

Chapter II

Community Growth Strategy and Economic Development

A. Community Growth Strategy

A key concept in this General Plan is the Growth Strategy Diagram, Figure II-1. The Growth Strategy Diagram divides the General Plan into three geographic areas: the Downtown Area, the Baseline Developed Area (BDA), and the Planned Urbanizing Area (PUA). Each of these areas is treated differently, with policies presented throughout this General Plan that are unique to each. The general character and geographic location of the three Growth Strategy Designations depicted on the Growth Strategy Diagram are described below.

Downtown Area

The approximately 710-acre Downtown area is the historic heart of the City, and is a focal point of the Urban Area General Plan as Modesto looks to the future of the City. The zoning standards and regulations that apply to the Downtown will help this high-priority area develop with a mix of Residential, Commercial, Office, and Institutional land uses.

Baseline Developed Area

The BDA, comprising approximately 22,460 acres excluding the Downtown area, is generally defined as the developed area of the City. However, there are certain developed areas within the City limits that are not part of the BDA (e.g. Village One, Tivoli – see PUA, below). Also included within the BDA are vacant lands outside the City limits that have a clearly defined future, such as those within the Beard Tract industrial area.

Planned Urbanizing Area

Future development within the approximately 19,450-acre PUA will occur on land which is predominantly flat, vacant and/or developed with agricultural uses, and minimally, if at all, served with urban infrastructure, including roads.

While the majority of the PUA is outside of the City limits, there are significant portions within the City limits – much of which has already been developed. Village One is the primary example, as this 1,800-acre planning area is more than 90% developed as of this writing. The 450-acre Tivoli specific plan area – also within the City limits – remains undeveloped at the time of this EIR’s Notice of Preparation.

The PUA is expected to absorb substantial urban development in a comprehensively planned manner. For this reason, the land uses projected by the Land Use Diagram in Chapter III will be implemented through “Comprehensive Planning Districts,” as defined and explained in Chapter III.

The goals and policies described below further implement Modesto’s Economic Development Goals, as presented in Chapter I, Section D. These policies are designed to increase economic development opportunities, provide sufficient land supply for such opportunities and provide infrastructure in a timely manner to support economic development opportunities.

B. Growth Policies

GOAL II.A

Urban Area Growth Review. A review of the growth trends in the Modesto Urban Area should be held on a periodic basis to identify urban areas that need upgraded infrastructure or an extension of new infrastructure during the subsequent five (5) years. Focus this review on the following policies:

Policy II.A.1

Land Supply. Maintain a five-year supply of available developable land served with urban infrastructure. Consider both underdeveloped urban and non-urbanized land.

Policy II.A.2

Contiguous Development Tied to Other Goals. Keep urban development as contiguous as possible in order to minimize urbanization of valuable farmland, foster resident convenience, improve air quality, reduce automobile vehicle miles traveled, improve public health and safety, and provide for economy in City services.

Policy II.A.3

Development Follows Annexation. Annex residential growth and development within the Modesto Urban Area General Plan boundary before development occurs.

Policy II.A.4

Direct Growth Inward. Direct urban growth to areas currently served with City services.

GOAL II.B

Development Priorities and Financing. Establish priority areas for new development and identify reasonable and certain financing for capital projects consistent with applicable City policies and standard operating procedures.

Policy II.B.1

Priority Development Areas. Support new development with infrastructure developed in accordance with the established Capital Improvement Program priority areas of Downtown, Kiernan Business Park, the Tivoli Specific Plan area and the South Modesto Industrial Park (north of Whitmore Ave. between Crows Landing Rd. and Morgan Rd.).

Policy II.B.2

Regional Financing. Develop broad-based regional financing options, such as state and federal loans and grants, Joint Powers Agreements and/or inter-agency partnerships for regional-serving capital projects.

Policy II.B.3

Funding Capital Improvements. Increase and improve capital projects over time through maintaining or enhancing existing funding sources, maximizing joint-use efficiencies, and strategically prioritizing capital investments.

