LAKE COUNTY ECONOMIC DEVELOPMENT STRATEGY

ECONOMIC DEVELOPMENT PLANNING EFFORTS AND CEDS IN PROGRESS

Overview

This part of the report focused on what strategic plans are in place, how the recent fires have changed some of these plans, why these plans are good for medium- to long-term planning, and why broadband/wireless and airport infrastructure can help augment the comprehensive economic development strategy (CEDS). The mix of these plans, a recent presentation by Lake County Economic Development Corporation (Lake EDC) about funding sources can focus priorities, as well as take advantage of partnerships (such as the opportunity zone with Colusa County).

Recommendations

- Consider broadband and wireless internet strategies and funding as additional infrastructure investment;
- Partner as possible, both inside and outside Lake County;
- Consider airport renovation and preparation for more and larger flights as another priority; and
- Add projects from Lake EDC's recent report into the mix of projects from the recent CEDS report for Lake County.

Background and Review of Efforts Underway, 2018

The County of Lake has a comprehensive economic development strategy (CEDS) report on file with the federal government's Economic Development Administration (EDA, see http://www.eda.gov for more). These CEDS reports provide information to help the federal government differentiate among 3,200 counties that may be applying for similar funding and why funds for infrastructure enhancement or construction should go to one place over another. However, in rare cases are these documents become strategic plans for economic development.

The cities of Clearlake and Lakeport each have economic and community development plans that are relatively recent. The City of Lakeport has an "Economic Development Strategic Plan" that is meant to cover the years 2017 to 2022. The City of Lakeport also recently received a hotel feasibility study for a piece of land in downtown Lakeport. The City of Clearlake has a "Strategic Plan" in 2017 that is a mix of economic and community development, and also an internal look at the city and its services. Resilience is a major theme, and successive years of natural disasters will push that focus to front of mind. However, Lake County must have this as a parallel theme, or use resilience as a tool for economic development not just economic recovery.

These recent reports provide a large amount of background as to the current thinking and considerations of economic development and devising a viable strategy from our study. We start the review of recent plans here because this CEDS covers the entire county and should be used as the key document for any and all infrastructure grant or funding applications to the federal government.

Lake County CEDS

The CEDS report done in 2016 provides a large amount of background information, including economic and demographic data about Lake County. The economic development opportunities from that report are:

- The wildfires of 2015 have provided a stage from which local government can marshal resources not normally available to assist in revitalizing the economies of the affected areas. This includes opportunities for assistance to rebuild damaged infrastructure and expand economic development capacity.
- The establishment of a four-year college in Lucerne has just started to impact the workforce and the economy. Continued expansion of educational opportunities will help supply a needed higher educated work force and skilled entrepreneurs.
- The wine grape industry offers opportunities for additional growth in acreage and the number of wineries. This includes the expansion of secondary agricultural food processing opportunities.
- The hospitality industry is starting to come out of the recession and opportunities exist for new, high-end travel lodging facilities that can also reinforce the town centers of several communities.

- The wildfires of 2015 provide an opportunity for better coordination of economic development efforts of local governments and non-profit organizations that will provide a resilient sustainable base for future efforts.

Notice that most of these opportunities are focused on fire recovery, hospitality and agriculture. This CEDS was done before Proposition 64 passed in California; now that the recreational use of cannabis is legal, there may more agricultural opportunities. Unfortunately, the four-year college in Lucerne is no longer there, but there may be other programs to come with regional partners (Sonoma State University as one example).

Of the many initiatives in this document, the following are the most germane to an economic development strategy:

- Prepare funding applications to USDA or other funding sources to install the necessary technology to establish reliable broadband capacity throughout Lake County;
- Establish a local Lake County Community Development Financing Institution;
- Assist with rebuilding of any commercial business damaged, destroyed, or otherwise adversely impacted by the fires;
- Provide direct business expansion, operations, and management services to self-employed entrepreneurs; and
- Prepare a funding application for improvements of Lampson Field, to increase commercial and passenger activity, increase employment opportunities, and achieve economic self-sufficiency for Lampson Field.

Other initiatives have importance, but may naturally come from the initiatives above or from specific cities or communities. We see later how each of these has a role to play in this strategy.

