

Mayor
William Siegel
Mayor Pro Tem
Lois Wynne
Council Members
Ray Madrigal
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Willard Rodarmel



**Office of the
City Manager**

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Staff Report

ITEM 4-6

To: Lemoore City Council
From: Jeff Laws, City Manager
Date: August 11, 2014
Subject: Kings County Economic Development Corporation Funding Request for Industrial/Manufacturing Business Development Services

Discussion

Kings County Economic Development Corporation (Kings EDC) provides economic development, business retention and Enterprise Zone services for Kings County cities and the county. For many years, the Lemoore Redevelopment Agency (Agency) made an annual contribution to Kings EDC to provide such services. In 2011, the Governor eliminated redevelopment in all of California, and funding for services was prohibited unless written contracts were in place prior to the dissolution. Unfortunately, the Agency did not have a written contract with Kings EDC. Since that time, the City of Lemoore has paid \$37,079 per year to Kings EDC out of the City's General Fund, totaling \$74,158.

Kings EDC primarily focuses on industrial/manufacturing development. This type of development brings jobs and increased property tax revenue to the City, but typically does not generate sales tax revenue. When redevelopment was in place, the Agency received property tax increment in the amount of approximately .55 percent of the property tax revenue that was collected by the County for developments in the RDA Project Areas. This generated a substantial amount of property tax revenue for the Agency. Now, without redevelopment, the City only receives .008383 percent of the property tax revenue collected by the County.

The City's emphasis to promote industrial development has weakened somewhat since the amount of property tax revenue generated by such uses is significantly less than it was when redevelopment was in place. Additionally, the City does not have enough water to accommodate many of the manufacturing uses. Therefore, during the 2014-2015 budget discussions, staff recommended eliminating the contribution to Kings EDC.

John Lehn, President and CEO of Kings EDC submitted the attached letter for Council's consideration. He will be in attendance at Tuesday evening's Council meeting to give a presentation on the services Kings EDC provides and to answer any questions you may have. Council is asked to consider this funding request.

Budget Impact

A decrease to the General Fund of approximately \$37,079 should Council approve the funding request.

Recommendation

Council's discretion.

August 13, 2014

Jeff Laws, Manager
City of Lemoore
C Street
Lemoore, CA 93245

Dear Mr. Laws,

Thank you for your willingness to place an item on the City Council agenda for their August 19th meeting. The purpose for this request is to review past and future marketing of industrial property in Lemoore, and to review related services performed by the Kings County Economic Development Corporation (Kings EDC) on behalf of cities in Kings County. Our goal is to seek Council consideration of reinstating Lemoore's longstanding membership in the Kings EDC.

As we discussed earlier, it appears to be the desire of the Council to focus their economic development activity and resources on retail attraction. While that is understandable, given the significance of sales tax to the City, we believe the pitfall in relying on that strategy is that it fails to bring significant new money into the economy. We believe that abandoning industrial retention and attraction will have a detrimental long term affect. While retail attraction has historically been a task performed by city staff throughout Kings County, we would be happy to discuss this strategy, and what the appropriate role of the EDC might be.

In addition to marketing available property to new businesses, the EDC performs many additional tasks that contribute toward a community's ability to respond quickly to business development and expansion. We will cover the highlights of those activities at your meeting. I have attached a general overview of services historically provided to Lemoore businesses and property owners (both City and private) in the past. These services are made possible by the membership of the City of Lemoore in Kings EDC. It is hoped that this will help to quantify the activity and results of your investment in business development. As the overall economy is steadily recovering from a difficult period, we believe business attraction and retention are more important now than ever.



