

**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;

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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.

4. Housing

- Approved residential projects are nearing build-out;
- Current housing offers limited range, few "affordable" or "top-end" units;
- Limited population constrains retail market;
- The City acknowledges an obligation to produce "affordable" housing;
- The cost to provide municipal services to the residential community exceeds revenue to City.

5. Land Use

- City General Plan calls for a balance of residential, retail, commercial and industrial development in the community;
- Commercial and industrial land is still available as a resource, however, benefits from industrial development are not likely to occur in the immediate future due to current market conditions;
- Commitment to balance development with open space is established by General Plan;
- Residential land in current General Plan is approaching build-out.

6. Other Infrastructure

- Additional sewage treatment capacity is critical for City to develop its retail, commercial and industrial base;
- Activated sludge sewage treatment technology could price land out of the market, alternative technology is under study;
- Cost to provide additional sewage treatment capacity is currently under study;
- Current maintenance level for public facilities is high;
- Roads, facilities, etc. increasingly need maintenance.

7. Sphere of Influence

- Development will require wastewater treatment capacity and additional City and Fire District services;
- New development in Sphere of Influence will not solve financial crisis;
- Tax sharing agreement requires joint planning with County;
- There is a need to control development along City's borders;
- There will be no new access to Highway 4 until freeway is completed.

8. Transportation

- I-80/SR 4 junction provides regional access and is a potential congestion point;
- Improvements to local streets to expand capacity are required;
- Local and regional mitigation fees will likely be required for new development;
- Resolution or continuation of congestion will have high impact on future land use;

- State and regional agencies make transportation decisions that affect Hercules and can impact City's ability to develop retail, commercial and industrial base.

### C. Purpose

This Element provides the policy basis and conceptual framework for pursuing economic development in Hercules. It provides direction for both short-term and long-term economic development activities. The City intends to pursue economic development in order to promote and maintain the unique quality of life in Hercules and to achieve financial self sufficiency.

The Plan is based on the Economic Development Strategy Plan, which found that economic development would be consistent with, and in fact, would support the overall General Plan objectives and policies (as stated in Chapter I of the General Plan). These objectives and policies call for development of a community that provides a balance among residential and non-residential land uses, among private and public services, and among developed areas and open space. This Element incorporates economic development into this context.

### D. Authority

California law authorizes cities and counties to adopt General Plan Elements in addition to the seven required Elements. Section 65303 of the California Government Code states, "The General Plan may include any other Elements or address any other subjects which, in the judgement of the legislative body, relate to the physical development of the county or city." As discussed above, the City Council directed the preparation of this Element to establish city economic development goals and objectives as part of the City's fundamental set of policies.

### E. Consistency with Other General Plan Elements

State law requires that all Elements of a General Plan must be internally consistent. The following paragraphs discuss the relationship and interconnections between this Element and the other Elements of the Hercules General Plan.

#### 1. Land Use Element

The objectives and policies in the Land Use Element are generally consistent with the objectives and policies of this Element, in that they both provide for development of Hercules as a balanced community. Since this Element does not discuss development policies, intensities, or densities for any particular properties or areas, this Element does not present any conflicts with the Land Use Element. An update of the Land Use Element is scheduled for Winter/Spring of 1991; any minor inconsistencies will be resolved as part of that process.

#### 2. Circulation/Scenic Highways Element

The Circulation Element calls for the provision of an adequate system of streets throughout the City, and the provision of public transit. These objectives are consistent with this Element, which calls for provisions of adequate infrastructure (including streets and roads), to serve new non-residential development. Since this Element does not discuss

alignments, design standards or, any specific streets, this Element does not conflict with the Circulation Element. The Circulation Element is scheduled for update in Winter/Spring 1991, and any minor inconsistencies will be resolved as part of that process.