Hotel Feasibility Study, Lakeport (910 North Main Street)

This study commissioned by the City of Lakeport compares hotel trends in Lake and Mendocino counties. There is not a comparison to Sonoma and Napa counties. Travel trends are not only about average daily rate, but the number of visitors that may come to a region if marketed to efficiently. Airport access begins with Sacramento in this study, and then Oakland and San Francisco.

Lake County may need to pivot some of its focus away from the Bay Area and toward the Sacramento Valley area. However, in the study, the 50 miles of “trade area” examined is not a radius but a road travel mileage. Towns such as Healdsburg, Calistoga, and Saint Helena are not in the sample. This report defaults to looking at Mendocino County alone as the trade area. Further the occupancy rates are between 60 and 64 percent, which are relatively low for regional competition and also feasibility of the property.

This study provides insights and data about the tourism market in Lake County, and should be utilized as a planning document about the feasibility of other, similar hotels. What is needed are considerations of the number of visitors Lake County gets annually, when they come, why they come, if they stay, why they stay, and how decisions are made to come and stay versus regional competition.

At some point in the economic development process, as tourism becomes a larger factor, internal and external competition both become factors in a strategy's success.

City of Lakeport: Economic Development Strategic Plan

This report provides data on the City of Lakeport, as both part of Lake County, but also comparing change over time. The more intriguing part of this report is the SWOT (strengths, weaknesses, opportunities, and threats) analysis done, a mix of both the report's data and also a "Where are we now?" discussion after the 2015 fires and also in the midst of a national and state economic recovery from the Great Recession.

The goals of the city of Lakeport's strategy can be seen as good, general goals for Lake County:

- Promote and participate in regional economic development initiatives;
- Expand and support business retention and attraction efforts; and
- Strive to enhance the historic downtown and lakefront area.

We see later that these goals are easy to see as strong for the future success of Lake County, not just the city of Lakeport.

Some highlights that are most germane to this report include the below:

Strengths:
- Natural beauty
- Rural lifestyle/Small Town Feel
- Sense of community and awesomeness
- Clean air/Blue sky
- Low cost of living
- Dark skies (for star gazing)
- Access to Clear Lake
- Wine and wine grapes
- Arts/culture
- Proximity to Santa Rosa/ocean/Sacramento
- Fishing
- Recreation
- Responsive City government

Weaknesses:
- Small population
- City Streets
- Mixed public perception
- Algae Blooms
- Poverty/Lack of Employment Diversity
- Blight
- Drug issues/Smoking
- Brain-drain including physicians
- Inconsistent store hours
- Inexperienced workforce
- Bad community and business reviews online
- Retail leakage
- Lack of critical care facilities
- Poverty mindset
- Wage levels
- Lack of diversions & activities for young people
- High commercial vacancy rate
- Broadband needed

Opportunities:
- Relocating retiree Baby Boomers
- Konocti Harbor reopening

Threats:

(Bad) Press

- Condition of Roadways & Poor Circulation

- Scientific research opportunities
- Multi-use trail development
- Manufacturing jobs
- Available land/buildings
- Art tourism/public spaces
- Active tourism opportunities (recreational)
- Lodging
- Waterfront Area

- State/Federal regulations
- Community apathy
- Poor Health of the Community:
    - Drug Use
    - Obesity Rate
    - Alcoholism
    - Homelessness
    - Mental Health
    - Morbidity Index
- Stagnate tax base
- Poor Access to Transit/Transportation
- Poor Communications Infrastructure (Broadband, Cell Phone, etc.)

City of Clearlake, Strategic Plan 2017

Much like the City of Lakeport, the City of Clearlake considered the city's future recently. Themes were similar to Lakeport in many ways, with a look toward generating more municipal revenue and also making Clearlake a better place to do business. The opportunity zone with Colusa County should be mentioned as a strength and unique to the City of Clear Lake in lake County: Investments made by individuals through special funds in these zones would be allowed to defer or eliminate federal taxes on capital gains. Such census tracts have either poverty rates of at least 20 percent or median family incomes of no more than 80 percent of statewide or metropolitan area family income.

Strengths and weaknesses were identified and are shown in the table below.

