

COMPETITIVE POSITIONING

This memorandum provides an analysis of the City of Vacaville's competitive positioning for office, industrial, and lodging and other visitor-serving uses. The memorandum identifies Vacaville's economic strengths and challenges, discusses projected future growth, and summarizes key local policies and regulations that pertain to these non-retail commercial uses. It concludes with a list of potential actions the City may want to consider as part of the General Plan Update.

A. *Current Conditions*

The City of Vacaville is experiencing the same economic contraction felt regionally, nationally, and globally. However, the General Plan must take a longer view than current and short-term economic climates. This technical memo identifies local competitive advantages and weaknesses that the City can address through the General Plan Update process.

1. **Current Real Estate Market Conditions**

a. Office

Colliers International reports that overall, Solano County experienced positive net absorption in the office market during the fourth quarter of 2009. The Colliers *Office Market Research Report* cites the county's central location between the San Francisco Bay Area and Sacramento and access to major transportation corridors as contributors to the rebounding office market. The vacancy rate in Vacaville's relatively small office sector is also reported to have fallen between the third and fourth quarters of 2009. However, Vacaville's 30 percent office vacancy rate recorded in the fourth quarter of 2009 is significantly higher than the overall market area vacancy rate, which includes communities in Solano and Napa Counties. In addition, average asking office rents in Vacaville are slightly higher for both Class A and B spaces compared to the market area.¹

¹ Colliers International, Fairfield CA. *Market Research, Office*. Fourth quarter, 2009.

According to one local real estate professional, there were a few recent speculative office developments that were placed on the market just prior to the recession, which adversely impacted their marketability. The Meridian Professional Center, for example, was conceptualized as a professional office condominium project, but potential small business buyers faced challenges in obtaining financing to purchase the condos. Over time, the price of the spaces declined and sales picked up. One of the three office buildings within this development was sold to the Vacaville Unified School District. The remaining two office buildings have been leased or sold to other professional and service related uses. Another example, the Vacaville Corporate Center, built in 2006, has more than two-thirds of the 105,000 square feet available for lease.

There are some recent office successes in Vacaville. Meritage Homes recently consolidated and located their regional operations in the Nut Tree development. In addition, one local broker reports a tentative deal at the Nut Tree for a career college/trade school user.

Overall, Vacaville is not considered to be a major player in the regional office market.

b. Industrial

The county's industrial market still shows signs of continued depression, with expectations that the market will continue to be depressed through 2010 and possibly may not begin recovery until sometime in 2011. As reported by Cornish and Carey, buyers are waiting to see if the industrial market will continue to drop. There is an increase in the number of bank-owned properties coming to market, and businesses are reluctant to move forward with any expansions until the economic conditions are more certain.²

² Cornish & Carey Commercial. *Napa, Solano, Contra Costa General Industrial, Warehouse and R&D Market*. First quarter, 2010.

Vacaville is not seeing many industrial deals. Commercial land in Vacaville has dropped in value by approximately 50 percent from around three years ago. Vacancy rates for industrial properties in Vacaville remain higher than the regional average. However, vacancies in the Research and Development and Warehouse buildings may be driving up this number, with General Industrial vacancies on par with the overall market area.³ It should also be noted that the future of ALZA in Vacaville is uncertain. Significant layoffs have occurred, and Johnson & Johnson has indicated a desire to sell the facility.⁴

c. Lodging and Other Visitor-Serving Uses

For 2009, the average occupancy rate in Vacaville hotels was approximately 70 percent.⁵ Solano County does not have any full-service, four-star hotels. Current lodging options include one-, two-, and three-star chain hotels, chain motels, and budget accommodations. Knowledgeable local professionals indicate that Vacaville is unlikely to be able to support a full-service, upscale hotel in the near- to mid-term, as business is slower and construction costs have risen. One local real estate professional indicated that there is some interest for a new hotel development near Genentech and the Kaiser campus, which would serve visiting business professionals as well as patient families. The Vacaville Conference and Visitor's Bureau has also been positioning the city to attract visitors.

