

# SAN JOAQUIN COUNTY

Stockton-Lodi MSA

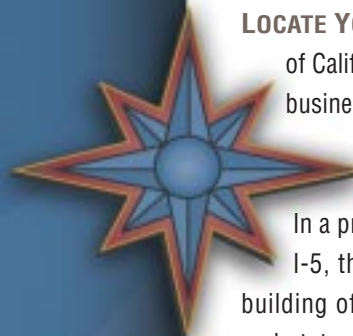
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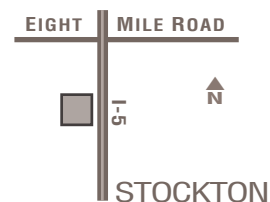
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# SAN JOAQUIN COUNTY

## Logistics and Demographics Redefine the Greater Bay Area

*The San Joaquin County economy is increasingly influenced by the San Francisco Bay Area — a region some might not have associated with it. For years, San Joaquin County has supplied Silicon Valley with much of its labor force. But that is changing as commuters tire of the daily trek over the Altamont Pass and companies discover the cost benefits of a San Joaquin County location.*

by MARK AREND

**T**he Altamont Pass east of the San Francisco Bay area is notable for more than its windmill farms. From its peak, one can look west into Alameda and Contra Costa Counties and the rest of the Bay Area, which serves as a daily destination for dozens of thousands of commuters from the east. Looking east from the Pass — “the hill” to locals — one sees San Joaquin County, which is an increasingly logical destination for high-tech and other companies seeking closer proximity to their work forces.

The Pass, therefore, symbolizes an economic dividing line that many in the region are working to eradicate. The division is between where the high-paying, high-tech jobs generally are — west of the line — and where affordable housing is — east of the line. The division is eroded each time a site seeker realizes that a San Joaquin location delivers easy access to the transportation, cultural, educational, high-tech and other assets of the Bay Area. More significantly, the San Joaquin Valley, based on the Consumer

The University of the Pacific in Stockton is one of three local higher education institutions supplying San Joaquin County employers with workers (see page 12).





**Pac-West Telecomm, Inc., a local exchange carrier and Internet service provider, serves California and four other western states from its headquarters in Stockton.**

Price Index, provides a 69-percent lower cost of living and a 30-percent lower cost of doing business than alternative Bay Area locations.

With corporate investment in new facilities on the upswing following a post-9/11 and recession-induced slump, San Joaquin County is positioning itself as the greater Bay Area location to beat. Several infrastructure and development projects will soon come online in San Joaquin County that will further make the case that the region deserves close consideration from those who looked only west of the Altamont Pass in the past for proximity to the San Francisco metro and Silicon Valley.

These include new business parks in Tracy, in the southwestern part of the county nearest the high-tech havens on the other side of the hill, and increased development of the Stockton/San Joaquin Regional Airport and the Port of Stockton. The latter, on the Stockton Deep Water Channel 75 nautical miles east of San Francisco Bay, is a key logistics asset to the agriculture, building materials manufacturing and other industries in the San Joaquin Valley (see the sidebar on page 10).

Plans for these projects have been in the works for some time, but recent economic conditions — and California's economic situation in particular, among other factors — have kept them from taking off. But the tide is changing. The population is migrating inland from the Golden State's pricey coastal region; high-tech companies are leaner and wiser following the dot-com era, and they are increasingly sensitive to employees' quality-of-life issues for fear of losing those workers; and a growing economy means businesses

are expanding and need reasonably priced space in which to do so.

California's rebound is paralleled by Pacific Gas & Electric (PG&E), the primary energy company in northern California. PG&E exited from Chapter 11 in April 2004 and as a direct result reduced electrical rates to commercial and industrial customers by 10 to 15 percent. Forecasts for the future project a continuing reduction in rates as stability returns to the California energy market.

### **21st Century Gold Rush**

Historically, Stockton, the largest city in San Joaquin County (pop. 300,000), was a jumping-off point for the 1849 Gold Rush. Today it is a center of renaissance growth for the 21st century, with more than \$200 million in public investment for waterfront improvements, office developments, a sports arena, ballpark, convention center and hotel. In addition to the Channel redevelopment, Stockton has more than 50 million sq. ft. (4.6 million sq. m.) of industrial space attracting such companies as Simpson Strong-Tie, with a 62-acre (25-hectare) research and development, manufacturing and logistics facility; Eagle Roofing Products, a division of Burlingame Industries, constructing a roof-tile manufacturing plant; and Burlington Northern Santa Fe Railroad with a multi-million dollar intermodal facility.

The case for a San Joaquin County location relative to coastal California is straightforward on the basis of real estate cost and availability. Adding an abundant skilled work force and excellent Interstate highway access, it's clear to see what international logistics

providers such as ProLogis, Panattoni Development Co. and IDI, and other investors in warehouse and distribution centers (DCs), discovered years ago — that the Valley, in the heart of the state's agricultural region, is an ideal location from which to serve operations up and down the West Coast.

"The exact demographic center of the West Coast is at Copperopolis in the [Sierra Nevada] foothills, about 30 miles east of Stockton," notes Robert K. Wheeler, plant manager at a General Mills plant in Lodi, in the northern part of San Joaquin County. "But there are few roads there and no railroads, so you're not going to want to go there. You'd want to be here, which is why you see a preponderance of distribution facilities in the Stockton and Lodi areas." Wheeler serves as chairman of the board of the San Joaquin Partnership, the county's public-private economic development corporation.

### **Distribution Solution**

The abundance of tractor-trailers plying I-5 and Highway 99, the two main north-south arteries running through the county, and I-205 to I-580 into the Bay Area, should come as no surprise. Other than at Sacramento to the north and at the point south of Bakersfield where the two meet, the Stockton area in central San Joaquin County is the point at which the two north-south thoroughfares are closest together at just three miles (4.8 km.) apart. This gives DC logistics and transportation managers throughout the region some important route options where serving their markets by highway is concerned.

*(continued on pg. 8)*



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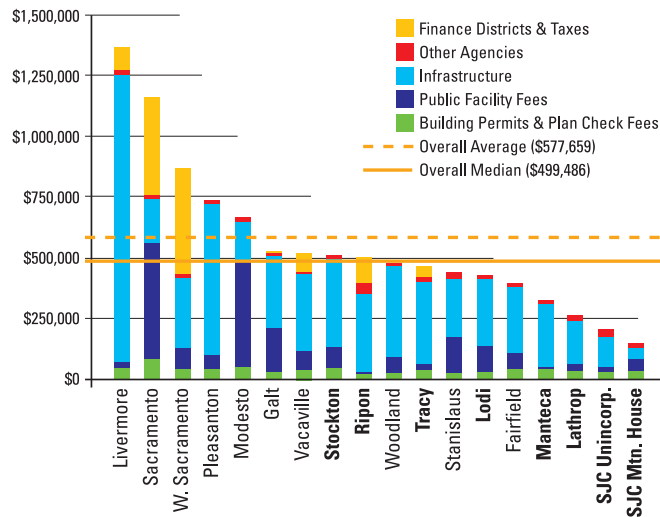


# Development Fee Comparisons

One measure of San Joaquin County's cost advantage over the Bay Area is the difference in fees associated with developing sites. In October 2003, the San Joaquin Partnership produced a Regional Development Fee Comparative Analysis report in order to determine the effect of a proposed regional transportation impact fee that would affect the cost of any new development in the county. Higher fees make any potential site location less competitive.