GOAL II.C

Public Advisory Elections – Measures A/M

Measure A, passed on March 6, 1979, requires an advisory election be held among the citizens of Modesto prior to extension of any sewer trunk to permit expansion of urban development. The purpose of the advisory election is to allow the public to provide input into decisions concerning whether or not to allow urban expansion.

Measure M, passed on November 4, 1997, requires an advisory election be held among the citizens of Modesto prior to extending sewer improvements to new areas with five or more dwelling units, and does not apply to non-residential areas. Like Measure A, described above, the purpose is to allow the public to provide input into decisions concerning whether or not to allow urban expansion. Areas that have received support for expansion of development through Public Advisory Elections have not all been planned, developed, or annexed, but each area is expected to eventually annex to the City and be developed. The positive or negative result of a public advisory election is not binding upon the City Council, which may choose to either allow or prohibit growth in these areas.

In order to annex to the City of Modesto, properties subject to Measures A and/or M must be in the City's Sphere of Influence, must have been evaluated in an Urban Growth Review report and received authorization from the City Council to be placed on the ballot to satisfy the Measure A and/or M requirement(s), and must then be authorized by City Council to begin the planning process.

Policy II.C.1

Implementation Device Governing Public Advisory Elections, Measures A and M

Before the City Council approves, authorizes, or appropriates funds for sewer improvements to any development project that has a residential component of five units or more, other than projects in areas that have previously been subject to an advisory election, an advisory election shall be held as provided in the City's policy to implement Measures A and M as follows:

- a. Before a Specific Plan application is processed;
- b. In the case of a City-sponsored annexation, before the City submits an annexation application to LAFCo;
- c. In the case of annexations initiated by any party other than the City, before the City notifies LAFCo that sewer service is available to serve the territory proposed to be annexed; and,
- d. Before staff is authorized to process tentative subdivision maps for an area that is outside the City limits.

Measure A applies to: (i) extension of any sewer trunk into a new growth area(s) where a General Plan amendment would be necessary to facilitate the proposed development. Measure A does not apply to: (i) any maintenance, repairs, renovation or improvements to an existing sewer trunk solely for purposes of safe, efficient and effective operation thereof.

Measure M applies to: (i) sewer trunk line extensions and sewer improvements; and, (ii) expansion of all urban development. Measure M does not apply to: (i) five (5) or fewer dwelling

units; (ii) expansion of urban development on a total of five (5) or fewer contiguous gross acres; and, (iii) expansion of urban development consisting solely of non-residential uses.

Policy II.C.2

Sewer Extension Advisory Vote. Approve new residential development in accordance with City Council policy and practice to implement the ballot measure referred to as “Measure M,” which requires an advisory vote by the citizens of Modesto prior to extension of sanitary sewer service, as described in City Council Resolution 98-411.

Policy II.C.3

Unincorporated “Island” Annexations. Annex unincorporated County islands, generally located in the south and west areas of Modesto, into the City limits only after a Public Improvement Agreement (PIA) is established between the City and County. Certain conditions contained within the PIA, such as those regarding funding and construction of infrastructure systems, must be satisfied prior to annexation.

The PIA establishes the infrastructure systems that must be constructed, which typically include water, wastewater, storm drainage, fire hydrants, streets and streetlights. Other infrastructure components may be necessary on an area-by-area basis. The PIA also documents the applicable tax-share agreement between the City and County, and certain other project-specific details.

C. Economic Development

Employers in and around Modesto provide approximately 70 percent of all jobs in Stanislaus County. In 2014, the largest employer in Stanislaus County was E&J Gallo Winery / Gallo Glass, with approximately 3,300 employees. Many food processing companies are located outside of the City limits, within the 2,000-acre Beard Industrial District (Beard), located south of Yosemite Blvd / SR132 and east of the airport. Beard is within Modesto’s Sphere of Influence, and receives water and wastewater service from the City. Aside from securing Modesto’s position as the center of economic activity in Stanislaus County, jobs located in and near Modesto: (1) help stabilize and improve Modesto’s property tax base; (2) contribute to the range of businesses interested in moving to the area; and, (3) indirectly help establish passenger rail service and increase transit service feasibility, thereby improving regional air quality.