Strengths:	Weaknesses:
• Recreation (Lake and other)	• Limited Resources (money, staff, equip)
• Public Support (Volunteers and Donors)	• Roads
• Citizens Caring 4 Clearlake	• Blight (vehicles, housing, dumping)
• Bond Funds Available	• High crime
• Effective use of available resources	• Low standing in image
• Thompson Harbor	• Job opportunities
• Low debt	• Retail opportunities
• Scenery	• Public trust
• Clean Air	• Property values
	• External communications
	• Absentee property owners
	• Youth activities
	• Deterioration: Lakeshore Drive (Vacancies)

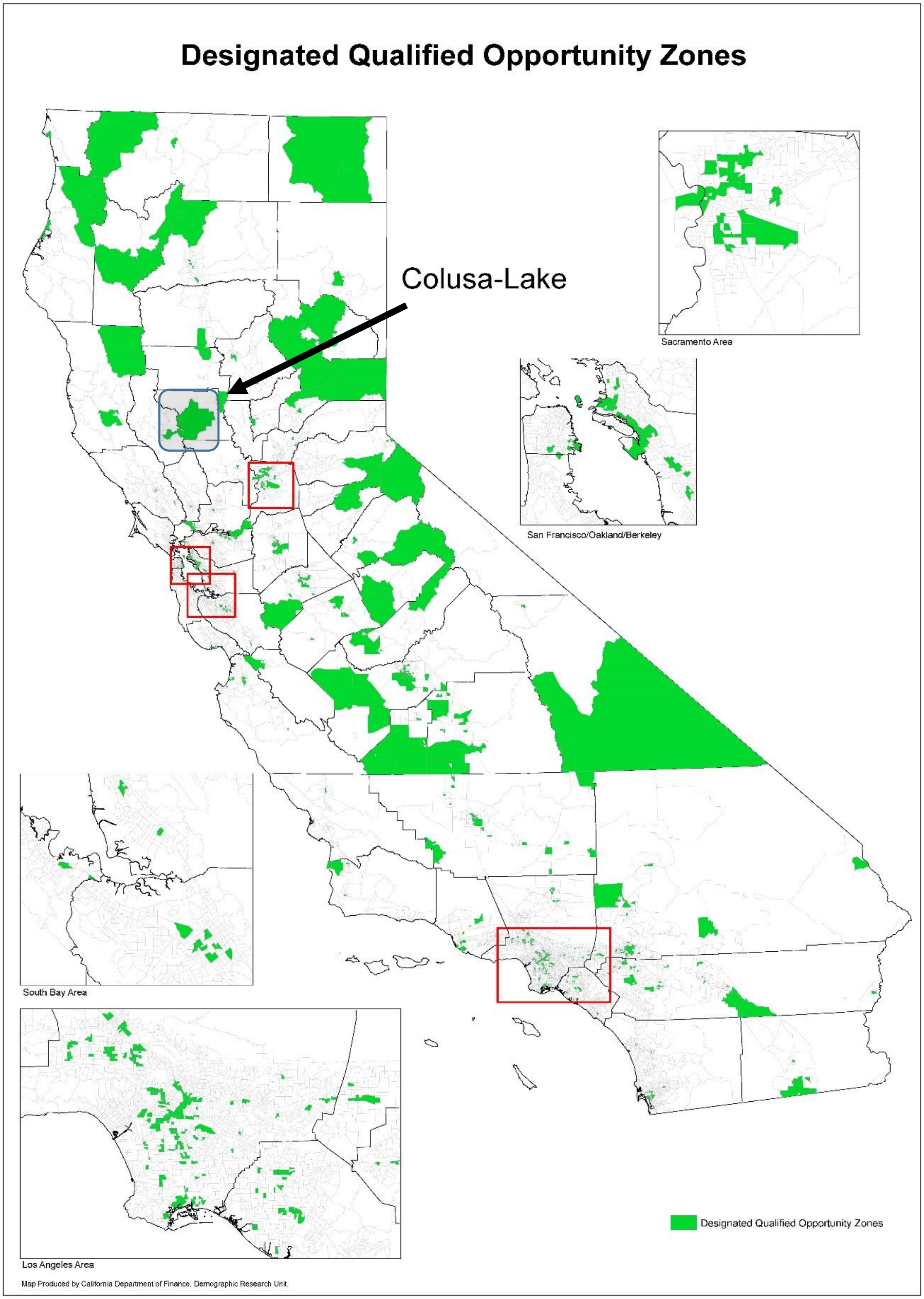
This plan's goals centered on conversion of the weaknesses above into strengths or going away completely. There are many objectives, many of which seem "shovel-ready":

