

Future City

ECONOMIC OPPORTUNITY

Victoria has a positive legacy from past planning efforts, numerous strategic advantages, and continued opportunities to differentiate itself from the competition. The excellent partnership between the City and the Victoria Economic Development Corporation (VEDC) provides a solid foundation for the community's economic development efforts. The presence of the University of Houston-Victoria and Victoria College and of several major hospital facilities, positioned in the prime employment growth sectors of higher education and medical/healthcare, not only provides favorable advantages to the community as it markets itself to outside industries, but also provides critically needed services that enhance the local quality of life.

The provision of public services by the City and economic development initiatives have a symbiotic relationship. Increased economic activity that creates a growing tax base better enables the City to provide the infrastructure and services desired by residents and businesses. In turn, the services, infrastructure, and amenities provided by the City are enticements that encourage further economic growth. Additionally, housing continues to be a related component that is needed to support new job growth – and may also need support itself to develop in the quantity and quality expected by Victoria residents.

Well-constructed economic development policies will provide City government the greatest opportunity to influence the quality, quantity, and timing of development. Such policies will create the ability to shift some of the risk of funding public improvements to private sector partners and will afford the opportunity to ensure growth pays for itself.

KEY ISSUES AND CONSIDERATIONS

Five key issues and considerations related to Economic Opportunity were identified through the comprehensive planning process and should be addressed as the City's associated vision, goals, and strategic action priorities for the coming years are pursued.

1. Risk of over-dependence on energy-related sectors of the economy in the local business and employer mix.

- The energy sector is inherently unstable due to the complexities of global energy demand, policies, and international relations.
- Capitalizing on the energy market when it is strong is always important, but should be mitigated by consistently seeking diversification with more stable industry sectors.
- City revenues derived from energy-related businesses should be utilized for

non-recurring expenses and replenishing operating fund reserves whenever possible.

- The risk of falling into non-attainment status for ozone must remain a regional focus given the adverse regulatory and potential economic implications if air quality standards are not met.

2. The importance of maintaining Victoria's regional trade center role, especially pertaining to the City's sales tax and hotel occupancy tax revenue streams.

- Victoria is the regional center for the Golden Crescent region and concerted efforts to maintain this role have been started by the City and its public and private economic development partners in recent years.
- Sales tax is a key component of the City budget that needs to be preserved and enhanced as much as possible – but with caution to avoid overdependence on sales tax revenue.

LEGACY OF PAST PLANNING

Victoria has benefited from consistently working toward a set of economic development goals for a sustained period. The City's 2000 Comprehensive Plan focused on creating an environment that allows existing businesses to thrive, attracting additional primary employers, and ensuring adequate City infrastructure is in place to support the needs of business. This consistent focus is a critical foundation for long-term success and continues to be a keystone of Victoria's ongoing accomplishments.

Victoria also benefits from long-standing cooperation between the City and VEDC. The VEDC has followed the principles outlined in its 2000 Strategic Plan designed to "position Victoria to compete." The partnership between the City and VEDC, following their distinct but complementary strategic plans, has resulted in numerous successes over the last 15 years. This is due, in part, to maintaining consistent requirements throughout the life of the review of a project and maintaining open dialogue with problem-solving attitudes. This partnership allows each entity to focus on its respective strengths as they relate to business retention, attraction, and general economic development. Maintaining open communication and a positive relationship between these two entities is critical to sustaining Victoria's positive trajectory.

The legacy of past economic development planning can be seen in Victoria's consistently growing population, available jobs, higher education student enrollment, property values, and retail sales. As population grows, there is an ongoing need for both employment and tax base growth to support infrastructure and maintenance needs. Continued focus on economic development principles is critical to supporting the goals of other aspects of the Comprehensive Plan.

- Events and attractions that bring visitors to Victoria likewise need to be preserved and expanded as much as possible in order to maximize hotel occupancy taxes that can be used to enhance the quality of life for visitors and residents.
- 3. Workforce concerns involving the quantity of available labor and quality in terms of education, training, and skills.**
- An adequate workforce supply of educated and trained individuals remains critical for the expansion of existing businesses and the attraction of new primary employers.
 - City efforts to support the organizations and agencies that provide this training needs to be continued.
- 4. Preparedness to employ available economic development and financing tools where appropriate.**
- Every business expansion or recruitment opportunity has its own unique set of needs. The City needs to be clear in the universe of tools it is willing to use and be ready to listen to the unique needs of each situation so that the right tool can be employed.
 - The City and Victoria Economic Development Corporation (VEDC) should continually review and update economic development policies that point to certain tools for certain situations to allow for flexibility in unique or more complex negotiations.
 - Along with tools used to entice particular business prospects and secure site-specific investments, some special district mechanisms and regulatory tools can help provide stability and greater certainty for investors within a broader sub-area of the community.
- 5. The need for a holistic view of economic development that emphasizes “quality of place” along with employment and investment opportunities (e.g., infrastructure and public services, mobility, housing, recreation and amenities, etc.).**
- Economic development is any activity