2. Planned and Proposed Commercial Projects

A review of planned and proposed projects in Vacaville and other nearby communities highlights current weak economic conditions that have caused

³ Cornish & Carey Commercial. *Napa, Solano, Contra Costa General Industrial, Warehouse and R&D Market*. First quarter, 2010; and

Colliers International, Fairfield CA. *Market Research, Industrial*. Fourth quarter, 2009.

⁴ TradingMarkets.com. *ALZA Corp. Faces Layoffs in Vacaville*. November 4, 2009. Accessed April 22, 2010.

⁵ Personal communication. Melyssa Laughlin, Executive Officer, Vacaville Conference and Visitors Bureau. September 9, 2010.

developers to stall or scale back projects. The few projects with valid approvals are likely to have been initiated before the downturn in the economy, and several are not actively seeking entitlements or pursuing construction.

3. Vacaville's Competitive Strengths

The key competitive characteristic of Vacaville is its geographic location. Vacaville is able to serve both the Bay Area and the Sacramento markets with ease. This is a significant advantage to businesses whose clients are located in the Northern California metro area. The availability of large tracts of low-cost, entitled, improved, shovel-ready land within the city is another major competitive strength, as is Vacaville's seismic stability.

Vacaville boasts an attractive downtown and a very successful outlet shopping center that attracts regional visitors. The city has a very low crime rate, scenic views, a family-friendly reputation, relatively new infrastructure, a reliable water supply, general aviation capabilities at Nut Tree Airport, and proximity to UC Davis. Moreover, the City has no Utility User Tax, and the businesses license tax is insignificant.⁶ The list below describes additional economic strengths.

- ◆ **Pro-Business Climate.** For the last two decades, the Vacaville City Council has been very supportive of efforts to attract and retain businesses. Administrative procedures allow expeditious processing of development applications. Vacaville, for example, does not have a tax on utilities such as telephone, electricity, natural gas, water, or sewer. Vacaville has very minimal taxes on businesses. According to the Kosmont Survey, Vacaville is one of the State's lowest operating cost cities.
- ◆ **Access to Freeway System.** The access and visibility provided by Interstate 80 and Interstate 505 support the economic vitality of the community and provide an audience for marketing efforts. Approximately 92 million persons travel through Vacaville each year on the two interstate highways. Interstate 80 and Interstate 505 provide excellent access to the

⁶ Michael Palombo, City of Vacaville Economic Development Manager. Personal communication. April 21, 2010.

main east-west and north-south routes connecting California to the East Coast, Canada, and Mexico.

- ◆ **Attractive Quality of Life.** Vacaville has several notable qualities that make it attractive, including: moderately priced homes, extraordinarily low crime rate, abundance of parks and open space, outdoor recreation opportunities, and low traffic congestion on City streets. Contributing to the attractiveness of Vacaville are the hillsides that frame the community. The hillsides were purchased, preserved, and designated as permanent open space.
- ◆ **Available Commercial and Industrial Land.** Commercial and industrial land prices are 50 percent lower than comparable land in the Bay Area. Numerous vacant properties with full City services are available. Properties range in size from under 1 acre to over 100 acres.
- ◆ **Availability of Labor.** Approximately 1 million employed persons live within a one-hour reverse commute to Vacaville. A one-hour reverse commute extends the labor market area to approximately 50 miles. This labor pool is highly educated and well trained.
- ◆ **Water Supply.** The City has three completely independent sources of water: Lake Berryessa, State Water Project, and groundwater. These water sources provide a reliable supply even during long-term drought conditions.
- ◆ **Affordable/Available Housing.** The median price of housing in Vacaville has decreased to \$250,000 as a result of the mortgage crisis and foreclosure impacts on the sales price of all types of residences. Pricing remains approximately one-third to one-half less than that found in inner Bay Area communities, allowing a higher percentage of households to purchase a home.
- ◆ **Proximity to UC Davis.** Vacaville is located less than 20 miles from the University of California, Davis, a world-class educational institution. The University's emergence as a center for engineering, management, information sciences, and medical and biotech research makes it a magnet for related business facilities.

