

INDUSTRIAL LAND ABSORPTION STUDY: THE ECONOMIC DEVELOPMENT & REDEVELOPMENT OF THE CITY OF ANDERSON

The City of Anderson proposes the designation of a redevelopment area. Consistent with California Redevelopment Law (CRL) the local jurisdiction must organize this area in a prudent manner, performing a scale of due diligence that is important to any investment decision. At issue is a prudent allocation of land for industrial uses, more specifically employment generating uses.

During the past ten years major industrial employers have reduced or eliminated their scale of operation in and near the city. But, the state of California, once the victim of an unprecedented economic restructuring has once again returned to a positive growth mode. Within the state those industries leading the new expansions are industries in the so-called information or technology enterprises. These industries are information based and not resource based as those mainstays of the Anderson's regional economy once were.

The City engaged the firms of Dela Cruz & Rodgers to assist in the establishment of a redevelopment area, an area that needs to be consistent with the limits and opportunities inherent in California Redevelopment Law. Dela Cruz & Rodgers in turn contracted with Real Estate Analytics of Sacramento to produced the following analysis of economic development trends in an near the city.

Analysis approach

The analysis of the economic development potentials of a region is based upon the theory of regional development that suggest the all population growth, migration and income growth derives from change in a region's economic base.

The concept of an economic base suggests that all communities include industries, activities and enterprises that cause income to flow into the community. A basic economic activity then is defined as employment activities that cause in to flow. Examples of basic enterprise include a lumber mill in a Northern California city, the gaming activities in the Tahoe basin and the high technology industries that form the prosperity nucleus in California's Silicon Valley. Yet retirement activities can classified as basic in certain communities since they cause steady income to flow into their host regions. In the new economic environment, basic activities include many economic activities not traditionally considered before in a "smokestack" or agricultural analysis. Basic activities cause economic development and growth, not basic activities respond to changes in the region's basic sector and can be described as resulting from growth. In short basic activities cause growth, non-basic activities result from growth.

Non basic activities include those local serving business associated with retail services and medical services and personal services.

By focussing on the prospects for basic activities, the analysis for longer-term growth can be estimated from a careful analysis of basic sectors of a regional economy.

By necessity, an economic analysis must focus on the regional prospects for a community. Since economic development and the income growth associated with it often are not aware of count lines, the following analysis will focus on activities expected fin the Redding MSA which includes Shasta and Tehama counties. These counties are located within the larger region of the Central

Valley, which is associated with economic development changes in the greater Bay and the regional economy.

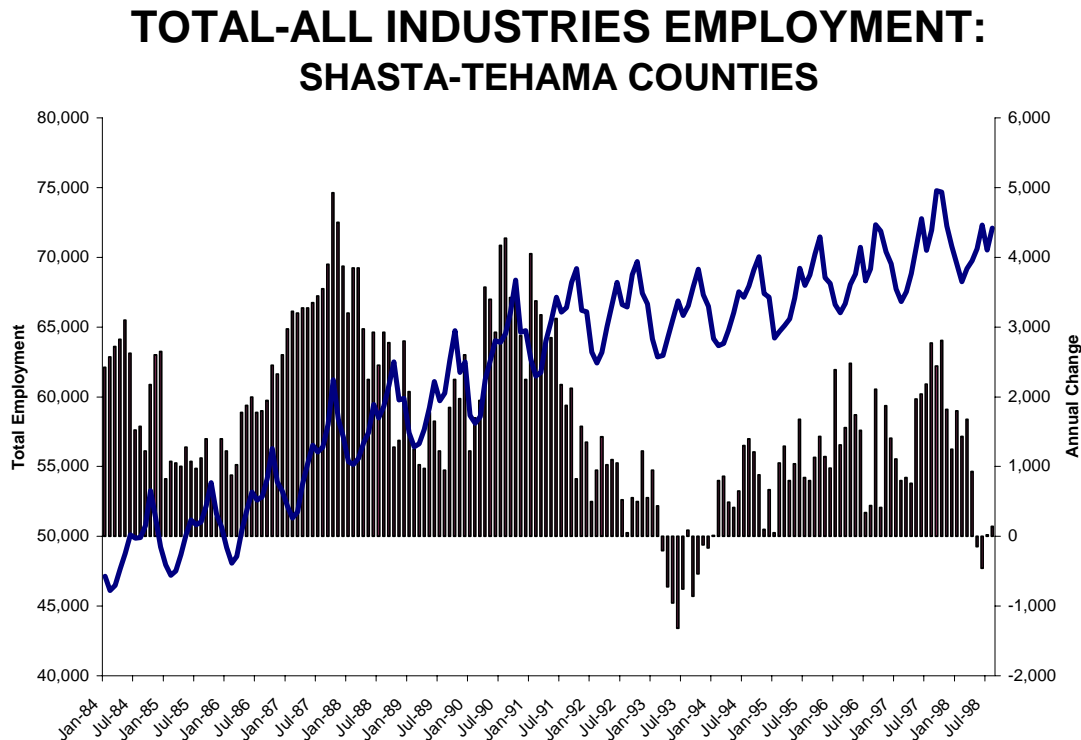
The forecast horizon for the analysis is 40 years, consistent with the longer-term scope of a redevelopment project. As such general trend line forecasts must be utilized. Forecast data was collected from established sources of longer term population forecasting. The principal source of population forecasts included the State of California's Population Research Unit located within the Department of Finance. In addition, shorter term forecasts prepared by the Center for the Continuing study of the California economy were consulted. The state of California bases longer-term forecasts in work prepared at the Federal level by the Bureau of Economic Analysis.

The employment forecasts prepared include a high and low growth scenario to assist in the judgement inherent in longer-term predictions. As such the analysis forms a decision matrix to the ultimate allocation of land resources within the City of Anderson.

Employment Trends in the Redding, MSA

Longer term employment changes within the Redding MSA show the characteristic pattern of most regions within California. Figure 1 presents changes in Total, All Industries employment for the region.

Figure 1



The chart presents two pieces on information on employment change. First, the solid line represents the level of total all- industries employment for the Redding MSA. Employment levels in 1983 centered around 44.000 jobs. By late 1998 employment rose to 72,000 jobs, an increase

of 28,000 jobs. Since, the region includes a significant agricultural component the solid line exhibits seasonal highs and lows, represented by the jagged line.

The other piece of information, which is more important to statistical and judgement forecasting of the longer-term trend, is represented by the columns appearing on the figure. The columns represent annual rates of employment change, the so-called year to year or annual change.