John S. Lehn
President & CEO

Kings County Economic Development Corporation Services Supporting Business Retention and Attraction in the City of Lemoore

Business Attraction

- Kings EDC actively participated in recruiting **Leprino Foods, Lemoore West, Agusa, Inc., Budget Rent-a-Car, Communication Services for the Deaf (CSD) and K-Pack USA to Lemoore**. We were instrumental in **Western RV** locating in the Lemoore Industrial Park. We also provided business incentive information in the SK Foods sale to OLAM.
- **The top four industrial businesses in Lemoore contribute an estimated \$4.7 million in annual property tax, and provide a payroll exceeding an estimated \$87 million.**
- EDC submitted and followed-up on **14 proposals over the last two years** to prospective business interests **featuring** various **Lemoore properties**.
- **Currently managing 25 countywide business inquiries, and propose Lemoore properties** whenever they meet the specifications of the inquiring business prospect.
- Two Lemoore properties are in the final three sites under consideration for a major new industry location.
- **Sent four email blasts to over 3,000 real estate brokers** and site selectors offering Lemoore properties over the past three years.

Business Retention

- Documented **125 retention calls to Lemoore retail, service and industrial businesses in FY `13-`14**, including Enterprise Zone outreach visits. Periodically included city representatives to enhance local relationships & networking.
- **Provided counseling and reemployment services to businesses facing downsizing or closing**, including Agusa, Inc., Valley Cycle & Marine, Bob Williams Chevrolet, Arrow Stationers, County Bank, SK Foods, Candlewick, Communication Services for the Deaf, Dickey Transfer, Country Waffles, Hollywood Video, Bank of America, K-Pack and Western RV.
- For the past 13 years, Kings EDC has sponsored **quarterly industrial business luncheons** for plant managers and senior staff, providing critical information and an opportunity to network. Lemoore City officials attend these meetings to network with local industry and other leaders.

Business Financing

- Made **50 loans** over last two decades to Lemoore businesses, totaling **\$4,036,000**. Three loans were closed over the past three years for \$625,000. The most recent loan closed this month, and another two loans are in process for \$425,000 to Lemoore businesses. The vast majority of loan customers are still in business, paying taxes and employing local workers.

Business Incentives

- Prepared **two successful Enterprise Zone applications, both** including Lemoore.
- Issued **3,169 Enterprise Zone hiring vouchers for 147 Lemoore businesses**, with a face value of over **\$115 million**.

- Worked closely with **PG&E** to get their **Enhanced Economic Development Rate approved by the CPUC** as a tool to attract business to areas with defined economic challenges (including all of Kings County).

NAS Lemoore Ongoing Support

- Organized and coordinate the **Friends of NAS Lemoore Committee** to support the Naval Air Station during the past two Base Realignment and Closure (BRAC) events.
- Participated in the **Joint Land Use Study** to develop coordinated land use policies between NAS Lemoore and surrounding jurisdictions.
- Led the civilian effort to assist NAS Lemoore in the establishment of the **Military Operations Area** training range over the San Joaquin Valley.
- **Coordinated the collection and forwarding of resolutions of support** for the basing of the **F-35 Joint Strike Fighter** at NAS Lemoore.

Regional Marketing and Activities

- Attend **six annual missions with real estate brokers and site selectors** in major U.S. markets through Kings EDC's membership in the **California Central Valley EDC (CCVEDC)**. Lemoore and Kings County's other cities are continually marketed throughout the United States through the outreach efforts of the CCVEDC. Make annual visits to the Capital to discuss legislation important to business. The Kings EDC President has been the Chair or Vice-Chair of the CCVEDC for the past decade, to ensure maximum involvement and return.
- Emailed and listed Lemoore industrial properties for sale on CCVEDC's website, and distributed printed materials featuring Lemoore properties on broker missions.
- Serve as the **point of contact for business leads** routed through the California Central Valley EDC, the Governor's Office of Business Investment Services and individual real estate brokers and site selectors.
- Compose an **annual Comprehensive Economic Development Strategy (CEDS)** report, featuring Lemoore projects, which helped facilitate the award of **\$2.08 million in Economic Development Administration grants** for the development of the Kings River Business and Industry Park, the enhancement of the Lemoore waste water treatment plant, and a **planning grant for \$165,000** to study the use of industrial waste water on row crops. **Without the development and annual updating of the CEDS, local EDA projects are not eligible for funding.**
- Staff worked with the CCVEDC to **assemble the valley-wide CEDS** to qualify for EDA funding on a regional, eight-county basis.
- Coordinated trade opportunity **outreach to international trade offices** within the U.S. to market export opportunities for Kings County goods and services.
- Participated in the **San Joaquin Valley Blueprint** process, the county **Regional Transportation Plan**, and the **Highway 198 West expansion study** representing the perspective of business.
- **Worked closely with the California Partnership for the San Joaquin Valley** in its effort to focus assets and energy on the core industries of the Valley. President Lehn was a representative of the Partnership at the California Economic Summit.