- ◆ **Premium Outlets.** The Premium Outlets at Vacaville are among the largest and best-known operations of their type in the nation. They attract over 7 million shoppers from throughout the region each year. Due to their strength, the Premium Outlets support tourism and other retail stores in Vacaville.
- ◆ **General Aviation Airport.** The Nut Tree Airport is the only general aviation airport along the Interstate 680/Interstate 80 corridor from Concord to Sacramento. Capable of accommodating corporate jet traffic, the underutilized airport provides convenient service to Bay Area and local businesses.
- ◆ **Travis Air Force Base.** Travis Air Force Base (TAFB) is the principal economic engine in Solano County. TAFB contributes over \$1 billion per year to the local private economy through salaries, purchases, contracted services, and construction.

4. Economic Challenges

Despite its competitive advantages, the City continues to struggle to attract mid- to high-end retailers and services because local demographic characteristics do not meet typical industry thresholds for these types of users. One of the greatest overall impediments to commercial development in the city may be the needed improvements to wastewater conveyance to the treatment plant from the northeast part of the city. Currently, the sewer trunk lines are not adequately sized to serve the needs of large office or industrial users in this area that would generate significant sewer discharge.⁷ Other economic challenges contributing to Vacaville's struggle to attract mid- to high-end retailers and services are identified below.

- ◆ **Lack of Awareness of Vacaville.** Surveys of out-of-County site finders, commercial brokers, and targeted business executives indicate a lack of awareness about Vacaville and Solano County. In particular, they were not aware of the community's cultural and business opportunities. In

⁷ Michael Palombo, City of Vacaville Economic Development Manager. Personal communication. April 12, 2010.

certain business circles such as biotech, Vacaville enjoys a very positive image worldwide.

- ◆ **Lack of a Robust Economic Development Program.** Vacaville has been very conservative in its funding for economic development activities. Limited staffing has made it difficult to implement a more robust economic development program that would require additional City staff and dedicated financial resources for marketing. The City could potentially benefit from a more cooperative approach with nearby jurisdictions to achieve an overall regional economic development strategy. A focused economic development strategy may help the City address what many local business professionals have identified as an “unfriendly business climate” created by State policies and regulations.
- ◆ **National/International Competition.** Industrial businesses, unlike retail operations, can locate almost anywhere in the world. The State of California has been reluctant to realize the necessity of offering development incentives to remain competitive with other states and countries. Therefore, it is impossible to be competitive for industrial projects solely on the basis of local financial incentives, the price of land, and/or labor.

Vacaville competes based upon its ability to process a project to completion faster than competitors and by eliminating the risks associated with securing development approvals. It is necessary that the City continually seek ways to maintain its competitive advantages.

- ◆ **Market Size and Demographics.** The demographics of the community and Solano County, in terms of market size and household income, are under the preferred levels for mid-level and upper-scale retailers. When combined with the impact of the current economic slump, recruiting these types of retail stores has been difficult. Vacaville is very strong in the value oriented retailers, to the point that significant additional retail growth in this sector is unlikely.

In order to demonstrate that mid- and upper-level stores and services can prosper in Vacaville, it needs to find ways to entice industry “Bell Cows”

(i.e. businesses that others want to be located near, such as Ann Taylor and Crate and Barrel) to locate in the community.

- ◆ **Current Economic Slump.** The current economic slump affects Vacaville in much the same way that it impacts cities throughout the world. While there are some opportunities for growth, most businesses are refraining from committing to significant capital expenses. This reluctance is fueled by a variety of concerns, including difficulty in obtaining credit, shrinking markets, no real evidence that the worst is over, and uncertainty about what the nature of the business world will be after recovery. It is probable that some level of economic development is possible, but those opportunities will be few, at least for a while.

It will be vitally important that the City take advantage of the slow period to review and amend its procedures so that when the economy recovers, projects can move forward expeditiously.

- ◆ **Lack of Mid- to Upper-Level Services.** The community and the county lack virtually all aspects of mid- to upper-level services that are sought by a broad range of residents. In Vacaville, there are not many mid- to upper-level retailers, but those that are located in Vacaville tend to be specialty stores, such as Pearl Izumi at the Nut Tree, which sells high-quality biking gear. Vacaville has no luxury auto dealers, and only a small number of chef-driven restaurants. The Premium Outlets are as close as Vacaville has to an operation that sells higher-end products to a broad population. In some instances, the merchandise may be overstock, dated, or of a different quality than normally carried by the shop brand. There is an estimated unfilled market of approximately \$250 million for mid- to upper-level products and services.
- ◆ **Shrinkage of Number of Businesses.** The slumping economy has accelerated the consolidation and merger of businesses which, along with insolvency, has greatly reduced the number of businesses available for recruitment.