### 3. Housing Element

The Housing Element calls for development of new housing, particularly affordable housing, as part of improving the balance between jobs and housing in the Bay Area. The Housing Element does not create any conflicts with this Element because it states that the City's need for housing through 1995 can be accommodated by development of existing residentially-designated areas, and the City currently has a substantial shortage of jobs (compared to the number of employed residents). These two Elements are also consistent in their goals and policies calling for the provision of new affordable housing in Hercules, since the Housing Element does not call for a conversion of non-residential land to residential use, and this Element acknowledges the need for providing affordable housing in Hercules. The Housing Element also calls for considering mixed use (housing and commercial) in the City; designating such an area would be consistent with this Element.

### 4. Open Space/Conservation Element

The Open Space Element calls for the preservation of public open space in the City, as well as protection of creek environments and the mitigation of geologic hazards. This Element is consistent with these policies because it acknowledges the importance of preserving and enhancing the City's open space system, and identifies the potential for use of Refugio Creek as a buffer area between residential and non-residential development.

### 5. Safety/Seismic Safety Element

The Safety Element calls for the protection of the public health and welfare through the mitigation of seismic, geological, fire, and flood hazards. This Element does not conflict with the goals and policies of the Open Space Element because it acknowledges the need to manage environmental concerns through the development review process, and does not call for developing non-residential areas in a manner that would create any threats to the public health or safety.

### 6. Noise Element

The Noise Element calls for protecting the residents of Hercules from excessive noise levels. It documents current and projected noise levels, and provides a summary table that relates land use to noise exposure criteria. This Element does not create any conflict with the Noise Element because it does not propose locating residential or non-residential development in a manner that would violate the noise criteria.

### 7. Hazardous Waste Element

The City Hazardous Waste Plan was adopted as an Element of the General Plan in October, 1990. It describes the amount and types of hazardous waste currently generated in the City, and recommends a regional approach to minimizing the amount of hazardous waste generated throughout West

Contra Costa County. This Element is consistent with the Hazardous Waste Plan because it calls for attracting industrial and other businesses that would not pose a significant threat to the public welfare, and the waste minimization goals and the Hazardous Waste Plan could help private industry lower production costs by substituting non-hazardous materials for hazardous materials in industrial process.

## II. GOALS AND OBJECTIVES

### A. Community Strengths and Weaknesses

The economic development strategy planning process began with a comprehensive review and analysis of the existing conditions in Hercules and the opportunities, resources, constraints and problems these conditions present to economic development. An accurate and realistic understanding of these "strengths" and "weaknesses" provide the necessary basis for successful economic development. In this context, the community strengths are those attributes which enhance, or contribute to the community's desirability. These characteristics can be utilized to promote economic development opportunities and need to be maintained over time as the basis for successful development. The community weaknesses show where work is needed and to appropriately target economic development efforts.

As identified by the economic development strategy planning process, strengths offered by Hercules for economic development include:

- Resident's high household income relative to other nearby areas.
- The affordable and attractive housing available in Hercules.
- The positive City Council attitude toward economic development.
- The high level of civic pride evidenced by residents.
- Hercules' proximity and ease of access to other Bay Area communities.
- The room available for expansion and abundant natural attributes of the Hercules location.
- The generally high quality of life available in Hercules.

Weaknesses identified through the strategy planning process include:

- Increasing traffic congestion in the City and on major highways.
- Existing limited business development and business diversity.
- Lack of adequate ongoing revenues to support City operations.
- Lack of strong a non-residential community identity.
- Infrastructure beginning to age and need rehabilitation.
- Need for additional child care and other community services.
- Need for education system improvement.

### B. Economic Development Goal

The Economic Development Strategy Planning Task Force began the planning process by identifying the overall goal of balanced development and maintenance of the community's high quality of life. At the outset, the Task Force took the approach of analyzing the existing obstacles to the achievement of these goals. The Task Force developed a problem statement which incorporates the specific community issues constraining balanced development and the community's ability to sustain the high quality of life. These problem statements are:

- Revenue constraints affect the City's ability to meet existing and future needs for service.
- A lack of business affects City revenues, and a lack of business diversity may affect residents' perceptions of the quality of life in Hercules.
- Hercules lacks a strong non-residential community identity and image as perceived by the Bay Area, as well as an internal sense of community.
- The residential sector of the community has reached build-out and has created a large demand for services.
- Regional influences will, to an increasing extent, impact future development in Hercules.
- Environmental constraints must be weighed in the process of responsible, long term economic development.

