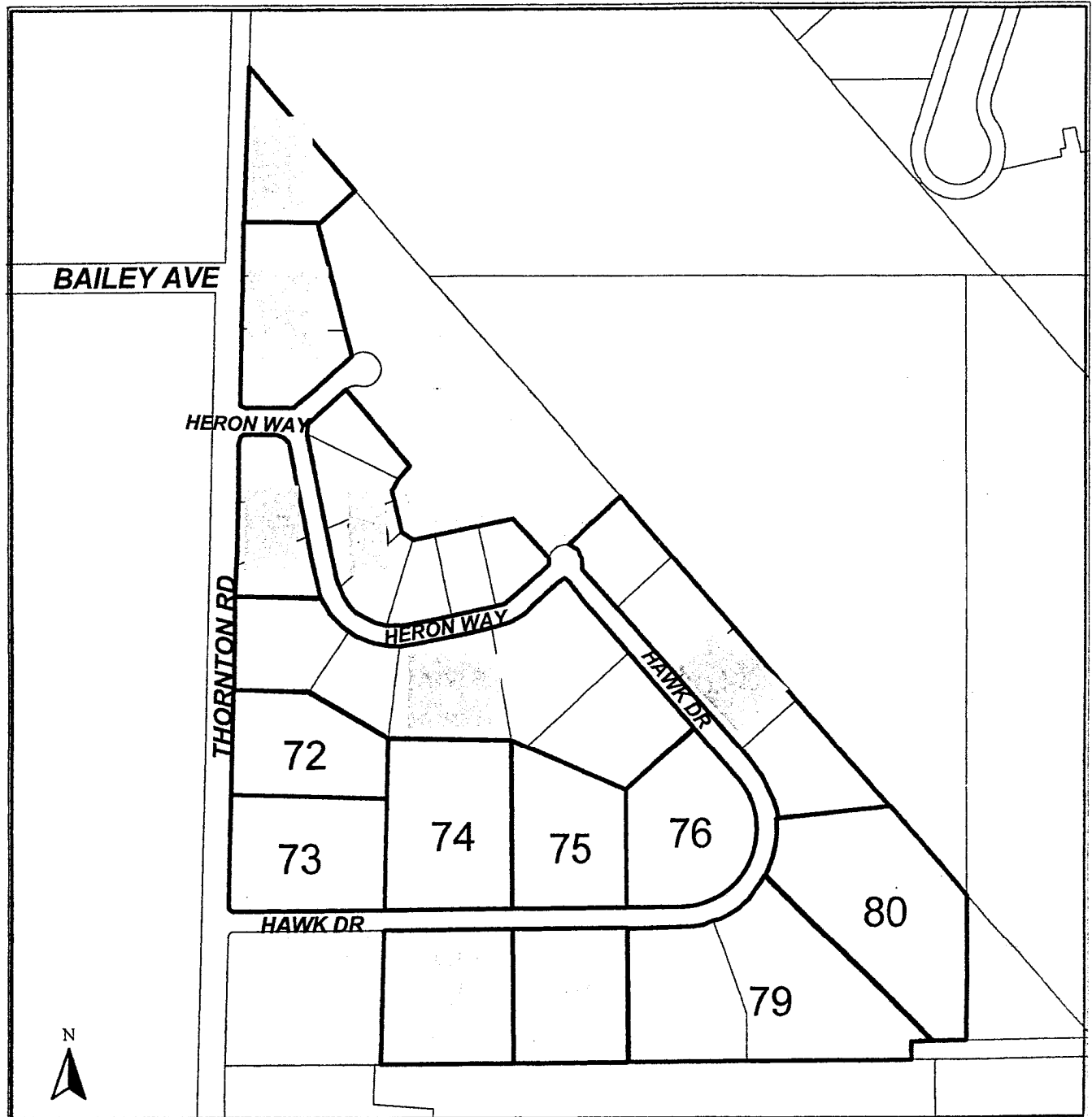
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EXHIBIT 4