- ◆ **Water and Sewer Rates.** Some of Vacaville’s local development and realty professionals believe the City’s water, sewer, and development fees are too high, and thus are deterrents to new development.
- ◆ **Required Traffic Mitigation.** The current level of service (LOS) standards for traffic are perceived to result in costly traffic mitigation requirements for new developments.
- ◆ **Lack of Educational Opportunities.** Several local business professionals indicated a need to improve kindergarten through twelfth grade education opportunities in Vacaville. Primary and secondary education not only impact the quality of the future labor force, but they are also an important factor weighed by companies looking at relocation options and seeking a community that would be a desirable place in which their employees could live.

B. Projected Trends and Opportunities

The following section explores both quantitative data sources as well as qualitative information provided during interviews with knowledgeable local economic development and commercial real estate professionals. The analysis includes a review of employment projections and future real estate market conditions for the city and the region.

1. Employment Projections

As shown in Table 1, over the next 20 years, the Association of Bay Area Governments (ABAG) projects that the number of jobs in Vacaville will grow by an average 0.9 percent annually, compared to a 1.6 percent annual growth rate in the Bay Area. ABAG expects regional job growth will outpace job growth in the city across all industry sectors. The highest rate of growth anticipated for Vacaville is in the Health, Educational, and Recreational sector. In contrast, jobs in the Agricultural and Natural Resources sector are projected to decline over the next couple of decades.

ABAG projects that the average annual job growth in Vacaville between 2010 and 2030 will be less than half the average annual growth rate the city experienced between 2004 and 2009.

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TABLE I ABAG EMPLOYMENT PROJECTIONS, 2000-2030

	2010	2015	2020	2025	2030	Avg. Annual % Change
Vacaville^a						
Population	99,700	102,600	105,000	107,300	109,400	0.5%
Households	32,170	32,980	33,900	34,870	35,790	0.5%
Jobs	28,380	29,490	30,810	34,350	38,490	1.5%
Jobs by Sector^a						
Agriculture and Natural Resources	110	80	110	100	80	-1.6%
Manufacturing, Wholesale and Transportation	4,310	4,540	4,700	4,820	4,940	0.7%
Retail	4,360	4,840	4,720	4,850	4,900	0.6%
Financial and Professional Service	3,830	4,620	4,450	4,430	4,700	1.0%
Health Educational and Recreational	9,020	10,540	10,140	11,000	11,630	1.3%
Other Jobs	5,430	6,090	5,820	5,900	6,220	0.7%
Total Jobs^b	27,060	30,710	29,940	31,100	32,470	0.9%
Bay Area^c						
Population	7,341,700	7,677,500	8,018,000	8,364,900	8,719,300	0.9%
Households	2,667,340	2,784,690	2,911,000	3,039,910	3,171,940	0.9%
Jobs	3,475,840	3,734,590	4,040,690	4,379,900	4,738,730	1.6%
Jobs by Sector						
Agriculture and Natural Resources	24,520	24,870	25,070	25,270	25,470	0.2%
Manufacturing, Wholesale, and Transportation	717,180	763,680	819,010	861,170	913,960	1.2%
Retail	347,400	370,880	399,950	453,870	491,310	1.7%
Financial and Professional Service	766,860	824,190	893,550	990,840	1,076,540	1.7%
Health Educational and Recreational	1,120,700	1,216,120	1,322,650	1,403,080	1,529,930	1.6%
Other Jobs	499,180	534,850	580,460	645,670	701,520	1.7%
Total Jobs	3,475,840	3,734,590	4,040,690	4,379,900	4,738,730	1.6%

(a) Vacaville population, household, and jobs data reported at the city level by ABAG. Jobs by Sector reported for Vacaville's sphere of influence (SOI) only.