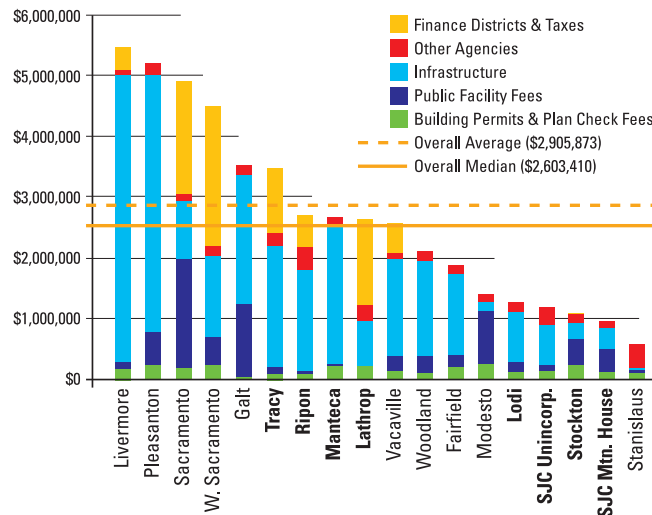
The report includes analysis of 18 jurisdictions — eight in San Joaquin County and 10 outside the county — that are considered competitive in terms of economic development. These charts graph the total estimated development fee cost for the 18 jurisdictions. Fees include permits and plan checks, public/capital facility fees, infrastructure, finance districts, taxes and other agency fees. The graphs also provide the average and median development fee cost for the 18 jurisdictions. With the exception of Tracy, the San Joaquin County locations weigh in at or below the average of the 18 jurisdictions studied — and well below Sacramento, less than an hour's drive north of Stockton, and Livermore, the first city west of the Altamont Pass heading into the Bay Area.

## OFFICE



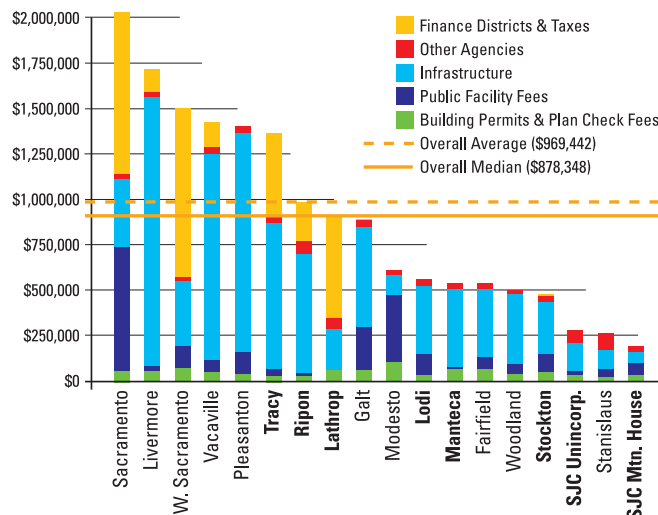
**Assumptions**  
Comparison assumes a 50,000 square foot facility with 30 percent site coverage on 5 acres employing 150 people.

## WAREHOUSE



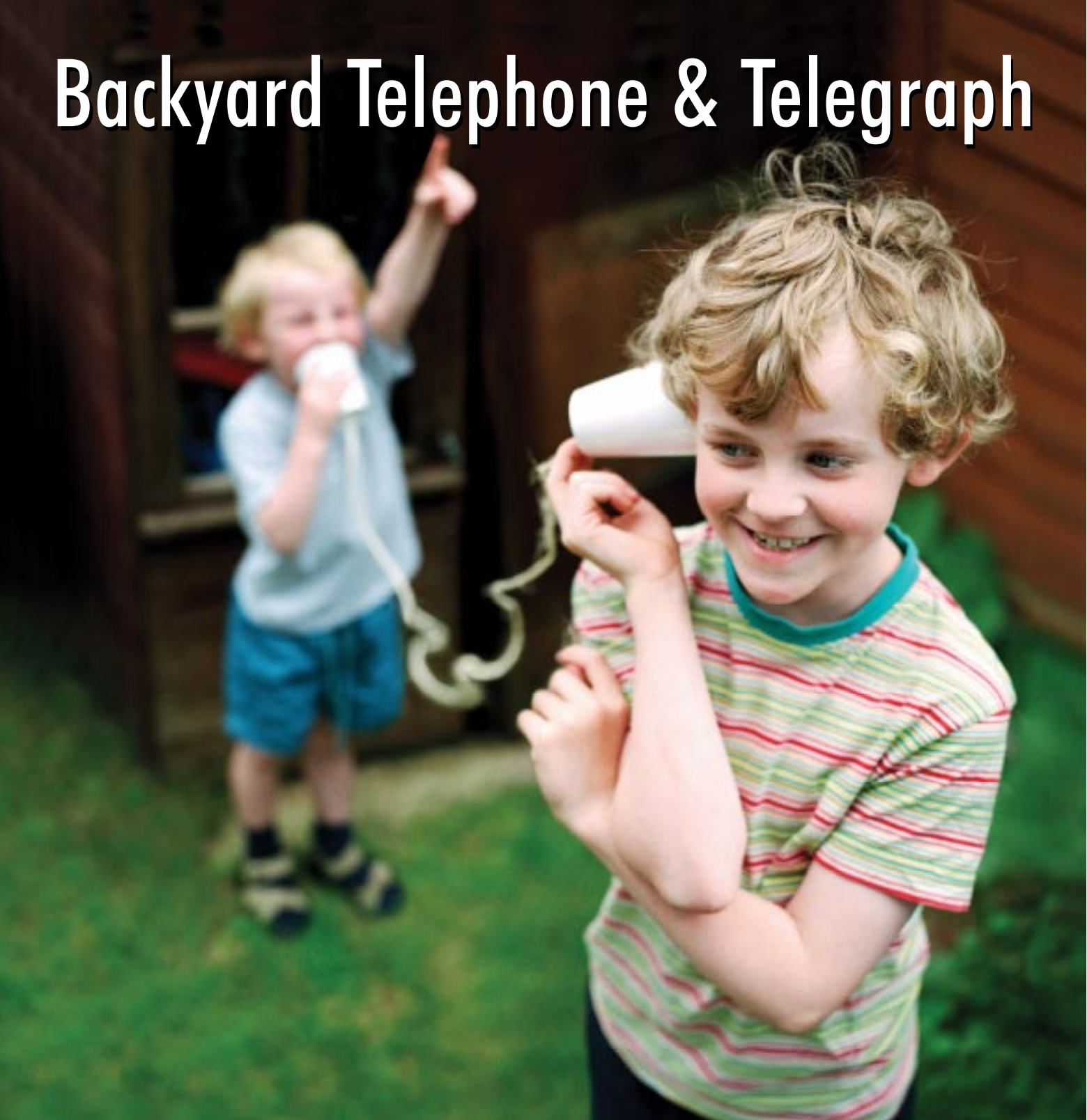
**Assumptions**  
Comparison assumes a 550,000 square foot facility with 60 percent site coverage on 30 acres employing 300 people.

## MANUFACTURING



**Assumptions**  
Comparison assumes a 125,000 square foot facility with 60 percent site coverage on 12 acres employing 224 people.

