

by Ken Pulskamp

Local Government Mantra: Help Businesses, Shop Local



When the economy began to seriously decline in 2008 and businesses both small and large started to feel the hit to their bottom lines, Santa Clarita, California, already had several programs in place that helped both businesses and the city weather the storm. The city along with a young, close-knit community of business leaders and residents believed there was only one way they would get through an economic downturn without leaving anyone behind, and that was through the old adage: We are all in this together!

Years prior, Santa Clarita began laying the groundwork for successful business retention. While surrounding communities had lost businesses of all sizes and their residents began attending going-out-of-business sales at many retailers, Santa Clarita's elected officials found themselves at one grand opening after another, with two of northern Los Angeles County's largest retail construction projects opening right in their own backyard during the third and fourth quarters of 2008. Was Santa Clarita just lucky?

STARTING WITH SQUARE ONE

For localities that want businesses to stay in place, especially when the economy is struggling, local leaders *must* make it more cost effective for businesses to open their doors in the first place. Starting at square one, Santa Clarita made a commitment to its business community to keep taxes on businesses as low as possible, yet still deliver high-quality services, including streamlined and expedited permit processing.

As a result, the city has consistently ranked among the top 10 least-expensive California cities in which to do business by the *Cost of Doing Business Survey*

(published by the Kosmont Companies and the Rose Institute of State and Local Government at Claremont McKenna College). The survey objectively compares 402 cities nationwide according to the array of taxes and fees cities impose on businesses, including sales, utility, income, property, and business taxes.

The survey gives companies an opportunity to narrow their short list of cities by comparing the hard numbers and helping them make a comprehensive and strategic decision to remain, expand, or relocate.

Further recognition for Santa Clarita's longtime business-friendly practices came in late 2008 when the city was named as the most business-friendly of the 88 cities in Los Angeles County by the Los Angeles Economic Development Commission (LAEDC).

With the California state deficit now at its highest point in history, many communities are struggling to afford the increasing costs of gas, health care, and pension plans. As a result, local governments are turning to hikes in fees to businesses and higher permitting costs to aid in the balancing of their budgets. This could be perceived as an easy answer, but Santa Clarita's leaders decided to forgo increases to local businesses that might otherwise cause them to cease altogether!

The council reaffirmed its commitment to not issue business licenses or assess a business permit fee and to continue providing businesses with its traditional low-cost-to-do-business approach, free of any unnecessary costs or bureaucracy. This strategy led the city to better provide the city and businesses with an ability to attract, expand, and retain.

This spring, the Santa Clarita City Council approved a \$5.1 million 21-Point Business Plan for Progress. This first-ever economic stimulus program is aimed at helping further enhance local business partnerships, encourage quality job creation in the area, bolster retail spending, and attract external dollars to the community.

In May, the council increased the

city's local preference purchasing policy to 10 percent (from 5 percent) to create more opportunities for local businesses to do business with the city, who has also partnered with many local business organizations on a new *Think Santa Clarita Valley* campaign to promote the local economy.

In June, the council approved three items that are part of this program: a grant program for encouraging new building facades in the city's redevelopment area of Newhall; a grant pro-

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gram for encouraging energy efficiency on local businesses; and a grant program to encourage new jobs and investment in city-based businesses. Updates are available at <http://www.santa-clarita.com/recovery/local.asp>.

As a result of these strategies, Santa Clarita assesses fewer taxes than any other city in the county of Los Angeles. The city does not assess a utility user tax, allowing businesses to save up to 7 percent or more on their utility bills. Santa Clarita also does not require a gross receipts tax, allowing businesses to save tens of thousands of dollars on their bottom lines. In these ways, the city is doing everything it can to keep businesses doing what they do best: business!

IMPACTING THE BOTTOM LINE

While the city has control over keeping local government taxes low for business, the taxes assessed by the state remain beyond the city's con-

trol. Realizing this fact, Santa Clarita applied for and successfully secured a state of California enterprise zone designation for city-based businesses in July 2007.