1. Make Clearlake a Visible Cleaner City

    a. Eliminate blighted properties in “Beautification Zones”: Old HWY 53, Lakeshore Drive, and Olympic Drive
    b. Eliminate blighted automobiles citywide
    c. Reduce vagrants from streets
2. Make Clearlake a Statistically Safer City
    a. Educate the public
    b. Crime versus Safety: work on reducing crime and increasing safety beyond criminal
    c. Retain existing efficiency levels in the Police Department
    d. Enforce red-tagged houses
    e. Crime Suppression Unit with two officers
3. Improve the Quality of Life in Clearlake with Improved Public Facilities
    a. Implement Measure V: improve roads
    b. Phillips/18th Avenue project: improve and widen
    c. Animal Control and Corporation Yard: begin development of airport property
    d. Airport Road/Old Hwy 53 (Airport) improvements: road access to airport
4. Improve image of Clearlake
    a. Reach out to/involve external groups, including chambers
    b. Increased presence on social media
    c. Publicize/Market the city – Newsletter
    d. Stop trashing our own City: change tone and culture of communications
    e. Improve city visually from highway
5. Ensure Fiscal Sustainability of City
    a. Increase Commercial Business
    b. Find new revenue sources
    c. Revise and update fee structure
    d. Consider developer impact fees
6. Update policies and procedures to current government standards
    a. Mandatory garbage service
    b. Cannabis policies: update and change as needed
7. City policies will support economic development
    a. Code enforcement in business districts
    b. Preparation to market real estate for development
    c. Support for Chamber and Lake County EDC

This strategic plan shows that the City of Clearlake wants to partner and expand what Clearlake can do from a countywide perspective.   It is imperative that the City of Clear Lake utilize the opportunity zone declared with Colusa County and use funding to pursue targeted industries and projects based on the strategic path provided by EFA (see Strategy document for more).

Designated Opportunity Zones in California (Shaded Area is Colusa-Lake Zone)



Source: http://dof.ca.gov/Forecasting/Demographics/opportunity_zones/

Comprehensive Recovery Funding Implementation Strategy

Lake County EDC

In a 2018 report, Lake County Economic Development Corporation (Lake EDC) investigated the funding sources and needs for Lake County to begin long-term recovery from the recent disasters and also connect such recovery to economic development where possible.

Strategies

- **Promoting Resilient Rebuilding, Based on Current and Future Risk, Through Innovative Ideas**
    - Giving governments and residents the best available data and information on current and future risks to facilitate good decision making for recovery and planning.
    - Prioritizing the engagement of vulnerable populations on issues of risk and resilience.
- **Ensuring a Regionally Coordinated, Resilient Approach to Infrastructure Investment**
    - Helping communities work together to be better prepared at a lower cost for the risks associated with weather extremes, such as drought and excessive fuel load build up.
    - Making the electrical grid smarter and more flexible and protecting the liquid fuel supply chain to better prepare them for future emergencies and other threats.
    - Helping to develop a resilient power strategy for telephone and internet communication systems and equipment, so the ability to communicate when it's most necessary is less vulnerable to disaster.
    - Providing a forum to coordinate and discuss large-scale, regional infrastructure projects and map the connections and interdependencies between them, saving money and getting better results for all levels of government.
    - Establishing guidelines to ensure those projects are situated and built to withstand the impacts of existing risks and future climate change, in the region, and across the country.
    - Assisting organizations to optimize recovery infrastructure funding and leverage non-federal resources to help build critical infrastructure assets that are resilient to current and future risks.

- **Providing Families Safe, Affordable Housing Options and Protecting Homeowners**
    - Helping disaster victims to be able to stay in their homes by allowing homeowners to quickly make emergency repairs.
    - Making housing units – both individual and multi-family – more sustainable and resilient through smart recovery steps including elevating above flood risk levels, improved wildfire protection, and increased energy efficiency.
- **Supporting Small Businesses and Revitalizing Local Economies**
    - Creating specialized skills training programs to support rebuilding including training opportunities for low income individuals and other vulnerable populations.
    - Developing a one-stop shop online for everything related to small businesses and recovery.