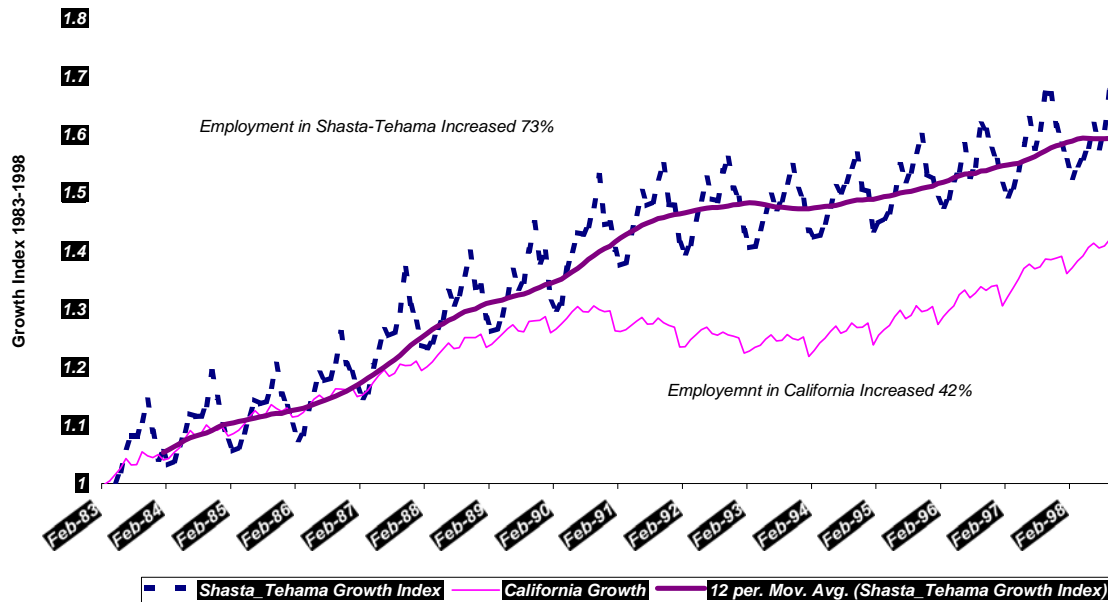
The height of the column shows the annual change on a month to month basis. Inspection of the figure shows that the regional economy grew at a 2400 job per year rate before 1990. Since that period the rate of change in Redding MSA employment has slowed somewhat, back to the 1000-1500 job per year rate.

Other regions in California exhibited similar trends as the entire state suffered slowed growth during the structural recession of the early 1990's.

Figure 2 presents an indexed comparison of Redding, MSA employment change and rates of change for the entire state. For purposes of analysis employment in 1983 was index to 1 for both regions.

Figure 2

INDEX OF EMPLOYMENT GROWTH: SHASTA-TEHAMA & CALIFORNIA



Several observations are important:

First, the Total All Industry Employment growth in the Redding MSA increase approximately 73 percent during the analysis period of 15 years, 1983-1998. In California's case the rate of increase equaled 42 percent.

Comparing the trends of growth indicated that the Redding, MSA increased its rate of expansion in the late 1980's as the state slid into its recessions.

Third, as California continued into its slowdown in the early 1990's, the Redding MSA continued to post strong employment growth, effectively lagging a slowing state economy.

Fourth, the Redding MSA did not experience a recession compared to the state, Rather, Redding MSA only slowed its rate of growth as compared to the state. This finding shows the strength of the region. And also demonstrates that much of the California restructuring away from defense industries, did not reach into the North valley region.

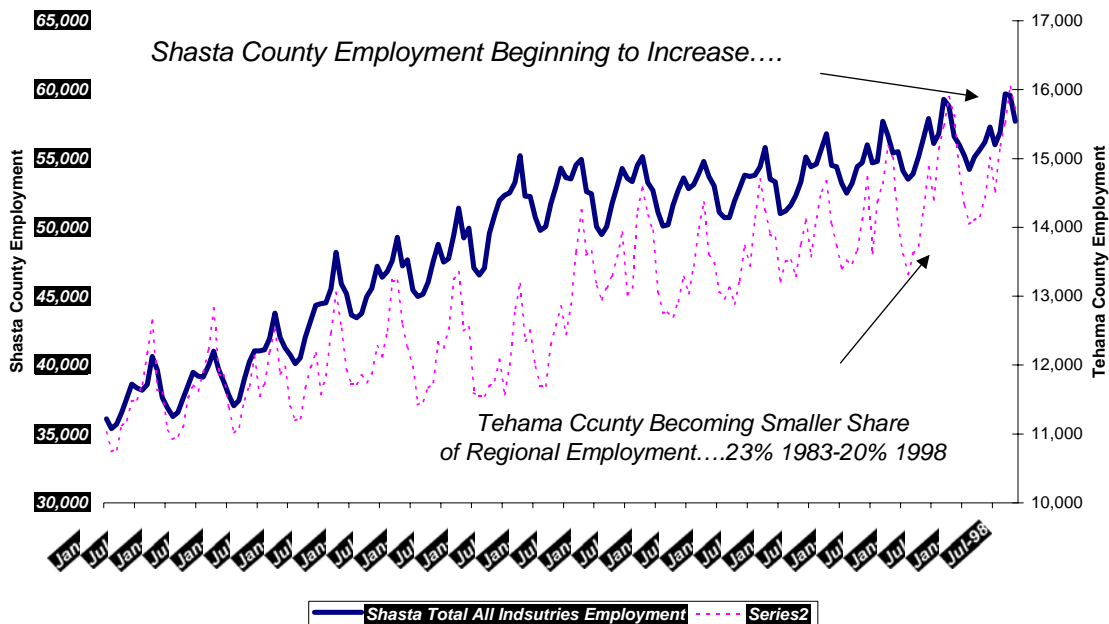
Fifth, any changes that resulted from a slowed California economy were felt well after their initial occurrence. Employment impacts coming from the state can be characterized as lagged impacts.

Finally, the State of California moved into recovery during 1997 through 1998. Given the lagged structure of the Redding MSA, that region will experience recovery later than the state. In one sense, then, growth in the Redding MSA will likely result from spillover or secondary expansions from the greater economic region, the entire State of California.

Figure 3 presents the relative employment conditions of the two counties that form the Redding MSA. Since the City of Anderson is located near the county line and since economic analysis benefits from a regional approach most of the following sectoral analysis will deal with the combined region. But given the relative employment shares between the two counties, the figure shows that 80 percent of the employment impacts and changes occur in Shasta County.

Figure 3

TOTAL ALL INDUSTRY EMPLOYMENT: SHASTA & TEHAMA COUNTIES



Employment changes for both counties appear in Figure 3, with Shasta County employment represented by the solid line and Tehama County appearing as a dotted line. The left scale relates changes in Shasta County while the right scale reports changes in Tehama County. The scales are not the same in an effort to maximize an intuitive understanding of growth changes. From the chart, employment (total all industries employment including agricultural changes) in Shasta County increase approximately 20,000 jobs while employment in Tehama County

increase only 3,000 jobs during the study period. By the end of the period, 1998 the greater share of regional employment existed in Shasta County. Shasta's share of regional employment equaled 77 percent in 1983 and 80 percent by 1998. The City of Redding and the City of Anderson captured most the expansion. This trend is expected to continue.