This important state designation allows businesses located in the city to reduce their state income taxes up to 50 percent. Because the amount of taxes that city businesses are obligated to pay is reduced, businesses can invest that money for the benefit of employees or to acquire equipment, helping make the business even more successful. As the word spread through the Santa Clarita business community about the new tax incentive program, calls started flooding city hall.

City-based businesses that have taken advantage of the program have seen an estimated savings of \$8 million collectively in the first year alone. The savings to date have been so great that several local businesses went on record to tout their savings in television commercials and radio spots.

"Thanks to the enterprise zone, I have money in my pocket that I wouldn't have had otherwise," commented local Valencia Acura dealership owner, Don Fleming. The stage was set for the business community and the city to become partners in ways some had never imagined.

TAKING IT TO THE STREETS

As the economy turned sour and more businesses began looking for help from government, Santa Clarita stepped in and began hosting stakeholder meetings for business leaders. The mayor's economic development summit helped create a "meeting of the minds" of leaders from the chamber of commerce, the industrial association, as well as industry professionals. A well-attended luncheon for commercial brokers was held in the fall to target rising vacancies and share resources for attracting new tenants to the city.

As part of the city's strategy, the luncheon was held in an empty office building. By providing local business leaders with a voice, these stake-

holder meetings offered both insight and opportunities for additional ways that the city and the business community could proactively come together in the current economic climate.

During discussions with local business leaders, city management acknowledged the expressed concerns for business safety. The city in response partnered with its sheriff's department and formed a first-of-its-kind program for the Los Angeles County Sheriff's Department with the inception of the Santa Clarita City/Sheriff's Business Alliance. The city now funds a full-time, dedicated sheriff's sergeant to work exclusively with Santa Clarita's business community.

The sergeant responds promptly to needs and educates businesses on how to prevent crime at their sites. The staff member also informs them of crime trends and various crimes occurring near or around their locations. The response from the business community to this new program has been positively overwhelming, with letters of thanks and calls of appreciation regularly about the difference this program has made in safety in the business community.

Despite a 3 percent increase in population annually, Santa Clarita has been ranked by the California Department of Justice as the third-safest city in California and has reported decreasing business crime year after year.

RETAIL ROUNDUP

Santa Clarita's success at retaining local retailers is unique. While communities of equal size and demographics across the nation were losing one big-box national retailer after another in 2008, Santa Clarita's 180,000 residents were enjoying growth and expansion. Santa Clarita ranked among the top 25 retail markets in California and was named the 11th-fastest-growing retail market in California, according to the 2007 California Retail Survey.

Santa Clarita's regional mall, Westfield Valencia Town Center, is under-

going a major expansion and renovation, adding 234,500 square feet of retail space. Despite the national slowdown, Santa Clarita residents enjoyed the grand opening of several national chains and unique franchises during this time.

The city's previous conservative approach in master planning for the community, complemented by the undersaturation of the retail market in the area, created the perfect opportunity for a retail expansion to occur during a time when most communities saw a mass exodus of retail opportunities.

Stores opened their doors to residents who were eager to embrace the new retailers and who lined up for grand-opening sales and ceremonies. The message about the importance of shopping locally, a longtime community initiative for Santa Clarita, rang true in the hearts of residents, while the sales tax leakage to neighboring communities slowed.

The city's online directory of businesses at www.ShopCityofSantaClarita.com showed an increase in traffic from both residential and business users (averaging some 2,000 visitors each month), and the message began to spread: The only way residents of Santa Clarita would get through this

downturn without losing their favorite businesses was by shopping locally!

COMING FULL CIRCLE

There is no doubt that the economic slowdown has impacted communities of all sizes. In our case, the city, along with the business community, banded together on several key programs to create an environment where businesses can succeed even when times are tough.

This has been a mantra in Santa Clarita during the past several years: The decisions made during good times are more important than the decisions made during bad times.

