

Valley regional economic forecast

Published on 12/01/2014 - 2:07 pm

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Economic developers hope the new “Welcome to Fresno” sign on Highway 99 at the southern edge of town greets new businesses looking to relocate or expand.

While no one's expecting a flurry of activity, a number of new developments have locals leaders counting on steady economic growth throughout Fresno, Kings, Madera and Tulare counties next year.

Fresno County: Rail work, other factors drive optimism

Gabriel Dillard

Local economic development professionals see bright skies ahead for Fresno County in 2015, but the lack of rainclouds could signal continued trouble.

When it comes to the nonfarm economy, most agree the Valley is continuing on a positive trajectory. The unemployment numbers bear that out. In September, Fresno County's jobless rate reached 9.5 percent — the first single-digit unemployment rate in six years.

In fact, an Arizona State University study released last month found that Fresno ranked 15th in job growth so far this year out of nearly 360 US metro areas from January to September.

The trend line remains favorable over a longer span of time. A recent report by research firm Beacon Economics found that between 1990 and March of this year, the South San Joaquin Valley region — including Fresno, Tulare and Kern counties — expanded nonfarm employment by more than 50 percent. That gives the region the 8th largest expansion

among California's 26 metropolitan regions.

Given all of that, Mike Dozier, executive director of Community and Economic Development at Fresno State, is bullish on the job market in 2015.

"We have been growing economically, in high-skilled and low-skilled jobs," Dozier said. "I have no reason to believe that won't continue."

Dozier sees continued growth in the service sector and construction as being significant to Fresno County.

The professional and business services sector added 1,500 jobs in September compared to the same month in 2013, according to the state Employment Development Department.

Fresno County's construction sector also grew by 1,100 jobs in the period, with nearly 82 percent of the increase in specialty trade contractors.

The Valley as a whole is also seeing a resurgence in construction activity. There were 12,106 residential construction permits issued in Fresno, Madera, Kings and Tulare counties so far in 2014 (as of Nov. 15). In the same period last year, there were 8,606 residential permits issued.

On the subject of construction, one major project stands out from the rest in terms size and scope. Work has already begun on the state's high-speed rail project, with significant construction kicking off in late 2014 and wrapping up in 2017.

The rail plan's Construction Package 1 — stretching from Avenue 17 in Madera County to East American Avenue in Fresno — includes 12 grade separations, two viaducts, one tunnel and a major river crossing over the San Joaquin River.

The work is expected to create thousands of construction jobs. The activity will ripple through the economy, said Lee Ann Eager, president and CEO of the Economic Development Corp. serving Fresno County.

For example, Eager said there are about 300 Fresno businesses in the path of the rail line, and most will need to be relocated.

The EDC is helping some of those businesses find new locations, but considering all that goes into helping a business relocate, more help is required, Eager said.

"We are talking engineers, architects, moving companies," Eager said. "When it comes to fruition, I wonder if we will even have enough movers."

For its part, the EDC continues to try and lure new businesses to Fresno County, and Eager said a few big fish are on the hook. Within the next six months, Eager believes three or four companies may choose Fresno as a place to do business, resulting in up to 350 jobs combined.

Manufacturing and biotechnology are two sectors the EDC is targeting for expansion in Fresno, Eager said, given that traditional biotech centers like Silicon Valley and the San Diego region have limited real estate that commands top dollar.

Fresno County's industrial real estate market vacancy rate was 6.6 percent in the third quarter of this year, marking more than a year of consistent improvement, according to a report from broker Newmark Grubb Knight Frank.

As the California High-Speed Rail Authority continues real estate acquisitions for the project, local buyers are becoming more active.

"This trend is expected to continue until the authority's land acquisitions are complete," according to the report.

Eager said there is also more interest from foreign investors from countries including China, Japan and India. Five or six different groups from China, including business owners and elected officials, have visited the Fresno area recently to learn more about opportunities for trade.

The EDC is also planning a reciprocal trip to China in August 2015, and plans to bring local businesses along.

The Central Valley has long been a center of international commerce when it comes to agriculture, but continued drought conditions continue to be of concern, said Ryan Jacobsen, executive director of the Fresno County Farm Bureau.

