

# Valley business in 2015: Expect more ag problems, but rebounds for retail, real estate

By The Fresno  
Bee

When it comes to forecasting the major business issues facing the central San Joaquin Valley in 2015, the issue at top of the list will be both familiar and a no-brainer: water.

But while water fuels the agricultural industry that remains the backbone supporting the Valley's economy, there will be plenty of other business news to keep an eye on. After staggering for a few years, the region's housing market appears to be back on its feet, and there are new commercial projects in Fresno that developers are bringing off the back burner to fruition. Renewed confidence among merchants, entrepreneurs and restaurateurs will translate to the arrival of new businesses in both the retail and hospitality sectors. And dozens, if not hundreds, of businesses in the Fresno area will be looking for new sites as progress on California's fledgling high-speed rail project advances this year.

The Bee's business staff offers a look ahead at business and agriculture issues that will make headlines in 2015:

## Water woes

Water, or the lack thereof, figures to be as dominant an issue for Valley agriculture in 2015 as it was last year, because the three-year drought that has gripped the region is showing few signs of letting up.

Forecasters for the National Oceanographic and Atmospheric Administration predict in their latest seasonal outlook (through the end of March) that winter rain and snow may improve conditions somewhat across much of California, but not enough to declare an end to the drought.

"Long-term drought conditions are expected to remain beyond March," said Brad Pugh, a forecaster with the NOAA's Climate Prediction Center in Maryland. "Snowfall in the Sierras will be critical to ensure adequate water supplies during the spring and summer."

Ryan Jacobsen, executive director of the Fresno County Farm Bureau, and California Citrus Mutual's Joel Nelsen both anticipate continued frustration at state or federal inaction to address agricultural water supplies and environmental regulations that restrict pumping of water from Northern California through the Sacramento/San Joaquin Delta to the southern part of the state.

"The pessimism we have is that we could see precipitation at or above 100% of average this year and farmers — particularly on the west side of the Valley — will still face the reality of a 0% water allocation," Jacobsen said. "We have a lot of concern, and a true lack of optimism, that the water situation is going to be resolved, and it's not being addressed to the degree it needs to be at the federal level."

Nelsen said environmental regulations and water-supply decisions "will be top of mind" for Valley farmers this year. "Of course, if we don't get any rain and snow, there isn't much of a decision to be made," he added.

— Tim Sheehan

## Agriculture concerns

Farmers across the Valley are keeping a close eye on how the cost of diesel and gasoline to run their equipment will be affected by California's cap-and-trade program, which this year expands to require fuel distributors to either

reduce their emissions or pay the state for credits to make up for the pollution they create.

Agriculture, like most other business sectors, benefited from plunging fuel prices at the end of 2014. “But there is concern about what the impact of (cap-and-trade) will be,” said Jacobsen, the Farm Bureau director.

Jacobsen added that the Valley will continue to see growers transitioning to different crops through this year. “More and more ag operations are moving away from deciduous tree fruit and grapevines, what were traditional stalwarts in the Valley,” he said. “Those are being pulled out for nut crops.”

For growers who have enough water to produce crops, Jacobsen said “things continue to look bright. California agriculture products are still attractive both domestically and worldwide, and there continues to be high demand for our commodities.” But, he cautioned, there is still worry about a stable supply of agricultural labor because of the lack of federal immigration legislation.

California Citrus Mutual’s Nelsen said there are a pair of trade agreements being pushed by the Obama administration “that would benefit most of San Joaquin Valley agriculture.” And for citrus growers up and down the Valley, the fight against the Asian citrus psyllid — an insect that can carry a potentially industry-crippling disease — will continue through 2015, with the citrus industry putting up \$15 million a year for research.

– Tim Sheehan

## Housing

Fresno is one of the top 10 real estate markets nationwide to watch in 2015.

Trulia, a San Francisco company that compiles real estate data, considers Fresno a market with strong housing activity behind only Boston and Dallas.

“It’s very encouraging for us,” said Colleen Wiginton, 2015 president of the Fresno Association of Realtors.

