

13 ECONOMIC DEVELOPMENT ELEMENT

The Economic Development Element reflects the community's desire to maintain a balanced mix of economic activity for residents and visitors alike and to encourage the development of particular economic sectors in Calistoga. The Economic Development Element contains goals, objectives, policies and actions to encourage the development of the kinds of business and commercial activities deemed to be suitable for Calistoga's quality of life and economic viability, while also preserving Calistoga's rural, small-town character.

A. Background Information

Like much of the Napa Valley, the City of Calistoga and its Planning Area are a popular tourist destination. Although it has only one winery and limited vineyards, Calistoga is home to numerous restaurants, hotels, spas, and other hospitality-related businesses. Yet Calistoga is distinct from the other cities in the Napa Valley due to its access to geothermal resources. The unique hot springs, geysers and other geothermal features shape the economic landscape of Calistoga. At the same time, Calistoga, with its up-valley location, away from the better known Napa wine-producing areas, is somewhat removed from the center of the winery-based Napa Valley tourist trade. Instead, Calistoga attracts visitors who seek its unique qualities and relaxed character.

Calistoga has also traditionally enjoyed a fairly large trade area due to its location at the far northern end of the Napa Valley, away from the draw area of the larger city of Napa. The City serves as a commerce and service center for its own residents, as well as certain southern Lake County and northern Napa County communities.

Recent Trends in Economic Growth

Calistoga's economic expansion in recent decades has been more restrained than that of the wider Napa Valley. Although the Planning Area

Calistoga's up-valley location and unique geothermal resources have created a distinct economic environment and local character that sets it apart from other Napa Valley communities.

has a share of Napa Valley's wine industry, and a number of Calistoga residents are employed directly and indirectly in it, few wineries are located within the city limits. Calistoga's recent economic development has not been focused on its industrial sector, and as a result the City has not experienced the same industrial boom that has characterized much of the down-valley region around the city of Napa. This is due in large part to Calistoga's location in the uppermost part of the Valley, away from major population centers and far from direct access to freeways.

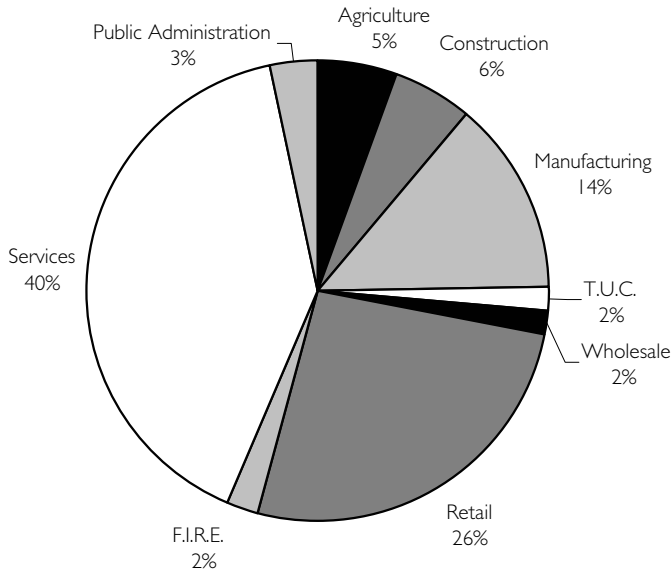
Over the last decade, development limitations tied to infrastructure constraints and Calistoga's northern Napa Valley location have resulted in slower economic growth than that seen in other Napa County communities. Importantly, it is this same trend that has helped Calistoga to preserve its rural, small-town character and quality of life.

Calistoga's recent limited growth is reflected in both population and employment growth figures. While the population of Napa County increased by approximately 15 percent between 1990 and 2000, Calistoga posted the smallest population growth of any of the Napa County cities, adding only 486 new residents during the decade. This slower growth reflected the limitations on development approvals tied to water and wastewater treatment capacity constraints, although is also attributable to Calistoga's more remote location. During the 1990s, Calistoga's employment growth rate of 14.6 percent was approximately 7 percent less than that of Napa County as a whole. Most employment growth in the County was concentrated in the Airport Industrial Park, which is in the south part of the County, nearer to transportation and population centers.

