



**CITY COUNCIL  
STAFF REPORT**

**TO:** Honorable Mayor and Councilmembers  
**DATE:** October 6, 2009  
**FROM:** John W. Donlevy, Jr., City Manager  
**SUBJECT:** Fiscal Sustainability Review Session 2: Key hurdles

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**RECOMMENDATION:**

That the City Council receive Session 2 of the Fiscal Sustainability Review from the City Staff and provide appropriate comments and direction.

**BACKGROUND:**

In August, 2009, the City Staff began a review of key issues and concerns regarding the fiscal sustainability of the City of Winters. This includes a three (3) session presentation on many of the key issues which are impacting the economics of the City of Winters.

This presentation will include a review of many of the current hurdles facing the City in achieving economic success.

**DISCUSSION:**

This report is meant to provide a critical and analytical review of the economics of the City of Winters. The discussion is to identify many of the factors which are stalling the fiscal and economic sustainability of the community. While many of the statements can be construed as “negative”, they are presented to allow a more empirical review of those things which are barriers to the economic survival of the community.

The City of Winters faces a number of key hurdles toward gaining an economy which allows for sustainability. These include:

1. No current economic base from which to build.
2. Proximity of businesses to economic corridors.
3. Undeveloped, Undevelopable and Costly to develop Land
4. Low revenue generation from existing businesses

**Current Economic Base:**

The current economic base for the City provides a number of hurdles for fiscal sustainability. These include the following:

1. Lack of businesses and job base to support economic expansion and internal fiscal growth.
2. Inadequate population base to support the retail economic models desired by major businesses.
3. Absence of a business to business climate to support internal business growth.

**Business:**

From an economic standpoint, Winters has changed dramatically during its history. A once bustling business climate in the 1950's and early 1960's devolved into a shell of its former self during the 1970's, 80's and 90's. The Downtown has served as the economic core of the City, yet has not kept up with modernization of retail and business trends. The Winters business community once include multiple car dealers, grocery and department stores and generally served as the main servicing point for the surrounding farming community. The Downtown once served as the hub of economic activity for business transactions. The combination of the loss of the railroad line and the emergence of the neighboring communities of Vacaville, Woodland and Davis significantly shrank the economic climate of the City.

Since the 1960's and with the exception of the emergence of the Mariani Nut Company, there has been minimal economic or industrial growth in Winters. Job development has been minimal, especially in the range of positions which are able to support a household. The reality is that the footprint of Downtown is the same as it was 120 years ago!

A key cause for much of the non development has been the proximity of business to key economic corridors. The rise of Winters was initially tied to the fact that the railroad proceeded through the center of town. The literal presence of the railroad and its stop, created the hub of activity needed for persons to gather in Winters. A key road was Road 89 which served as a key traffic corridor for vehicles travelling north. Not unlike the Pixar movie "CARS" where the town of Radiator Springs was bypassed, the loss of the railroad and the construction of I505 has taken its toll on Downtown Winters. Once the thoroughfare, Downtown is now hidden and must be "found".

The traffic patterns of Winters also is a prohibiting factor for economic advancement. On average,

there are approximately 10,000 car trips each day on Grant Ave. both easterly and westerly. On an average day, only 1,600 of those cars turn from Grant Ave on to Railroad Ave into Downtown. This indicates that 84% of the traffic on the City's main corridor are not visiting the core economic area of the City.

The key economic corridor for Winters has clearly shifted to the I505 and Grant Ave. The Downtown still serves as the heart of Winters, but in order to advance both fiscally and economically, the focus must become these key transited areas.

Population:

In the 1991 General Plan, the economic analysis pointed toward the importance of generating a population base which would allow local servicing businesses to succeed. At the time, the estimated population need was a minimum of 15,000 residents to support the models dictated by the typical retail business model for density and service area. Thus, the current and even predicted size of Winters, 12,500 will not support or justify a typical retailer relocating to the City. As stated in the previous fiscal sustainability report, 95% of our residents spending for comparison goods is done outside of Winters because retail does not exist within the City.

The City also seriously lacks a daytime population base from which to support local businesses. From an economic standpoint, retail experts will support that "people shop by where they work, not by where they live". In Winters, the overall lack of daytime job population is lacking to the point that most businesses close by 5:00 p.m.. Demographically, 80% of the working population of the City are commuters. Peak commute times show that most persons leave the City before 7:30 a.m. and return after 6:00 p.m. each work day.

The result is dramatic and a double hit on the Winters economic community. Not only is the population too small to support retail, but the daytime population is even smaller due to the lack of jobs and industry. Most residents cannot even support the local businesses because they are closed before they arrive back into town from work.

Business to Business:

The American economy is driven on the basis of "business to business" commerce. Business-to-business (B2B) describes commerce transactions between businesses, such as between a [manufacturer](#) and a [wholesaler](#), or between a wholesaler and a retailer. Typically, this means having industry or production sharing products within the economy. In an economic analysis benefiting your economy, it means importing more revenue than is exported. This is reflected in a deficit of revenue coming into the Winters economy whereby our residents and businesses are spending more outside than is brought into the economy.

