

**ECONOMIC DEVELOPMENT ELEMENT
OF THE GENERAL PLAN**

IX.

APPROVED BY THE CITY COUNCIL
JANUARY 8, 1991

IX . ECONOMIC DEVELOPMENT

I. INTRODUCTION

A. Background

Although almost 90 years old, in the last 15 years the City of Hercules has completed one major transition and has begun another. The City of Hercules was founded in the 1870's as a company town; and the production of dynamite, and later fertilizer, dominated the economic aspects of life in the town. In 1974, the town moved through its first major transition, when the production of fertilizer ceased, the company town framework was dismantled, and the land surrounding the plant equipment was sold to private developers. Since then, Hercules has been one of the most rapidly growing cities in California; the 1975 population of about 150 rose to approximately 15,000 in mid-1989. This rapid growth included two major annexations (Marsten and Hanna Ranches), and was fueled, in part by rapid employment growth in San Francisco, Oakland, and Central Contra Costa County. This rapid growth also provided revenue (project review fees and increased property taxes), allowing the "new" Hercules to provide full municipal services.

During this rapid residential development, the retail, commercial, and industrial sectors of the community developed only minimally. While a small shopping center (Sycamore Place) was built in the early 80's, the first community shopping center (Creekside) opened in 1983; the first buildings in the North Shore Business Park opened in 1987. By 1989, non-residential development in Hercules provided only about 700 jobs, requiring most of the employed residents to seek employment in other cities.

In 1988, the City began its second major transition. Development plans for most of the larger residential properties had been approved, and most major projects had been completed. Full "build-out" of the residential properties could be expected in 3-4 years. At the same time, the revenue picture for the City was also shifting from a "growth" basis to a "maintenance" basis. Revenue associated with development activity was decreasing substantially, and this decrease was expected to continue. In addition, employed residents continued to work at jobs in other cities, and the time and difficulty involved in commuting continued to increase as congestion on Bay Area freeways continued to worsen. All of these factors focused the City's attention on the remaining, vacant non-residential properties.

In August, 1989, the City Council initiated a process for establishing an economic development program in the City and, as the first phase, appointed 21 members to an Economic Development Strategy Planning Task Force. This Task Force met monthly (or more often) through May, 1990. The Task Force reviewed data on development potential, environmental issues, and City finances, and recommended a series of development goals, strategies, and objectives to the City Council. In June, 1990, the City Council adopted the City of Hercules Economic Development Strategy Plan.

The Plan summarizes the data and analysis discussed by the Task Force into a set of major findings as shown in the following section.

B. Major Findings of the Economic Development Strategy Planning Task Force

1. City Resources and Service Delivery

- Development in the Redevelopment Agency area has the potential to generate substantial new revenue;
- City budget faces a shortfall as infrastructure and maintenance service requirements and costs rise faster than revenues;
- City budget is now dependent on interest earnings;
- City needs to look at new traditional and non-traditional revenues;
- New bond issue could fund needed capital improvements;
- New development will not solve City budget problem (due, in part, to low property tax allocation); but it may contribute to solution;
- Over the last decade, community development fees have been a major source of revenue;
- Slow revenue growth will constrain City services;
- The ability of households to absorb new taxes should be examined.

2. Demographics

- Community desires new shopping opportunities and services;
- Community is culturally and ethnically diverse;
- Employed residents commute to work outside City;
- Median income is between \$51,000 and \$60,000;
- Residents are well-educated (75% attended college), and many pursue professional careers (31% of workers);
- Residents expect high level of police, fire and recreation services;
- Retail spending goes outside the City, and little comes in from outside;
- Small daytime population provides little support to local businesses.

3. Environmental

- New development may not degrade regional air quality;
- New businesses may involve some use of hazardous materials, City and businesses must pro-actively manage;
- Refugio Creek corridor will be extended west of San Pablo Avenue;
- The bayfront offers opportunity for unique open space and development;
- The General Plan includes open space protection;

The Task Force adopted this finding in recognition of regulations adopted by the Bay Area Air Quality Management District that do not allow new businesses to cause an increase in air pollutant emissions.