While Calistoga's limited growth in recent years might be interpreted negatively when considered purely in terms of economic development, it is important to note that it is this same trend that has allowed the City to preserve its small-town, rural community character and quality of life, and to avoid the commercialization and corresponding loss of rural character seen in some other Napa Valley communities.

Employment Overview

A breakdown of employment in Calistoga is shown in Figure ED-1. Because of its general reliance on the tourist industry, the economy of Calis-



Source: Dun & Bradstreet Market Identifiers database, 2000

Note: Total Employment = 2,824 jobs

FIGURE ED-1 **TOTAL EMPLOYMENT, 2000**

toga is heavily dominated by the service and retail sectors, which together comprise about two-thirds of the City's total employment. Within the service sector, employment is heavily concentrated in educational services (the Calistoga Joint Unified School District) and lodging and hospitality services (the various spas, resorts and hotels). Although the public school system is the largest single service-sector employer, the various businesses comprising Calistoga's lodging and hospitality services industry together make up almost 40 percent of total service-sector employment.

Calistoga's local economy is dominated by the retail and service sectors, which together comprise 66% of the city's total employment.

Eating and drinking establishments generally dominate employment in the retail sector, which constitutes 26 percent of employment in Calistoga. The manufacturing sector, with 14 percent of total City employment, is primarily composed of firms specializing in the production of water. The leading manufacturing employers are Great Spring Waters of America, bottlers of Calistoga Mineral Water, and Crystal Geysers.

Most jobs in Calistoga require few formal skills, because the City's services sector is very focused on the lodging and hospitality services. The majority of employment in lodging and hospitality services consists of occupations that do not require vocational training or a college education, but instead call for skills gained through work experience and varying levels of on-the-job training. Predominant occupations within the lodging and hospitality services industry group include housekeeping and janitorial staff; waiters, waitresses, and food preparation workers; counter attendants; and landscaping, grounds keeping, and maintenance workers.

Currently there is a reasonable supply of year-round, low-skilled workers for relatively well-paid manufacturing and warehousing work, such as that offered by Calistoga Mineral Water and wineries. New hires for this type of work tend to be young and Hispanic, and many of them have previous experience in the Valley's wine industry. A majority commute from within 15 to 20 miles away, although some drive from Lake County, Santa Rosa, Vallejo and other parts of Solano County. For lower-paying service industry work such as kitchen staff and housekeeping, the labor supply is a bit more limited. Lake County and St. Helena provide many of the employees for such occupations.

There is a shortage of workers to fill the lowest-paid and lowest-skill jobs in the city. Many of these positions are filled by workers who commute to Calistoga from other parts of Napa County, and Lake County.

Frequently cited obstacles to filling lower-skill jobs in the City include the language barriers and low literacy rates common among many of the region's migrant Hispanic residents. Lack of public transportation is also a problem, since many of the low-skill jobs in Calistoga are filled by workers commuting into the City from nearby areas. According to the Napa

County Transportation Planning Area (NCPTA), Calistoga employees account for the largest number of commuters on its Napa-Calistoga bus line, indicating a strong need for this service. A more extensive public transportation network with more frequent connections to Calistoga from the larger population centers down-valley, especially during the off-peak hours, would provide increased opportunity for workers to commute to Calistoga for work. This Economic Development Element contains goals, objectives, policies and actions to address this issue.

The fact that many low-skill jobs are filled by workers commuting from elsewhere indicates that most Calistoga residents are already employed, or do not have skills matching those required by local employers because they are either under- or over-qualified. This mismatch in job requirements and residents' skills is also reflected in the lack of high-skilled and high-paid employment in Calistoga. As shown in Figure ED-1, relatively few jobs in the community are in skilled sectors such as finance, insurance and real estate (FIRE) or public administration. An increase in more skilled jobs would serve existing residents, who either desire higher paid jobs or need to commute to existing jobs in other communities. A focus of this Economic Development Element is the creation of higher-paid jobs in the community.

Calistoga offers limited employment opportunities in higher-skilled professional and technical occupations.

Commercial Real Estate Market

The majority of businesses seeking commercial space in Calistoga are either high-end retailers or lodging businesses seeking to expand into the Calistoga market. High-end retailers generally seek small- to medium-sized spaces, offering 1,200 to 2,000 square feet. Lodging businesses generally seek large undeveloped parcels of several acres in natural or aesthetically-pleasing surroundings.