    - Improving the process for accessing critical disaster recovery loans and other resources; and increasing SBA's unsecured disaster loan limits and expediting the disbursement of small dollar loans.
- **Addressing Insurance Challenges, Understanding, and Accessibility**
    - Working on the affordability challenges posed the National Flood Insurance Program (NFIP) and fire insurance providers so that responsible homeowners aren't priced out of their homes and rebuilt homes will have adequate insurance against fire and flooding.
    - Encouraging homeowners and other policy-holders to take steps to mitigate future risks, which will not only protect against the next emergency but also make their flood fire insurance premiums more affordable.
    - Streamlining payouts to homeowners and other policy-holders in the wake of a disaster.
- **Building Local Governments' Capacity to Plan for Long-Term Rebuilding and Prepare for Future Disasters**
    - Supporting multi-jurisdictional planning efforts to create and implement locally-created and federally funded strategies for rebuilding and strengthening their communities against future extreme weather.
    - Funding Local Disaster Recovery Manager position in the county and taking additional steps to prepare for future disasters.

Combining this plan with staff funding and a fundraising position can help generate momentum for recovery and resilience and expansion simultaneously. Each bolded strategy above can be seen as a sub-strategy of EFA's work; pursuing resilience should happen while pursuing economic development.

Alternative Funding Models

Overview

Economic development strategies and support need funding. The recent fires, the loss of redevelopment funding, and other shadows of the Great Recession, have pressured Lake County's municipal budgets (county and cities) to be unable to easily support economic development. The establishment of a tourism improvement district (TID) throughout Lake County helps provide funding to market for visitors, but the definition of that marketing target should be expanded to both classic visitors and business visitors, including rotations of scientists to study Clear Lake, astronomy, fire science, and other scientific endeavors.

Funding is likely to be a continuous pursuit of any leadership organization for Lake County's economic development. Lake County Economic Development Corporation (Lake EDC)

Recommendations:

- Plan to use TID funding in broader ways than simply advertising Lake County hotels;
- Each municipality must consider partner funding for economic development efforts;
- A grant writer and search (same person) should be hired or shared among the municipalities and lake County Economic Development Corporation (Lake EDC) to simply find and apply for state and federal funding;
- The partnership in the enterprise zone shared by Colusa and Lake counties may assist in providing more resources; and
- Corporate partnerships, in-kind and financial, are other ways to expand resources.

After redevelopment ended in 2012, many counties and cities were left to consider what could be done to leverage property tax growth for infrastructure projects. Some of the options available are discussed in this section, along with a sample pro-forma financial statement on how the benefits and costs may take place in Lake County.

- Tax Increment Financing (TIF);
    - Infrastructure Finance District (IFD);
    - Infrastructure and Revitalization Financing Districts (IRFD);
    - Enhanced IFD (EIFD); and
    - Community Revitalization and Investment Area (CRIA).
- Special Assessment Districts;
- Community Facilities Districts;
- Enhanced Transient Occupancy Tax (TOT) revenues and uses; and
- Federal and state level programs (CDBG + CDBGR).

Tax Increment Financing Options

There is a reduction in property tax revenue in Lake County from the 2015-18 fires. These tragedies also provide an opportunity for gains from property taxes once rebuilding takes place (resetting property values based on improvements potentially paid for by insurance funding) or replacing old housing stock (mobile homes, e.g.) with newer homes.

TIFs utilize forecasted increased in property tax revenues as a way to pay back use of credit or bonds today. Proposition 218 forces any special assessments to be assigned to property owners in a way that the benefits derived from them are proportional. A special assessment can help and happens if a majority vote takes place. However, the restrictions on public benefits under a special assessment district are lifted when there is a special tax district (Community Facilities Districts or CFDs once in place) a la Mello-Roos. Bonds must be 40 years or less in maturity.

CFDs are eligible to fund planning, design, construction, rehabilitation or acquisition of a broad range of public facilities. Examples of eligible improvements include:

- Streets and public right of way improvements;
- Park, recreation, and open-space facilities;
- School sites and structures;
- Libraries, childcare facilities;
- Water, wastewater and utility infrastructure; and
- Flood infrastructure; and Seismic retrofitting.