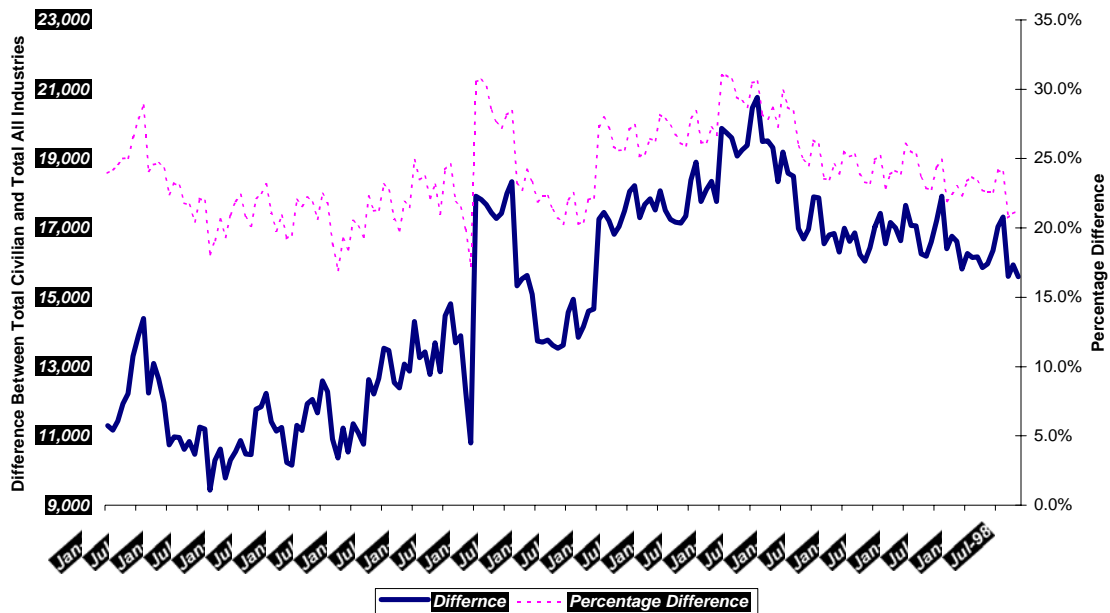
In most regions of the state, a dynamic employment sector includes the self-employed. Many of the states startup companies, information companies and growth producers are categorized in this data set. The method of BLS's data collection explains this phenomenon. Total Civilian employment includes all regional employment, even employment occurring in the smaller business of the state. Methodologically, BLS performs a worker or population survey to estimate Total Civilian employment. The survey tallies a smaller panel of California workers and tends to generate more widely fluctuating estimates.

Oh the other hand, the industry data for all industries, results from a survey of employers, employers that tend to be larger, more well established, and not as often on the forefront of economic development.

Figure 4 shows the relationship between these two differing series of employment information.

Figure 4

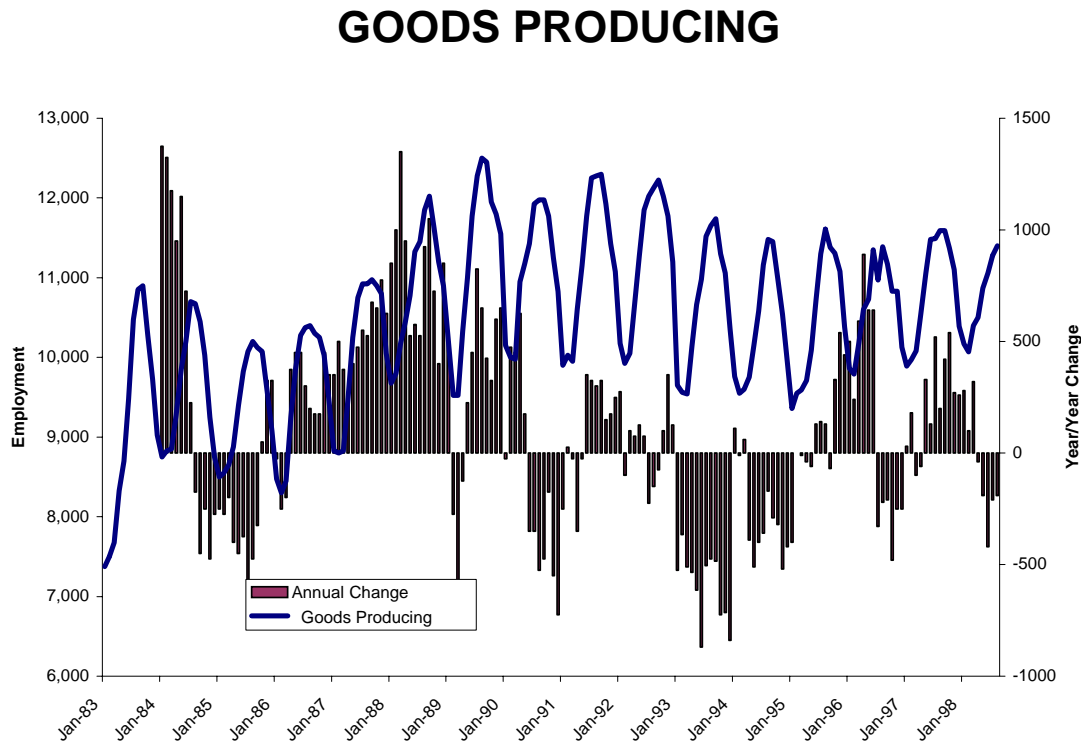
DIFFERENCE TOTAL CIVILIAN EMPLOYMENT & TOTAL EMPLOYMENT ALL INDUSTRIES



The chart demonstrates the response of persons to slowdowns in employment growth. As regional employment slowed more persons undertake enterprises that are self-directed. As economic conditions improve the rate of expansion slows. As a finding, important to the longer term forecasting of employment growth in the region and resulting land demand, the chart shows that 25 percent of the regions workforce exists in these smaller, individual and likely start up businesses. Most larger urban areas of the state report 10 to 15 percent employment in this sub sector. In Redding's case, the relative percentage appears to be twice as large suggesting even greater demands for land inventory and space. Add to that the fact that many of these businesses occur in information technology, at least in the early phase, and an upward expectation can be assumed to many of the forecasts that follow.

The summary data show that Reddings employment base, those jobs that can be considered income attractors, endured slow growth over the study period. Figure 5 presents the BLS category of "Goods Producing" employment. This sector represents a traditional approach to the analysis of a regional economy, especially for economies that generate income from resource based activities.