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(continued from pg. 4)

Dollar Tree Stores needs more than highway access to maximize the efficiency of its four-year-old distribution center in Stockton. The center services the discount retailer's stores in California, the Reno, Nev., area and Yuma, Ariz. The 525,000 sq. ft. (48,800 sq. m.) DC is an intermodal facility with containers delivered via rail from the Port of Oakland.

"We are fortunate here in that we can service shipments in and out of the Bay Area really well," says J.C. "Bud" Baynard, general manager of the Dollar Tree facility, which is expandable to 800,000 sq. ft. (74,320 sq. m.). "The port provides good container service, we have rail access, and it's a strong labor market, so we have a great connection as far as we're concerned." Prior to February 2004, the center serviced Dollar Tree's entire West Coast network of stores. But a similar facility in Ridgefield, Wash., has since opened, serving the Pacific Northwest.

When Simpson Strong-Tie, a division of Simpson Manufacturing, outgrew its San Leandro, Calif., facility, San Joaquin County was the focus of plant manager Murray Daniels' search for new space.

"Cost was not the driving factor in our case — we were out of space," he says. "At the time, the cost of property relative to the Bay Area was less, but costs there were the highest in the



**San Joaquin County is home to numerous building-materials manufacturing companies, such as Simpson Strong-Tie, a division of Simpson Manufacturing, which recently opened this distribution center in Stockton.**

country — the Bay Area was booming." Daniels' selection of Stockton was based more on other area attributes. "Stockton is an ideal location for shipping to our Central Valley customers

**"Stockton is an ideal location for shipping to our Central Valley customers via the highways, and the labor market seemed larger here than anywhere else."**

**— Murray Daniels,**  
plant manager,  
Simpson Strong-Tie Manufacturing

via the highways, and the labor market seemed larger here than anywhere else," he relates. Simpson's 62-acre (25-hectare) site in an industrial park near the airport is composed of a 400,000 sq. ft. (37,000 sq. m.) building for man-

ufacturing and a 20,000 sq. ft. (1,860 sq. m.) R&D facility.

Central to the county's logistics infrastructure is its rail network. Both Union Pacific and Burlington Northern Santa Fe (BNSF) Railway operate intermodal shipping facilities in the county. Union Pacific's is in Lathrop, where it handles the containerized shipment needs of such customers as the nearby Army and Air Force Exchange Service (AAFES) West Coast and Pacific Rim distribution center.

BNSF's facility is in Stockton, where the railroad is playing a key role in the development of a new business park (see sidebar on page 14).

"Both railroads have made major investments in the [San Joaquin County] market, which tells you something about that market from a transportation and logistics standpoint," notes Greg O'Leary, senior vice president at the Stockton office of Colliers International. "Those of us who have worked in this market for some period of time have always understood the significance of the location — proximity to many markets in northern California and on the West Coast. Some companies are here to serve the Bay Area, but just as many are looking at this location from a regional standpoint," he relates.

Underlying the logistics advantage of San Joaquin County are balance-sheet benefits, says O'Leary.

"As the economy and the markets have been flat, many companies will seek to reduce their cost of doing busi-

(continued on pg. 10)



**Discount retailer Dollar Tree Stores opened this intermodal distribution center in Stockton in 2000.**



## Grapes of Math: Vineyards Boost County's Economic Climate

**A**gribusiness has been the backbone of San Joaquin County's economy for generations, and the fertile San Joaquin Valley will continue to produce for export a strong supply of asparagus, walnuts, almonds, tomatoes, grapes, cherries and milk. But the sector has undergone transition in the past 10 years with the closure of several tomato-processing plants and the elimination of sugar beet production. The diversity of the region's agricultural assets has mitigated the long-term impact, and the sector remains a key component of the county's economy.

Much of the agribusiness sector's economic potential now and in the future is tied to winegrape production in the northern part of the county. The Lodi-Woodbridge region, in north-central San Joaquin County, is emerging as a leading producer of several varieties of grapes. In fact, in 2003 it was the top producer in California of five out of six grape varieties, according to the Lodi-Woodbridge Winegrape Commission ([www.lodiwine.com](http://www.lodiwine.com)).

In addition to 50 wineries, the region is home to about 750 growers, 400 of whom are active farmers. The others use

management companies to farm the grapes. Farms range from 10 acres (4 hectares) to up to 6,000 acres (2,430 hectares) for a total of 90,000 acres (36,450 hectares) under production, up from 35,000 acres (14,175 hectares) a decade ago.

Like most other industries, the vineyards saw a slump in investment in the past few years, and global competition affects winegrape production just like any other industry. "The industry here is stabilizing," says Stuart Spencer, program manager at the Commission. "The prospects look very

good for the future, with wine consumption growing faster than that of most other categories of beverage. Lodi is positioned very well to take advantage of that growth."

Imports have garnered much of that growth, but falling exchange rates and a better economic climate will help local producers capture

more market share. The Commission is helping "cultivate" the local industry by promoting the area as a tourist destination, foster retail sales, integrate the Lodi-Woodbridge wine industry with the industry at large and improve distribution channels. "It is very much a region in change," says Stuart. "I doubt we'll see growth in acreage at the rate we saw during the past 10 years, but it continues to creep up."



**Crystal Valley Cellars opened in Lockeford in 2003, creating two dozen new jobs in the vineyard region of San Joaquin County. At right is Stuart Spencer, program manager of the Lodi-Woodbridge Winegrape Commission.**

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## Partnership Pledge: To Tell It Like It Is

**T**he San Joaquin Partnership ([www.sjpnet.org](http://www.sjpnet.org)) — San Joaquin County's non-profit economic development corporation — is as much in the business of dispelling myths about California as it is in helping site seekers evaluate specific locations for new facilities.

"People sitting in board rooms in the Midwest or on the East Coast think we are kind of goofy out here in California, and perhaps we are," says Robert Wheeler, chairman of the Partnership and plant manager at a General Mills production and distribution facility in Lodi. "The challenge for the Partnership is to use our collective influence to get a little more predictability to decision makers who are thinking about moving here."



**SAN JOAQUIN PARTNERSHIP**  
Stockton, California

As a California destination, the San Joaquin Valley has a less visible profile relative to the San Francisco Bay Area and Silicon Valley, the Los Angeles metro area and San Diego. And estimates that business costs are as much as 30 percent higher in California than in other states add to the Partnership's challenge. "I don't get the sense from our industry that costs are quite that high, but 15 percent higher perhaps," says Wheeler. "But once people find out about the area and they look at the facts — the land costs, available sites, labor costs, construction and housing costs — then we are starting to look pretty good," he adds.

Managing growth in a region that is a natural alternative to companies seeking proximity to the Bay Area at a lower cost is another challenge before the Partnership. Which is why the agency is candid with prospects. "We will tell some that this is not the place for them to come," says Wheeler. Partnership President and CEO Michael E. Locke echoes Wheeler's sentiments. "The Partnership provides comprehensive site selection information at no charge. Sure, we'd love to have every company that inquires locate here, but sometimes even under ideal conditions, it's not a good fit. But we'll try our best to provide all the information a company needs to see if San Joaquin County is the right place for their business."

