

Economic Development Background Information



A separate *Economic Development Strategy Background Report*, prepared by BAE as part of this project, provides detailed information on demographic trends, industry employment analyses, employment projections, and other key local economic indicators. These data are combined in the Background Report with qualitative information from the project Steering Committee as well as from key stakeholders who were interviewed as part of the process. Following below is a Summary of Background Report findings. The reader may reference the *Economic Development Strategy Background*

Report to obtain further documentation and discussion of topics addressed in the summary of background report findings below. For each main heading that follows, there is a corresponding detailed analysis in the full Background Report. The Background Report served as a factual basis upon which to develop economic development strategies that articulate the Town's general role in local economic development activities, as well as specific programs and projects intended to develop the local economic base.

Local Demographic and Economic Trends

Between 2000 and 2008, Truckee's population and household growth outpaced growth in Nevada County and the State. Average household size in Truckee declined to 2.6 persons per household by 2008. Approximately three-quarters of local households own their place of residence, and over half of Truckee households had incomes above 120 percent of the area median family income in 1999. However, homeownership rates for lower-income households were lower compared to Nevada County.

While overall Transient Occupancy Tax (TOT) revenues increased by 2.3 percent between fiscal years 2000-2001 and 2007-2008, estimates for FY 2007-2008 indicate a drop in TOT revenues once adjusted for inflation. In addition, inflation-adjusted taxable sales grew between 2000 and 2007 for certain retail sectors, but declined in others such as Other Retail Stores, Apparel, General Merchandise, and Food Stores. The Truckee Railyard Master Plan Economic Impact Analysis and the Hilltop Commercial Use Economic Analysis identified current retail leakage that could support between 77,000 and 250,000 square feet of additional retail space. The Truckee Railyard Master Plan Economic Impact Analysis also projected additional supportable retail square feet of 327,000,

including the current 77,000 estimate, through 2022. Separately, the Hilltop Commercial Use Economic Analysis projected 544,000 additional supportable retail square feet at full residential buildout of the market area (year not specified). A survey of other mountain towns identified a movie theater, performing arts venue, distillery, a motorcycle dealership, certain types of non-store retail, and specialty boutiques catering to the outdoor lifestyle as potentially supportable in Truckee.

Estimates of non-residential construction completed annually between 2004 and 2007 reveal an overall declining trend in the amount built each year, with potential for further future declines. Existing non-residential square feet combined with non-residential development either under construction or approved represents nearly 80 percent of the non-residential buildout estimate in the 2025 General Plan. In addition, four large mixed-use projects currently under consideration and/or approved would include approximately 650,000 square feet of commercial space, including 90,000 square feet of retail space in the Railyard Master Plan and around 70,000 square feet of commercial space in the Hilltop Master Plan.

Profile of Local Jobs and Labor Force

Location quotient and industry shift-share analyses indicate opportunities in the Professional & Business Services, Leisure & Hospitality, Government, Retail Trade, and Other Services sectors. Additional opportunities exist based on statewide employment growth in the Educational & Health Services as well as the Transportation, Warehousing, and Utilities sectors. Truckee exhibits lower unemployment rates and a rapidly growing labor force relative to the County and State. Year 2000 and 2008 occupational data reveal high concentrations of Truckee residents employed in Sales and Office occupations, Service occupations, and Construction, Extraction, and Maintenance occupations. Although not fully captured in the 2008 employment data, the information on local construction activity as well as anecdotal information shared by participants in the economic development strategy process indicates that the Town's construction sector has shrunk significantly in recent years. Furthermore, most participants felt that because the Town is approaching buildout, and because there is little expectation that the regional economy will return to its pre-recession "boom," construction will play a much more modest role in driving the local economy in the coming years.

Although available data indicate that regional wages are lower than statewide levels, it is difficult to determine if this is also the case in Truckee since local residents tend to be more highly educated as compared to the rest of the County and California as a whole. However, the data does indicate that seasonal employment trends impact Truckee's economy and those seasonal fluctuations in both labor force and employment levels have increased in severity between 2003 and 2007.

The Local Business Climate

Information provided by the Steering Committee and stakeholders, as well as discussions with representatives of local utility providers, indicated ways to improve the local business climate. Perceptions are that the cost of doing business is high in Truckee, and the Steering Committee would like to see exploration of ways to mitigate this situation. Moreover, some stakeholders expressed a desire to see a more regional approach to economic development efforts.

Infrastructure availability does not seem to represent a significant barrier to business expansion and attraction, and the current capacity meets the needs of the Town. The greatest future infrastructure needs are for water, sewer, and roadway circulation improvements. Moreover, beyond the need to expand and improve pedestrian and bicycle infrastructure, the Town should explore expanding local public transit, as well as improving bus and rail service to Truckee from major metropolitan areas.

The Town should capitalize on major assets, such as the proximity to Reno, the nearby international airport, the new Sierra College Truckee Campus, and the local telecommunications infrastructure. Housing to address the needs of various income levels remains a concern, and the Town continues to work on this issue through processes such as the General Plan Housing Element update, including an affordable housing needs assessment, which is currently underway.