Figure 5



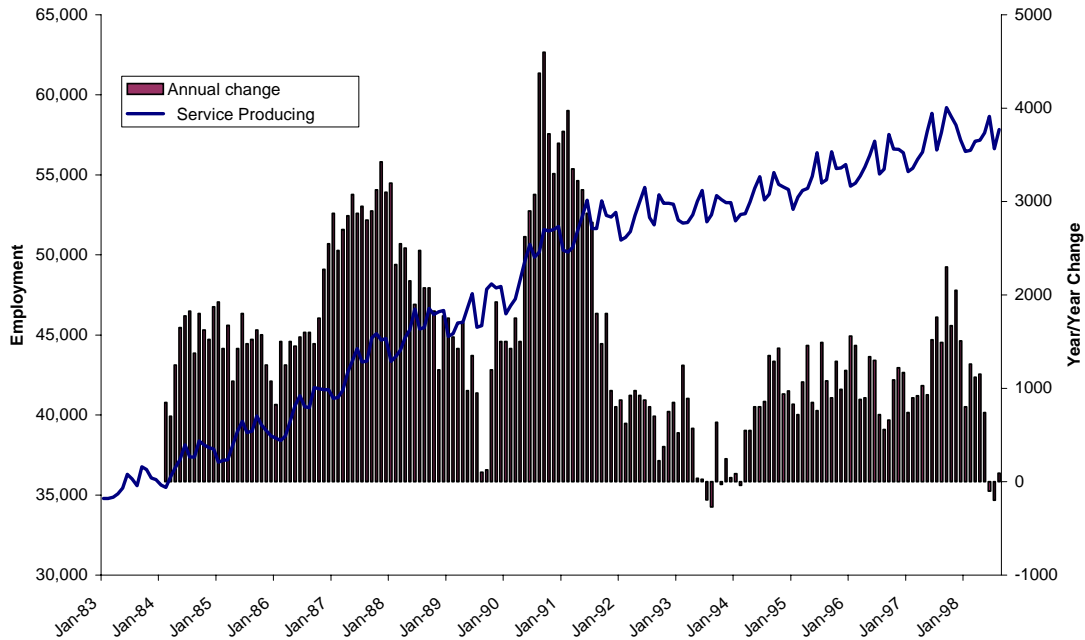
After a 500 job year/year growth expansion in the late 80's, employment growth in goods producing sectors slowed. If not for the seasonal activity within these industries, the year/year growth changes would be minimal. During the past eight years employment levels in this sector have been flat.

A more expansive growth sector is the "Services Producing" sectors. Using BLS segmentation of the regional economy, the services sector includes a broad grouping of enterprises, from retail to finance, insurance and real estate to the actual services sectors of health, business, legal and personal services. The growth pattern for these activities appears in Figure 6.

The Bureau of Labor Statistics, the agency that collects the regional employment data, regularly divides employment into goods producing and service producing sectors. This analytical techniques is useful in rapid comparison of regions and shows in the Redding instance the rate of slowdown that occurred with the shuttering of lumbering activities in the region. Figure 2 presents these findings.

Figure 6

SERVICE PRODUCING



Analysis of growth in the Service-producing sector of the economy shows steady expansions. At no significant period in the 15 years shown on the chart did service producing employment decline in the Redding, MSA. Rates of growth during the 1990-1998 period have slowed to 1000 jobs per year compared to the 2000 jobs per year recorded in the seven years prior to 1990.

SECTORAL ANALYSIS OF REDDING MSA EMPLOYMENT

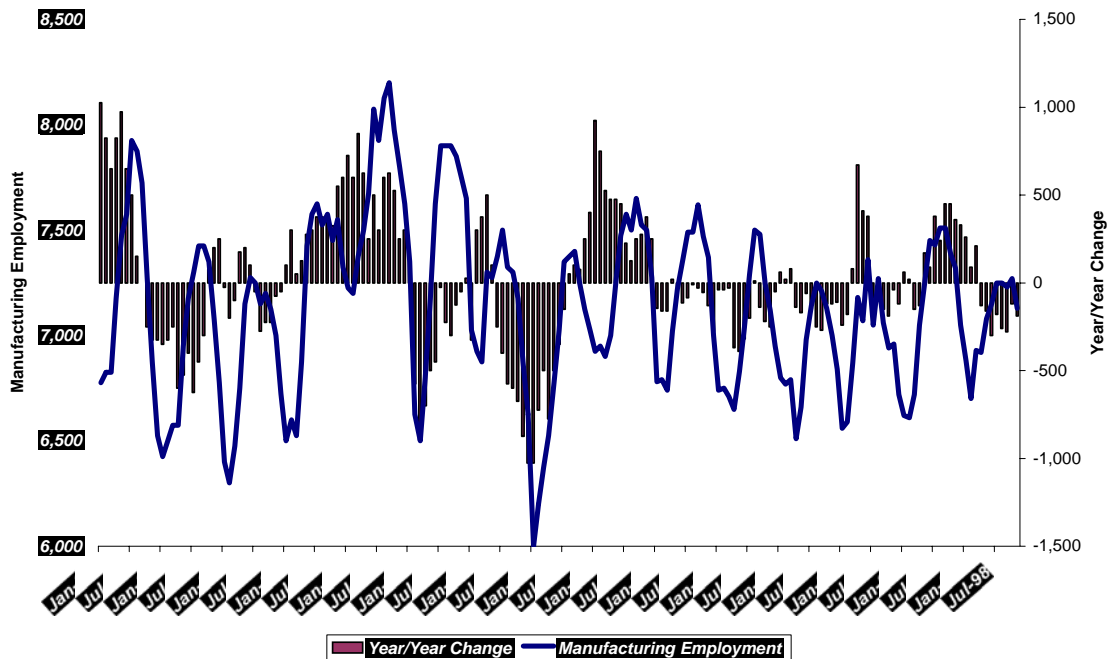
The following section details employment growth by industry sector as opposed to the broader definitions of Goods Producing and Services Producing sectors mentioned above. Review of this information shows that the Redding MSA, much like other urbanized areas of the state is undergoing a structural transition, as the economy moves away from resource based activities towards more services based activity.

An important consideration for the analysis of this information rests on the notion of economic base mentioned before. For an industry to create growth in a region, all that is required is that the subject industry cause income to flow into the region. In that case, the employment will cause growth. Other enterprises within the region will respond to growth. In turn adding employment and creating demands for land and facilities.

Several Redding MSA sectors experienced slowed or flat growth during the study period. Analysis of these sectors appears below.