City of Merced South Airport Industrial Park

Sites 67-81



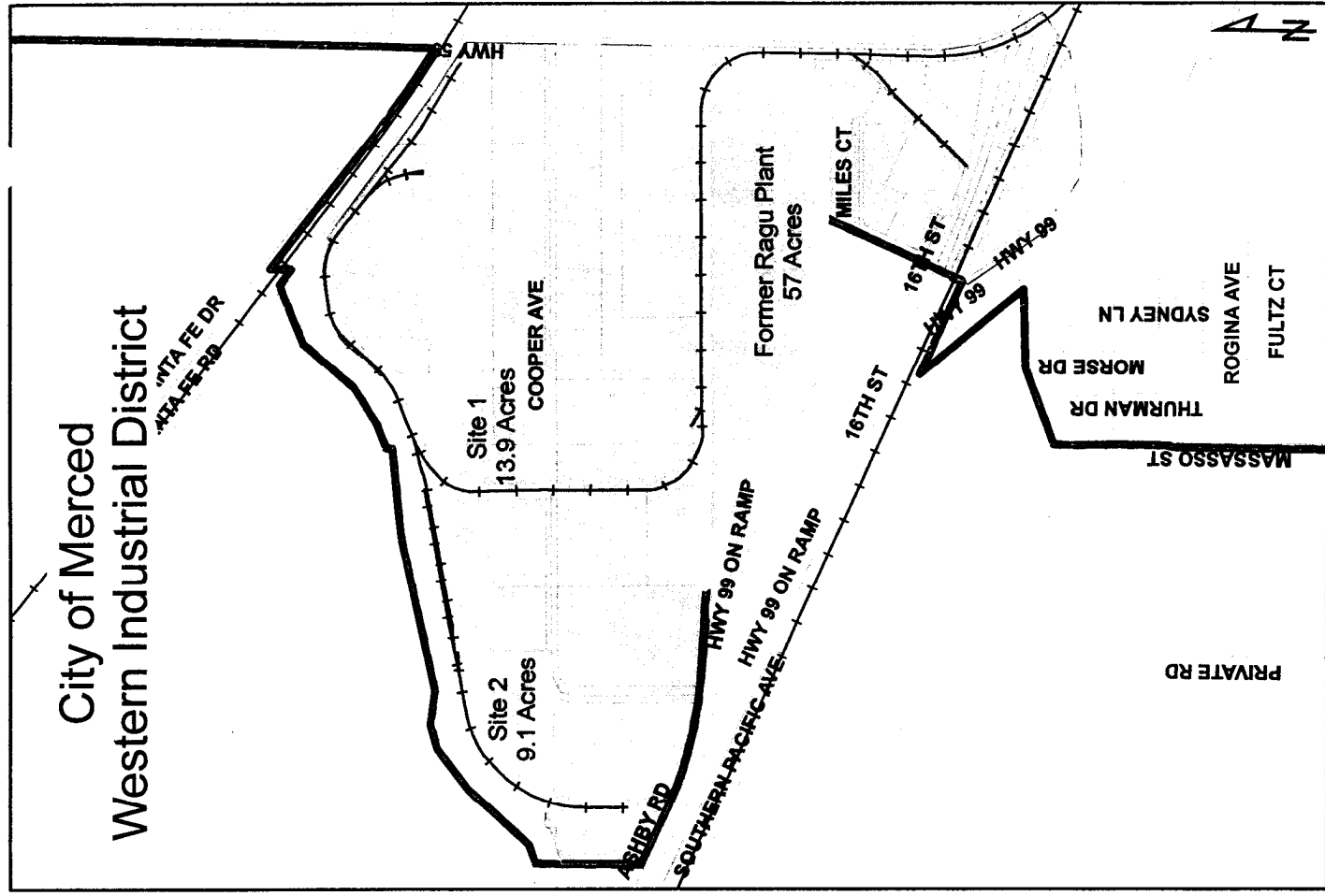