The Lodi area, besides being home to the General Mills plant and a number of distribution facilities, is a major agricultural center with a growing winery industry (see page 9). "A lot of people want to preserve the agricultural strength and nature of this area, and reasonably so," says Wheeler. "We have made sure that we have good representation on our Board of the stakeholders in the community, and that includes agricultural interests. Many hours of discussion have taken place over the life of the Partnership aimed at gaining significant confidence from the ag community, understanding that we and they don't have mutually exclusive objectives."



**Robert Wheeler,**  
Chairman of the  
San Joaquin  
Partnership

## How Manufacturers Supply the Bay Area

There is no shortage of examples of companies that are now located in San Joaquin County to take advantage of both the logistics and the cost savings benefits. "The infrastructure here is tremendous," says Peter Ingenhutt, human resources manager at Fuel Total Systems (FTS) California Corp., in Lathrop, which manufactures plastic gasoline tanks for Toyota Corolla sedans and Tacoma pickup trucks. New United Motor Manufacturing, Inc. (NUMMI), a joint venture between Toyota and General Motors, produces those vehicles at its plant in Fremont, north of San Jose. "We're 60 to 90 minutes from the factory, we have interstate and rail service — it's a tremendous location," says Ingenhutt.

FTS is a newcomer to San Joaquin County, having commenced blow-molding operations at the 118,000 sq. ft. (10,960 sq. m.) Lathrop plant in March 2004. At full payroll, the facility will employ 75 to 80 workers, says Ingenhutt. And payroll is central to FTS's selection of the San Joaquin County location. "Prices were a lot higher in the Bay Area, and labor there costs more," notes Ingenhutt. "Our entry-level labor is about \$10 an hour. We're not having any trouble finding workers — we have many more applicants than we can hire."

Employees at FTS are typical of those in the San Joaquin Valley — a growing number of people tired of making the up-to-two-hour commute to points west. "One of our nighttime team leaders in purchasing came on board for \$10.50 an hour, which is less than he really wanted," says Ingenhutt, "but he was saving time and money on gas. We promised him a raise in April, and he got it plus a promotion. That is the type of people we are able to get — well qualified Bay Area people who are looking for something local."

FTS also benefits from being in Lathrop where California's costly workers' compensation system is concerned. "We are a brand new startup, so we are able to fit in at the bottom level for the workers' comp premium," says Ingenhutt. "We had to be here in California in order to service the Fremont plant. So coming here instead of the Bay Area was really about the high costs of oper-

*(continued from pg. 8)*

ness or increase their margin of profit by reducing cost," he explains. "One way that's been accomplished over the last three and four years is by locating distribution centers and manufacturing facilities in the right location. While

they have not been able to take advantage of a red-hot economy, they are able to add to their bottom line by shaving costs. That's how supply-chain logistics comes into play in helping companies position themselves in these types of markets."



ating in the Bay Area.”

But there is much more to San Joaquin County’s automotive industry. Ford Motor Co. and DaimlerChrysler recently restructured their West Coast parts distribution networks, resulting in new facilities for both companies in the county in the past two years. Honda also operates a 500,000 sq. ft. (46,450 sq. m.) distribution center in Stockton, and seven NUMMI component manufacturers, including FTS, have operations in the county.

“There is not enough there yet to call it an automotive industry cluster, but it is a significant piece of business,” says Michael E. Locke, president and CEO of the San Joaquin Partnership. “We continue to see other manufacturers looking, who seem to be asking themselves, ‘Do Ford and Chrysler know something about the efficiency of logistics here that we don’t?’ ”

### Where Commuters Commute

High on the Partnership’s list of priorities is stemming the flow of county residents to other areas for work. Approximately 50,000 people commute to the Bay Area each day from San Joaquin Valley. Roughly 6,000 to



**Fuel Total Systems (FTS) California manufactures fuel tanks for Toyota vehicles at this plant in Lathrop, which opened in March 2004. Peter Ingenhutt, human resources manager (inset), says skilled labor is in abundance in San Joaquin County.**

7,000 commute to the Sacramento area; about 8,000 people commute to San Joaquin from the capital. To the southeast, about 6,000 people commute to the Modesto area in Stanislaus County, and 12,000 commute into San Joaquin from Modesto. “In general, there is a fairly homogeneous work force within this region from southern Sacramento County to Stanislaus

County, which we are in the center of,” says Locke.

In 2000, the Partnership and the San Joaquin Council of Governments commissioned Systan, Inc., a Los Altos, Calif., consulting firm, to identify the job skills of the commuters crossing the Altamont Pass in order to attract the appropriate industries to the county  
*(continued on pg. 13)*



## UNIVERSITY PARK

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University Park, located in Stockton’s Enterprise Zone, is the smart choice for businesses locating in California’s Central Valley. University Park is a safe, fully landscaped and beautifully maintained location easily accessible from major freeways and by public transportation.

Home to CSU Stanislaus-Stockton, University Park is designed to be a catalyst for the gentrification of midtown Stockton and a model for redevelopment throughout California. Following “Smart Growth” guidelines, University Park will provide employees opportunities to live and work in a park-like setting.

**Contact Dan Keyser**

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## Higher Education Resources for Site Seekers

Among San Joaquin County's most important assets are the University of the Pacific, California State University, Stanislaus-Stockton Center (CSUS-Stockton) and San Joaquin Delta College. These institutions bring strong work-force training credentials to the table and provide a steady supply of workers for a wide range of industries.

Among the University of the Pacific's contributions to the economic well-being of the area is the Eberhardt School of Business's Business Forecasting Center. The center publishes quarterly economic forecasts that are composed of three components. The first is a business conditions survey, which resembles the Institute for Supply Management's survey. "We can compare what is going on locally with that survey's national results," says Dr. Mark S. Plovnick, Dean and Professor of Management. A consumer confidence survey mirrors The Conference Board's national consumer confidence survey. And a leading economic indicators index takes the economic pulse of San Joaquin and other area counties.

"In the last two years, we have received almost \$1 million in federal funds to greatly expand the activities of the center," says Plovnick. "The center will be able to produce much bigger and much more sophisticated quarterly forecasts. We will be able to make some predictions about what will happen in the area of retail sales, average incomes, the gross product of the region and so forth. The models will be very robust and will let us project for any geographic area or industry segment

you want to focus on." All of which will be of interest to those seeking a deeper understanding of the county's economic strengths as part of a site evaluation.

The CSUS-Stockton campus is the centerpiece of University Park, a development of The Grupe Company, a multi-use 100-acre (40-hectare) site bringing together both public and private businesses to create a unique campus environment.