(b) Total jobs by sector reported for Vacaville's SOI. This total may differ from total jobs reported at the city level.

(c) The Bay Area includes Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma Counties.

Sources: ABAG Projections, 2009; BAE, 2010.

The projected growth in the city's employment represents a slowdown from job growth during the 2004 to 2009 period. Between the second quarter of 2004 and the second quarter of 2009, total jobs in Vacaville increased at an average annual rate of just over 2 percent. The projected average growth rate of 0.9 percent annually is a significant drop from the previous economic cycle.

The Bay Area is projected to add 1.2 million jobs by 2025, and by 2025, ABAG estimates that Solano County employment will increase by 64,090 jobs, one-quarter of which are projected to be in Vacaville. There is an opportunity for Vacaville to compete to increase its share of these job increases.

2. Projected Future Commercial Real Estate Market Conditions

This section summarizes anticipated future conditions for office, industrial, and lodging uses. Future residential real estate market conditions are described in the Population and Housing and Downtown Housing technical memoranda prepared for the General Plan Update.

a. Office Sector

Overall, interviewees felt that the city will not experience a significant amount of additional large-scale office development in the near future. Office developments are a business's regional asset and they generally want to locate these assets in the economic center of a region. With the exception of the recent location of the State Compensation Insurance Fund office campus in Vacaville, the City has had limited success in attracting office users in the past. In addition, businesses are now able to do more with less real estate than in the past, allowing them to remain in smaller spaces in higher-cost markets.

A business seeking to develop a large office campus in the Bay Area will have very limited options. Vacaville is very well positioned to attract such a user, with large, fully entitled, and improved tracts of land. Such users, however, are rare and it may take some time for land designated for an office campus to fully absorb.

The city is also expected to experience growth in demand for medical services from local residents. There is an expectation that this field will shift towards more concierge and wellness services. As a result, there is some projected need for more small medical office space. In addition, there may be an opportunity to cluster some of these uses together. The southeast part of Vacaville is considered to be especially underserved by medical offices.

As Vacaville's population grows, so will the demand for non-medical, local-serving office uses. The ABAG projections, however, indicate relatively small increases in both population as well as office employment. Though not exactly an office use, an opportunity exists in the city for additional private education institutions, for which demand is expected to grow, whether primary, secondary, or higher education. In addition to the new employment and the real estate demand that such institutions would bring to Vacaville, growth in this sector would bring other economic development benefits. A range of quality educational options is considered a valuable asset to attracting businesses that are concerned with educational opportunities available to their employee's families, and those companies that place a premium on life-long learning opportunities for their workers.

b. Industrial Sector, Biotechnology, and Renewable Energy

Vacaville has a reputation as a "place to scale up innovation." Or, as one interviewee stated, "the advantage of Vacaville is its proximity to the core Bay Area and the land prices associated with being outside of this core." There are several key areas of potential opportunities for industrial development. However, in order to capitalize on these opportunities, the City will need to ensure the availability of an adequate wastewater conveyance system to the treatment plant from the northeast part of the city.

In addition, the lack of rail access in the city, which will not change during the General Plan planning period, may make Vacaville less attractive to those manufacturing uses that desire multiple modes of transportation. The lack of rail service, combined with the overbuilt warehousing market in Stockton,

also makes significant warehouse development in Vacaville unlikely in both the near- and longer-term.

Vacaville's existing base biotechnology and other life sciences businesses positions the City to compete for some of the business expansion that is related to newer scientific trends that are occurring regionally. Biotechnology is being used to develop a new generation of biofuels, and there is significant national and international interest in this technology. Companies are ready to ramp up production from pilot plants and now must demonstrate the ability to produce credible amounts of biofuel for consumer use. Biofuels pilot and demonstration plant employees must have knowledge of the scientific complexities of biotechnology. Personalized medicine is another dynamic field in the biotechnology industry. The tools needed to promptly analyze tissue samples are getting faster; a properly trained workforce is needed to manufacture these high cost appliances and units, and to work in the diagnostic labs. Vacaville's current workforce training efforts to prepare employees for biotechnology jobs favors both biofuels and medical diagnostic tools manufacturing employee skill needs.