In 2013, the value of Fresno County agriculture fell 2.2 percent to \$6.4 billion. Jacobsen expects an additional 1 or 2 percent drop for 2014. While various nut crops and tomatoes have been strong commodities of late, environmental restrictions on pumping in the Delta hang like a sword over growers' heads.

"Looking at 2015, the conversation first and foremost will be on water," Jacobsen said. "That will be the limiting factor."

While some people hold out hope for an El Niño weather pattern to bring some rain to the state, even a banner snow year in Northern California wouldn't spell relief for farmers in certain regions given the restrictions on conveyance, said Les Wright, Fresno County ag commissioner.

"Even if average rainfall comes this winter, it is likely that the Westside will be dealing with lowered allotments," Wright said.

There is good news on the processing side, as more capacity is built and companies such as Cargill Meat Solutions expand in the county.

The value-added processing is one area that Fresno County has traditionally missed out on, Jacobsen said.

"That's where you truly get benefit of upstream and downstream activity," he said.

Kings County: Economic growth via the skies

Ben Keller

A number of factors look to prep Kings County for some economic growth in the year ahead.

Perhaps the most anticipated new development follows a recent decision by the U.S. Navy to base a total of 100 F-35C aircraft at Naval Air Station (NAS) Lemoore. The new aircraft, made up of seven Navy Pacific Fleet Squadrons and one Fleet Replacement Squadron, will arrive in phases beginning next year to replace 70 aging F/A-18 Hornets currently on location by 2028.

"The basing of the F-35C fleet is estimated to require 751 new military and contractor personnel for mission support," said Rep. David Valadao (R-Hanford) in a release. "With an estimated \$36.5 million in annual payroll, this will inject much needed economic stimulus into our suffering region."

Already with a workforce exceeding 7,500, NAS Lemoore remains well ahead of other major employers like Avenal State Prison with a staff of more than 1,300.

But while government accounts for some 30 percent of jobs in Kings County, several projects are now moving forward next year that might provide a boost to the weakened construction industry.

Among them are multi-million dollar overpass projects at 19th and 12th avenues, an expansion of the Kings County jail and a new \$124.3 million Kings County Superior Court in Hanford, a \$40 million family birth center at Adventist Health Medical Center and a new student union at West Hills College Lemoore.

“You look at that and that’s half a dozen very significant construction projects that are multi-year,” said John Lehn, CEC of the Kings County Economic Development Corp. “It’s significant from an employment and materials standpoint.”

Lehn said he’s also seeing consistent activity in solar development throughout the county as well as coming additions in retail, including a Tractor Supply Co., Hobby Lobby and a Dollar General store on the way.

The Hanford City Council in August also approved a 59-acre shopping center to be anchored by a Costco at the northwest corner of Highways 198 and 43.

Even more promise was seen in the county’s agricultural sector, where the value of all crops increased 2.4 percent to \$2.267 billion in 2013, according to the latest crop report from the county ag department.

The greatest increases were seen in nut crops such as almonds and pistachios, driven by higher prices and growing demand in Asia.

Milk continued to be the top commodity, its total value rising 11.4 percent to \$769.2 million as demand and drought drive up milk prices.

According to Lehn, there’s been steady growth in milk processing for products like cheese and yogurt that’s likely to continue as milk prices rise.

Meanwhile, food processors and many other niche businesses are also growing to support the farmers in the field, he said.

“Irrigation or fertilizer or chopping or transportation — there’s so many industries,” he said. “The food and ag culture has a pretty significant multiplier effect.”

While farm employment hasn’t changed much in the last year, however, the county has seen impressive job growth overall since the recession ended. Bouncing back from a peak unemployment rate of 18.15 percent in January 2011, the rate dropped from 15 percent to its current 9.8 percent this year alone.

Hanford, in particular, has shown significant strides in employment. Out of 325 cities in the U.S. rated on employment growth by consumer information website NerdWallet, Hanford came in at 50 on the list with an overall growth score of 47.4. Although the city’s employment fell 0.7 percent from 2009 to 2012, income was up 6.2 percent and population grew 8.4 percent.

According to a projection by the state Employment Development Department last year, annual average employment is expected to grow 14.7 percent in Kings County from 2010 to 2020 to 53,900 workers.