Calistoga's supply of such commercial spaces and parcels does not match demand. The mismatch between supply and demand for retail and lodging space has been heightened by a lack of new commercial development

in recent years. This unmet demand has been the greatest in Calistoga's downtown.

There is a strong demand for small office and commercial space in the city, which is not matched by supply. The resulting high lease rates for commercial space has caused smaller, local-serving businesses to be priced out of Calistoga's commercial center.

The shortage of commercial/retail space in Calistoga carries a number of implications for the town. First, it has contributed to high lease rates in the City. This has resulted in the pricing-out of many local-serving businesses and their replacement with more tourist-oriented, upscale establishments. Second, it has meant there is relatively little underutilized prime commercial real estate in the City. This Economic Development Element includes policies and actions to address these concerns.

Given the interest in preserving Calistoga's small town character, in particular by maintaining Lincoln Avenue as the pre-eminent commercial district of Calistoga, it would not be appropriate to promote creation of a business park elsewhere in the City. Generally, business parks are characterized by large, single-story buildings of little architectural character. Moreover, business parks tend to devote a large amount of land to parking lots which are visible from the street. This pattern of development would not perpetuate Calistoga's current community character. On the other hand, the addition of smaller scale commercial buildings closer to the central core, on streets such as Lincoln Avenue beyond Grant Street or on Lower Washington Street, could expand the downtown while retaining its character.

While the downtown is intended to be the focus of commercial activity in Calistoga, some opportunities exist for new or expanded commercial development outside of the downtown. One such site is the Maxfield/Adams property on Silverado Trail; Planned Development guidelines for this area are included in the Land Use Element. The improvement of existing commercial buildings in the cluster of commercial development located at Petrified Forest Road and Highway 128 could enhance this area while respecting the character of surrounding rural and low-density residential uses.

Fiscal and Financial Conditions

Calistoga, like virtually every other city in California, funds most of its public services through its General Fund. A breakdown of General Fund revenue sources is shown in Figure ED-2.

Constituting almost half of all General Fund revenues, the transient occupancy tax (TOT), which derives exclusively from the taxation of temporary overnight lodgings, is the single largest source of revenues available for discretionary spending by the administration of Calistoga.

Other General Fund revenues come from property tax. The City collects relatively low amounts of property tax, which can be attributed to two factors:

- ◆ An older housing stock combined with a low resale rate, which keeps assessed values locked at a level significantly less than current market value.
- ◆ Large vacant and agricultural parcels with minimal improvements that have been transferred intergenerationally from owner to owner. This also has the effect of locking property values below their current market value.

City Procurement of Services

Like any organization, the City of Calistoga procures large numbers of services and products. To a certain extent it can represent the concerns of residents as consumers when it purchases products and makes other decisions that can stimulate or ignore the economy. Whenever the City does anything, for example, operate a community center, write the specifications to construct a building, or choose a vehicle to purchase, it is making a deliberate or unwitting decision to behave in a way that can have an im-

Purchasing decisions made by the City can be directed towards promotion of positive economic and social outcomes for the local community.

