

# LAFCO report supports annexation

## Market study evaluates land, jobs, business in Watsonville

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A new study of Watsonville was released last week and it confirms what many people already knew — Watsonville is a city of contrasts.

It has the highest rate of job growth in the tri-county area, but the lowest median family income. It has the highest unemployment rate, but with a labor force willing to work for the lowest wages. It has a city government which tirelessly works to bring in new development while discouraging that very growth with a high development impact fee schedule (about \$3 higher per square foot of building than those

of surrounding cities).

These are just some of the findings in the 71-page market study prepared for the Santa Cruz Local Agency Formation Commission (LAFCO). At a cost of \$15,000, Economic and Planning Systems (EPS), Inc., a Berkeley firm with over 15 years experience in government and private market research, spent three months scrutinizing Watsonville in order to produce what LAFCO Executive Officer Pat McCormick described as "the most complete industrial market study of Watsonville available."

"They looked at a lot of data," McCormick said. "They looked at

some of the confidential information on potential employers and contacted them with questions about their level of interest in Watsonville. The research was both quantitative and qualitative."

### Riverside annexation

Perhaps the most highly anticipated conclusion is the report's assessment of the Riverside annexation, a proposal to bring 216 acres of farmland into Watsonville city limits for an industrial park of Riverside Drive near Highway 1.

EPS found Watsonville has an approximate total of 60 vacant industrial-zoned acres, but a site-spe-

cific analysis reveals that all but 21 acres are either "not accessible, poorly configured, not for sale or recently sold." City officials say the Riverside annexation is their response to this shortfall.

"For purposes of a business park, the (Riverside) land is a high quality site with access to major arterials and visibility on both sides of the freeway," the report states. "Its location adjacent to an existing industrial plant to the east provides an opportunity for a transition from manufacturing and heavy industry adjacent to the city, to light industry."

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— LAFCO market study

## LAFCO

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The report further states, "The site is well configured with backbone infrastructure that should result in relatively affordable off-site costs. The site benefits from a downhill flow to the sewage treatment plant, and is served by utility trunks on East Beach Street and Riverside Drive."

"LAFCO will consider the economic aspects of the annexation in its final decision, but there are other pieces of the puzzle as well to consider," McCormick said. "The



McCormick

conversion of farmland is another piece. We must consider the larger range of issues before making a decision."

### Future growth

The report also concludes that Watsonville is in a highly favorable location for growth. The city's proximity to Silicon Valley has created a demand for industrial land. Numerous firms in Watsonville serve markets in both Santa Cruz and Monterey counties, taking advantage of its central location.

High technology firms have either located subsidiary operations or generated contract work in Watsonville in order to take advantage of the city's competitive land, labor and relative proximity.

Additionally, nearby Santa Cruz, with its proportionately higher land costs has "spilled-over" several businesses in need of building space.

### Employment findings

Historically, agricultural production, processing and distribution have been a mainstay of the local economy. This makes the area desirable to a number of national and international firms who are attracted by its agriculture sector and/or plentiful supply of labor.

Among employed residents of Watsonville, 31 percent are working in service-related jobs. Agricultural workers are a distant second with 15 percent.

If Watsonville does annex land and new businesses locate here, it will reduce the city's high rate of unemployment, but not solve the problem completely, the report says.

"Watsonville's work force is disproportionately comprised of individuals with expertise in agriculture, blue-collar and semi-skilled professions," the report says. "The Watsonville work force is currently not well matched for managerial or technical professions."

"The thing that raised my eyebrows when I first studied the report was the number of jobs which are being created," McCormick said. "In spite of its high unemployment rate, there are many more jobs than people to fill them. This indicates

that the highest priorities are in the area of education and training. The need for job training was obvious before, but the numbers make it more so," he said.

### Market assessment

The report identifies Watsonville's strong industrial base, well-regarded labor force and the State Enterprise Zone as other factors which indicate a healthy future demand for industrial real estate. This demand, however, is tempered by a lack of large parcels which are vacant, appropriately zoned and on the market.

The report points out that both Watsonville and Santa Cruz have tight commercial real estate markets associated with existing building space. Since 1994, Santa Cruz's five percent vacancy rate has dropped to only one percent, Watsonville's has gone from nine percent to two percent during the same period.

"Other cities in the market area such as Scotts Valley, Monterey, Morgan Hill, Gilroy and Salinas have softer markets with vacancy rates around 10 percent," the report says. This is an area where Watsonville is at a disadvantage, it concludes. Land speculation in the mid-1980s drove up prices from \$3 and \$4 per square-foot to its present levels of \$6.50 to \$8.50 per square-foot. Currently, industrial land in Gilroy is selling at a low average rate of only \$4.14 per square-foot.