

## 6 ECONOMIC DEVELOPMENT ELEMENT



*Agricultural products and processing have long been central to Butte County's economy. Photo courtesy of the Butte County Department of Development Services.*

Butte County, along with its rural character, has a strong economy based in its agricultural, commercial, industrial, educational and professional industries. The County encourages economic development within these industries, and the development and enrichment of new industries that are job-creating and environmentally sustainable.

The purpose of this Economic Development Element is to identify, protect and enhance economic development in Butte County. This Element includes goals, policies and actions to guide decision making that concerns the future of economic development in the county, and to ensure a high quality of life for Butte County residents.

This Element is organized into two sections as follows:

- ◆ **Background Information.** Provides a brief overview of the existing economic setting in Butte County. An expanded discussion about economic development in Butte County is available in Chapters 2 (Population, Housing and Employment), 3 (Economics), and 18 (Agriculture) of the Butte County General Plan 2030 Setting and Trends Report.
- ◆ **Goals, Policies and Actions.** Provides additional guidance to the County related to decisions on economic development.

### *A. Background Information*

This section provides an overview of the economic setting in Butte County, including its various economic sectors, employment trends and fiscal conditions.

#### **1. Economic Sectors**

Butte County has historically been known as an agricultural county. Productive farmlands dominate much of the landscape in the flat western parts of the county that benefit from fertile soils and proximity to the Sacramento River, as well as other waterways that drain out of the mountains to the east. Agriculture generates considerable economic activity.

Agriculture creates significant ripple effects (i.e. multipliers) throughout California's economy. Each dollar earned within agriculture fuels a more vigorous economy by stimulating additional activity in the form of jobs, labor income and value added. These ripple effects are expressed as a dollar value and as an industry multiplier. Industry multipliers are typically a ratio close to 2.0. For the agricultural production and processing industry, there is a value added multiplier of 2.27. Thus for every dollar of value added in that sector, there is an additional \$1.27 added to the State economy.

Ripple effects may also be measured in terms of jobs added to the economy. For example, increases in fertilizer purchase by the vegetables, fruits and nuts subgroup indirectly results in the production of additional fertilizer as well as usage of additional natural gas to produce the fertilizer and increased production and

transport of the gas. These direct and indirect effects result in changes in population and income, which in turn affect household consumption.<sup>1</sup>

In 2008, the estimated gross value of agricultural production in all of Butte County was approximately \$580 million. Trends indicate that agriculture will maintain a strong position within Butte County's economy. The 2008 production value is an increase of almost \$73 million over the 2007 production value, and is 62 percent greater than the county's ten-year average production value of \$357 million.<sup>2</sup>

Recent trends that contribute to the agricultural economy in Butte County have been the introduction of innovative and new approaches to farming, such as trellised olives for mechanized harvesting and specialty crops like botanicals and organics. As of 2008, Butte County ranked 10<sup>th</sup> in organic farm production out of the 58 California counties. Another industry has been developing around agricultural tourism. By promoting certain aspects of farming as a tourist attraction, agriculturalists educate the public about agricultural land and farming practices, while marketing a variety of retail products.

In 2009, sales from the agriculture, mining, forestry, fishing and hunting industries accounted for 11 percent of the total sales in unincorporated Butte County.<sup>3</sup> Sales from manufacturing, transportation and warehousing accounted for another 13 percent of sales in unincorporated Butte County; direct and indirect sales in these sectors are also influenced by the agriculture sector. Other strong sectors in unincorporated Butte County's total sales in 2009 are construction, wholesale and retail trades, and educational services.<sup>4</sup> These statistics are illustrated graphically in Figure ED-1.

