

Fresno City Council approves sweetened \$12 million tax package for Nordstrom

By John Ellis and Lewis Griswold
jellis@fresnobee.com

The Fresno City Council took a major step Thursday in the city's efforts to win a Nordstrom e-commerce packaging and distribution center, unanimously approving a package of sales-tax incentives the company sought – and then some.

Initially, the [proposal was to offer Nordstrom](#) up to \$10 million through a sales tax sharing agreement. But the council sweetened that pot by tweaking the agreement to give an additional \$2 million to the Seattle-based retailer.

The council action showed how it views the importance of winning the Nordstrom center.

In offering to bump up the sales tax agreement, Council Member Steve Brandau said: "We cannot miss with Nordstrom. This is a very valuable Christmas present to the city of Fresno that we need to work on today."

Brandau's offer was later tweaked by Council Member Lee Brand in a way that would give the additional \$2 million quicker to Nordstrom.

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Council Member Lee Brand

The council vote on the proposal was 7-0.

"This is truly a major major benefit to the city of Fresno," Brand said.

But it is also far from a done deal, said Larry Westerlund, the city's economic development director.

Nordstrom has narrowed its choices to two central San Joaquin Valley cities – Fresno and Visalia. The retailer has identified 55 acres of land in the North Pointe Business Park in southwest Fresno where it would build a \$110 million, 1 million-square-foot building. In Visalia, the targeted property is in the Visalia Industrial Park, close to the interchange of highways 99 and 198.

And Visalia is equally determined to win the facility – and very much in contention, Visalia Council Member Warren Gubler said.

"I understand Fresno would love to have that, but you know, Visalia is very competitive," he said.

Rebating sales tax would normally not be approved in Visalia, but "this is the exception," Gubler said. "Something like this would be a boon. You have to look at the long term. When they're kicking the tires, between Visalia and Fresno, it's time we say what we're willing to do."

Visalia Council Member Greg Collins said he was surprised that Fresno went public about the project.

"Now that the cat's out of the bag, we each have to make our decision," he said "Thinking out loud, if we say we'll



match Fresno, will they say, can you do better?"

The matter could be on the Visalia council agenda for the regular meeting Monday, but the agenda isn't final and no decision has been made, Visalia spokeswoman Allison Lambert said Thursday.

Westerlund said both cities have advantages, and one of Visalia's is land cost. In Visalia, it is \$10.5 million. In Fresno, it is \$12.5 million. The council's action to add \$2 million to the sales tax-sharing agreement was an effort to level that playing field. As it stands now, the land would be \$2 million more expensive in Fresno, but the financial incentive now offered by the city would offset that.

Nordstrom says its project could bring 1,000 jobs – and possibly more – to the region. The positions would have a starting salary of at least \$12.52 per hour.

The first phase is what Nordstrom calls its "West Coast E-Commerce Fulfillment Center." Workers would take online orders, fill them and then ship them. Beyond the 1,000 full-time jobs, there would be an additional 200 to 450 seasonal jobs, as well as construction jobs getting the site ready.

Down the road, a possible second development phase would create a distribution center that would supply brick-and-mortar Nordstrom stores. That would come with a similar sales tax-sharing agreement that would return up to \$8.75 million to the company. The distribution center would create an additional 875 jobs for the winning city, making the total employment potential 1,875 jobs.

It is for that reason that every Fresno City Council member stressed the importance of the city doing its best to win the Nordstrom facility.

Visalia and Fresno are being pitted against each other and that's normal in the hurly-burly world of site selection, said John Lehn, president and CEO of the Kings County Economic Development Corp., which is not involved the deal.

What's new is that site selectors and businesses are ratcheting up the concessions they want, he said.

"The Tesla project drove that with the type of deal they were able to get there," he said, referring to the Tesla battery plant that ended up in Nevada. "This is the new normal."

For city councils, approving concessions raises difficult questions about how much is too much to give, he said.

There are costs to cities when businesses and if development fees are waived or otherwise averted, the city still has to cover the costs somehow, he said.

But the positives can outweigh the negatives, he said.

"Communities are absolutely and rightly interested in attracting a high-wage jobs and company with a well-known name," he said.

Both sales tax-sharing agreements would be based on jobs created. The agreement wouldn't kick in until Nordstrom reaches 700 full-time employees (or the equivalent based on part-time jobs).

Nordstrom "conservatively projects" retail sales of \$100 million in the first year at the Fresno site and expects e-commerce sales to continue to grow each year by 10 percent, Fresno officials say. Last year, Nordstrom reported \$2.4 billion in Internet sales from its four existing distribution sites.

Locally, the battle is Fresno against Visalia, but Westerlund, Fresno's economic development director, said there is also a third option in play for Nordstrom – locating out of state. As much as Westerlund said Fresno wants to land the Nordstrom center, he said the worst-case scenario would be Nordstrom bypassing both cities.

"We certainly don't want that," Westerlund said.

