

Never before has Economic Development been more important to our City.

Why are jobs Important to Morgan Hill? Why do I care?

- Every time we add a resident, we have further negative re-occurring impact on our City's budget
- Every time we add an employee we have a positive impact on the City's budget.

Our City has some very challenging financial issues facing it.

(See the Morgan Hills Financial Sustainability Challenge)

Having more employees, more jobs, is a critical component of our Cities financial sustainability.

For us to continue having sufficient operational funds for public safety, operations of our parks, and maintenance of our infrastructure we can either find a way to increase our sales tax, property tax and transient occupancy tax revenues or **raise taxes**. The other choice will be **degradation in services**

Got your attention!

So what does it take to bring more jobs to Morgan Hill?

Here are the 3 strategies that the Chamber's Economic Development Committee have been working on to bring more jobs to Morgan Hill:

- Find willing employers
- Develop an Inventory of Market Competitive Facilities
- Connecting Employees and Facilities

Willing Employers

It is no secret that companies are looking for additional space in the Valley. During 2016 and the beginning of 2017 the Committee spent significant effort to identify and segment potential employers. Initially it was thought it would be easier to attract smaller startup types of organizations from the "North". However it didn't take long to discover that regardless of a company's desires, **there just isn't available space in Morgan Hill**. It has become exceedingly clear, that we have a shortage of inventory of available office and light manufacturing space within the city. And smaller companies have little to no desire for developing land and constructing their own facilities.

We have just begun to shift our focus to larger Silicon Valley 150 types of companies. The thought being, that larger organizations would have the resources and time to convert raw land into office / manufacturing space. This year's committee is in the process of evaluating if they will pursue the SV150 Employers during 2018.

An Inventory of Market Competitive Facilities

The available commercial inventory during 2017 had far too few numbers of properties available and not enough properties of appropriate size. In fact, during 2017 typical commercial space inventory varied between 5000 and 10000 sq ft. in any given month. Or said another way, if this available space

was located in one parcel, we have about enough space to house an additional 50 to 100 employees within the ENTIRE city.

With little readily available space for jobs, the EDC began to develop a better understanding of the available land for development.

Here is what we found (all numbers are estimates using City and County provided information)

The City of Morgan Hill consists of 11,381 parcels of land

988 of the 11,381 parcels are Commercial/Industrial Parcels

767 Commercial Properties are built out representing 9,702,944 sq. ft. of office/industrial space built on 784.3 acres of land

221 of the Commercial / Industrial parcels are buildable with total available land of 608.2 acres which could represent an additional 7,500,000 sq. ft. of office and industrial space.

Commercial Property Breakdown by Size

1-5 Acres	77
5-20 Acres	35
40+ Acres	1
Less than 1 Acre	109

The EDC took on the effort to begin contacting the landowners of these 222 parcels to better understand their intentions with their property. We wanted to better understand what, if any inhibitors were in place to prevent the development of this commercial land. To this date we have had little success in effectively contacting these owners and extracting the information we are looking to gather.

So while we have little statistically valid survey data to determine how to incite the construction of additional commercial/industrial space, we do know that our City has some of the highest impact fees within Santa Clara County. And with the upcoming required utility upgrade program, they will be even higher. Higher upfront building costs will not help the build out of commercial development. The good news is that City Staff is well aware of this dilemma and we are working together to attempt to find appropriate solutions.

We also know that businesses (and some residents) have broadband connectivity issues with the City limits. The EDC investigated possible solutions to increase broadband connectivity and has been working with The City's Economic Development Department. The challenge is the objectives of the traditional broadband providers are not aligned with the objectives of the City. In other words, to meet the objectives of the economic development effort for the city doesn't generate the profits they seek. We believe that the final solutions will involve a public / private partnership agreement similar to agreements done in other cities. This is not a simple exercise and we need to proceed with caution....but we NEED to proceed.

Keeping the businesses that we have.

It has been said, “ The easiest customer to get today is that customer that you already have.” That is, don’t forget about your current customers or in our case our current businesses. We have encountered several scenarios this past year where current business have left Morgan Hill or didn’t expand because of space restrictions. Working with the City we need to identify and work with our existing businesses to attempt to find solutions to enable their expansion plans. This is will a point of emphasis for the EDC during 2018.

In Summary

Maintaining a financial sustainable budget, balanced against the ever-increasing needs and desires of Morgan Hill residents is no easy task for our City Staff and Council. Growing our professional job base is a critical component in the City of Morgan Hill’s financially sustainable budget, minimizing the need for additional tax increases or bond measures while meeting our required infrastructure upgrades. During the upcoming year the Chamber will need to continue to

- work with local businesses to assist them with their expansion plans as needed
- Continue to better understand how commercial land owners perspectives on their land use and what can inspire the development of their land
- Connect interested business with potential land development opportunities

We look forward and ask for you, our membership for your continued support of these initiatives, as we all continue to make Morgan Hill an even better place to live.

Morgan Hill’s Financial Sustainability Challenge

General Fund Short Fall

The current projection for the City’s General Fund reserves is that it will dip below the “high -level” threshold requirement in 2022. This is a clear warning that we will begin seeing an ever-increasing gap between General Fund income and expenses. There are numerous reasons for our declining reserves. Some of the largest impact has been and will be:

- 1) We have had excess reserves have purposely spent them on projects to reduce our excessive General Fund reserves such as road improvement
- 2) The City is facing Increasing liabilities for City employee pensions
- 3) There has been a reduction in impact fees received for residential development as a result of the reduction in allocations
- 4) Insufficient success in generating additional General Fund Revenues (Sales Tax, Property Tax, and Transient Occupancy Tax)

Utility Infrastructure Upgrades

In addition to the General Fund shortfalls, we are also facing a \$80 - \$100 M Water, Storm and Sewer infrastructure projects. The EDC has met with the appropriate City officials to discuss possible methods to mitigate the potential effect on impact fees, and the possible use of grey recycling to reduce demands on the system.

South County Regional Waste Authority Treatment Facility (SCRWA)

Our Sewer is treated through a partnership with the City of Gilroy. All of waste is piped to the facility located in Gilroy. As the load on the facility has been increasing as a result of growth in Morgan Hill and Gilroy, additional capital improvement are going to be required. It is expected that there will be a capital improvement plan generated during 2018.

Public Safety Requirements

Public Safety has always been a priority for our City. In a recent presentation, Chief Swing presented his needs for an additional \$1.8M in annual budget in order to maintain our public safety to the standards that we are accustomed.