Figure 7

MANUFACTURING EMPLOYMENT

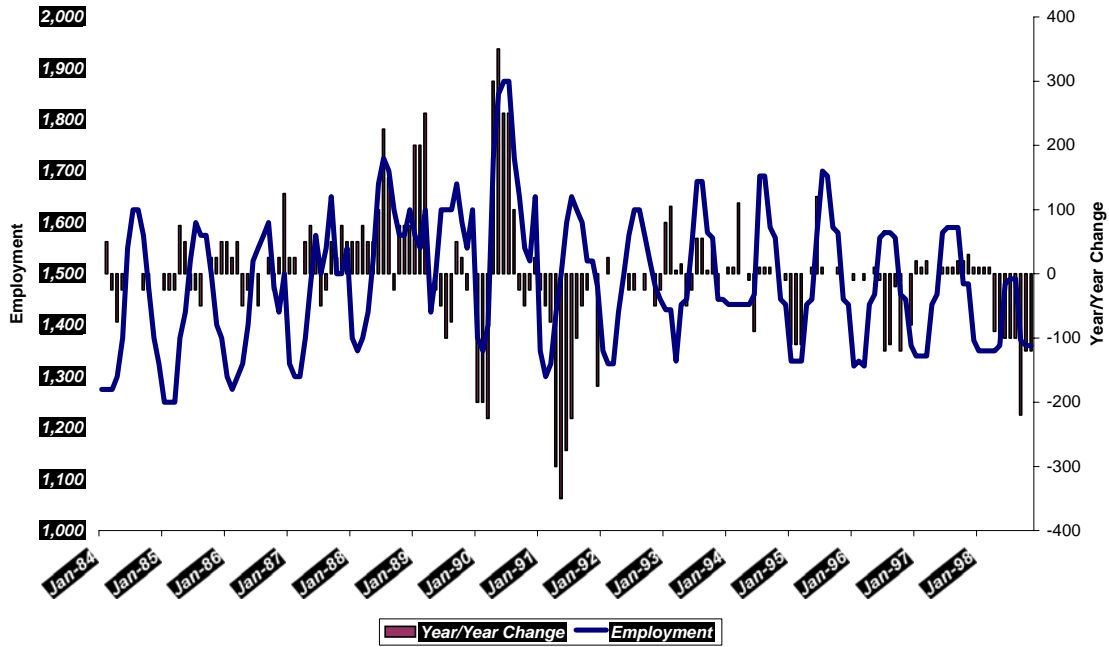


Manufacturing, in the resource based traditional sense, peaked in 1990 and as of this writing has not regained employment levels. It has been an impacted sector. The chart shows the actual and relative decline of this employment sector.

Employment growth in the past three years, however, has stabilized and some job growth occurred during the past year.

Figure 8 reports on Federal employment levels for the region. Federal employment in the region is a low to no growth sector. Given recent cutbacks in Federal employment nation-wide, this trend is not surprising. Over the longer term, job growth in government sectors parallels changes in population change.

FEDERAL GOVERNMENT

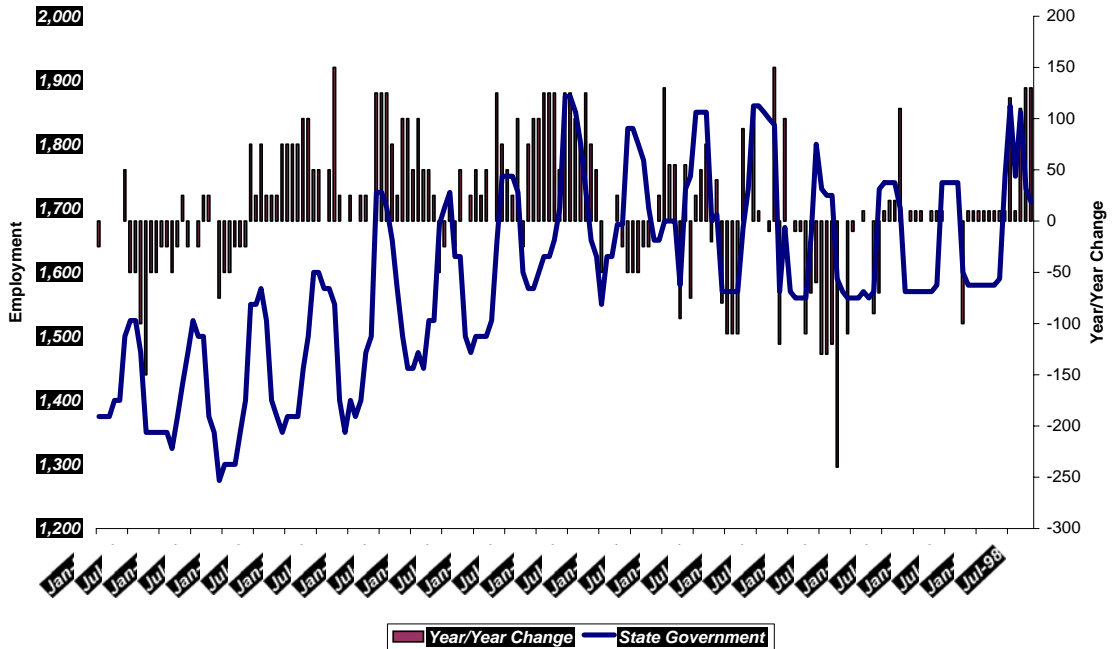


Similarly, Figure 9 analyzes state government employment trends. A differing scenario emerges from this chart.

Figure 9

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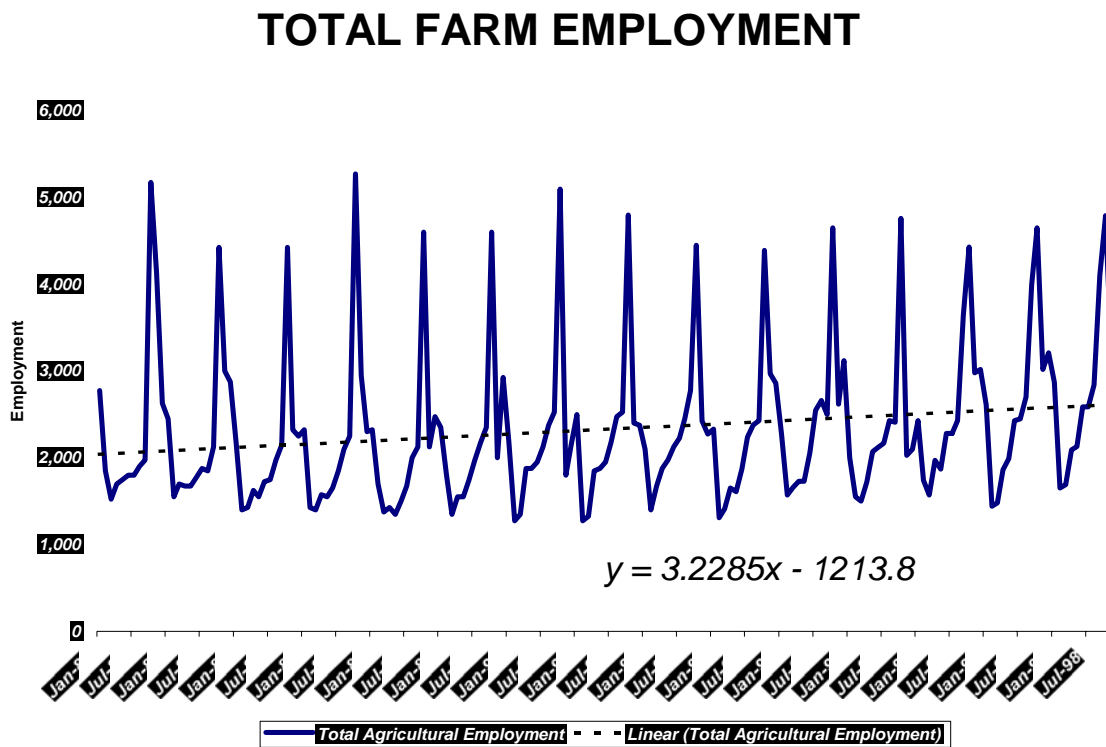
STATE GOVERNMENT EMPLOYMENT



During the 1980's state government regularly added employment to the region, The slowdown in regional state hiring dominated the period after 1990-1997. Recent changes in hiring show that the state, once again represents an expanding sector in the regional economy. Over the longer term this population-driven rate of increase will continue to form an important job producer and space demander for the area.