0 400 800 Feet

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EXHIBIT 5

City of Merced
Western Industrial District



10
1
2
3
4
5
6

City of Merced Airport Industrial District

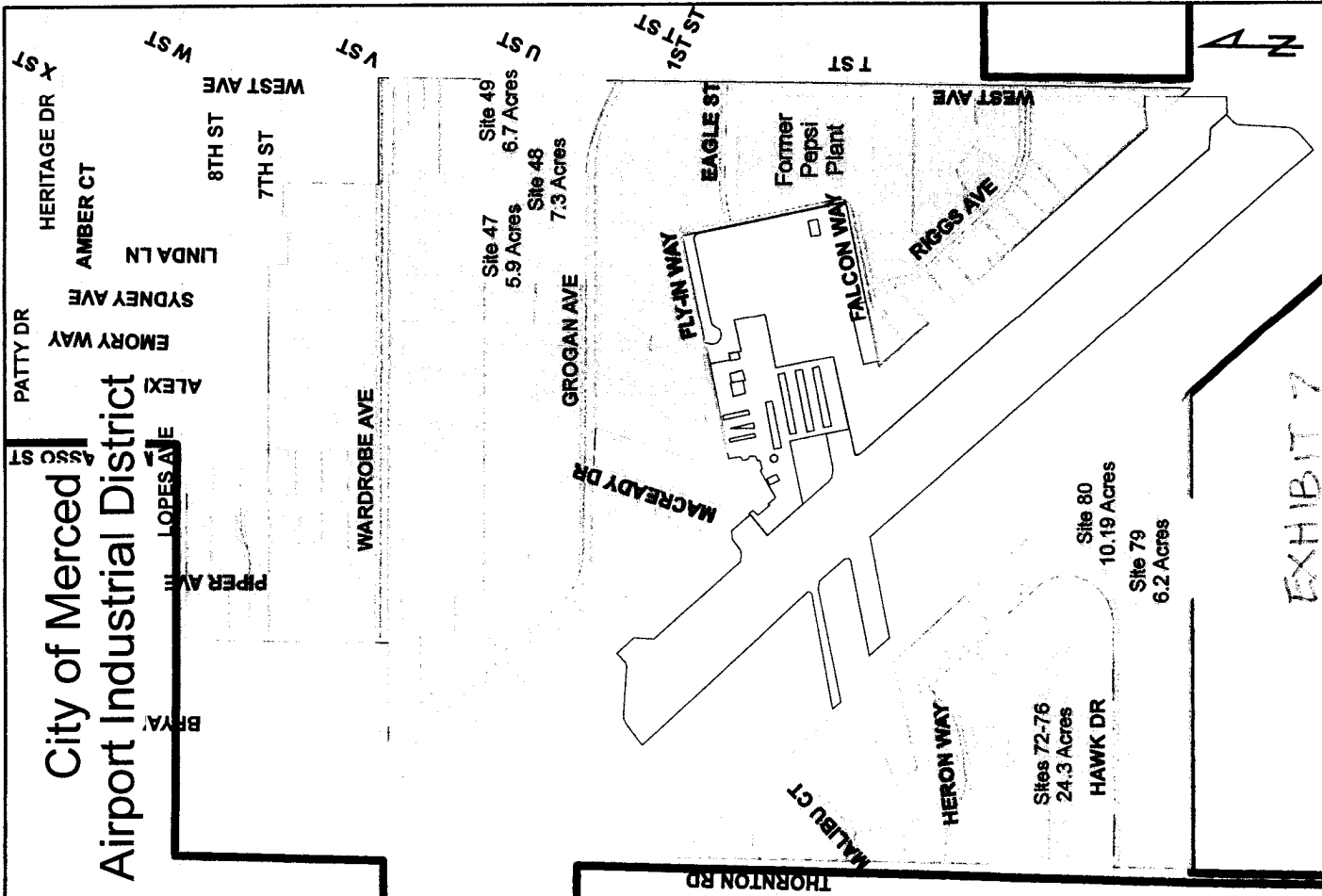