Higher education opportunities are vitally important to both existing and prospective employers. Several high-quality colleges and universities are located in and near Modesto. These include Modesto Junior College, California State University, Stanislaus (Turlock), University of California Merced, University of the Pacific (Stockton) and several private / vocational colleges.

Many local and regional cultural amenities are available for Modesto residents. For example, several professional and semi-professional sports venues are located in Modesto and the surrounding region. Among these are the Modesto Nuts (Seattle Mariners Class A affiliate), Stockton Ports (San Francisco Giants Class A minor league team), and Stockton Heat (American Hockey League). Various major-league professional sports teams are located in the greater bay area, including the Giants, Athletics, 49ers, Raiders, Sharks and Warriors. Various seasonal festivals include Modesto’s annual American Graffiti Festival and Car Show, Modesto’s Architecture Festival, Stockton’s Asparagus Festival, Ripon’s Almond Blossom Festival, Riverbank’s Wine and Cheese Festival, and Oakdale’s Professional Rodeo tour stop, in addition to events such as the Modesto on Ice skating rink and state of the art soccer facilities.

Modesto's strengths for economic development include the following. Additional growing sectors include professional services, cultural arts, and information technology.

- **Health care:** Modesto has had large hospitals for many years. However, in recent years, Modesto welcomed the establishment of a new regional Kaiser Hospital and saw the expansion of Memorial Medical Center and Sutter-Gould Hospital. Health care is the fastest-growing industry in Modesto. Several smaller hospitals and outpatient facilities have either expanded or relocated to Modesto recently, such as Health South, Valley Children's Hospital and a full-service memory care facility. Memorial Medical Center is the largest non-manufacturing employer in Modesto, with just over 3,000 employees. Historically underserved, health care services in the region are expected to continue to grow.
- **Agriculture and food processing:** Agriculture is a robust industry in Stanislaus County, generating approximately \$3.9 billion in calendar year 2015. Top commodities produced include almonds, walnuts, cattle and dairy products.
- **Rail service:** Modesto's infrastructure connects local industry interregionally, nationally, and internationally. Modesto & Empire Traction provides significant rail connections between the Beard Industrial District and the Union Pacific Railroad to the west and the Burlington Northern-Santa Fe (BNSF) Railroad to the east and allows for competitive rates. Modesto & Empire Traction trains primarily haul processed food products and packaging. Amtrak provides passenger service to Modesto via the BNSF line. 2016 Amtrak ridership – arrivals and departures – at the Modesto station totaled approximately 116,400.
- **Modesto Junior College:** Founded in 1921, Modesto Junior College is an accredited school with enrollment of nearly 18,000 students and offers 70 associate degrees, 30 of which are related to agriculture. Liberal Arts are another focus area of MJC, which offers strong programs in theater, music, writing and art. It also offers advanced training in a variety of technical and office skills and provides a bridge to four-year universities. MJC also offers a four-year degree program in respiratory care.
- **Modesto Downtown Partnership:** City staff coordinates with the Modesto Downtown Partnership in order to establish a business- and event-driven environment that will bring more customers to the downtown area.
- **Water and wastewater treatment capacity:** Modesto is upgrading its water system to improve pressure and fire flow systemically, as well as to improve and secure potable water supplies and delivery. The City's wastewater treatment plant has been upgraded to tertiary from secondary treatment to meet new federal standards and transmission lines are being upgraded where needed.
- **Low electricity rates:** Modesto Irrigation District's electricity rates are among the lowest in California, a benefit for industrial and commercial customers.
- **Tuolumne River Regional Park:** The Tuolumne River Regional Park Gateway Unit, located along the portion of the Tuolumne River floodplain nearest downtown, is a major asset. The riparian area is currently being restored and boardwalks installed to allow river access for pedestrians. The Gateway Plan, when fully implemented, will include community and event space and an extensive trail system.