Another industrial opportunity for Vacaville is in the green technology and renewable energy sector. Many cities are positioning themselves to attract green technology and renewable energy enterprises and there is some question as to whether Vacaville will have a competitive edge in this arena. However, the City has already made strides in the solar energy arena. In July 2009, and again in 2010, Vacaville was ranked in the top three among medium-sized cities for the total amount of wattage generated by solar panels by the Northern California Energy Association. Local private firms are already benefitting from the energy cost savings that solar power provides. Novartis, Millennium Sports Club, ALZA, and the State Compensation Insurance Fund all have solar arrays. The City may also be able to capitalize on current plans for a combined cycle natural gas electric generating station in Vacaville

to be developed by Competitive Power Ventures.⁸ In addition, the City's efforts to promote electric (EV) and compressed natural gas (CNG) vehicles has earned it recognition from EV World as "America's EV Home Town" and the nickname "Voltageville."⁹ Vacaville's proximity to the Solano County wind resource area in Montezuma Hills may also represent an opportunity for Vacaville to house administrative offices, Research and Development facilities, or other functions supporting wind power that are not able to locate on site at the wind farms.

There is some uncertainty regarding the green technology and renewable energy sector. Potential uses in this field can range from a large open solar array field to a compact manufacturing facility. This leaves open questions regarding the actual job-generating potential of these uses as well as possible environmental impacts and mitigation measures. Several interviewees also questioned whether this new industry would create a significant amount of spin-off enterprises.

c. Lodging and Visitor-Serving Uses

Most interviewees agreed that it will be some time before there is sufficient additional demand for hotel beds for the city to be able to support another hotel in the same price range as existing hotels. Since Solano County currently has no four-star hotels, this is a segment of the market that remains untapped; however, there is not likely to be a market large enough to support a large four-star hotel. There may be some opportunity for small bed-and-breakfast lodging in Vacaville, or possibly a smaller boutique hotel that would cater to business travelers.

The City has had an on-going interest in the possibility of a regional-serving conference center locating in Vacaville. Many interviewees felt that a small conference center could be a viable enterprise as there are no such uses be-

⁸ Solano County Economic Development Corporation. *Solano County's Energy Cluster*. November 2009, page 12.

⁹ Solano County Economic Development Corporation. *Solano County's Energy Cluster*. November 2009, page 16.

tween the Bay Area and Sacramento. Some interviewees were adamant that a conference center requires an attached upscale hotel in order to thrive. There is also a lack of banquet facilities in Vacaville that could be filled by a small conference center. However, there was less consensus regarding public involvement in the development of a conference center. Some interviewees felt that it should remain a completely private venture, while others asserted that a center should be a public-private partnership. Given this lack of consensus and considering the newly opened Conference Center and Hyatt Place Hotel on the UC Davis campus, the City will want to ensure that there will be demand for additional conference space before investing public dollars in such a facility. In addition, most publicly-owned conference centers require significant public subsidy.

There are several opportunities to attract visitors to Vacaville as well as to improve the quality of their experience. Many interviewees suggested that Vacaville could host regional athletic tournaments. The City owns 200 acres of land in Centennial Park, which have been suggested as a potential site for development of an active and revenue-producing recreation complex. The City may potentially need to develop and then maintain these athletic facilities. However, the fields are also amenities that residents can use during the week and will improve Vacaville's image as a place that offers a high quality of life. There are many communities across Northern California seeking to attract such tournaments to their communities, so the City would want to prudently stage investments in fields and indoor facilities to prevent overbuilding.

There is also an opportunity to leverage the Nut Tree Airport for aviation visitors by better connecting the airport with other visitor-oriented uses. The Nut Tree Airport has the potential to expand its facilities and to increase the amount of air traffic. In addition to serving visitors, a more robust airport would become a significant business attraction and revenue producer for the City, County, and the Vacaville Unified School District. Moreover, though Vacaville has many restaurants, they are primarily chain restaurants. Vacaville could offer a culinary experience that showcases local Valley produce

and flavor. There is further opportunity for restaurants to offer evening entertainment to serve both residents and corporate visitors. Such visitor-serving uses would also benefit from locating in the downtown area, consistent with current City policies.