Total farm employment comprises an important tradition mainstay of the region. Figure 10 indicates that agricultural activities enjoy a positive presence in the region, albeit not a growth sector. The chart indicates a longer-term change of 40 jobs per year. While not a major growth component of the regional economy, agriculture represents a major land user in any economy. The implication for land use planning in Anderson is that agriculture or some form of agricultural services could be considered a potential land user.

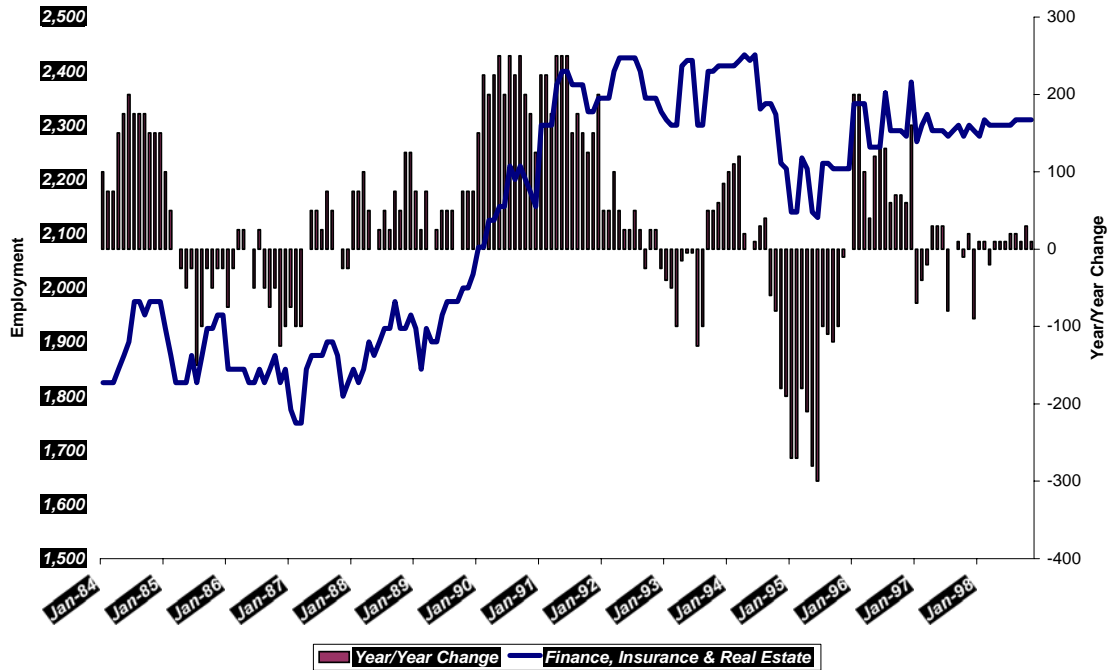
Figure 10



While many of the tradition sectors of employment change show slowed growth, especially during the California recession, other sectors, which focus on population services demonstrated expansion over the study period. One such sector in the Finance, Insurance and Real Estate sector shown in Figure 11.

Figure 11

FINANCE, INSURANCE & REAL ESTATE EMPLOYMENT

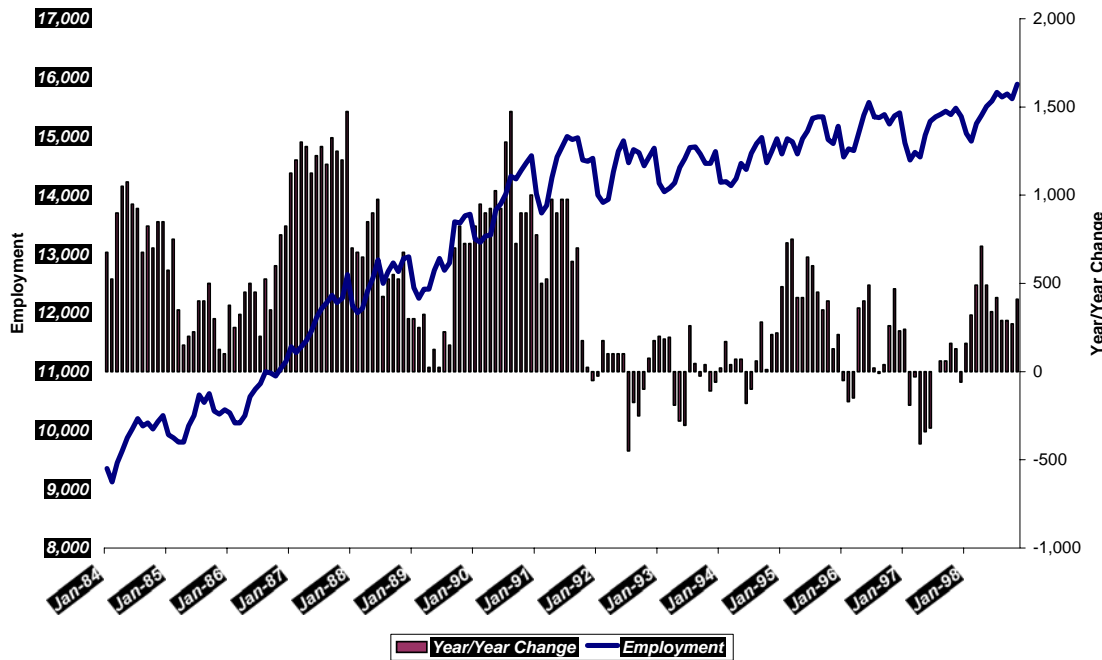


Analysis of developments in the finance, insurance and real estate sectors concludes three distinct periods for the region: stable development during the 1984-1986 period, rapid expansion during the late 80's and a plateau of development during the past 80 years. The past two-year indicates a return to moderate growth in the sector. For the most part, employment in the finance, insurance and real estate sectors can be considered not-basic. In other words, it represents a sector that responds to changes in the regional income producing sectors. Given that earlier discussion showed slowed or negative changes in the manufacturing sectors, the response listed in the chart is expected. Over the longer term, population changes will impact the growth scenarios for this important land and office user.