Consistent, conservative budgeting practices and innovative cost-saving solutions for businesses when the economy was booming are allowing Santa Clarita to weather the economic downturn with successful business retention and expansion. The council, the residents, and the business community all came together to prove that no business would be left behind and that we are truly in the tough budget time together. **PM**

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Are You Proud of Your Community Pool?

The December 2009 issue of *PM* will continue the annual special section on swimming pools that are owned and operated by local governments.

If you serve in a community that provides a public pool for its citizens and your community pool has not already been featured in the magazine—or if the pool has been updated since it was featured—and if the pool is distinctive in style, structure, operation, location, cost, or other management aspect, share this information in *PM*.

Send a 250- to 500-word description of why your pool is distinctive to *PM* Editor, ICMA, 777 N. Capitol Street, N.E., Suite 500, Washington, D.C. 20002-4201; e-mail is preferred, bpayne@icma.org. Electronic photo files in high-resolution PDF format are welcome. The deadline for submitting article copy is September 15, 2009.

Business Retention and Expansion in Phoenix

Expansion of a firm in a community does not always equate to bricks and mortar, but it often means an increase in employees, payroll, capital, or improvement of the bottom line. All of these have a positive impact on the business atmosphere in a community. Establishing outreach activities to assist in the growth and promotion of existing companies will boost the business vitality formula.

The direct benefits of a business retention and expansion (BR&E) program include avoiding potentially lost jobs and the detrimental effect of payroll lost from those jobs. Retained businesses may have greater potential for expansion, and employees from retained companies are ideal candidates for start-up businesses in a community.

Business retention also projects a positive, proactive image of the community for future business attraction. Identifying problems and concerns early can determine whether a business succeeds or fails.

A good indicator for identifying a potential relocation or closure is having and updating a business inventory. A database of basic company information should include name of business, contact person, address, phone, e-mail address, as well as the most recent census data and other published information on that business.

Developing a community profile will prove valuable. What are the strengths and weaknesses? What key issues affect businesses, services, regulations, infrastructure, and restrictions? What issues need or may need to be addressed before they develop into insurmountable problems? This information will help identify business clusters that will point to expansion or downsizing.

In greater Phoenix, Arizona, business retention, expansion, and start-ups are critical. From 2003 through 2008, the city of Phoenix Community and Economic Development Department's (CEDD) small-business division used a software tool provided through the Arizona Public Service's Building Bridges to Business program to meet with small- to medium-size firms (from 1 to 250 employees) in the areas of advanced manufacturing, information technology, biosciences, business services, and health care.

The software allows staff to collect data from confidential surveys with individual firms into a secure database. It then aggregates and analyzes the data to achieve three main benefits:

1. Develops and maintains a baseline profile for each industry group.
2. Analyzes survey responses of each company and scores

their value to the community potential for growth, satisfaction level of the community, and risk of that company leaving.

3. Aggregates data across and within the region and cities, uncovers trends within and across industry sectors, and quantifies issues and opportunities to enhance a positive business environment.

CEDD's business development division also manages a corporate outreach program. Staff identify major wealth-generating manufacturers and business service companies in the region and then set up a meeting of managers of each business with the mayor, city manager, or other city management officials. The goal is to maintain relationships with these firms and ensure that they are not tempted to relocate to another city or state.

Why Does a Successful Business Need Community Support?

Locally owned businesses usually have a long-term commitment to their community. They relate to their community's lifestyle, and they have a vested interest in their community's quality of life.

Equally important, existing businesses are major contributors to the community's economy and tax base. Cumulatively, they employ the greatest numbers and, as they grow and expand, they can generate a majority percentage of their community's new jobs. In economic development efforts, existing, successful business owners are precious resources. Their presence as community ambassadors also makes a positive statement in new business recruitment.

Why Should a Community Have a BR&E Program?

The answer to why every community should have such a program is simple: because everyone benefits. When existing businesses thrive, so do their communities. And viable, healthy businesses are apt to remain in communities that demonstrate constant and visible commitment. Supporting existing businesses also demonstrates support of job creation and additional community cash flow.