- **Historic downtown buildings and inner-ring historic neighborhoods:** Large areas of the city, particularly in and near the Downtown area, are developed with historic buildings, although most have not been identified as historic buildings – including many examples of mid-century modern architecture. Many of these buildings provide alternatives and options for entrepreneurs seeking smaller or unique business locations. Historic buildings and districts also impart a distinctive character to a city, give a city a sense of permanence and elegance, and help tell a city’s story. Prominent examples include the Victorian McHenry Mansion and McHenry Museum, and the restored deco State Theater.
- **Gallo Center for the Performing Arts:** Located in downtown, the Gallo Center hosts national and local music and theatrical events throughout the year, providing a focus for evening activity. The Center also houses resident opera, ballet, theater, and symphony companies.
- **Movie History:** The well-known film “American Graffiti” was written and produced by Modesto native George Lucas. Each year, there are a variety of 1950s-theme car shows, musical events and gatherings held to celebrate the history of the movie – which is based on Modesto’s cruising scene of Lucas’ youth. The classic car culture lives on today with many residents and families investing in their cars. In addition, several murals throughout the City celebrate this culture.
- **Location:** Modesto has locational advantages with respect to: agricultural products’ processing and distribution (approximately 35 road miles from the Port of Stockton and about 80 road miles from the Port of Oakland); access to regional airports including Sacramento, Oakland, San Jose and San Francisco – all international airports; recreation activities (Sierra Nevada and Pacific Ocean only one-to-two hours’ drive); and, proximity to the state capital of Sacramento to the north and San Joaquin Valley regional center of Fresno to the south.

Modesto’s challenges for economic development include:

- **Educational attainment level:** Among people 25 years of age and older, approximately 24 percent do not possess a high school diploma or equivalent. Literacy is a problem and is a critical employment factor for most area employers.
- **Public safety, public amenities, and social issues:** Modesto has experienced an increase in crime during recent years related to tagging, homelessness, and drug-related offenses.
- **Transportation and infrastructure maintenance:** Modesto has a significant backlog of infrastructure maintenance. In general, water and sewer facilities are funded through utility bills. However, maintenance costs for public rights-of-way (roads, sidewalk, trees, parks) are funded through a variety of sources that can vary greatly from year to year. In 2015, Stanislaus County voters approved Measure L, which provides a half-cent sales tax for transportation infrastructure maintenance and improvements.
- **Developable Land:** There is limited land available for development of Tier 1 sites (can be development-ready within 60 days) and Tier 2 sites (development-ready within one year) in Modesto for business park and industrial land uses. Infrastructure financing resources for such development is also challenging.

ECONOMIC DEVELOPMENT GOALS AND POLICIES (SEE ALSO CH. I, SECTION D)

The following policies serve to achieve the Economic Development Goals of the Community Vision outlined in Chapter I. Ultimately, the City needs to prepare an Economic Development Element to the General Plan.

GOAL II.D

Diverse Economic Base. Provide a diverse economic base for the City of Modesto (Goal D1, Ch. I)

Policy II.D.1

Market Modesto's Diverse Economic Opportunities. Target and attract industries and businesses that contribute to diversification and stabilization of the local economy, and that are reflective of Modesto's cultural diversity.

Policy II.D.2

Key Industries and Services. Identify key existing and possible future industries and their critical needs and support services and strategies for attracting those critical needs and services.

Policy II.D.3

Agricultural Production and Distribution. Promote local agricultural production and value-added food products as a base industry by enhancing local food distribution systems and supporting the reuse of agricultural and food wastes. Partner with Modesto Junior College (new state-of-the-art agricultural science program and facilities) to improve technology and increase foreign investment.

Policy II.D.4

Support Expansion and Relocation. Support business expansion and relocation to Modesto, through promoting and marketing the City and region.

Policy II.D.5

Annex the North McHenry Avenue Area. Annex the regional commercial (auto dealerships) area along McHenry Avenue, immediately north of the city limits.

Policy II.D.6

Partnerships for Economic Development. Coordinate with Opportunity Stanislaus, Modesto Chamber of Commerce, Modesto Downtown Partnership, County of Stanislaus and others for the express purpose of improving the local and regional economy. Local / regional institutions of higher education, including Modesto Junior College, CSU Stanislaus, CSU Fresno and UC Merced, also partner with the City regarding various economic development projects and programs.

Policy II.D.7

Develop Supportive Programs. Develop and implement programs to support local businesses and market Modesto to attract firms that offer high-value jobs to create living wage opportunities.