3. Room to Grow

Unlike many Bay Area communities, which are surrounded by other cities and/or have other major constraints on their ability to expand to accommodate growth, Vacaville has opportunities to accommodate demand both within the city and on land that could potentially be annexed to the City. This could become an increasingly important competitive advantage as other inner Bay Area cities reach buildout. Within the Vacaville city limits, there is a total of approximately 2,100 vacant acres zoned for commercial, industrial, and office uses. Much of this land is serviced and ready for development. Because zoning regulations allow some properties to develop in more than one use category, the sum of the acreage designated for commercial, industrial, and office is greater than the actual land area. There are about 1,000 acres of vacant land designated for commercial uses, 1,400 acres of land identified for industrial activities, and 700 acres of land zoned for offices. In addition, there are hundreds of acres of developable land outside the city limits, some along Interstate 80, between Leisure Town Road and Midway Road, and some east of Leisure Town Road toward Elmira. The City itself owns over 200 acres of land in Centennial Park that could be developed for an active and revenue-producing recreation use. To address current unmet retail needs and future growth in retail demand, the two best potential regional shopping center sites in northern Solano County are located in Vacaville. The sites are located along Interstate 80 in the Vaca Valley Business Park and further east between Leisure Town Road and Midway Road.

C. Local Regulations and Policies

There are several City policies relevant to local economic development activities. The policies are included in adopted City plans and strategy documents,

as well as the existing City of Vacaville General Plan. Following is a list of relevant local regulations and policies contained within these documents.

1. Vacaville General Plan

The current Land Use Element establishes policies regarding the future location and character of commercial uses, including, but not limited to:

- ◆ Distributing all uses on each side of Interstate 80 to minimize the need for excessive travel across the freeway.
- ◆ Promoting the redevelopment of downtown Vacaville in a manner that encourages business growth and “retains the small-town scale and character.”
- ◆ Locating shopping centers and neighborhood commercial facilities at the intersection of major thoroughfares.
- ◆ Encouraging the clustering of compatible commercial businesses.
- ◆ Locating visitor-serving highway commercial services along the Interstate 80 and Interstate 505 corridors.
- ◆ Ensuring that highway commercial uses are developed in a manner that preserves the character of major entrances to Vacaville.
- ◆ Limiting local-serving office uses to “office-only” sites and neighborhood commercial centers while encouraging them to locate in the downtown.
- ◆ Encouraging regional office development at “appropriate locations.”
- ◆ Promoting the protection of industrial land, retaining and allowing existing industry to expand, and encouraging “new, clean, employment-intensive industry to locate in Vacaville.”
- ◆ Encouraging the continuation of marketing to promote economic development in the city, as well as “cooperation with Solano Economic Development Corporation, other cities and the County, [to] actively promote the development of appropriate industrial uses.”

2. Relevant City Land Use-Related Plans

The City’s land use plans for specific subareas of the city have a strong influence on the potential for future non-residential development and the City’s competitive position in the marketplace.

a. Opportunity Hill Master Plan

This Master Plan includes two objectives relevant to this analysis:

Objective 3: Investigate Additional Resources to Provide Mixed-Use Development Incentives. Investigate resources to facilitate attracting new mixed-use development that promotes the economic viability of the downtown with new jobs and office, entertainment, and retail businesses by providing economic incentives for reinvestment.

Objective 6: Complete Infrastructure Improvements. Complete studies and improvements to the Opportunity Hill area infrastructure systems to adequately serve the full buildout of the Opportunity Hill area, consistent with the zoning change recommendations of this Master Plan.

b. Vacaville Policy Plans

As defined by the City’s Land Use and Development Code, Section 14.09.112.040, “policy plan areas generally are located within the city limits. Policy plans are applied to large areas being considered for major development or where a significant change in land use is occurring or is likely to occur. Land area may range from a few to several hundred acres. Policy plans may be processed individually or in conjunction with a development agreement.” The following is a list of the City’s adopted Policy Plans; more information about each of these Policy Plans is provided in the separate memorandum entitled “Existing Land Use in Vacaville:”