Leading the way is the transportation, warehousing and utilities sector rising 37.5 percent, followed by manufacturing at 34.1 percent, leisure and hospitality by 25.9 percent and educational services, health care and social assistance by 22.2 percent.

Although government is only expected to rise 6.7 percent in that time, Lehn said that’s where most in the county are hinging their hopes considering 14,200 of the 44,400 jobs in the county are employed in the sector.

“That’s generally a trailing indicator because government jobs are slow to grow and slow to come back,” said Lehn. “You’re starting to see schools hiring and municipalities hiring. To me, that’s a sign of a recovering economy”

Madera County: Casino question lingers as activity grows

Hannah Esqueda

Despite uncertainty surrounding the closure of the Chukchansi Gold Resort and Casino and the continued drought, local leaders say Madera County has good news on the horizon.

The county expects several major industrial parks to get off the ground within the next year, as well as a few retail and residential developments. The projects will help to expand the county's business appeal and open the doors towards even more economic growth.

"It's going to be like a shot in the arm as far as development for the county," said Bobby Kahn, executive director with the Madera County Economic Development Commission.

Madera-based Span Construction is working with the City of Madera to develop an industrial park near Madera South High School. Kahn said the industrial construction firm has plans to develop nearly 60 acres at the northwest corner of Pecan Avenue and Pine Street and has donated a further 36 acres to the city to develop.

Initial construction on the development is expected to begin in a few months. Once the project is completed, the infrastructure will already be installed so businesses can "plug and play," Kahn said.

This new industrial space is particularly exciting for the county since most of its space is already filled or has been sold off.

"Our vacancy rate fell to under 1 percent recently," Kahn said. "We're in great need of more inventory because when we get proposals, we want to be able to show [businesses] property and have space for them."

A 26-acre industrial development is also being planned for Chowchilla but was temporarily slowed down by several state agencies, Kahn said. The project is once again gaining momentum, however, and the city council is very excited for the end product, he said.

Southeastern Madera County will also soon see more residential space as McCaffrey Homes moves further along with the 1,600-acre, 5,200-unit Tesoro Viejo project. Located at the foot of Little Table Mountain, construction on the development's first phase of 850 homes is set to begin sometime soon.

Ultimately, Tesoro Viejo will consist of seven walkable villages and is expected to be completed in 15 to 20 years.

"There will be three million square feet of non-residential space offering a broad range of jobs and commercial services," said Alfreda Sebasto, a spokesperson for the McCaffrey Group.

Kahn said the county is also seeing a lot of promise for commercial retail space near the Avenue 17 interchange north of Madera. While he would not name the developer, Kahn said the plans were substantial and the deal was currently in escrow.

"We have all the reason to think this will move on to completion," he said. "Once this project is up, you'll see more retail in the area."

Since the closure of the Chukchansi Gold Resort and Casino last month, jobs have become an increasingly important issue for the community, making the added employment opportunities from both the Avenue 17 and Tesoro Viejo projects extremely valuable. The casino was one of the largest employers in Madera County and its continued closure has had a major impact on the county.

"If it stays closed for a prolonged period of time, these families will suffer," he said. "That's the biggest issue that concerns me, is that there are over 1,000 people unemployed."

In addition to lost jobs, the county also faces lost revenue as fewer tourists travel to the casino and stop to visit the area. Rhonda Salisbury, CEO of the Yosemite Sierra Visitor's Bureau, said the group is hoping to see an increase in visitation in 2015 as the area celebrates the 125th anniversary of Yosemite National Park. Fires and the continued drought have had a negative effect on tourism the last few years, and Salisbury said she is hopeful that the event will be big enough to help boost visitor numbers for the community.

All of that however hinges on whether there is enough winter weather this year, she said. Since Bass Lake is the

biggest tourist attraction in Madera County, low water levels will be detrimental to the community.

Madera County Ag Commissioner Stevie McNeill agreed and said area farmers are hoping to see more rain this year. Unlike farmers in other parts of the valley, Madera County growers don't typically have the option to fallow their fields.

"It kind of puts us in a holding pattern," she said. "We have to look to more permanent plantings like almonds."