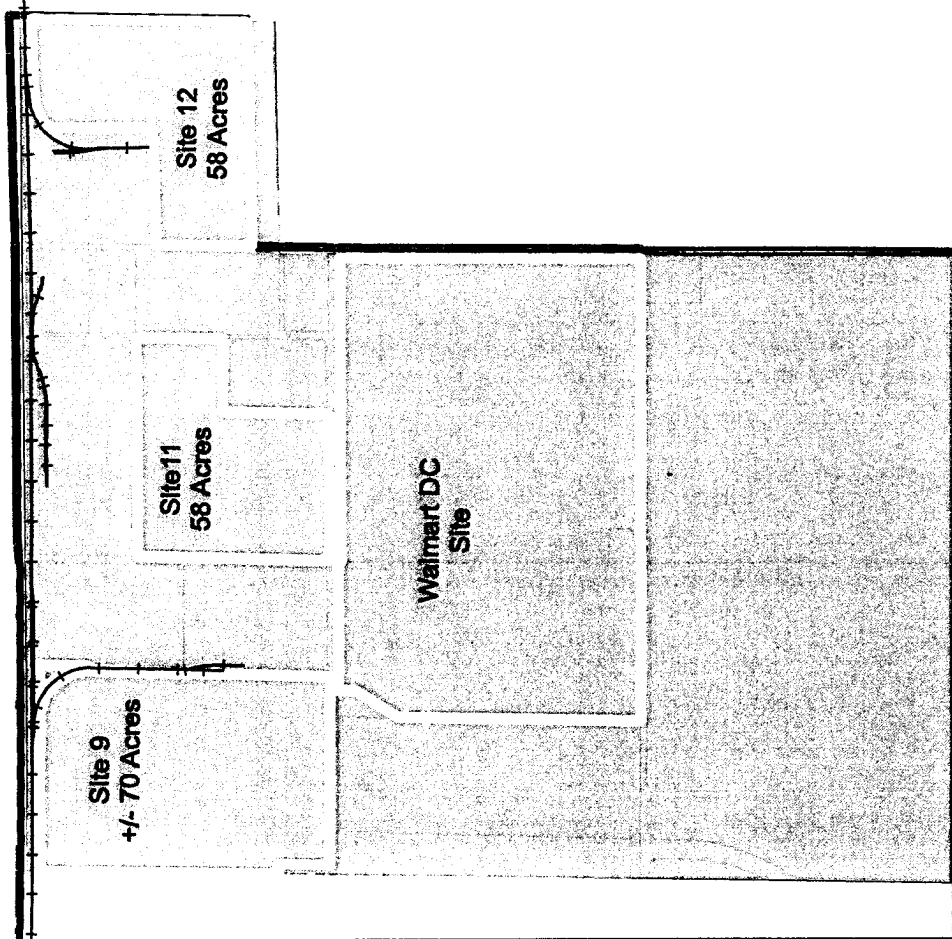
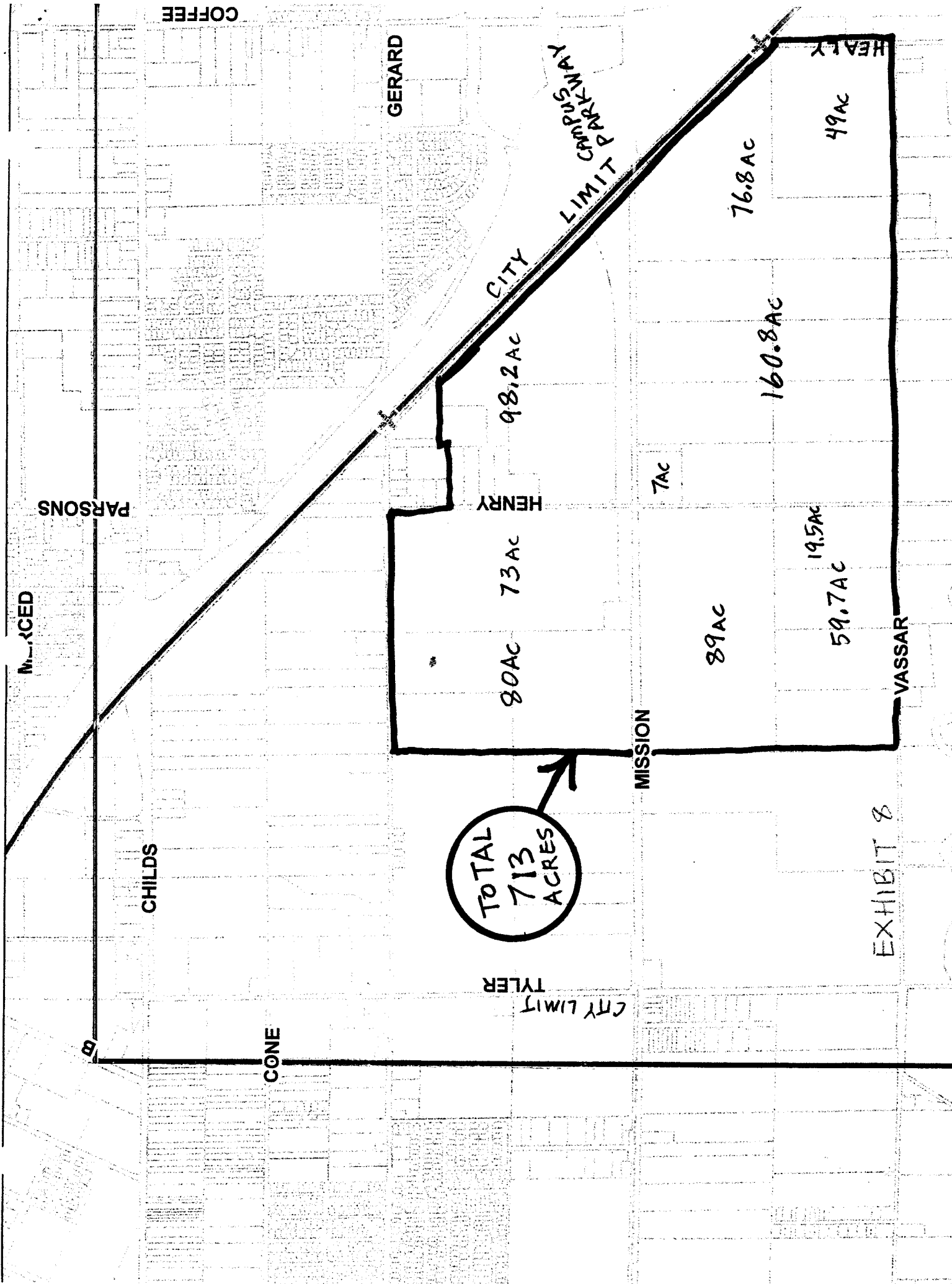