NEW AND POTENTIAL ECONOMIC DEVELOPMENT TOOLS



The primary tools currently used in Victoria, along with VEDC programs, include:

- Property tax abatements (usually for major primary employers that are expanding or relocating, abated for up to 10 years).
- Texas Local Government Code Chapter 380 agreements (up-front grants/loans repaid through growth in sales, property, or hotel occupancy tax revenue).
- 4B sales tax (local option to add one-half cent to fund economic development activities such as VEDC support, marketing, incentives, reimbursements, etc.).
- Hotel Occupancy Tax (seven percent local option tax on hotel stays to fund activities that promote more stays such as community marketing plus direct support for local events, destinations, and organizations whose activities drive tourism visits and hotel stays).

Other potential tools include:

- Special districts for financing improvements and services in specific areas (management districts, public improvement districts, tax increment reinvestment zones, utility districts, empowerment zones).
- Additional regulatory tools and ordinances focused on “quality of place” enhancements.

that improves a community’s standard of living. The standard of living of Victoria’s residents will not only be improved when adequate job opportunities are available, but also when the City has adequate revenues to fund the infrastructure, maintenance, and recreation services desired by the residents.

- Economic development policies that continue to focus on attracting new primary employment jobs and growing the City tax base, including ongoing complementary retail sector development and rising sales tax revenue, will yield in the long run the “quality of place” results that residents are seeking.

FRAMEWORK FOR ACTION

The Economic Opportunity framework for action is organized in three tiers: Vision statements, Goals, and Strategic Action Priorities. These topics are intended to mesh with and support the other aspects of this Comprehensive Plan. The Strategic Action Priorities convey tangible actions that will, in the long run, lead to achievement of the Goals in line with the Vision.

VISION STATEMENTS

- V1:** Victoria’s residents enjoy a robust, diverse economy that provides a high quality of life with a variety of dynamic job opportunities.
- V2:** Victoria remains a regional hub for a broader market area in need of a range of shopping, service, and cultural/entertainment options.
- V3:** Victoria has a unified focus among its public and private sectors on developing, retaining and attracting a workforce that meets the needs and skills expectations of the 21st Century economy.
- V4:** Victoria’s rich history and its downtown are utilized as one of the foundations for building the local economy.

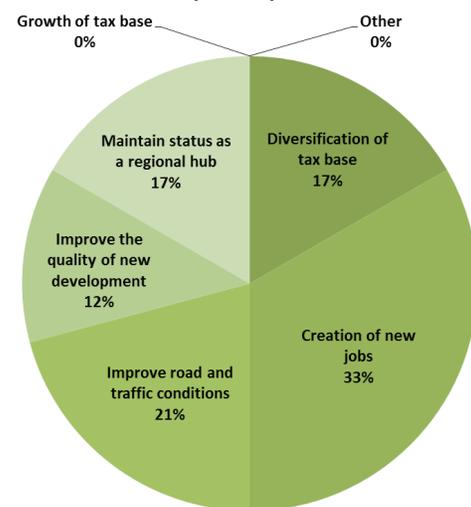
ECONOMIC DEVELOPMENT PRIORITIES FOR VICTORIA

When asked to consider highest priorities for economic development in Victoria, members of the City’s Comprehensive Plan Advisory Committee (CPAC) responded as summarized in the chart to the right, which led to further discussion and these concluding points:

- CPAC members expressed a general understanding that all other benefits of economic growth follow from the creation of primary jobs, which was ranked by far as the highest priority.
- Growing and diversifying the tax base are natural results of the influx of additional capital and income into the community from the creation of new primary jobs. The retail, service, and other quality of life opportunities desired by residents ultimately depend on primary job growth.
- Public funding that may help to alleviate traffic issues and/or support measures to improve the quality of new development is also generated from the income and tax base growth supported by new job growth.