A key restriction of special assessment districts is the bonds cannot finance much beyond construction costs for public facilities such as landscaping, lighting, streets, water, wastewater, and storm water infrastructure, parks and public facilities. Most assessment districts also allow funding of maintenance costs associated with public facilities. However, assessment bonds are not authorized to pay for ongoing services.

Infrastructure Finance Districts (IFD, EIFD, IRFD)

Under the auspices of a TIF, IFDs are slightly different ways to use portions of the one percent property tax collected by a municipality for municipal projects. The formation of a “district” means a new entity exists, collects, distributes, and manages funding. The California Department of Finance must receive a finding of completion for redevelopment; if there is overlap with a former redevelopment area, the same rule applies.

If an EIFD is formed, there would be a different governance structure. If the County of Lake formed this new district, the Board of Supervisors would be the governing agency. Thirty years is normally the agency’s life span, though 40 years is possible if an IRFD. The time typically follows the maturity of the bonds issued under the agency.

All new districts require a public vote to issue debt. This is after a public hearing, governing body vote, and resolutions by legislative bodies of the affected municipalities. The vote to institute a new district is a supermajority (2/3 vote) due to taxation. EIFDs include a 55 percent vote to issue debt from voters in the municipalities covered by the potential debt.

Community Revitalization and Investment Authorities (CRIA)

This type of financing has a demonstrated need associated (Assembly Bill 2 established these in 2015). Four conditions outside of former military bases in the potential funding area dictate the ability of the area to engage a CRIA.

- 80 percent of the statewide median income or less in the local area and have at least three of the four following conditions:
    - Unemployment is three percent higher than statewide median unemployment rate;
    - Crime rates are five percent higher than statewide median;
    - “Deteriorated” infrastructure; and
    - “Deteriorated” commercial and residential structures.

There needs to be a finding of completion by the California Department of Finance (DOF) to allow a city or county to pass a CRIA ordinance. Like the examples above, a new entity is created, but this time with three elected members and two members of the public (thus still subject to the Brown Act). The governing body is to prepare a plan for the area’s revitalization and the process to adopt the plan. These plans are not prescriptive but have some high-level requirements:

- Descriptions and timeline for targeted projects;
- A plan to meet affordable housing requirements;
- A fiscal analysis;
- A termination date (at a maximum of 45 years from adoption);
- Three public hearings required, and signed protest by 25 to 50 percent of qualified voters triggers an election to establish the authority versus conforming to the above rules;
- There is annual reporting and bonds can be issued by a majority vote.

The gains of going this direction is that there is a broad range of possibilities of funding, with one restriction that 25 percent of the funding must be for affordable housing, but have the ability to engage eminent domain when needed for infrastructure or housing projects.

- Wastewater / Groundwater;
- Roads / Circulatory Infrastructure;
- Civic Infrastructure;
- Assist Businesses;
- Affordable Housing / Mixed Use; and
- Brownfield Remediation.

Similarities and Differences between EIFD and CRIA

Similarities		
Governance	Both are public entities separate and distinct from city or county that established them, governed by 5+ member board consisting of majority of City Council/County Board of Supervisors and 2+ members of the public who live or work in the area.	
Eligible uses	Both can finance a wide-range of public and private projects.	
Prerequisites to formation	Requires finding of completion (FOC) from DOF and compliance with State Controller's orders	
Funding sources	Authority to use property tax increment to finance facilities and housing with contributions from other taxing entities with their consent.	
Differences	**EIFD**	**CRIA**
What property can be included?	Any property (no qualification necessary)	80% of the area must meet income and other requirements (e.g. crime, unemployment, deteriorated infrastructure and private structures)
Voter approval for formation and plan adoption	No	No, subject to majority protest at adoption and every 10 years
Voter approval for bond issuance	Yes, 55% by registered voters if 12+ registered voters; otherwise by landowners (1 vote per acre)	No
Low / moderate income housing set-aside requirement	None	25% of taxes allocated to CRIA
Ongoing reporting / audit requirements	No, but if bonds are issued, independent financial audit every 2 years	Yes, annual report and annual independent financial audit
Acquisition by eminent domain	No	Yes, within 12 years of formation
Funding for facilities outside of plan boundaries	Yes, but must have a tangible connection to the work of the district	No

Source: https://www.kosmont.com/services/eifd-cria/#Statewide_EIFD_CRIA_Evaluation_Areas