After thorough analysis of these issues, the Task Force developed the comprehensive goal statement for economic development planning and programs in Hercules:

**Generate increased revenue and business activity while maintaining Hercules' special quality of life.**

### C. Economic Development Objectives

Economic development in Hercules is intended to leverage the community strengths for successful economic development, address the several community weaknesses identified previously, and to achieve several specific objectives. Identification of these objectives and a brief discussion follows.

#### 1. New Retail Business Development

Hercules currently suffers from a lack of diversity and availability of goods and services desired and needed by residents. In the Hercules Household Survey, conducted as part of the economic development strategy planning process, residents expressed a strong desire for the type and variety of shopping opportunities normally available in suburban communities. The high level of household income available in Hercules indicates that residents transact a significant amount of taxable retail sales activity outside the community. This sales tax "leakage" represents a serious problem for Hercules since the post-Proposition 13 tax structure seriously restricts the available property tax revenues to support municipal operations. Most California cities rely heavily upon sales tax revenues for support of regular municipal operations.

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The order of these objectives is taken from the Economic Development Strategy Plan.

Objective:

Reduce sales tax leakage, target specific retail businesses for development, provide on-going support to retail businesses, and provide the goods and services needed by residents.

2. City Revenue and Service Costs

Hercules is currently experiencing a serious revenue shortfall, with on-going revenues available to support City operations and services inadequate to meet the increasing needs for City services and the rising costs of providing services. This shortfall has its origins in the City's current (second) transition. In the 1970's and early to mid-1980's, City operations were funded by plentiful development service fee revenues, interest earnings on windfall refinery sales tax revenues and pre-Proposition 13 property taxes. Due to the rapid residential development, development service fees have provided as much as 40% of the City's total annual financial resources. These revenues have declined substantially and will continue to decline as Hercules approaches and then attains residential build-out.

With the substantial decline in development service revenue in Fiscal Year 1989-90, interest income became the primary source of City revenue. This is not a desirable municipal revenue structure since reliance upon interest income to fund routine, on-going municipal operations, in effect, "freezes" the reserve fund principal in order to earn the necessary interest income. Use of the reserve fund principal would cause rapid escalation of operating deficits.

Concurrent with the decline in operating revenues, Hercules is experiencing increases in the demands for services and the cost of meeting these demands. The population growth and the normal aging of the City's infrastructure have combined to restrict the City's ability to operate on a constrained revenue base. While the population has increased 15-20% annually since 1975, revenues have increased at a rate of only 2-5% annually. New revenue sources are critical to the City's on-going ability to meet the demands for services and to achieve the financial self-sufficiency required to ensure on-going maintenance of the community's high quality of life.

Objective:

Maximize the collection of existing revenue and adopt new on-going revenues, as needed, to continue providing quality City services; and, maintain and promote efficiency in City operations.

3. Human Resource Development

The economic development strategy planning process identified that the Hercules community and the residents themselves offer significant resources to support economic development. The community is well-maintained, aesthetically pleasing, and has a relatively low crime rate. Adequate community facilities are available or under development to serve the residents and a high level of community services and a wide

variety of recreational programs are offered by the City. These facilities and services assist in supporting the sense of community and are necessary to provide a desirable environment for economic development.

Hercules residents are highly educated and supportive of quality education. The demographic profile of Hercules residents suggests that Hercules residents offer a highly skilled labor pool for local business. The Economic Development Strategy Plan identifies that the high standards for community infrastructure, facilities and maintenance, the community life and the resident demographic profile are factors which can be promoted to make the community attractive to business and to attract economic development.

Objective:

Create a positive environment for economic development by maximizing human resource and community attribute potential. This objective includes promoting citizen involvement in the community and the educational system, and continuing to insure provision of adequate health, safety, recreation and social programs in the community.