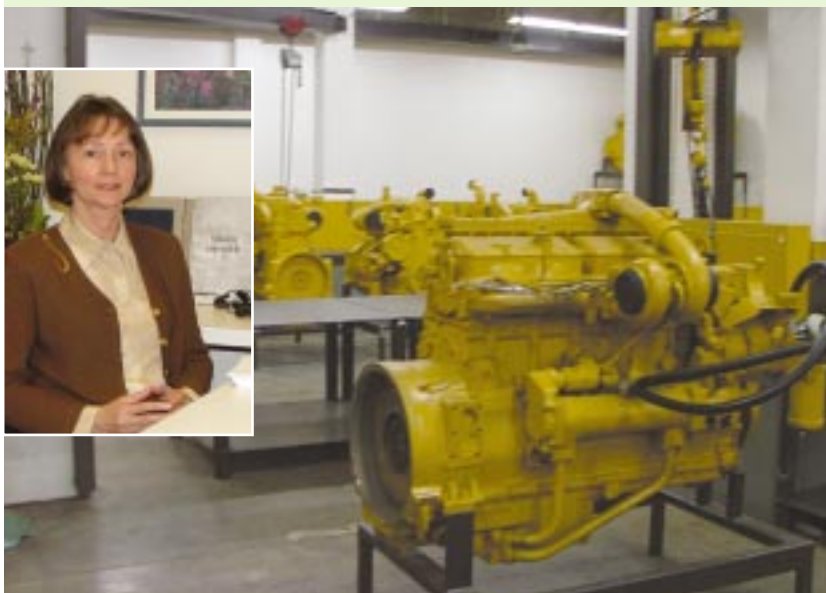


**Dr. Mark Plovnick is Dean of the Eberhardt School of Business, shown here, at the University of the Pacific in Stockton.**

The University is equipped with the latest instructional interactive equipment; almost 25 percent of the classes are offered via satellite in concert with other CSU campuses. CSU's flexibility is ideal for employers seeking access for their employees to upgrade academic and computer skills as well as gain degrees or advanced degrees in the CSU system.

San Joaquin Delta College, with an enrollment of 27,000, provides a Training Resource Center that offers a range of work-force training services for employers in local industry. Even more important is the range of technical expertise on campus and breadth of technical skill training programs in place. The programs are designed to address not just the current needs of industry in the region, but the future needs as well.

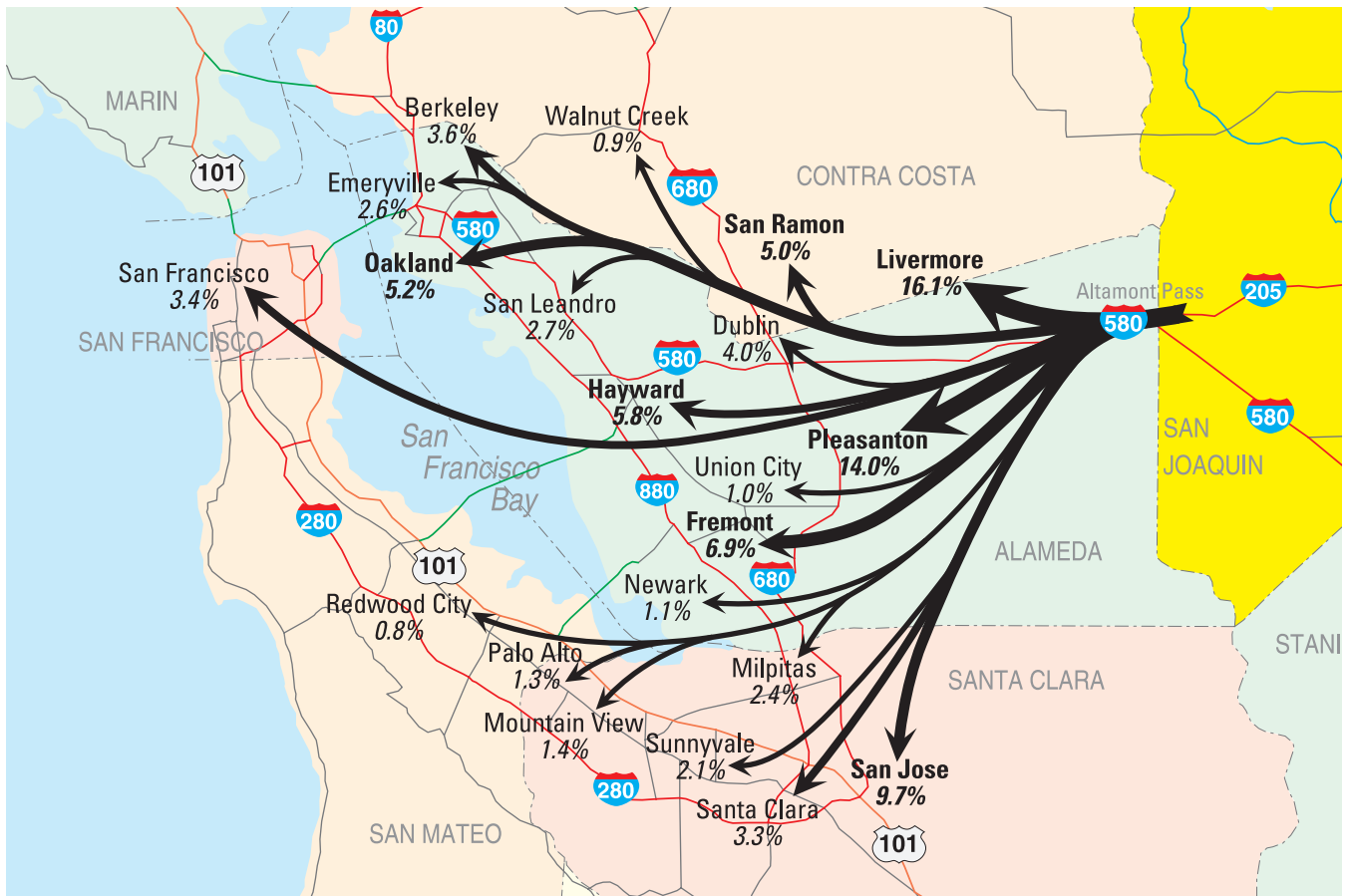
"As industries become more and more automated, the need for employees with high-tech skills only increases," observes Dr. Hazel M. Hill, Dean of Instruction for Vocational Education and Economic Development at the college. "At the same time, whole new skill sets are needed as industries — both here in the San Joaquin Valley and elsewhere — evolve to include more automated processes. Our role is to equip those going to work for these industries with the skills they need now and those they are likely to need in the future."



**Among the work-force training programs available at San Joaquin Delta College is a Caterpillar equipment repair course for employees of Caterpillar dealers. Dr. Hazel M. Hill directs the college's vocational training and economic development initiatives.**



## San Joaquin I-580 Destinations AM Peak Period, Westbound Drivers



(continued from pg. 11)

and to analyze the commuting patterns so that the Council could refine its transportation services. Drivers, commuter bus users and Altamont Commuter Express train riders all participated in the survey, with San Joaquin commuters of all three types representing the largest morning users of the Pass, followed by Stanislaus County commuters.

Would those commuters rather work in the San Joaquin Valley? By a large margin they would. Asked whether they would take a comparable job if it were available in or near their home, 87.8 percent indicated they would. Those most willing to change jobs for a work location near home were high-tech employees, those who have been at their jobs less than three years and women. The map above shows the destination of morning commuters into the Bay Area from the San Joaquin Valley via the Altamont Pass at the time the analysis was released.

Perhaps most significant is the number of commuters who would take a  
(continued on pg. 15)

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## Intermodal Facility to Anchor New Development



A discussion of the Stockton area's considerable logistics attributes must include Burlington Northern Santa Fe Railway's ([www.bnsf.com](http://www.bnsf.com)) role in the movement of goods to and from the region's many distribution centers. BNSF's intermodal facility in Stockton is central to the transfer of rail-shipped products to truck, by which they are transported to local distribution facilities and elsewhere. Cargo containers arriving from eastern U.S. locations, particularly Chicago and Dallas/Ft. Worth, travel by rail to the Stockton facility and are offloaded to trucks for local distribution.