In the Winters economy, the only real production to manufacturing (B2B) is the agricultural production (mostly nuts) with the Mariani Nut Company. The few businesses which exist within Winters have external B2B which does not create jobs or internal revenues within the City.

The need to establish B2B is critical to the overall economy. It is what generates jobs and multiple levels of transactions for many products. The best example is a car manufacturer who purchases glass, tires, metal and parts from multiple suppliers. Other businesses which support each other can be seen in auto repair, with garages such as Pisani and Biasi purchasing products from Napa Auto Supply. In Winters, most transactions are single transactions, the sale of a food product or a bottle of wine.

The lack of businesses in Winters is a serious issue and hurdle to the overall sustainability of the City. From jobs to business tax revenue generation, the need to locate businesses which circulate products (B2B) is a critical component to the long term success of the community from an economic standpoint.

The absence of a revolving economy makes Winters a challenge for any business to justify locating within the community if it is reliant on B2B. Successful economic development will result once the City of Winters is capable of establishing a business culture whereby local businesses are not reliant on marketing outside of the community.

#### **Undeveloped, Undevelopable and Costly to Develop Land:**

The need to establish a jobs based is mostly hampered by the sheer lack of businesses within the City. The City has simply not developed!

Job development opportunities which exist in Winters are as follows:

- **North Industrial Area:** In total, the City has approximately 80 acres of industrially zoned property along 505 to the north of Grant Ave. Of this land, only 10 acres of the property is developed with Pavestone, Teichert and the former Woodtech property.
- **Gateway Master Plan:** This includes approximately 46 acres of property which are designated for light industrial development. There is a “master plan” for the site which includes an additional 7 acres of freeway serving commercial. The plan has been adopted, but the land has not been re-zoned.
- **Planned Commercial Re zoning:** The City has less than 20 acres zoned along Grant Avenue which the General Plan designates as “Planned Commercial”. None of this acreage has been developed.

In fact, very little of the City land designated for job and industrial production has developed. The last property to be developed was the Woodtech property along County Road 90 which was

completed in 2002. This produced fewer than 20 jobs and closed in 2006.

There are a variety of reasons why there has been no industrial job growth in Winters. Key reasons include:

- The 1992 General Plan designated all of the industrially zoned property into a “Flood Overlay Area” which was prohibited from development until a comprehensive flood solution was developed and a fee program established to fund such. The project and fee program were finally completed in 2008. This is the key reason for no development in this area.
- The Gateway Master Plan area has been held from development by the property owners for a variety of reasons.
- There are no utilities to service these areas and the combination of the Flood Overlay Area and property owner inaction have caused the area to stay undeveloped. This is the second key reason for lack of development.

Undevelopable and Costly to Develop Land:

When considering where to develop, key considerations are location, price of land and the costs per acre to implement the project. The “Flood Area” designation and the General Plan prohibition against development have factored negatively into the lack of development for the Winters industrial area.

The industrially zoned properties in Winters are also cost prohibitive to develop. In the 2004 update of the City’s impact fee program, the comparable fees for the industrially zoned properties were as follows:

<u>Location</u>	<u>Cost Per Acre</u>	<u>Cost with Flood Fee</u>
Winters	\$112,570	\$184,570
Vaca Valley Industrial Park	\$101,625	
Vacaville Business Park	\$101,080	
Solano Business Park	\$77,418	
Farifield Business Park	\$74,920	
Dixon	\$71,595	
Napa Gateway	\$60,186	

The cost to develop in Winters is almost 83% higher than the Vaca Valley location and almost 200% higher than the lowest comparison. In a recent survey of the land costs in the industrial area, the development costs are 6.8 times the cost of land values at \$27.000 per acre.

The extension of utilities to the I505 will clearly create a more positive climate for development, however the cost of development is prohibitive at this time.

### Revenue Generation from Existing Businesses

The amount of revenue generated from existing businesses is a key factor in the overall fiscal sustainability of the City. Some key facts regarding the revenue generation throughout Winters:

- In the 4 quarters ending in June, one Grant Ave. business produced more sales tax revenue than the ENTIRE Downtown, including the 3 Buckhorn businesses.
- 18 Grant Ave. businesses produced approximately \$230,000 in sales tax, as compared to \$106,000 for 32 Downtown businesses.
- Of the top 10 revenue generating businesses, 8 are located on Grant Avenue. 12 of the top 20 are also located on Grant Ave.

### **SUMMARY:**

The foregoing analysis has been presented as a highly critical and empirical analysis of the current economic and development capability of the City. It has been provided to help form a basis for a number of forthcoming recommendation in the third session of the fiscal and economic sustainability review of the City.

Session 3 will be an opportunity to focus on alternatives and recommendations to help improve the current issues raised in the first two sessions.

**FISCAL IMPACT:** None by this action.