- Retention and expansion of existing businesses is equally important to new job growth as a tool for maintaining the vibrancy of the community.

Which should be Victoria's highest economic development priorities?



GOALS

1. Increased emphasis on retaining and expanding local businesses and industries.
2. A diversified and expanded local economy through the expansion of light industry and other businesses.
3. Improved quality and quantity of the present and future labor supplies in the Victoria region.
4. Existing infrastructure that is in good condition with ongoing planning for future infrastructure needs that will accommodate prospective business and industrial growth.
5. A business environment that will enhance the community’s overall quality of life and promote further economic development.

STRATEGIC ACTION PRIORITIES

>> Measures to promote continued diversification in base sectors of the local economy beyond energy-related businesses.

- Monitor the Texas Workforce Commission industry forecast to capitalize on sectors with the highest growth potential in the region and likelihood to offer above average wages.
- Through VEDC, market specifically to these industries and others that are a good fit for Victoria, employing a marketing message that highlights a progressive and visionary city that is planning for a better future.
- The City should actively participate with VEDC to develop an additional industrial park.
- Appropriately-scaled tax abatements and/or other inducements, for both local business expansion and diversification through external recruiting, should continue to be evaluated in light of current policies.
- The City should continue to seek opportunities to support and incentivize the building renovation process in strategic areas identified for focused revitalization efforts (e.g., older

commercial corridors and districts, downtown, inactive industrial sites, etc.) to strengthen the appeal of such areas for renewed business investment.

>> Continued support for Port of Victoria expansion and success given tremendous opportunities for Texas and U.S. Gulf Coast ports in the coming decades.

- The Port of Victoria is outside the corporate limits of the City, so opportunities for direct inducements for port-related development are limited.
- However, the City can be a key partner by supporting County tax abatements or other state/federal funding applications that will benefit VEDC and Port projects.

>> Continued focus on Victoria’s regional trade center role (retail/services, medical/healthcare, education, recreation/leisure, etc.).

- *Retail/Services:*
 Certain specialty or high-end retail services and entertainment venues are desired by many Victoria residents. Additionally, some areas of the community appear to have an abundance of retail while other areas appear to be underserved. More grocery options are particularly desired.
 - Identify underserved retail/service niches that are supportable in Victoria.
 - Utilize Chapter 380 reimbursement agreements (property tax and/or sales tax) to incentivize target sectors.
 - Utilize a sliding scale to provide a higher level of reimbursement to more desirable sectors or to businesses that will locate in preferred locations within the city (uncongested areas with adequate public infrastructure).
 - In support of “shop local” efforts, focus traffic flow and beautification enhancements around key retail clusters given the proximity and range of shopping options in larger Texas cities accessible by Victoria residents.

□ *Medical/Healthcare:*

The medical/healthcare sector is probably the most significant growth market nationally in the coming years, yielding opportunities to grow this key sector's presence in Victoria. Expanding the medical/healthcare choices available locally, especially specialty services which residents currently must leave the community to obtain, will not only enhance the local economy, but will also enhance the quality of life for residents.

- Continue to maintain positive and ongoing working relationships between the City and administrators at major healthcare facilities in the area.
- Develop an understanding of each facility's plans and obstacles they face; identify the obstacles that the City can assist in alleviating and develop an implementation plan to address those obstacles.
- Establish economic development policies to assist in attracting the desired medical/healthcare specialty practices that are missing or ripe for growth locally.

□ *Education:*

Expansion of higher education facilities in Victoria holds tremendous potential for multiple community benefits. A growing student population and a greater variety of educational degree programs increase the likelihood that more local students will choose to stay local, which may result in more graduates choosing to remain in Victoria. Students can fill local jobs while they are in school and will have a greater chance of filling professional-level positions after graduation. A vibrant university community translates to a more dynamic and desirable community overall.

- Continue to maintain positive and ongoing working relationships between the City and administrators at the University of Houston-Victoria and Victoria College, especially to promote student recruitment and further enrollment growth.

- Develop an understanding of each institution's plans and obstacles they face; identify the obstacles that the City can assist in alleviating and develop an implementation plan.
- Continue to focus on program and funding partnerships between educational institutions and employers to provide technical and vocational programs, especially involving technology, that serve workforce development needs while also making Victoria an attractive place to complete a degree or pursue continuing education.

>> Sports/special events tourism initiative.