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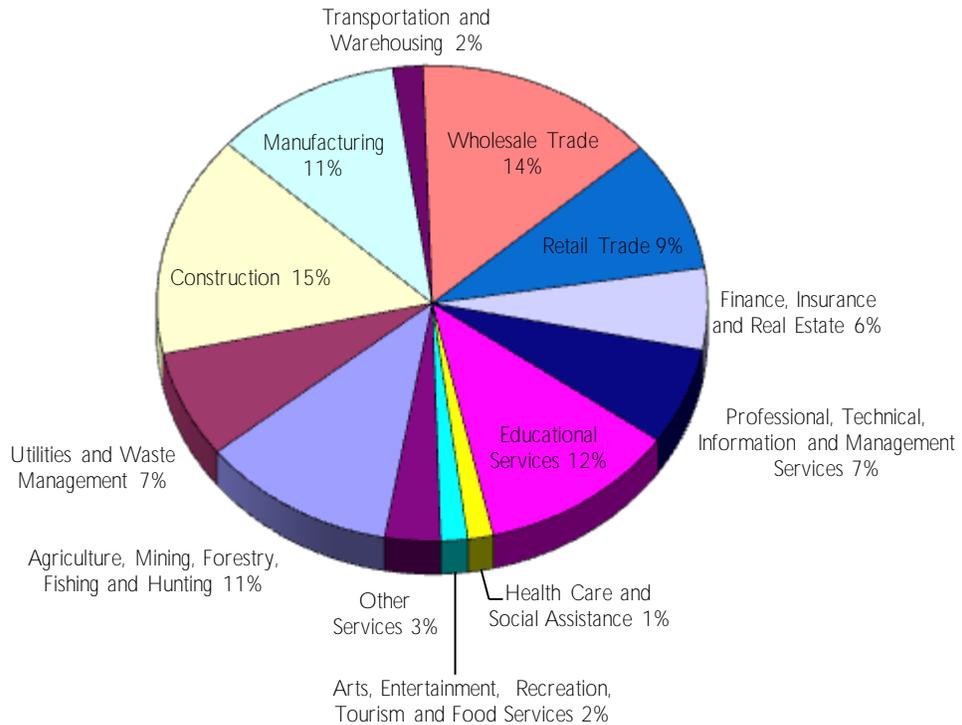
<sup>1</sup> *The Measure of California Agriculture*, University of California Agricultural Issues (August, 2009) available at <http://aic.ucdavis.edu>, accessed March 16, 2010.

<sup>2</sup> Butte County Agricultural Commissioner, May 18, 2009, *2008 Butte County Agricultural Crop Report*.

<sup>3</sup> Agriculture provides a larger economic benefit to Butte County than is reflected by this data. The significance of agricultural production within Butte County extends beyond the sale of raw commodities, with multiplier effects impacting farm gate value, tax revenue, job creation, manufacturing, and processed products created and distributed from Butte County. However, specific data to show these economic benefits are not available.

<sup>4</sup> Dun & Bradstreet and the Center for Economic Development at California State University, Chico, 2009, *Business/Organization Sales in Unincorporated Butte County*.

FIGURE ED-1 PERCENT OF TOTAL SALES IN UNINCORPORATED BUTTE COUNTY, 2009



Note: Agriculture provides a larger economic benefit to Butte County than is reflected by this data. The significance of agricultural production within Butte County extends beyond the sale of raw commodities, with multiplier effects impacting farm gate value, tax revenue, job creation, manufacturing and processed products created and distributed from Butte County. However, specific data to show these economic benefits are not available.

Source: Dun & Bradstreet and the Center for Economic Development at California State University, Chico, 2009, *Business/Organization Sales in Unincorporated Butte County*.

## 2. Employment Trends

Table ED-1 provides employment projections from the California Employment Development Department for Butte County by industry for non-agricultural labor over the next several years. Total non-agricultural labor in Butte County is expected to grow by over 12 percent by 2016, with the largest growth in the education and health services, wholesale trade and professional and business services industries.

TABLE ED-1 **BUTTE COUNTY NONFARM EMPLOYMENT PROJECTIONS BY INDUSTRY, 2006 – 2016**

<b>Butte County</b>	<b>2006</b>	<b>2016</b>	<b>Growth Rate</b>
Natural Resources, Mining and Construction	4,200	4,700	11.9%
Manufacturing	4,100	4,000	- 2.4%
Wholesale Trade	1,900	2,200	15.8%
Retail Trade	10,600	12,300	6.6%
Transportation, Warehousing and Utilities	1,900	2,000	5.3%
Information	1,300	1,400	7.7%
Financial Activities	4,200	4,700	11.9%
Professional and Business Services	5,800	6,700	15.5%
Education and Health Services	12,900	15,000	16.3%
Leisure and Hospitality	7,700	8,700	13.0%
Other Services	3,600	4,100	13.9%
Government	17,500	20,100	14.9%
<b>Total Nonfarm<sup>a</sup></b>	<b>75,700</b>	<b>84,900</b>	<b>12.2%</b>

<sup>a</sup> Data from the Employment Development Department do not include estimates of agricultural employment. However, employment trend data indicate that agricultural employment is expected to decline by 12.0 percent between 2006 and 2016. Source: California Employment Development Department, 2007.

Although the Employment Development Department does not project agricultural employment in Butte County, the agriculture, forestry, fishing and hunting industries provide about 500 jobs in the unincorporated county, which was about 14 percent of the total number of jobs for commercial businesses in unincorporated Butte County in 2009.<sup>5</sup>

<sup>5</sup> Dun & Bradstreet and the Center for Economic Development at California State University, Chico, 2009, *Business/Organization Sales in Unincorporated Butte County*.