The \$83 million facility opened in 2001 on a 425-acre (172-hectare) site in Stockton. It has two loading and unloading tracks, averaging 7,000 ft. (2,133 m.) in length with the capacity to hold approximately 150 intermodal railcars. Three storage tracks accommodate 230 intermodal railcars with more than 1,100 container and trailer parking spaces.

In February 2004, Stockton was awarded a \$5.9 million federal economic development grant, part of which is earmarked for an extension of rail service into Duck Creek Commerce Park, a 106-acre (43-hectare) industrial park now under development by Catellus Development Corporation. The park represents the first phase of a 1,000-acre (405-hectare) logistics park anchored on one end by the Duck Creek project and on the other by BNSF's intermodal facility. BNSF is installing a mainline switch and a 520-ft. (158-m.)

track extension from the mainline adjacent to Duck Creek Commerce Park to the BNSF right-of-way line.

"The Stockton intermodal facility is a catalyst to other development that is going to occur in the area," says Kevin Palmer, BNSF's economic development manager for northern California and Nevada. "The federal grant is for water in the industrial area around the intermodal facility," in addition to the rail extension, he adds. "We see there the ability to consolidate the core components of our business — the intermodal, the carload business for non-containerized bulk

materials and the third-party transload business. That's the idea behind the Duck Creek Commerce Park."

BNSF's Stockton facility will only get busier with double-digit growth in volume over 2003 levels forecast. "We did a quarter million lifts out of the Stockton facility in 2003, and the rate is growing. We will likely see that kind of growth for the foreseeable

future," predicts Palmer. The location's proximity to the Bay Area, the north-south freeway network and the port facilities in Stockton, Oakland and Richmond are its key strategic advantages, says Palmer. "I would add a fourth, too, which is the fact there is a significant amount of available land at affordable prices there to accommodate not only our facilities but the growing number of distribution facilities in the area. You will not be able to find land, on a cost-effective basis, in the Bay Area on which to build distribution facilities. The land is either not there or it's too expensive."





(continued from pg. 13)

pay cut to work at a comparable job closer to home. Asked what salary level respondents would require in order to work closer to home, 63 percent expected the same salary, but 26 percent said they would accept "a little less" salary to take a comparable job closer to home.

### Home-Grown Labor Force

Labor demographics in the greater Bay Area bear monitoring regularly, given the area's abundance of high-tech workers, population migration east from the bay and California's economic circumstances. Viewed through any lens, however, it cannot be said that labor is in short supply. If anything, supply is burgeoning and shows no sign of abating (see the Demographics and Employment Forecasts chart on page 21).

"The Bay Area has been a heck of a hotbed of technical talent, but that area has cooled off," says Hank Carabelli, president and CEO of Pac-West Telecomm, Inc., a Stockton-based local exchange carrier and Internet provider serving California and four other western states. "But people who wanted to stay in California have made some adjustments to their lifestyles," he points out. "They are willing to come work in the San Joaquin Valley for a like kind of position. That is a resource, a talent base now available to us that did not exist four years ago."

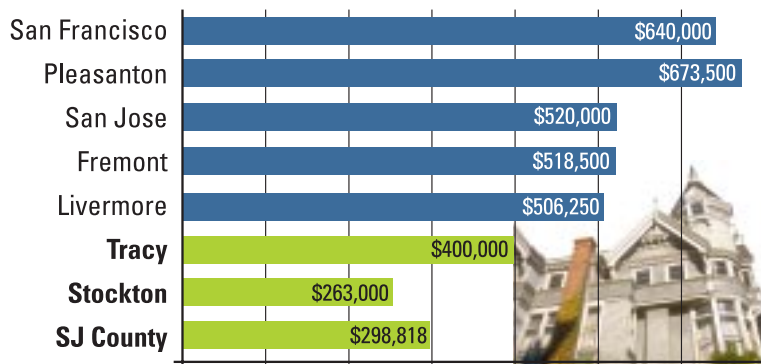


**Hank Carabelli**

But even were that not the case, says Carabelli, finding talent has never been a problem in the company's 24-year history. "There is not a lot of competition in our space located here in the same community," he relates. "That means you don't have the high turnover and churn as is the case in, say, Denver, which became a telecom hub."

Carabelli stops short of referring to Pac-West as a high-tech company and therefore on the lookout constantly for high-tech expertise. "We use technology in our field, but we really are a service company," he explains. "I can buy all the technology in the world like any-

### Housing: Average Sale Prices



Source: DataQuick Information Services, May 2004.

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## Developer Plans a Park with Office Space, Nine Holes and More

**D**eveloper Joel Elekman has been working in the California real estate industry for more than 30 years, which is long enough to conclude that he has seen it all where that market is concerned. So when the dot-com, high-tech bubble burst in 2001 and many thousands of jobs were lost in the San Francisco Bay Area, he assumed the ensuing exodus of workers would soften the residential real estate market, making it more affordable for those who remained. Not so.

"Even with the loss of hundreds of thousands of jobs in the Bay Area in the last two or three years, home prices have continued to escalate," says Elekman. "It's the strangest thing I've ever seen. But it has to do with very limited supply and heavy demand." More recently, the *East Bay Business Times*, a Pleasanton-based business newspaper, surveyed more than 500 corporate executives who indicated that "the overwhelming factor that would determine where their business should be located is affordability of housing," Elekman relates.



**Joel Elekman is developing a business park in Tracy that the surrounding community will use, thanks to such "destination" amenities as golf, restaurants and a health club.**

What's missing east of the Altamont Pass is a supply of Class A office space near where so many Bay Area commuters live, particularly in the Tracy area which has seen enormous growth in residential development. The Tracy Gateway development gained the backing early on of the Inter-Regional Partnership, in part because third-party analysis of its economic impact revealed it would generate approximately 25,000 direct jobs at build-out (6 million sq. ft./557,400 sq. m. of office space) and an additional 17,000 indirect jobs.

But with vacancy rates in the Bay Area well into the double-digits in the wake of the technology industry slump, it's a tenant's market. That goes for Tracy Gateway's direct competition — the existing business parks over the Altamont Pass in Livermore, Pleasanton and San Ramon. But Gateway has an ace up its sleeve: "We looked at building permit costs in two areas of Livermore for a single-family house," says Elekman, who is the project's developer. "One was \$110,000 and the other was \$120,000 — for building permits!" The relative costs of housing will continue to influence where workers choose to live.

Still, for companies to entertain a Tracy location, it must offer something different, something more than a plain vanilla business address in a park that resembles another one up the road. The 538-acre (218-hectare) Gateway Project is designed to do just that. Besides office space, the project features a nine-hole golf course designed by Robert Trent Jones, retail, restaurants, a hotel and a 95,000 sq. ft. (8,800 sq. m.) health club.

"The idea is to create a place where people will go and spend time," says Elekman. "Obviously, it has to serve the office tenants, but with the non-office components, it also will have a night use that will benefit the people of the City of Tracy." Which may give them even less reason to leave the San Joaquin Valley.

one else. But my strategic advantage is in finding people who understand what it means to serve others — it's either in their DNA code or it's not. We can teach the technology."

### Regional Integration

Ultimately, the hope of area business and industry leaders as well as the development community is to make the most of the inter-regional cross-pollination of commuters and the movement of goods and services in and around San Joaquin County, and to benefit economically from a deeper integration of the county with the Bay Area. That effort is well under way with the Inter-Regional Partnership (IRP) being the most notable attempt at regional integration so far.