- ◆ Airport Business Area Policy Plan
- ◆ Allison Business Area Policy Plan
- ◆ Basic American Foods Site Policy Plan
- ◆ East Side of Alamo Drive Policy Plan
- ◆ Gonsalves-Lockie (Foxboro) Policy Plan

- ◆ Green Tree Park Policy Plan
- ◆ Interchange Business Park Policy Plan
- ◆ Interstate 80 Alamo Drive Policy Plan
- ◆ Lower Lagoon Valley Policy Plan
- ◆ Nut Tree Business Park Policy Plan
- ◆ Nut Tree Ranch Policy Plan
- ◆ Orange Tree Business Park Policy Plan
- ◆ Peabody-Alamo Office Center Policy Plan
- ◆ Vaca Valley Business Park Policy Plan
- ◆ Vaca Valley Medical Campus Policy Plan
- ◆ Vacaville-Golden Hills Business Park Policy Plan
- ◆ Willow-Kilkenny Policy Plan

c. City of Vacaville Draft Economic Development Goals

The City has circulated a draft set of goals and strategies to improve economic conditions within the City of Vacaville. The Strategy includes seven goals that address the need for:

- ◆ Higher-paying jobs
- ◆ Maintaining positive municipal fiscal balance
- ◆ Economic diversification
- ◆ Workforce training and marketing of the city's skilled workforce
- ◆ Commercial revitalization
- ◆ Maintaining an environment supportive of business
- ◆ Addressing local housing needs

D. Implications for the General Plan Update

By diversifying the economic base, the City could better position itself for economic cycles that may hit one or more sectors particularly hard. For example, Vacaville's current concentration of employment in the retail, construction, accommodation, and food services, and State government sectors creates a situation of economic vulnerability. Since there is a possibility of a career college/trade school locating in the Nut Tree Center, the City will

want to follow that project carefully to determine what additional opportunities exist for post-secondary education institutions in Vacaville.

Despite some reservations among local experts interviewed for this study, there was still a general sense that Vacaville should position itself to be able to host a renewable energy research and development facility or campus. Potential uses could include a renewable energy field research facility associated with one of the nearby higher education campuses, like UC Berkeley, Stanford, and/or UC Davis, as well as a high-end private sector manufacturing or research and development operation.

Based on the analyses of Vacaville's economic strengths and challenges discussed in this memorandum, the General Plan Update process should consider the following:

- ◆ Improve the City's identity. One way to accomplish this task is by improving landscaping and maintaining scenic viewsheds from the Interstate 80 and Interstate 505 corridors.
- ◆ Consider whether current water user connection fees are prohibitive. In addition, the current level of service standards for traffic are perceived to result in costly traffic mitigation requirements for new developments.
- ◆ Partner with other public and private agencies and organizations to leverage existing resources to support and operate economic development efforts.
- ◆ Expand the scope and improve effectiveness and efficiency of communicating the City's economic opportunities by employing all available resources and communication technologies.
- ◆ Strengthen Vacaville's ability to recruit and retain businesses by making the public aware of the positive factors that distinguish this city from competitors.
- ◆ Continue to simplify and shorten processing timeframes and adjust City fees to match the actual cost of providing the services. Review and modify policies and procedures to remove impediments to development so

that as the economy recovers, projects in Vacaville can proceed without delay.

- ◆ Support the growth of an adequate inventory of land suitable to sustain the long-term growth of Vacaville’s economy.
- ◆ Adopt measures to ensure that adequate infrastructure exists to support continued economic development.
- ◆ Study the feasibility of developing the City’s Centennial Park property with an active sports complex that could be marketed to host regional athletic tournaments and events, as a visitor attraction strategy.
- ◆ Develop and implement ways to assist and improve the ability of small businesses to flourish in Vacaville.
- ◆ Assist in expanding the availability, quantity, and quality of the local labor pool.
- ◆ Use Redevelopment funds as incentives when available and appropriate to recruit and/or retain businesses that will provide a significant public benefit. When possible, the amount of the incentive should be tied to a performance measure such as increased sales taxes and tax increments, job creation, or average wages paid to workers. The source of financial incentives should be from the tax increment generated by the project.

CITY OF VACAVILLE
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