There are also opportunities to explore local sources of business financing, and to tap into the knowledge, resources, and networks of professionals who have second homes in Truckee as well as retirees, to help mentor local entrepreneurs on an ongoing basis. Marketing efforts also need to be targeted, focusing on Truckee's authentic small town character, world class outdoor lifestyle, and appeal for high-tech service-providing businesses. In addition, the Town should foster partnerships with local and regional organizations, to help with various marketing and promotional activities.

The seasonal aspect of the local economy is an ongoing challenge for local businesses, not only due to the fluctuations in the level of tourist activity across the different months of the year, but also due to the transient nature of some portions of the local labor force. Studies of other mountain communities with healthy economies have shown that those businesses that can effectively cater to both tourists and locals are consistently most sustainable.

Needs and Opportunities for Local Economic Development

Overall, participants in the economic development strategy process agreed that recreation is the primary base-level economic sector in Truckee and that the Town's key strength in this regard is its natural capital (i.e., amenities offered by the surrounding natural environment). Projections of regional employment by industry and occupation suggest opportunities in Government sector jobs such as occupations in education; food industry and other hospitality occupations; sales industry occupations; healthcare; jobs within the Professional and Business Services sector; and occupations in transportation and utilities that relate to Truckee's unique geographic characteristics. There are also indications that opportunities may exist in a local "green" construction industry, natural resource-related occupations such as fire and fuels management, and opportunities for smaller, high value-added manufacturing operations that are based on local resources. Local efforts at developing "green" and "sustainable" economic activity will likely be supported by State climate change initiatives, such as the greenhouse gas reduction (AB 32 and SB 375), which will likely create new incentives and support for local action in this arena. Truckee's transformation from a "gateway" to Lake Tahoe into a destination in its own right is creating opportunity for the visitor-serving sector to target higher end restaurants, boutique hotels, and upscale retail.

In conjunction with this Economic development strategy, the Town will identify key opportunity sites (infill project sites) to be incorporated into the Redevelopment Agency's Five-Year Implementation Plan update, effective as of January 2010. The Agency will consider partnering for desired infill development, in addition to making investments in streetscape improvement projects in strategic locations within the Redevelopment Project Area to make them more desirable for private sector investment, and to enhance Truckee as a more desirable destination for locals and tourists.

Economic Development Program Impacts Analysis

According to the Economic Development Program Impacts Analysis section of the Economic Development Strategy Background Report, an office development would generate the largest economic impacts compared to retail and hotel projects of similar size, both in terms of jobs and economic output. The number of jobs directly generated by an office development is estimated to be more than double the direct employment associated with the other two development types, as are estimated direct output impacts. Moreover, the office project is estimated to have an economic multiplier effect of 1.4 compared to between 1.2 and 1.3 from the retail and lodging projects. In terms of tax impacts, however, an office project typically only generates property taxes, while a retail project would also create sales tax revenues and a hotel would provide the Town with TOT revenues. The lodging development is estimated to generate a slightly higher amount of property taxes for the Town (just over \$21,000) while both the retail and office projects would generate around \$20,000 in local property tax revenues. A retail project is also estimated to create \$141,000 in local sales tax revenues per year while a lodging project is estimate to generate \$390,000 in

annual TOT revenues.

Mountain Town Case Studies

This section explores case studies of economic development strategies in five other mountain towns: Brattleboro, Vermont; Jackson, Wyoming; Mammoth Lakes, California; Park City, Utah; and Steamboat Springs, Colorado. Additional information can be found in the Case Studies section of the Economic Development Strategy Background Report. Lessons learned from these case studies include:

- Local jurisdictions may have to consider measures to reduce or mitigate “costs of doing business” in order to remain competitive with other areas where businesses do not experience similar costs.
- Business plan competitions can be an effective means to showcase local businesses and identify promising businesses that should be targeted for additional assistance.
- The benefits of a business improvement district can be multiplied by leveraging funds generated from BID assessments with other local, state, federal, or private grant funds.
- Tourism development for shoulder season periods can pay dividends in increased business and tax receipts.
- Housing can be an integral part of the community’s economic development approach, particularly when it is recognized that current employee retirement will increase the overall need to recruit new employees, beyond that needed to satisfy incremental growth of local employment.
- Implementing a non-residential employee housing ordinance that requires worker housing be built in conjunction with commercial projects directly links workforce housing production with new job generation.
- Revenue guarantees can be an effective way of securing commercial air service enhancements and peak season visitation; however, it requires buy-in from major local stakeholders, such as lodges and resorts.
- Revenue guarantees for air service can have limited success when adequate terminal facilities are not available.
- Holistic planning for development is critical to avoid fragmented development that leads to a lack of cohesion and under-realization of the benefits that new development can bring.
- Use facilities and community amenities, including the arts, to attract large-scale events and visitors, and also to improve quality of life for local residents.
- The Sundance Film Festival has been successful because it is both an arts event and a commercial gathering where business of the film industry is conducted, attracting business people as well as tourists.
- Tracking key local economic indicators provides a valuable means to measure the effectiveness of local economic development efforts.
- A sustained marketing effort requires “dedicated” funding sources that cannot be re-allocated. Such efforts can have a meaningful effect on the year round distribution of visitation.
- Business attraction can be focused on tourism as well as other sectors.

- Retired executives represent an untapped source of business expertise and contacts that could be utilized to assist local business people.