Almonds were the top crop grown in Madera County in 2013 and McNeill said she expects that to continue through this year and 2015.

"Worldwide the demand is high. No matter what [farmers] come up with they can't seem to meet demand," she said.

Tulare County: Ag dominance matched with industrial vision

Ben Keller

While agriculture remains Tulare County's major industry, manufacturing may be revving up next year as well, if all goes according to plan.

The Tulare County Economic Development Corp. is currently working with around 50 companies, helping them find a suitable location to set up new operations.

According to EDC President and CEO Paul Saldana, at least 70 percent of those are in the manufacturing or processing sectors.

"We've done an analysis recently of imports and exports in the region and we've been able to identify companies that could potentially benefit from a location here," he said. "The types of industries that don't have a presence in our region — they would be companies that would be introduced in the area."

Saldana mentioned one large company in the tail end of its decision-making is Sorma, an Italian-based manufacturer of machines that make labels and packaging materials for products.

Progress is also being made on new buildings to support Tulare County's industrial sector. Diversified Development Group of Fresno, for instance, has planned more than 400,000 square feet of spec buildings in the Visalia Industrial Park, the largest space built in the park since 2011 when VWR was permitted at 500,000 square feet.

Fortunately, Saldana said, such projects are back in demand at a time when the county's industrial vacancy rate creeps under 3 percent, falling from as high as 9 or 10 percent at the height of the recession.

"That was still pretty low compared to the statewide average, but we have a lot of history of being able to move buildings in this county," he said.

Good things are also in line next year for Tulare County's commercial base following several recently approved projects.

In June, the City of Visalia approved a 12-acre development at the southeast corner of Lovers Lane and Noble Avenue anchored by a four-story, 120-room hotel and a 46,600 square-foot strip mall.

Its developer, Visalia-based 4Creeks Inc. was also approved this month for a 25-acre project in

Visalia's business research park calling for a 65-room hotel and 97,200 square feet of office space.

Commercial construction has been slow to pick up in the county, however, with permit values totaling around \$119 million so far this year compared to \$171 million by November 2013.

Residential construction, on the other hand, is continuing strong, with values jumping from \$186 million to \$215 million over the same period.

In Visalia, for instance, there are roughly 5,200 approved lots on its subdivision maps. While relatively few of those are new, City Planner Josh McDonnell said he's now beginning to see a build out of those lots that were approved before the housing market crashed in 2008.

"What we're really seeing is developers buying up existing lots and filling those out," he said. "Construction is going around 400 units a year."

A steady population growth is also driving the demand, said McDonnell, with Visalia's recently approved General Plan Update anticipating 210,000 people by 2030, up from around 130,000 currently.

Fortunately, there is a market to match, as home sales have increased nearly 4 percent in Tulare County in the 12 months.

But perhaps no industry has grown as much as agriculture. Despite drought conditions, Tulare County boasted a record \$7.8 billion crop in 2013, up from 25.7 percent from 2012, according to the county's latest crop report.

Tricia Stever Blattler, executive director of the Tulare County Farm Bureau, said fruits and nuts have spurred much of the increase, particularly almonds and pistachios that are drawing greater interest in overseas markets like Asia.

Also, at a gross value of \$2.08 billion, she said milk continued to be the leading agricultural commodity, despite the loss of many dairies after years of disastrous milk prices.

"Milk prices have definitely stabilized, and have been on the increase the last couple years, which is good news for that industry that experienced hardships in 2008 and 2009," she said. "We are really tied to the price of the dried milk products and butter and cheese."

Making up nearly a quarter of Tulare County's workforce, farm employment increased by some 800 jobs in the last year to make up for past labor shortages.

Other industries on the move include professional and business services increasing by 700 jobs in the last 12 months, according to the state Employment Development Department. That was followed by government adding 600 jobs and trade, transportation and utilities adding 500 jobs and

Leisure and hospitality, one of Tulare County's top industries, was bolstered by increased visitation to Sequoia and Kings Canyon National Parks to the east.

The sector added 300 jobs in the last year. Tulare County lodges, meanwhile, increased revenues nearly 10 percent year-over-year to \$11.17 million in September, according to a monthly report by hotel industry analyst STR.

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