Policy II.D.8

Industrial Development. Encourage the preservation and expansion of existing industrial uses in areas designated as Industrial.

GOAL II.E

Workforce Development. Promote educational excellence and training to ensure a qualified workforce.

Policy II.E.1

Employee Skills Development. Develop, facilitate and support a coalition of agencies and organizations to develop programs that will encourage interest in learning and success, eliminate educational shortcomings, and provide training in needed skills.

Policy II.E.2

Partnerships. Facilitate partnerships with school districts, institutions of higher education and industry to achieve educational excellence and to create programs that promote and support workforce development targeted to the needs of businesses.

Policy II.E.3

Training curriculum. Collaborate with industries and trades regarding curriculum needs that respond to changes in technology and employment trends. Provide labor market information from data sources and industry sectors to local educational institutions and training agencies for adults and youth.

Policy II.E.4

Job Training. Work with job training programs and encourage training for life skills, job readiness and specific target industries.

Policy II.E.5

Employment Readiness Factors. Work to facilitate employment by improving transportation; childcare; job training opportunities; and other employment readiness factors. Coordinate efforts with local, state federal and private agencies / organizations.

GOAL II.F

Jobs-Housing Balance. Maintain a variety of job and housing opportunities to improve Modesto's jobs-housing balance (Goals D1 and D4, Ch. I)

Policy II.F.1

Business Parks. Facilitate the creation and expansion of business parks to achieve a more equitable jobs-housing balance.

Policy II.F.2

Eliminate barriers. Identify and mitigate, where appropriate, obstacles to the formation and expansion of local businesses.

Policy II.F.3

Business Development and Growth. Implement programs to support local businesses, and market Modesto as an ideal location for business development and growth.

Policy II.F.4

Support Commercial. Provide for ancillary commercial development in business parks, such as banks, day care, restaurants to provide for services and amenities for current and future tenants.

Policy II.F.5

Diverse Housing Supply. Pursue a diverse supply of housing types and costs, as well as a diverse supply of jobs with varying income potential, to balance local job and housing opportunities.

Policy II.F.6

Mixed-use Development. Encourage mixed-use projects of retail, commercial and office development with residential opportunities included.

GOAL II.G

Downtown. Establish downtown Modesto as the city and regional center for business, transportation, shopping, recreation, and cultural, and entertainment facilities (Goal D2, Ch. I).

Policy II.G.1

Cultural Vibrancy. Encourage the development of cultural facilities including public spaces, public art and community events.

Policy II.G.2

Mixed-Use Development. Consistent with Downtown zoning, encourage mixed-use development of increased density / intensity, where appropriate, and work with developers to identify other means to support the establishment of such development – such as installation of and improvements to a fiber-optic network for internet access and data / information maintenance, management, and sharing.

Policy II.G.3

Downtown Retail. Develop and implement a Downtown retail recruitment strategy to contribute to the City’s economic health and vitality of Downtown.

Policy II.G.4

Modesto Downtown Partnership. Support the Modesto Downtown Partnership and Downtown Improvement District to address the full range of issues that contribute toward a vibrant downtown, including policing and security, transportation and parking, entertainment and nightlife, marketing, special events, fees, infrastructure needs, regulatory obstacles, new development, and passenger rail station planning. Explore the potential for transit-oriented development projects to be developed.

Policy II.G.5

Non-Municipal Facility Needs. Monitor County, State and Federal jurisdictional facility needs – such as the new courthouse facility along Ninth Street – and work with these agencies to locate their offices in downtown.

GOAL II.H

Infrastructure, Business & Development. Provide opportunities for expansion of existing and establishment of new businesses and new development by ensuring availability of appropriately zoned sites with access to infrastructure (Goals D1, D3 & D6, Ch. I).

Policy II.H.1

Available Land and Buildings. Monitor conditions in regard to Modesto’s supply of land and buildings to support economic growth and identify factors which may be inhibiting their development or redevelopment. Address any identified issues through appropriate zoning, infrastructure planning, and coordination with landowners and developers.