"The Inter-Regional Partnership is an attempt to recognize the economic linkage between the two regions," says Locke. The five-county initiative was launched in 2000, with three Bay Area counties—Santa Clara, Contra Costa and Alameda — plus San Joaquin and Stanislaus Counties participating. An independent commission of political representatives from each of the counties runs the IRP. Specifically, the goal is to resolve the jobs-housing imbalance, where jobs are in one sector (west) and housing is in another (east), and the resultant transportation issues.

"Affordability of housing really was driving a lot of what was happening in this region at the time the Inter-Regional Partnership was formed," says Tracy Mayor Dan Bilbrey, who chairs the IRP. Tension between the two sides of the Altamont Pass had produced growth-related litigation, which prompted discussions among various parties, including Bilbrey, resulting in the first state-sponsored Inter-Regional Partnership; several other IRPs are now in place around California. "The objective of the IRP was to figure out how to develop housing in a job-rich area and how to develop jobs in a house-rich area," says Bilbrey. The latter was clearly the challenge for Tracy and the San Joaquin Valley.

The participating counties developed proposals for Opportunity Zones, which in the case of the three Bay Area counties focused on increasing the supply of housing. "For our part, we saw the need to develop Opportunity



Zones that would provide a strata of incomes as well as generate the Class A office space we were lacking,” explains Billbrey.

The winning proposals of all those submitted by the counties were the Tracy Gateway Project — a business park in Tracy featuring Class A office space, retail, entertainment and recreation amenities — and the San Joaquin Business Park located at the Stockton/San Joaquin Regional Airport.



**Tracy Mayor Dan Billbrey**

But just as the stage was set for such projects to get under way, the economy faltered. Retrenchment, not expansion, was the new corporate strategy. To make matters worse, funds promised by the state government for related infrastructure projects — new Interstate interchanges and the like — evaporated as California’s budget crisis escalated.

### Region in Transition

Still, those companies needing to expand, regardless of economic conditions, did so, primarily with a rash of new distribution centers. The City of Manteca, for example, with its mixed-use Spreckels Business Park, met strong demand for space with the addition of 1.9 million sq. ft. (176,500 sq. m.) of retail and 10.1 million sq. ft. (938,000 sq. m.) of industrial represented by national tenants such as Ford Motor Co., Millard Refrigeration and Frito-Lay, Inc. Building on the success of this project, Manteca is moving forward with two new business parks, Austin Road (500 acres) and Tara (500 acres) in collaboration with AKF Development LLC.

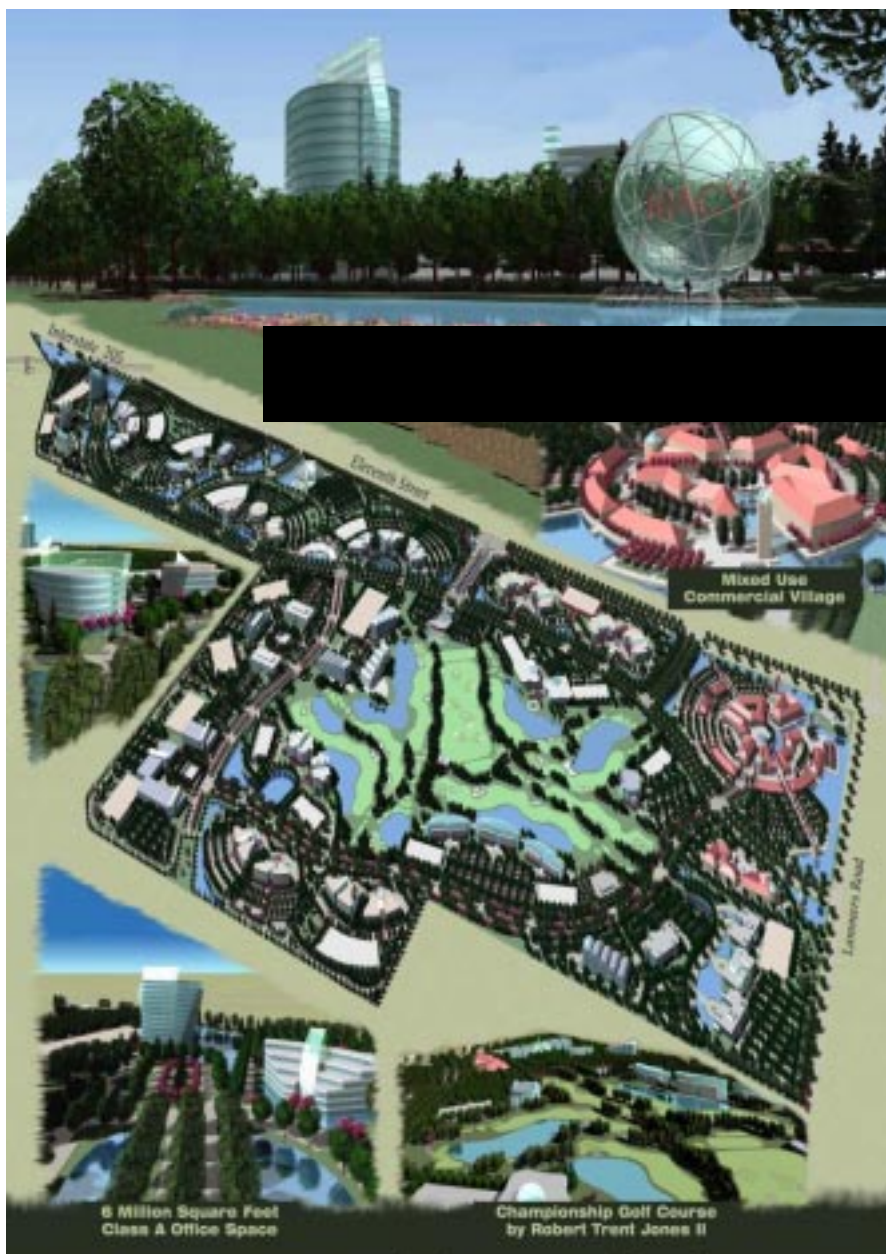
In 2005, ground will be broken on the 4,800-acre (1,940-hectare) River

Island Development in Lathrop. This project, by The Cambay Group is the largest of its kind in northern California and includes 11,000 homes, schools, a town center and recreation amenities. It will also have 4 million square feet of office space.

“River Island has a unique employment center plan that will provide significant economic incentives for prospective employers,” says Susan Dell’Osso, project manager and president of The Cambay Group. “We think these economic incentives, combined

with good project design, will result in thousands of new, permanent jobs in the Central Valley.”

In the Tracy area, a Costco retail distribution center and an ADESA Golden Gate auto auction facility are among recent investments. The development agreement for the Tracy Gateway project (see the sidebar on page 16) was finalized in the spring with the understanding that the park would not offer space for distribution facilities, but rather higher-end corporate space and  
*(continued on pg. 19)*



## City of Tracy – The Smart Business Decision

# Stockton Events Center Project



The proposed Stockton Events Center project, on the north bank of the Stockton Channel, will serve as an entertainment hub for Stockton and the surrounding region. The master planned site is designed with both public and private uses in mind. The Events Center contains the following components:

- An approximately 220,000 sq. ft. (20,438 sq. m.), 10,000-seat, city-owned, multi-purpose indoor arena (shown above) which will be used for sports, entertainment and

community events and activities. It will include 24 suites and club seating. The arena will be home to professional ice hockey, arena football and indoor soccer teams.