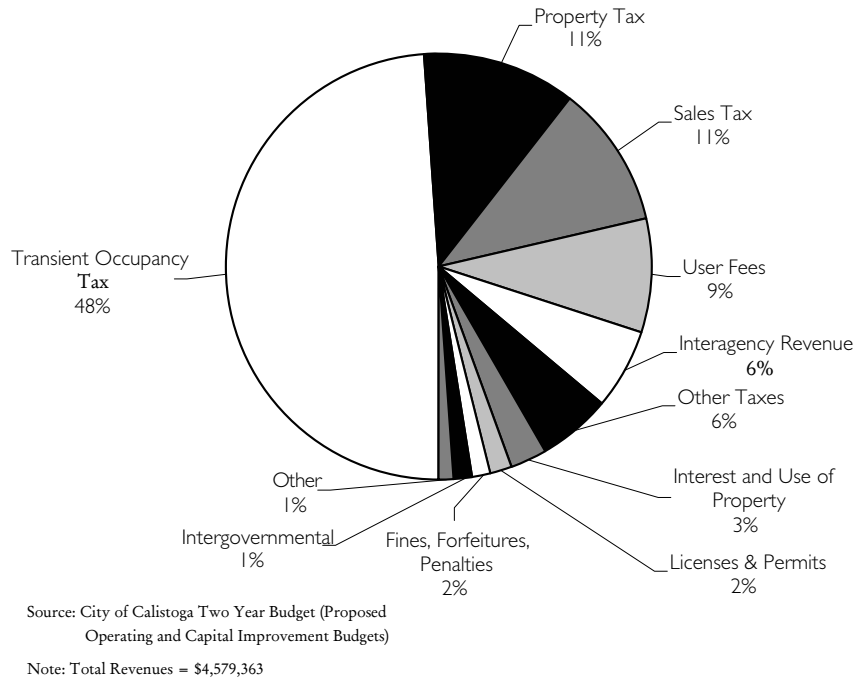


FIGURE ED-2 **CALISTOGA GENERAL FUND REVENUES, FY '99-'00**

pact on the area's economic, environmental and community strength. As a corporate entity, the City of Calistoga's purchasing decisions have a direct impact on the local economy, and as such, should be made with the goal of supporting, to the extent possible, positive economic, environmental and social outcomes for the local community.

Opportunities for Economic Expansion

Given the issues, opportunities and constraints described above, Calistoga can focus on five specific areas that offer the potential for economic expansion in keeping with the City's existing character:

- ◆ Strategies for economic development should focus on the City's strengths, including its small-town character and lifestyle, its compact pedestrian scale, and the affordable housing stock relative to other Napa County communities. Such strategies should recognize these assets while at the same time embrace opportunities for diversification.
- ◆ Where growth occurs in spas, lodging and hospitality services, focus on areas where the existing market has not captured customers. As noted above, lodging supplies roughly half of the City's General Fund revenues through TOT taxes and also provides much of the City's current employment base. Although existing lodging facilities can be maintained to serve the existing clientele, new visitor accommodations should focus on a higher-end customer base. New, wellness-based services are a further area of opportunity for business expansion in Calistoga. Each of these uses will offer even more revenues and some higher paying jobs without competing directly with the existing spa and visitor-serving market, the qualities of which are an important component of local community character.
- ◆ Increased involvement in the wine industry. This can include vineyards and wineries, as well as corollary businesses such as cooperages, printers and distributors. Although the southern Napa Valley has locational advantages for these industries due to its proximity to the Bay Area's major population centers and transportation infrastructure, the continuing expansion of the wine industry may lead to opportunities in the north part of the Napa Valley as well.
- ◆ Development of knowledge-based "new economy" businesses such as software and internet development and other information technol-

ogy-based enterprises. Such businesses, particularly those with only a few workers, can work within existing and potential spaces that can be offered in downtown Calistoga.

- ◆ Freeing up the highly-visible street-level commercial spaces along Lincoln Avenue for small retailers, which would create a solid identity for Calistoga's downtown while also maximizing the amount of space dedicated to commercial activities around the downtown core. By creating more of a critical mass of diverse businesses – both retail and non-retail – in the downtown along Lincoln Avenue, this strategy could bring more foot traffic onto Lincoln Avenue and increase its desirability as a place to congregate, socialize, and spend money.

B. Key Findings

1. Given Calistoga's unique character, the City needs tailored economic development strategies that will help to ensure that new economic development fits within and maintains "small-town" character.
2. Land use and economic development policies must treat Calistoga's spa and visitor accommodation industry as a critical asset, while at the same time look for opportunities to diversify the economy.
3. Because of the City's relatively remote location, the options for bringing new non-visitor-serving economic activities to Calistoga are comparatively limited. Where there is very little market interest in conventional industrial development in Calistoga, demand for small-office space is strong, and may reflect the potential for development of knowledge and information-based businesses in the City that seek such facilities.

4. Any economic diversification strategy for Calistoga must be based on the City's strengths, which include:
 - ◆ A compact pedestrian scale.
 - ◆ An affordable housing stock relative to other locations in Napa County.
 - ◆ The existing small-town lifestyle.
5. Calistoga has a relatively large number of low-skill, low wage jobs filled by people living outside the City, and a lack of higher-paying, higher-skilled jobs.
6. Calistoga has a limited supply of existing retail space and sites for lodging relative to very high demand.
7. The City's existing visitor accommodations occupy a market niche as family-oriented businesses with an emphasis on moderately-priced rest and relaxation. They serve the needs of an important portion of the potential clientele, and should be retained. Additional visitor accommodations, with or without spas, serving more upscale clientele could also be developed.
8. The burgeoning Napa Valley wine industry offers opportunities for economic expansion in Calistoga, both in vineyards and wineries and in related secondary industries.
9. "New economy" businesses based on science and technology may have the potential to locate in Calistoga, both because they tend to be less influenced by locational constraints such as distance to markets, and because they often have fewer employees and specialized space requirements, so can be accommodated within existing and potential space available in Calistoga.