Wages in agricultural jobs vary considerably by region, from a low of just over \$9.00 per hour for South San Joaquin Valley to a high of just over \$14.00 per hour for the North Sacramento Valley, which includes Butte County.<sup>6</sup>

Agriculture provides jobs directly through farming operations but also generates jobs in related industries such as food processing, transportation, equipment sales and other vertically integrated production processes.<sup>7</sup>

Table ED-2 shows labor force trends from 2000 to 2009, based on data from the California Employment Development Department. Over the past ten years, unincorporated Butte County has generally maintained slightly lower unemployment rates than the total county. Although labor force trends were on par with labor force trends of the State, the unemployment rates of both Butte County as a whole and the unincorporated portion of the county were consistently higher than statewide unemployment rates.

### 3. Fiscal Health

Development under the General Plan has fiscal implications for the County that vary significantly based on location. For example, development that occurs within a Tax Rate Area (TRA) that allocates a larger than average share of the basic property tax to the County will generate more revenues than the same development that is built within a TRA that allocates an average or smaller share of the basic property tax to the County. Service costs can also vary based on location. For example, if 3,000 new residential units were built within a rural community in the unincorporated portion of the county and the existing Sheriff service standard is insufficient to meet the demand from new development, then the County would need to adjust service standards for the entire community, not just the new residential units. This could lead to disproportionately high costs of providing Sheriff services to the community. On the other hand, if new residential units were scattered about the rural portion of the county, such development could lead to inefficiencies in service delivery.

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<sup>6</sup> *Assessing the Region Via Indicators: The Economy* (Third Edition, October 2009), The Great Valley Center, available at [http://www.greatvalley.org/artman2/publish/publications/pub\\_Assessing\\_the\\_Region\\_via\\_Indicators\\_The\\_Economy\\_third\\_edition.aspx](http://www.greatvalley.org/artman2/publish/publications/pub_Assessing_the_Region_via_Indicators_The_Economy_third_edition.aspx), accessed March 16, 2010.

<sup>7</sup> *Assessing the Region Via Indicators: The Economy* (Third Edition, October 2009), The Great Valley Center, available at: [http://www.greatvalley.org/artman2/publish/publications/pub\\_Assessing\\_the\\_Region\\_via\\_Indicators\\_The\\_Economy\\_third\\_edition.aspx](http://www.greatvalley.org/artman2/publish/publications/pub_Assessing_the_Region_via_Indicators_The_Economy_third_edition.aspx), accessed March 16, 2010.

TABLE ED-2 LABOR FORCE TRENDS, 2000 – 2009

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009*
<b>Butte County</b>										
Labor Force	93,100	95,200	97,600	99,000	97,800	98,900	100,800	102,300	104,300	106,100
Employment	87,300	88,900	90,400	91,500	90,600	92,100	94,500	95,500	95,500	92,700
Unemployment	5,800	6,300	7,200	7,500	7,200	6,700	6,300	6,800	8,800	13,500
Unemployment Rate	6.2%	6.6%	7.4%	7.6%	7.4%	6.8%	6.2%	6.7%	8.4%	12.7%
<b>Unincorporated Butte County</b>										
Labor Force	43,800	44,800	46,000	46,600	46,100	46,600	47,500	48,200	49,000	49,000
Employment	41,000	41,900	42,600	43,000	42,700	43,300	44,500	44,900	44,900	43,600
Unemployment	2,700	2,900	3,400	3,500	3,400	3,100	2,900	3,100	4,100	6,400
Unemployment Rate	6.2%	6.5%	7.4%	7.5%	7.4%	6.7%	6.1%	6.4%	8.4%	12.8%
<b>State of California</b>										
Labor Force	16,857,600	17,152,100	17,343,600	17,390,700	17,444,400	17,629,200	17,821,100	18,078,000	18,391,800	18,528,400
Employment	16,024,300	16,220,000	16,180,800	16,200,100	16,354,800	16,671,900	16,948,400	17,108,700	17,059,600	16,459,900
Unemployment	833,200	932,100	1,162,800	1,190,600	1,089,700	957,200	872,700	969,300	1,332,300	2,068,500
Unemployment Rate	4.9%	5.4%	6.7%	6.8%	6.2%	5.4%	4.9%	5.4%	7.2%	11.2%

\* 2009 data is an average for the January to June period.

Source: California Employment Development Department, 2009.

On a more global scale, the County also faces fiscal issues related to development that occurs within both the unincorporated and incorporated portions of the county. The County Board of Supervisors has discretion over how to spend a relatively small portion of its budget, while restrictions imposed by outside funding sources dictate how most of the budget is spent. This has important implications for the County as it considers the impacts of growth over the General Plan horizon.