4. New Industrial Business Development

The original intent for the development of the community as expressed in the General Plan identifies that business development would include a balance mix of commercial, retail and industrial businesses. This intent has not been realized, with business growth in all of these areas lagging behind the City's residential growth. Industrial sector development is important to the community in order to afford economic diversity and to provide jobs and an adequate daytime population in the City.

Achievement of the industrial sector development objective includes the identification of particular industrial businesses desired in the community and active efforts to promote and recruit these businesses. The Plan also identifies the need to develop criteria for management and regulation of industrial businesses to ensure that the businesses are compatible with the residential character of the community and do not expose residents to significant environmental risk.

Objective:

Target specific industrial businesses and actively promote industrial sector development. Clarify City standards for industrial development to insure that environmental quality standards are maintained and the overall quality of life is not degraded, without effectively, putting the City out of the market for new development.

5. Effective Management of Regional Influences Related to Economic Development

The current operating environment for cities is increasingly being impacted by the need to develop cooperative processes and solutions to problems region-wide. The City is no longer in a situation which allows the City to identify and implement solutions to problems such as traffic

flow, solid waste management and air quality on its own. These issues increasingly create impacts throughout the regional area.

In order to be effective, economic development in Hercules must be planned and implemented to provide for management of regional considerations. This includes measures to insure adequate infrastructure for sewage treatment, traffic flow and solid waste management. It also includes participation in the regional operating environment to ensure that the City's needs and interests are adequately represented. In addition, the City will need to effectively manage development in the Sphere of Influence to ensure maintenance of the quality of life in Hercules.

Objective:

Represent and promote local interest in the regional operating environment in order to support economic development.

#### 6. Employment Development

Hercules residents have an extremely high rate of employment and many residents are employed in professional positions. There are currently few jobs available in Hercules businesses, particularly professional type jobs and many residents commute to San Francisco. This adds traffic to the freeway system and degrades residents' quality of life. Increasing the employment opportunities in Hercules will provide local jobs for residents and also increase the day time population in the City to support the City's retail businesses.

Objective:

Encourage local businesses to employ Hercules residents and target businesses for development which can offer jobs for Hercules residents.

#### 7. Effective Economic Utilization of the Redevelopment Agency

The Hercules Redevelopment Agency was formed to complete a series of capital improvement projects designed to establish the infrastructure needed for development. The City's transition to a new stage in its development has created new needs. The community now needs to focus on the attraction of new development opportunities in order to effectively utilize the available land as a resource to attain its economic development goals. State redevelopment law provides redevelopment agencies with significant ability to induce development. The activity of the Redevelopment Agency is an important component of economic development and should be evaluated to insure that the Agency is being used in the most effective manner in order to promote economic development.

Objective:

Use the Redevelopment Agency to promote economic development.

## 8. New Commercial Development

As discussed previously, the General Plan calls for balanced development of the community. The commercial sector has been slow to develop, similar to the other business sectors. Commercial development offers the potential to increase the number of jobs in the community and to provide necessary business services to residents and to support services to other businesses. In addition, the Task Force reviewed the possibility of exploring some innovative concepts in the commercial business sector, building upon specific community needs and the promotion of community strengths. These could include review and evaluation of the potential for development of a sports/recreation center, a waterfront commercial area or leveraging the cultural diversity in Hercules to support a regional training and research facility.

### Objective:

Attract and support new commercial business development to achieve community balance and create jobs.

## 9. Business Retention

Many Hercules businesses have had difficulty in sustaining their operations as a result of several factors. Business turnover has been a factor negatively influencing economic development. As previously discussed, the community currently lacks an adequate day time population to support local businesses. Many businesses need access to support services and programs which are currently not available in the community. In addition, specific design features of community business areas may constrain the visibility and access needed by many businesses.

### Objective:

Retain and support existing businesses through creation of a positive business environment and through programs to strengthen and promote development of existing businesses.