Retail trade in the region responds to growth in income and population change. Figure 12 chronicles development in this portion of the Redding, MSA regional economy.

Figure 12

RETAIL TRADE EMPLOYMENT

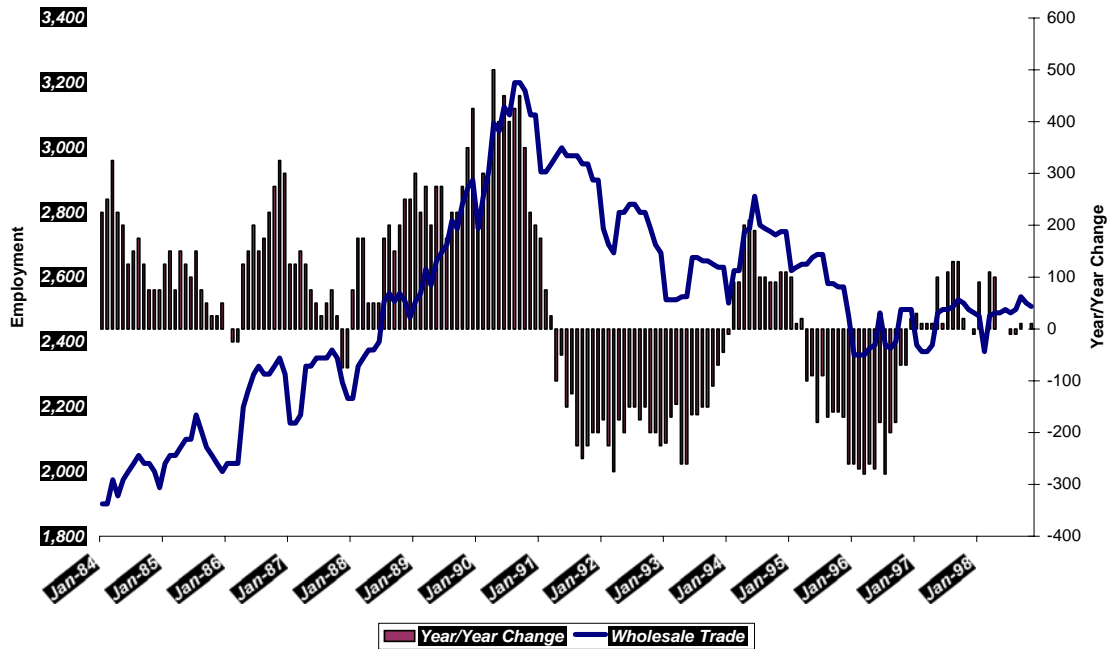


Over the 15-year period employment growth equaled 9,000 jobs, an effective doubling of employment. Closer inspection of the chart shows that a stronger growth period occurred during the past year. Retail trade statewide and nationally is a sector undergoing major structural changes. Changes in computer technology, the importation of product and moves toward centralization of warehouse facilities have slowed this regionally dependent sector. For the longer term retail growth will depend first on regional income growth and changes in the population of those customers location in the North Valley trade area. On a localized level the demand for retail space is a function of store location, trade area income and product mixes. The estimation of land demand in the City of Anderson, from retail uses will be discussed in subsequent sections of the report. For now, the conclusions that the retail sector will be a net land demander is inescapable.

Related to retail trade is whole trade as shown in Figure 13. For the Redding MSA, the employment conclusion is that wholesale trade activities continue to be centralized in more urban transportation nodes.

Figure 13

WHOLESALE TRADE



Wholesale trade employment grew rapidly during 1983-1990, only to fall back considerably as product distributors sought large scale sites further south. Analysis of the chart does indicate a resurgence of wholesale trade employment throughout the region. In terms of land use implications, wholesale trade represents a large user of land and space. Longer term trends for available land near the City will depend upon population growth throughout the Northern Central Valley corridor, and the relative availability of sites in regions to the south.

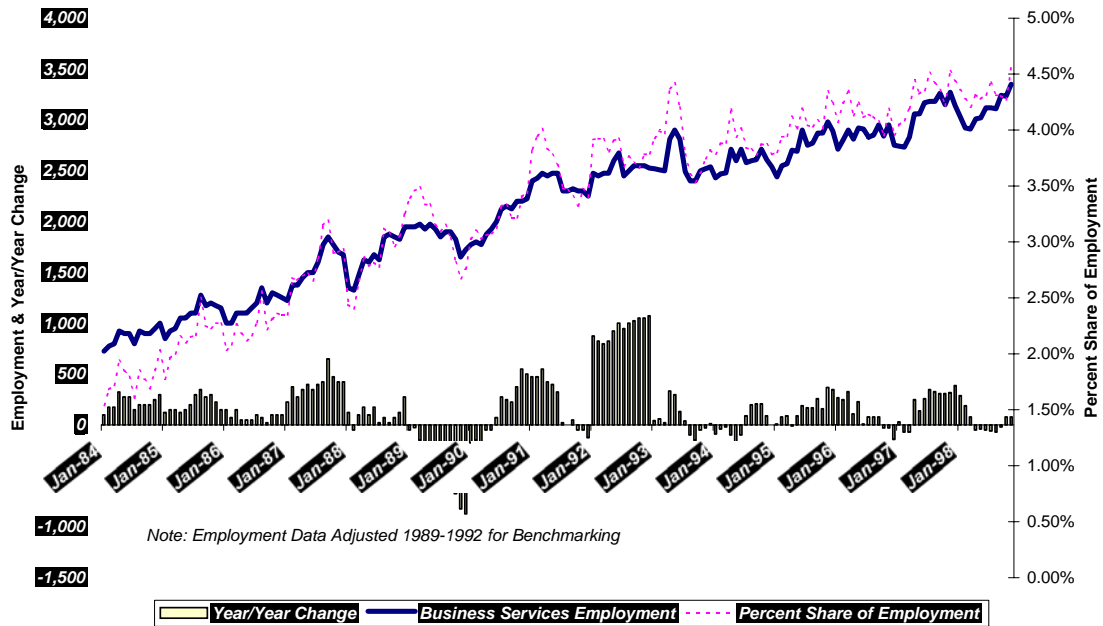
For many regional economies the prime mover in economic development has been growth in the services sector. From an economic development point of view, this sector mixes basic and non-basic elements. Most of the information sector jobs, those with higher pay and greater opportunities, are reported in BLS services sector. Included also in this sector are jobs that not high paying and are not the growth inducers that custodians of regional fortunes would pursue. It is in this sector that the larger and increased demand for facilities and space can be expected. Especially from those enterprises forming the information sectors of the economy. Figure 14 reports on the industrial sector referred to the services sector

An important point to remember is that the Services sector is a component of the more broadly defined "Services Producing" sector mentioned above. The industrial services sector includes activities such as Health Services, Business services, legal services and personal services. In addition, social services are included in the group. Each sub group can have different impacts upon development in a regional economy. To the extent possible, REA will consider each segment of this very important sector of the Redding economy.