10. Opportunities also exist for development and expansion of innovative businesses focusing on health and wellness.
11. The underutilized sites in the downtown offer several good opportunities to intensify development without necessarily changing the area's overall character or scale. New office business can take advantage of the small-scale downtown by locating in existing office mixed-use buildings.
12. Opportunities for expanding and maintaining a local serving economic presence, in areas such as professional services, medical offices, and non-visitor oriented retail exist at the edge of the downtown, and as second story uses along Lincoln Avenue.
13. As a corporate entity and public citizen, the City of Calistoga can directly affect the local economy, through its regulatory and purchasing powers.

C. Goals, Objectives, Policies and Actions

<p>Goal ED-1 Foster a diversified economy that will provide the City with adequate tax revenue and residents with entrepreneurial opportunities and a broad range of occupations.</p>
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Objective ED-1.1 Support the lodging industry, which currently generates a large percentage of employment and one-half of the City's General Fund revenue, as a component of the larger economy.

Policies

- P1. Land use and other City decisions impacting the visitor industry shall be considered relative to the industry's fiscal importance to the City.
- P2. Where expansion in the lodging industry occurs, the facilities, with or without spas, should be high-market, full-service and health-and wellness oriented. This would complement current services and generate the highest tax revenues with lowest impact on local services.
- P3. Encourage upgrades of existing lodging facilities to meet the changing demands of customers and to strengthen business vitality.

Objective ED-1.2 Expand economic activity in Calistoga that builds on the community's strengths and reinforces its small town character.

Policies

- P1. The downtown shall be reinforced as the commercial and cultural center of Calistoga in support of tourism and the local economy, except as otherwise provided in the General Plan.

- P2. The City shall promote a balance between local and visitor-serving economic development.

Actions

- A1. Develop an economic development strategy to recruit new businesses to Calistoga.
- A2. Explore the possibility of "branding" for Calistoga businesses and services, which would emphasize the particular qualities of the community in marketing and promotion by both the public and private sectors.
- A3. Work with utility providers to facilitate the provision and availability of high speed/high bandwidth data transmission service throughout Calistoga. Such service is needed by many modern businesses.
- A4. Direct a significant amount of the City's financial support of the Chamber of Commerce to activities supporting community-based economic development objectives in order to promote a balance between visitor accommodation and local-serving businesses.
- A5. Study the possibility of establishing a business incubator program to provide support services to start-up companies suitable for and in character with the community.

Goal ED-2 Develop Calistoga's economy so that it responds to the skills and economic needs of the resident population, builds long-term community capacity and integrates economic, social and environmental objectives.

Objective ED-2.1 Provide economic opportunities for Calistoga's entire population.

Actions

- A1. Work with the visitor accommodation industry and the school district to collaborate on training in administration and management skills for workers in lower-paying positions such as housekeeping or maintenance.
- A2. Work with Napa Valley organizations to promote literacy, English language fluency, job training, employment skill development, and job placement for residents with limited employment skills.
- A3. Seek funding or other support for programs that connect unemployed Calistoga residents with appropriate jobs in southern Napa County.
- A4. Encourage State and federal agencies to provide job-training, entry-level employee development programs and other measures to reduce unemployment.
- A5. Encourage the Napa County Transportation Planning Agency to expand public transportation opportunities to

better connect Calistoga residents with larger population and employment centers down-valley from the community, e.g. by scheduling service to meet the needs of shift workers.

Goal ED-3 Recognize the role the City can play within the local economy.

Objective ED-3.1 Use the City's purchasing powers to focus economic development locally where possible.

Policies

- P1. The City shall seek to support environmental, economic and social responsibility in its purchasing decisions.

Actions

- A1. Develop guidelines to ensure that City purchases are supportive of the local economy and environment.