



ECONOMIC DEVELOPMENT ANNUAL REPORT 2011-2012

The city created and staffed the Economic Development Division in response to the findings of an Economic Development Strategy (Strategy) adopted in late 2010. The study identified strategic issues and a course of action to help attract businesses to and retain businesses in Petaluma. The findings of the study drive much of the Economic Development Division's work.

BUSINESS RETENTION PROGRAM

As outlined in the Strategy, staff established a program to contact Petaluma businesses and identify opportunities and threats to local business success. During the first six months of the year, staff made significant progress, reaching out to 48 local businesses. Outreach during the second half of the year was slower due to the State's dissolution of the Petaluma Community Development Commission (PCDC), which pulled staff away from the business retention activities. As shown on the table below, over the course of the year, staff reached out to or met with businesses representing approximately 16% of the City's total employees, approximately 32% of the City's total payroll and approximately 29% of the city's total sales taxes.

	Businesses	Employees	Payroll	Sales Tax
Phase 1 - July - Dec 2011	48	2,958	\$ 76,860,217	\$ 2,185,325
Phase 2 - Jan - June 2012	15	1,046	\$ 21,301,996	\$ 214,525
Business Outreach – Phase 1 & 2	63	4,004	\$ 98,162,213	\$ 2,399,850
City Total	2,526	24,413	\$ 310,697,414	\$ 8,216,918
Outreach as % of City Total	2%	16%	32%	29%

Staff learned that Petaluma provides many business advantages, including a superior location and quality of life. Locating a business in Petaluma allows businesses to attract employees from throughout Sonoma, Marin, and Napa Counties. It also allows companies to source products from surrounding agricultural regions and distribute finished goods throughout the Bay Area and the Port or Oakland. The city's lack of infrastructure to treat industrial wastewater from food and beverage processing and the lack of routes for over-length trucks challenge many local businesses. Finally, many businesses would like to see Petaluma's permitting and regulatory process easier to navigate and less expensive.

BUSINESS WEBSITE UPDATE

The Strategy also identified the need to provide digital tools to help attract, retain and develop local businesses. Staff developed primary navigation and content for the Business tab section of the City's website to help attract businesses to Petaluma (as shown below).



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Choosing Petaluma	Starting a Business	Finding the Ideal Site	Business Resources	Permitting
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Under choosing Petaluma, pages demonstrate Petaluma's advantageous location, quality of life, affordability, business friendly atmosphere, and key industry clusters. Business start-up information supports local small businesses. Soon, there will be a tool to browse local commercial real estate listings. Business resources were coordinated under one tab and a link to Petaluma's planning department helps promote the need for early permitting assistance.

FOOD INDUSTRY CLUSTER

One of Petaluma's key industries and important economic drivers is food and beverage processing. As such, staff met with, and provided support to, businesses from many of Petaluma's food and beverage processing companies including Lagunitas, Clover Stornetta, Alvarado Bakery, Cowgirl Creamery, Petaluma Poultry, Rancho Veal, Petaluma Creamery and, Three Twins.

As mentioned above, Petaluma's industrial wastewater program is particularly challenging to Petaluma's food processing companies. To help, staff worked with Petaluma's Public Works and Utilities department to identify ways to take advantage of the capacity and alternative treatment options available at the new wastewater treatment plant to support business needs.

Staff is also collaborating with volunteers on the Chamber of Commerce's Economic Development Committee to help early stage food businesses grow with a food processing incubation program. The program would provide certified kitchen space along with business support services such as marketing, sourcing, and distribution. Staff is also actively recruiting a medium-size co-packaging business to Petaluma that would facilitate growth among small food companies and bring jobs to the City.

BUSINESS SATISFACTION SURVEY

Staff issued a business satisfaction survey to identify the level of business satisfaction with the City of Petaluma. Ninety-two (92) businesses responded to the survey with a moderate level of satisfaction (3.1 on a scale of 1-5, 5 being the best). Most businesses cited the City's location and quality of life as the most important reasons for locating in Petaluma. Respondents most commonly identified the need for more marketing of the City generally, more streamlined city services and permitting, and better customer service under areas needing improvement. They also requested a reduction of the fees associated with business and development.



ECONOMIC DEVELOPMENT ANNUAL REPORT 2011-2012

PROCEDURAL AND LEGISLATIVE CHANGES TO ATTRACT BUSINESS

To make development easier and more streamlined, staff implemented a weekly coordination meeting with a representative from each City department to review development applications. The group meeting allows applicants to interact with staff and better understand the City's policies and development requirements.

The City's advanced planner coordinated with various city departments to review opportunities to lower the City's development impact fees in an effort to reduce development costs, worked on developing a strategic plan for the areas surrounding the future SMART rail stations to support transit-oriented development, and led an effort to update Petaluma's zoning code to attract business.

The zoning amendments, geared toward economic development, provide flexibility in the zoning code to allow for tasting rooms in industrial areas, bed and breakfasts in certain residential areas and non-retail street fronting uses in some of Petaluma's mixed use and non-residential areas. The zoning code changes also extended the time limits for some development approvals, and allowed for limited reactivation of projects impacted by the recent economic downturn.

COAST GUARD CITY

At the City Council's request, staff coordinated with the Coast Guard, the Chamber of Commerce, and the Downtown Association to develop a Military Discount Program and to complete an application to become an official Coast Guard City. The application will be submitted in July of 2013.

REDEVELOPMENT DISSOLUTION

This fiscal year involved significant activity related to Petaluma's Community Development Commission. In June of 2011, the State voted to dissolve redevelopment agencies not willing to pay a portion of its tax increment to the State to resolve a budget deficit. On December 29, 2011, the State Supreme Court ruled in favor of the State's legislation dissolving redevelopment agencies and against the voluntary payment program, thereby dissolving redevelopment agencies statewide on February 1, 2012.

Since then, staff has formed a Successor Agency, established an Oversight Board and addressed numerous State and County Auditor requests for information, budgets, audits and payments. Staff has also pulled together necessary information to defend the use of tax increment for ongoing commitments and followed procedural requirements from the State's Department of Finance (DOF). This work is ongoing as the DOF continues to deny Petaluma's obligations and



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withhold funds needed to complete upgrades to the East Washington and Old Redwood Highway Overpasses and the design of the Rainier Crosstown Connector. The DOF also denied funds for the City's future Economic Development and Affordable Housing Programs.

COMMUNITY AND COUNTY COLLABORATION

Staff maintained ongoing relationships and collaborated with local and countywide business organizations including the Petaluma Chamber of Commerce, the Downtown Association, and the Visitor Services Programs. Staff also supported countywide efforts through Sonoma County's Innovation Action Council and the newly formed Sonoma County BEST.