Business Services expanded significantly in the Redding economy as shown in Figure 14.

Figure 14

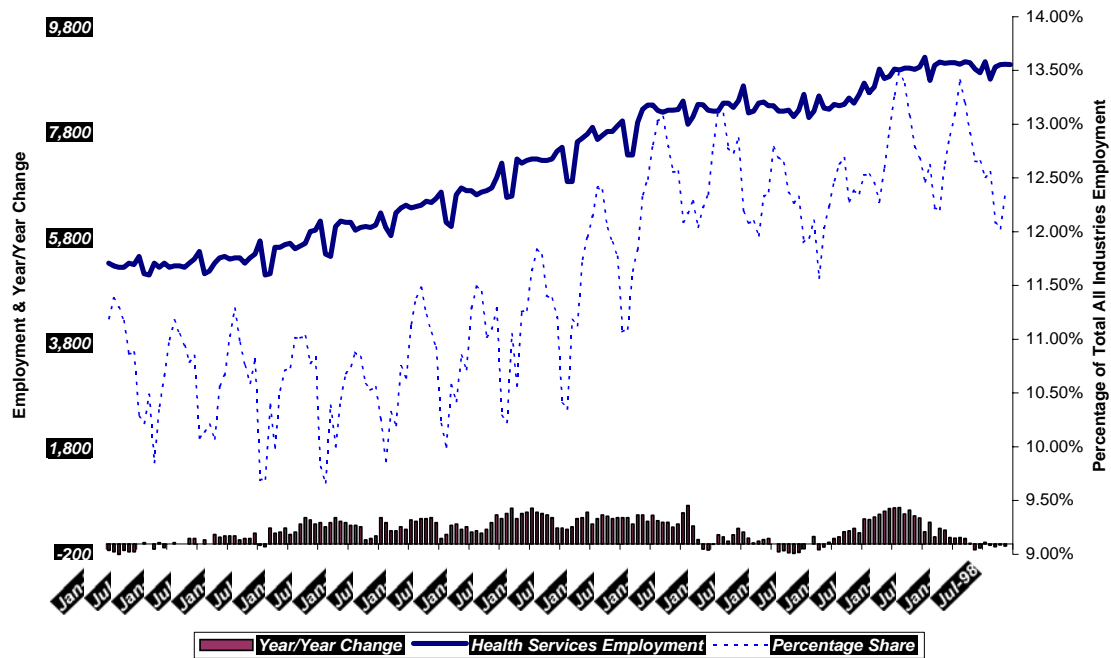
BUSINESS SERVICES EMPLOYMENT



Over the study period employment in Business services expanded from 700 jobs in 1993 to over 3500 in 1998. More importantly the percentage of the area employment in Business Services equaled 1.5 percent in 1983 and rose to 4.5 percent in 1998, as shown in the Figure by the dotted line and the right scale. Over the forecast period, this ratio will increase. Business services include the smaller bookkeeping operations, to the computer repair and technology operations, to specialty consulting to larger scale software producers. As business enterprises these firms tend to be "footloose" in that they are not tied to a resource base.

Figure 15

HEALTH SERVICES EMPLOYMENT



Health services employment represents another expanding sector in the Redding regional economy. After doubling since 1983, employment increases can be expected longer terms. Employment gains in the sector have been positive throughout most of the study period. The dotted line on Figure 15 shows the percent share of employment in this sector—from 10 percent in 1983 to 13 percent in 1998.

The emergence of the Redding area as a regional treatment center, in concert with increased capacity in the Sacramento area, will continue with expected population shifts. Quality of life consideration could increase the region's attractiveness for these employers. Health services employment offers good compensation and can be considered basic to some degree if enterprise serve a customer base beyond the region.

The previous section outlined employment changes in the past 15 years for the Redding MSA. This overview of longer-term trends suggests the following findings with regard to longer-term prediction regional employment.

- First, employment in the Redding area grew faster than employment in the State of California
- Second, the region lags employment changes at the State level.
- Three, The regional economy is shifting away from resource based enterprises to other employment sectors.
- Four, Business Services and Health Services represent emerging sectors in the economy
- Fifth, Other services type employment could be attracted to the region. This could include educational services, information services and tourism services.
- Sixth, Services sector growth remains the strongest performers in regional economic development.
- Seventh, changes in the technology of retail have reduced the area's employment in Wholesale trade while retail trade employment continues to surge.
- Eighth, the region will ultimately benefit from employment growth in Northern California as maturing firms search out sites further and further away from the concentration of economic activity in the Bay Area
- Ninth, most of the change in employment will continue to occur in Shasta County
- Tenth, much of the areas economic development will depend upon population growth

Eleventh, the region offers amenities to information firms searching for reduced labor costs. The area could land an information type enterprise. This occurrence will likely be a singular event and is beyond the range of prediction. Nonetheless, there are good reasons to suggest this is possible.

LONGER TERM FORECASTING OF EMPLOYMENT

The City of Anderson's redevelopment project spans a 45 year commitment to change the nature of the community. By establishing forward thinking land use patterns, community attitudes and approach, and expected economic trends the city could capture its share of regional economic development.

The following section discusses the longer term time horizon with three possible scenarios for economic and employment development. Since the analysis is very long term, simplified trend analysis will be prepared to enable decisionmaker the framework to establish reasonable land use policies and growth parameters.

The longer term forecast relies on two measures of realized growth in the Redding MSA. One period includes that period from 1983-1990 where the region grew at a 2400 jobs per year rate. The other analysis period includes the following years, 1990-1998 when the region was in transitional restructuring period and grew at a 1000 jobs per year rate. The middle scenario suggests that the region grew at a 1700 job rate.

Table 1 presents the findings for the years 2000-2040 of this simplified long term analysis.

Table 1

EMPLOYMENT FORECAST SHASTA-TEHAMA COUNTIES

YEAR	Higher Growth Scenario 1983-1990	Lower Growth Scenario 1991-1998	Middle Scenario Average
2010	101,000	84,000	92,000
2020	125,000	94,000	109,000
2030	149,000	104,000	126,000
2040	173,000	114,000	143,000
Change in Employment			
2010	29,000	12,000	20,000
2020	53,000	22,000	37,000
2030	77,000	32,000	54,000
2040	101,000	42,000	71,000

By the terminal year of the redevelopment project, employment growth in the regional economy could range between 42,000 and 101,000 new jobs. The variation in the range of estimate derives from the growth assumption utilized. Should the regional economy perform at the lower growth rate as experienced during the years 1991-1998 then approximately 42,000 new jobs will be added. Assuming a more aggressive rate, as the rate from 1983-1990 indicates then the economy should produce closer to 101,000 jobs by the terminal year.