Policy II.H.2

Available Infrastructure. Identify infrastructure needs that would assist the City to attract, expand, and retain businesses. Where a lack of infrastructure is found to be a barrier, develop strategies and plans to provide the needed infrastructure. Critical infrastructure needs for economic development include both wet utilities (e.g. water and sewer) and dry utilities such as fiber optic lines, which should be made available as seamlessly as possible to the business community.

Policy II.H.3

Streets and Highways. Provide enhanced aesthetic treatment for major road projects, such as landscaping, hardscape features, public art and/or signage.

Policy II.H.4

State Route 99. Use the StanCOG State Route 99 Enhancement Plan (adopted July 11, 2017) as the official landscape and architecture guidance document for future projects along State Route 99.

Policy II.H.5

Efficient Delivery. Efficiently coordinate infrastructure systems improvements and access / connections – including a fiber-optic network for enhanced internet access and data usage.

Policy II.H.6

Target Specific Areas for Business Growth. The top priority areas for infrastructure system improvements are Downtown, Kiernan Business Park, the Tivoli specific plan area and the South Modesto Industrial Park (north of Whitmore Ave. between Crows Landing and Morgan).

Policy II.H.7

Revenue to Support Infrastructure. Generate adequate revenue through collection of user fees, grants and low-cost financing to support community development objectives, including the provision and maintenance of infrastructure.

Policy II.H.8

On-Site Capital Improvements. Require new development to construct and/or pay for new on-site capital improvements and any upgrades necessitated by the project. (See also Chapter VII.)

Policy II.H.9

Off-Site Capital Improvements. For new development, ensure that all new off-site capital improvements necessitated by projects are constructed. (See also Chapter VIII.P. Public Facilities Financing Plans.)

Policy II.H.10

Funding Options. Pursue a variety of funding approaches, including grants, impact fees, assessments, financing districts and transportation funds in order to support public services, municipal programs, and capital investments that support City businesses and development.

Policy II.H.11

Business Assistance. Provide technical and/or financial assistance to local businesses in support of business retention / expansion, and to promote the community's economic development growth.

Goal II.I

Fiscal Stability. Manage community growth so that the quality of life is enhanced without imposing significant fiscal burdens on the community. Ensure a fair fee structure that does not deter economic development.

Policy II.I.1

Fiscal Impact Analysis. Consider utilizing a fiscal impact analysis method to evaluate order-of-magnitude revenues from annexations, development activities and expenditures on supporting infrastructure and services to improve the City's financial outlook.

Policy II.I.2

Fiscal Soundness. Ensure that infrastructure construction and maintenance is funded by development that benefits from the infrastructure and services to improve fiscal stability.

Policy II.I.3

Fiscal Implications from Land Use Amendments. Consider fiscal implications of General Plan amendments that propose changes to industrial and commercial designated properties.

Policy II.I.4

Strategic Economic Development. Promote economic development that fosters job availability, economic revitalization and tax revenues.

GOAL II.J

Government Leadership, Organization and Services. Develop and maintain programs and services that address the needs of Modesto's business community.

Policy II.J.1

Organizational Structure. Continue to foster a city organizational structure that values and rewards quality customer service and problem solving, as well as promotes a high standard of excellence and professionalism.

Policy II.J.2

Communication / Collaboration. Continue ongoing communication with the business community at the local, regional, national and international levels to identify economic constraints and opportunities.

Policy II.J.3

Economic Development Incentives. Provide economic development incentives that appropriately leverage resources to support, develop and fund strategic economic development programs.

Goal II.K

Economic Development Element. Prepare an Economic Development Element of the General Plan to improve the economic viability of Modesto through provision of balanced employment and housing opportunities, attraction and retention of businesses and promotion of fiscal strength and stability in the community. Preparation of an Economic Development Element is not required under state law, and California Government Code Section 65303 authorizes cities to adopt additional elements as deemed appropriate. The State's General Plan Guidelines recommend that local agencies include economic

development content in order to promote fiscal stability and economic growth. The Economic Development Element of the General Plan should establish long-term goals and policies for the growth and development of the local economy, and include implementation actions to achieve the vision(s) contained therein. These goals, policies and actions will target community-defined desires for enhanced employment opportunities, improved quality of life and sound fiscal management.