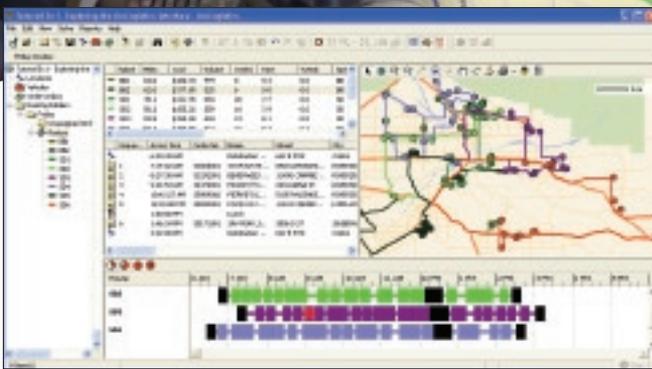
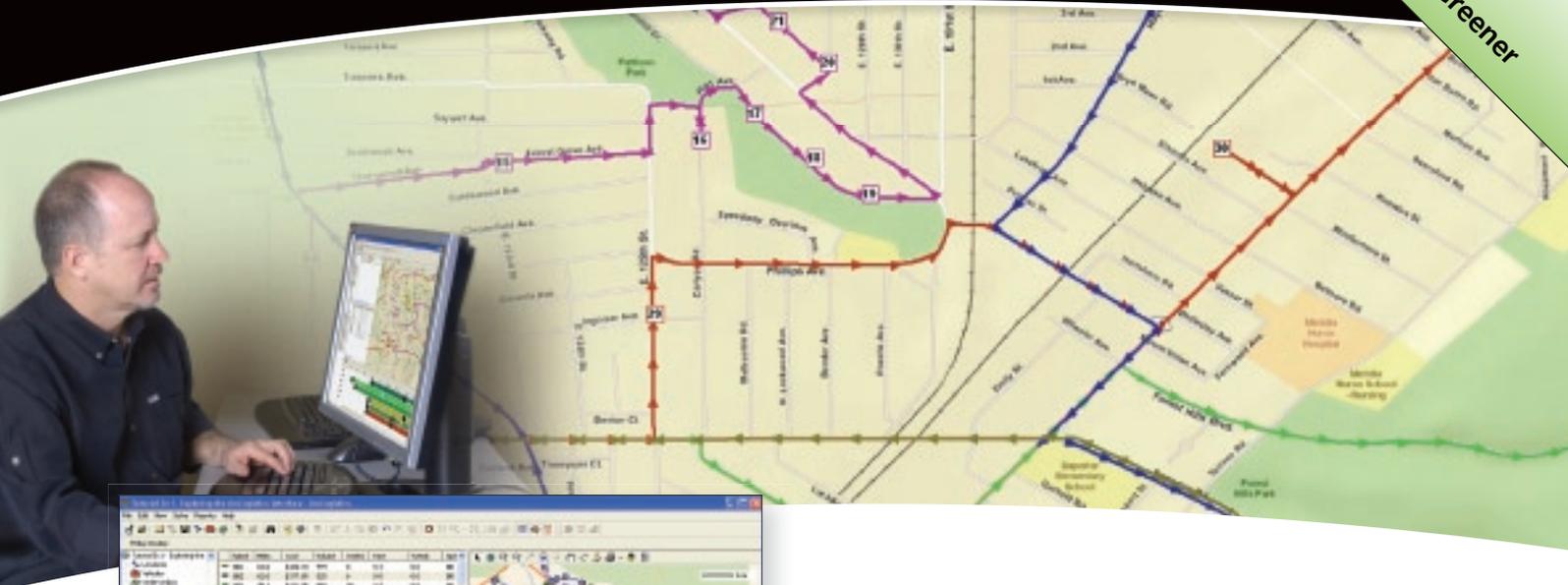
Finally, helping a business help itself simply makes dollars and cents.

—Donald Maxwell

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