Other Services and Marketing

- Host **annual meetings** of EDC members to **review economic highlights and trends in the County, new businesses and pending activity**. Produce an **annual report** for distribution to EDC members and real estate brokers throughout the U.S.
- Worked closely with **VAST Networks** to insure their state-wide **fiber optic** project traversed **industrial parks** throughout the County and other critical locations.
- **Hosted two international agricultural trade missions** to introduce potential buyers to Kings County producers and processors. The inaugural reception was hosted at West Hills College Lemoore.
- Conducted and participated in job fairs held in Lemoore and Hanford, which included Lemoore businesses. Of particular note are the annual Veteran's Job Fair at West Hills College Lemoore and the annual Kings County Job Fair at the Hanford Auditorium.
- Provided economic development input to West Hills College through visits and strategic planning conferences.
- Participation on the EDD Employer Advisory Council, offering free seminars on employment-related issues.
- Provided numerous presentations and updates to the Lemoore service clubs and community groups.
- EDC Executive Committee and Board meetings are typically attended by City Managers. Lemoore's City Manager served on the Executive Committee on a rotational basis.
- Lemoore has been represented on the EDC Board of Directors by private citizens, business managers, and a City Council member. In addition, city staff members attended EDC Board meetings. At least 5 board meetings per year were held in Lemoore.

John W. Gordon
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August 18, 2014

Lemoore City Council
119 Fox Street
Lemoore, CA 93245

RE: Item 4.6 of the August 19, 2014 Agenda

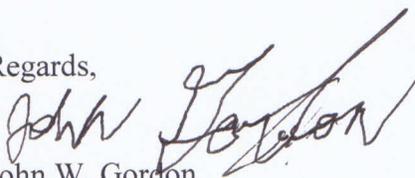
Agenda item 4-6 discusses the City of Lemoore's involvement with the Economic Development Corporation. I ask City Councilmember Ray Madrigal to abstain from advocating for this item from the Dias or voting on this item. Councilmember Madrigal has a personal friend who will most likely be directly financially affected by any decision made on this item. Councilmember Madrigal's friend is also actively campaigning on Councilmember Madrigal's behalf for the upcoming November election. If Councilmember Madrigal votes to spend nearly \$40,000 of the taxpayer's money to create job security for the above described friend, it will appear that Mr. Madrigal did not uphold his ethical responsibility as a member of the Lemoore City Council.

The City Attorney will inform you that no law will be broken by Councilmember Madrigal's advocacy. However, the ethics of Councilmember Madrigal will truly be put into question. All council members must hold themselves to a high ethical standard in order to properly serve the taxpaying citizens of Lemoore. All business agreements entered into by our City must be based on merit and not awarded due to crony connections.

Crony capitalism is leading to the downfall of our State and Federal governments. It is the hope of the general public that our local elected leaders will keep such rot out of our local community.

If there are any questions as to this letter, please see the photograph attached. Thank you for your time and consideration.

Regards,


John W. Gordon
Citizen of Lemoore

Attachment to Lemoore City Council letter dated August 18, 2014