And it’s quite a turnaround from the recession when Fresno continuously made lists for having a high number of foreclosures.

Fresno, Trulia said, is experiencing job growth which fuels demand for housing and a low vacancy rate which spurs construction. Homes are not overvalued and there is a high number of millennials, people ages 18 to 34, living in Fresno, said chief economist Jed Kolko.

All those factors combined with low mortgage interest rates (they’re expected to increase slightly in 2015, but not by much), will create a healthy housing market this year, Wiginton said.

The number of home sales and home prices will moderately increase along with the number of listings and new home starts, she said. “We’re seeing a more balanced market.”

– BoNhia Lee

## Grand openings

This is the year for big and long-awaited development projects to open. First up is Campus Pointe, the decade-old joint project between Fresno State and Fresno development company Kashian Enterprises. It is heralded as the largest mixed-use public and private partnership in the California State University system.

The 45-acre retail and restaurant development, east of the Save Mart Center, has been under construction for a year. In February, the 2,700-seat movie complex, Heritage Theatre, is expected to open. Other retailers including locally-owned restaurants will follow, project officials say.

The Mad Duck, the second location for the Clovis neighborhood grill and taphouse, is in the early stages of construction, said Tracy Kashian, vice president of marketing and public relations for Kashian Enterprises.

Parts of the concrete parking lot have been poured and other areas are scheduled for completion soon, she said.

Then there's the old Fresno 40 project now called Park Crossing along Friant Road at Fresno Street. Developer DeWayne Zinkin and son Harold announced in August that the 20-year-old project will get on its feet with the first retailers to open by mid-year. One of the anchor tenants will be Sportsman's Warehouse, the Utah-based sporting goods outlet.

– BoNhia Lee

## Retail

All those new developments will bring new places to shop. Few names have been released, but expect to see more new-to-Fresno stores opening in 2015, says Steve Rontell, a retail broker with Colliers International.

“As the economy gets a little better, we'll see some new names come to town,” he says.

A few electronics stores that aren't in Fresno yet — he declined to say which ones — and clothing stores will probably open, he says.

One highly anticipated name coming to Fresno this summer is athletic clothing seller lululemon. The seller of \$98 yoga pants will open its first full-size store in Fig Garden Village. Until now, it has only had a mini “showroom” store in Clovis.

– Bethany Clough

## Restaurants

Put your elastic waistband pants on because there is going to be lots of new places to eat in 2015.

As the economy recovers, restaurateurs feel more confident opening new places throughout the area. And the new developments have already signed up lots of new restaurants.

Among the newcomers at Campus Pointe will be Hino Oishi Sushi & Japanese Steakhouse, Pieology Pizzeria, Wahoo's Fish Tacos, Cold Stone Creamery and Brown Bear Hot Dogs.

Restaurants that have signed leases for Fresno 40/Park Crossing are Kebab Time, Figaros Mexican Restaurant and Menchie's Frozen Yogurt. Work will also start on Fresno's first Corner Bakery Cafe — Visalia already has one — in 2015, though the restaurant won't open until the following year.

– Bethany Clough

## High-speed rail relocations

As the California High-Speed Rail Authority picks up the pace of buying the property it needs for its rail route through the central San Joaquin Valley, look for 2015 to be a year of accelerating relocations for businesses that will be displaced.

The rail authority is under the gun to begin construction on the two Valley sections that will be the “backbone” of the statewide route between San Francisco and Los Angeles because it faces federal deadlines of September 2017 for spending more than \$3 billion in federal stimulus and transportation funds to achieve “substantial completion” of construction in the Valley. For its approved Merced-Fresno segment, the agency estimates that between 212 and 226 businesses will be uprooted, including 135 in Fresno between the San Joaquin River and a downtown Fresno station.

In its Fresno-Bakersfield segment, the number of displaced businesses is estimated at more than 350.

Those figures don't include farms that will be affected as well by the rail routes through the Valley.

By the end of 2014, however, the rail authority owned only 100 of the more than 500 total parcels — businesses, farms and homes — that it needs for its first construction contract between Madera and the south end of Fresno.

– Tim Sheehan

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