### III. POLICIES AND PROGRAMS

Achieving the goals and objectives outlined in Chapter II will not be easy. Hard work and patience will be required of the City Council, City Commissions, and City staff if the vision embodied in these goals and objectives is to be realized. Achieving these goals and objectives will, however, substantially contribute to the quality of life in Hercules. The following sections describe the policies that will shape the City's efforts to achieve these goals and objectives, and the programs that the City will perform to implement these policies.

#### A. Public Infrastructure Projects

The City of Hercules faces service capacity constraints in two critical public infrastructures: traffic, and sewage treatment. The major findings from the Economic Development Strategy Plan showed that these constraints can seriously impair the City's ability to achieve economic development.

##### 1. Sewage Treatment

Policy Statement - The City of Hercules recognizes the need to provide sewage treatment capacity that is sufficient to treat wastewater from existing and foreseeable development in the City, without causing violations of water quality standards.

Program - Review alternatives for providing new wastewater treatment capacity and develop new capacity (including review of potential for obtaining capacity from adjacent facilities, identification of preferred treatment technology, identification of preferred financing method, environmental review, design and construction).

Schedule - Identify preferred technology and financing: mid-1991.  
Complete Construction: mid-1993.

Responsible Department - City Manager's Office

##### 2. Traffic on Local Streets

Policy - The City of Hercules will continue to monitor traffic improvement needs and will expand the capacity of local streets as required, in order to meet the traffic service standards in the Circulation Element and Growth Management Element (when adopted).

Program - Plan, design, and construct improvements to local streets, with project priority to be determined through the Capital Improvements Program budget process, based on existing and foreseeable congestion.

Schedule - On-going

Responsible Department - Department of Public Works

##### 3. Transportation/Circulation Planning

Policy - Through the Circulation Element, the City will conduct and periodically update computer-based modeling of traffic operations on local streets at full build-out of the community.

Program - Review the 1987 City-wide Traffic Study, and update or replace the study as may be appropriate, in order to provide a reasonable description of local and regional traffic at full build-out of the City.

Schedule - Early-mid 1991

Responsible Department - Departments of Public Works and Planning

## **B. Business Retention and Promotion**

The economic development strategy planning process identified that Hercules business have difficulty sustaining their operations due to several factors. Among these are inadequate visibility and promotion, lack of access to resources and information and a small daytime population available in the community. Several businesses have either left the community or must struggle to make their businesses viable. A legitimate program to promote retention and development of existing businesses by providing resources and services to the business community is an important aspect of a comprehensive economic development program.

Policy Statement: The City of Hercules will develop an on-going business retention and development program to make business assistance resources available to existing businesses in the community and to strengthen the Chamber of Commerce.

Program: Work with the Chamber of Commerce and other community business people to develop an action program to strengthen the Chamber of Commerce and to assist and promote existing business development. The program could include activities to provide direct business assistance resources to individual businesses; to review and revise the City's sign ordinance and signage programs; to develop and make available an information brochure on the community; to review and evaluate the needs of businesses and the conditions which encourage business activity; to expand Chamber of Commerce membership and participation; and to strengthen the Chamber of Commerce organization and member benefits.

Schedule: Mid-1991

Responsible Department: City Manager's Office

Policy Statement: The City of Hercules will continue to provide and encourage the community programs which support a positive business environment and will work toward greater visibility of the community to promote business activities.

Program: Provide community facilities and programs to serve resident needs, enhance the quality of community life, and contribute to an overall positive business environment. Monitor and ensure the availability of necessary community services.

Schedule: On-going

Responsible Department: City Manager's Office

## **C. Target and Attract New Businesses**

Business development in Hercules has lagged behind the rapid residential growth, causing a deficiency in the availability of goods and services needed and desired by residents. The results of the Hercules Household Survey show that Hercules residents are generally supportive of new business development which will make these goods and services available in the community.

Policy Statement: The City of Hercules will identify business types with potential for development in Hercules.

Program: Contract for the completion of a comprehensive market analysis to form the basis for the development of an on-going marketing program.