### *B. Goals, Policies and Actions*

**Goal ED-1 Improve the local economy by diversifying the economy, reducing the unemployment rate, increasing business revenues to the County, and increasing wages.**

#### Policies

- ED-P1.1 The County's priority for future growth is creating sustainable jobs and providing a living wage to families to reduce poverty.
- ED-P1.2 The County shall encourage a full range of commercial services at the regional, community and neighborhood levels.
- ED-P1.3 The County shall encourage a full range of recreational and tourism uses at Oroville Dam and Lake.
- ED-P1.4 Products and services for County operations should be purchased from Butte County locally-owned businesses whenever possible.
- ED-P1.5 The County supports education and job training for those county residents currently employed, dislocated, or unemployed in order to enhance existing skill levels and provide for job advancement, and supports removal of impediments to gainful employment for county residents.

#### Actions

- ED-A1.1 Maintain a Regional Economic Development Strategy with the goals of growing existing businesses, ensuring Butte County is a competitive location for new investment, creating a sustainable

business friendly reputation for the county, and improving the coordination of regional economic development resources and efforts.

- ED-A1.2 Create a countywide strategy to support the local manufacturing, office, and commercial sectors by improving infrastructure that supports manufacturing, office and commercial development, and promotes airport, highway, and rail development.
- ED-A1.3 Work with the five incorporated municipalities and economic development entities to jointly develop and maintain a countywide inventory of available industrial and commercial land and buildings.
- ED-A1.4 Establish a program for regional coordination of economic development to: focus on jobs creation and expansion; establish written agreements with local jurisdictions, economic development corporations and chambers of commerce; and maintain organizational ties to the Board of Supervisors.

<p><b>Goal ED-2 Promote and support the local agricultural economic sector.</b></p>
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Policies

- ED-P2.1 The County shall create and support opportunities to promote and market agricultural products grown or processed within Butte County (such as a Farmers' Market).
- ED-P2.2 The County shall encourage development of food processing and other facilities that could support production of "value-added" agriculture products from Butte County.
- ED-P2.3 The County shall promote agritourism, such as through special events and themed "farm trails" and routes within Butte County's agricultural areas.
- ED-P2.4 The County will support a Community Supported Agriculture (CSA) program if one is developed.

- ED-P2.5 The County supports existing grower cooperatives in Butte County.
- ED-P2.6 The County supports programs and projects that would help Butte County farmers provide carbon offsets, if and when new regulations require industries to provide carbon offsets.
- ED-P2.7 The County supports programs and projects that utilize agricultural by-products for “green” building material production and/or renewable energy production, such as using straw bales for building or converting rice straw to bio-fuels.

#### Actions

- ED-A2.1 Review and update the list of sites suitable for the development of a regionally focused agricultural center.
- ED-A2.2 Include agricultural marketing in the Countywide Economic Strategy to coordinate private and public initiatives and integrate them with County business attraction efforts.
- ED-A2.3 Support opportunities to promote agricultural products that are grown or processed in Butte County and including support for “brand recognition” for these products.

### **Goal ED-3 Improve the County’s fiscal health.**

#### Policies

- ED-P3.1 The County shall utilize developer agreements as a tool to implement public facilities financing plans and to secure various benefits from significant new development projects.
- ED-P3.2 Projects that are consistent with the General Plan 2030 land use designation and are located in areas where the County receives above-average property tax share, relative to property tax shares that the County receives elsewhere in the unincorporated area, shall receive priority through a permit streamlining process.

- ED-P3.3 Major mixed use development projects shall develop non-residential uses concurrent with housing so that revenue- and job-generating uses do not appreciably lag residential development. Each phase of housing shall be accompanied by balanced revenue- and job-generating development.
- ED-P3.4 Reductions and exceptions to development impact fees shall be allowed only when an applicant can demonstrate that the reduction will result in a clear economic development benefit to the County. If the County elects to charge impact fees that are less than what is necessary to completely fund new development's share of projected countywide costs, County resources to "backfill" the foregone revenues shall be clearly identified and committed so that the impact fee program remains "whole."
- ED-P3.5 When County redevelopment project areas generate tax increment funds, these funds shall be used to pay for existing development's share of public improvement costs when other financing options do not exist.
- ED-P3.6 Formation of Redevelopment Project Areas or Infrastructure Financing Districts shall be explored where such mechanisms can provide financing tools to help pay for existing development's share of new public improvement costs.

#### Actions

- ED-A3.1 Coordinate with each municipality whereby the municipalities would adopt impact fees benefitting the County for all new development in their jurisdiction that generates demand for Countywide services. At a minimum, this coordination shall take place for new annexation proceedings.