The City has invested in facilities and programs to support the sports tournament industry for both youth and adults. An assessment of current facilities indicates that baseball/softball and swimming facilities are adequate for current and projected demand. Soccer facilities have been identified as a deficiency, which if corrected, could yield additional tournament opportunities. Similar return on investment is anticipated from upgrades to meeting and special event facilities in Victoria.

- Quantify the need for additional soccer fields.
- Prepare a funding plan to construct the needed soccer facilities, taking into account new possibilities for use of Hotel Occupancy Tax (HOT) funds for sports tournament facilities. The improved facilities are expected to result in even further growth in HOT revenue for the City, meaning the upfront public investment will be offset by increased public revenue. [For more background



on the City of Victoria’s leadership in Austin to gain legislative approval for this facility financing link, see page 50 in the Recreation and Amenities section of the Existing City Report.]

- Continue to explore potential collaboration opportunities between the City, Victoria ISD, Victoria College, and the University of Houston-Victoria to host regional athletic, fine arts, entertainment, and academic events.
- Expand marketing of existing tournaments and events and expand industry contacts to attract additional activity to Victoria.

OTHER ACTIONS

Along with the short list of Strategic Action Priorities outlined above, this section captures other potential action items discussed through the long-range planning process. These items are compiled in five categories that are the main ways Comprehensive Plans are implemented:

- (1) Capital Investments
- (2) Programs and Initiatives
- (3) Regulations and Standards
- (4) Partnerships and Coordination
- (5) Targeted Planning/Studies



Capital Investments

- A. Update the 2007 Land Development Study, as needed and as an input to the City’s annual capital improvements planning, to maintain a clear understanding of development constraints in expected growth areas and opportunity areas and corridors where vacant land has all the right characteristics for eventual development.
- B. Further clarify utility capacity deficiencies.
- C. Make correction of these deficiencies a priority within the City’s capital improvement program (CIP); utilize Chapter 380 reimbursement agreements for properties that can advance fund utility extensions sooner than the CIP schedule.

PICKING THE RIGHT TOOL

The various types of special districts itemized earlier in this section – management, public improvement, utility, tax increment reinvestment, and empowerment – can potentially fund many of the same improvements. So, which type of district to use in which situations? This decision is ultimately driven by the characteristics of a particular candidate area, a detailed assessment of its needs and opportunities, and a careful evaluation of its potential to generate more and new revenues, including how much and over what timeframe. In general, the following factors apply in all cases:

- How will benefits from the district (e.g., revenues, capital project financing) be apportioned?
- What is the funding capacity of the district?
- What is the cost of service burden (public safety services, parks, general administration, etc.)?
- What is the time duration of the district?

Programs and Initiatives 

- A. Continue to utilize an economic development policy that encourages the use of tax increment reinvestment zones, Chapter 380 reimbursement agreements, and special district creation where feasible and likely to be effective.
 - Inducements, whenever possible, should be based on performance-based reimbursements; use up-front incentives only for unique and critical situations.
 - Potential projects should be vetted by the following criteria, at a minimum:
 - Third Party Feasibility and Market Studies.
 - Overall financial impact to City and other governmental revenues.

- Overall economic impact for the community as a whole.
 - Impact on the provision of City services.
 - Anticipated debt obligations and duration, if any.
 - The degree to which the prospect will comply with or exceed the City's economic development policies and land development standards.
- B. Develop and monitor metrics for measuring economic activity in Victoria.
- C. Continue a program of annual onsite visits to businesses in base sectors of the Victoria economy to monitor their prospects for growth and support their successful expansion.



Partnerships and Coordination

- A. Continue to maintain a strong City-VEDC relationship allowing each entity to complement the other by focusing on its respective strengths.
- B. Continue active participation in the Victoria Partnership, along with other avenues, to ensure regular communication and positive relations between municipal government and the local business community.

- C. Strengthen working relationships and partnerships with UH-Victoria and Victoria College.
- D. Strengthen working relationships and partnerships with the major healthcare facilities in the area.

Targeted Planning/Studies

- A. Conduct a housing market demand analysis to more precisely define the types, quantities, and price ranges of homes for which shortages exist.
- B. Utilize the report to “prove” the Victoria housing market for potential builders and developers.
- C. Utilize feedback from builders/developers to identify specific obstacles or risks that could be mitigated by a City reimbursement program or special district; tailor specific programs to specific needs.
- D. Continue to track retail sales surpluses and leakages to highlight and support areas of progress and determine any prudent steps to bolster underperforming local retail sectors.