EXHIBIT 7

City of Merced University Industrial District



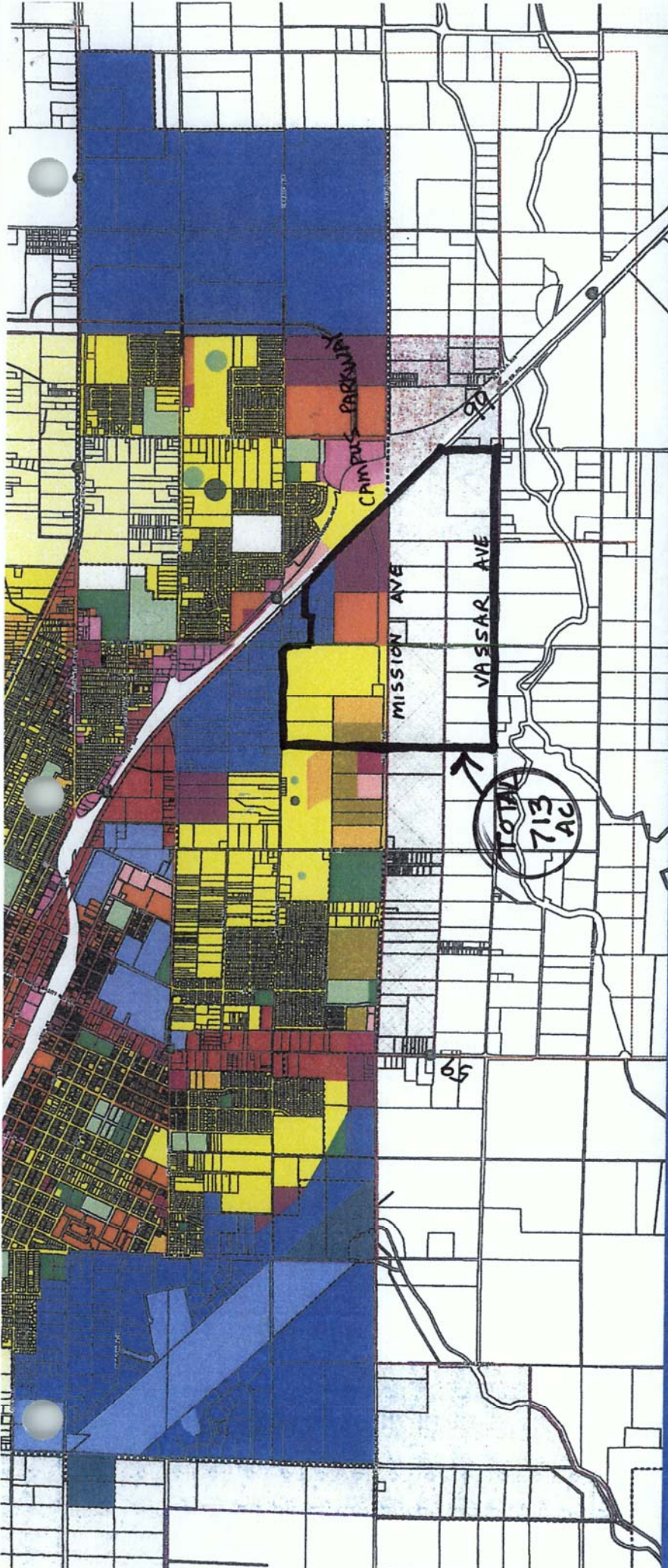


TOTAL
713
ACRES

EXHIBIT 8



EXHIBIT 9



CITY OF MERCED GENERAL PLAN

CITY LIMITS
 AREA OF INTEREST
 SUDP / SOI
 SPECIFIC PLAN
 UNIVERSITY COMMUNITY

BUSINESS PARK
 BUSINESS PARK RESERVE
 THOROUGHFARE COMMERCIAL
 COMMERCIAL RESERVE
 GENERAL COMMERCIAL
 REGIONAL COMMUNITY COMMERCIAL
 NEIGHBORHOOD COMMERCIAL
 COMMERCIAL OFFICE

SCHOOL
 FLOATING SCHOOL SITE
 PUBLIC / GENERAL USE
 MANUFACTURING INDUSTRIAL
 INDUSTRIAL RESERVE
 AGRICULTURAL
 OPEN SPACE / PARK RECREATION
 FLOATING PARK SITE

VILLAGE RESIDENTIAL
 LOW DENSITY
 LOW TO MEDIUM DENSITY
 HIGH TO MEDIUM DENSITY
 HIGH DENSITY
 RURAL RESIDENTIAL
 MOBILE HOME PARK RESIDENTIAL
 RESIDENTIAL RESERVE

MIXED USE
 COMMUNITY PLAN



2,000 1,000 0 2,000
 January 25, 2013

EXHIBIT 10