- A city-owned baseball park (shown below) with seating for approximately 5,000 persons will be the home of the Stockton Ports, the city's minor-league baseball team.
- A privately owned, 150-room hotel and conference center will have more than 10,000 sq. ft. (930 sq. m.) of meeting space and related parking.
- Approximately 60,000 sq. ft. (5,600 sq. m.) of retail and restaurant development.
- City-owned parking, which will include a 650-space parking structure and a surface parking lot.
- Other public improvements, including a "loop road" providing access to most of the components of the project, improvements to Fremont Street, on-site utilities and landscaping.





(continued from pg. 17)

amenities to attract the attention of high-tech and service-industry tenants. The ball is rolling again.

"Companies on the other side of the hill know that they can do business here for about 30 percent less," says Mayor Bilbrey. "That 30 percent trickles down, and when you get to the bottom line, net revenues are 30 percent more. If you're an owner, that's 30 percent more with which to expand. For public companies, that means making your numbers and paying dividends and making the shareholders happy."

From Bilbrey's point of view, integration with the Bay Area is happening. The mayor sits on a task force looking at expanding public transportation service along the I-580 corridor from San Francisco into the Valley, and his work with the Inter-Regional Partnership has helped keep the San Joaquin area's profile front and center with key regional players. "We're on the right track," he notes. "When I'm in these meetings, they refer to this area as the greater Bay Area."

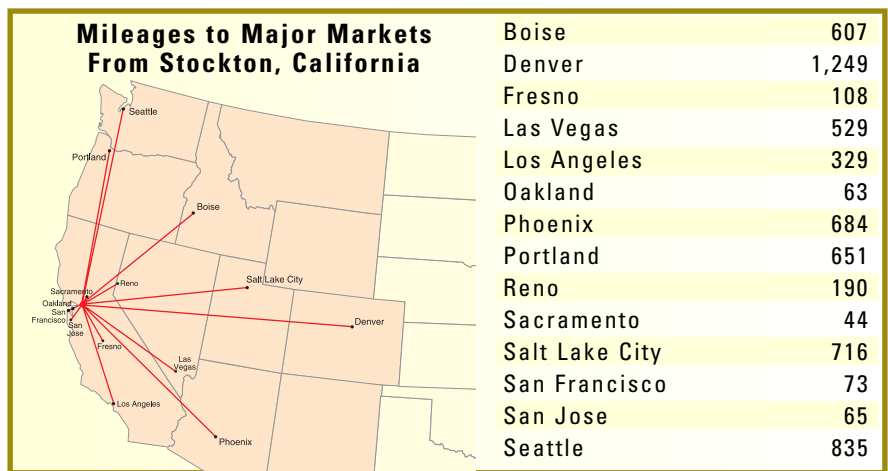
**"Companies on the other side of the hill know that they can do business here for about 30 percent less."**

— **Dan Bilbrey**,  
Mayor of Tracy

The City of Tracy will scarcely resemble itself in five to 10 years, when the current rounds of city planning, land annexing, business park developing and infrastructure improving are complete. Development is nothing new to the southwest corner of San Joaquin County, but given the pace of development about to unfold, it has hardly begun. And the stage increasingly is set economically for the train to leave the station.

"Finally, the market is such that it's time to start bringing the work to the workers rather than dragging the workers to the workplace," says Dave Corliss, a principal with the West Tracy Owners Group, who is developing a 1,300-acre (526-hectare) Class B+ industrial business park on the northern side of I-205 in as-yet unincorporated

(continued on pg. 21)



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# Port of Stockton Advances a Building-Materials Cluster

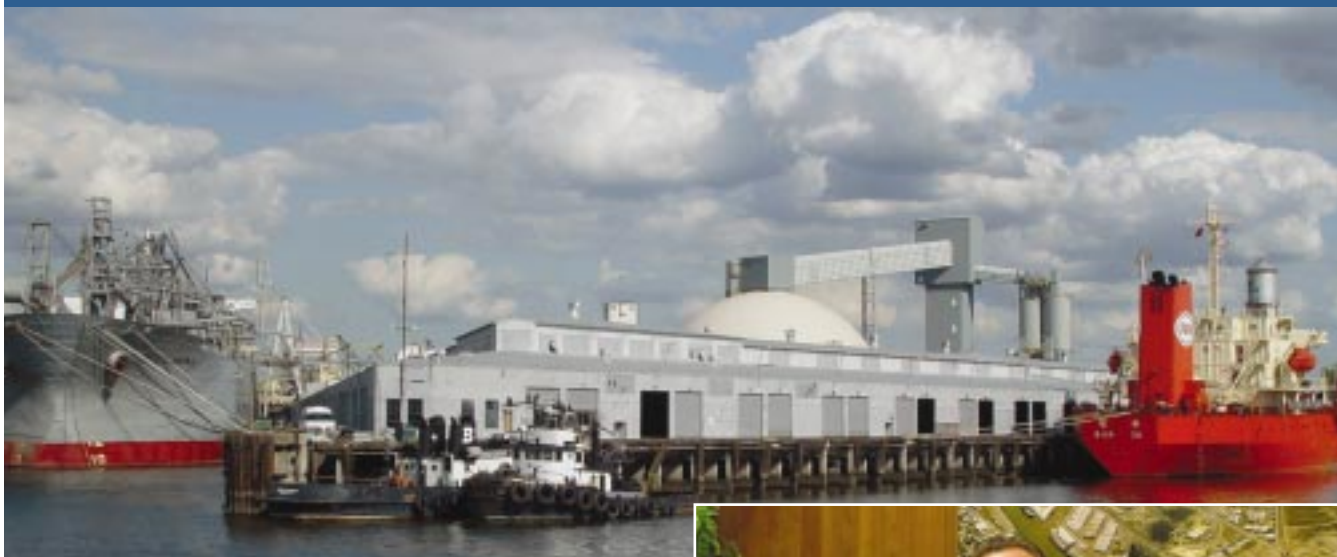


Photo courtesy of Phil DiMarino, Colomet, Inc.

**T**he Port of Stockton has acquired the 1,400-acre (567-hectare) Rough and Ready Island on the San Joaquin River from the U.S. Navy, which had used the island as a supply base and communications station since World War II. The Port will use the land, located adjacent to existing port facilities, to expand its maritime services and to develop commercial real estate projects.

"Office buildings, logistics facilities, distribution, big box, warehousing all make sense at this site, given our central location here in the valley and with the migration of people coming out of the East Bay," says Mark Tollini, deputy port

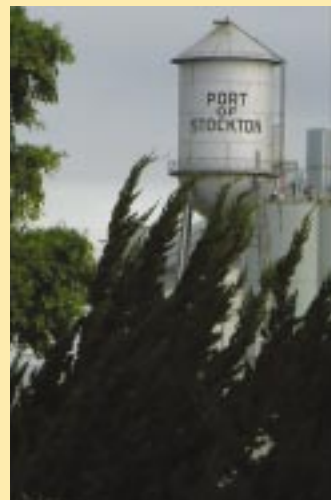


**Mark Tollini, deputy port director, trade & operations**

director, trade & operations. "Property values are attractive, and the location is attractive from a distribution standpoint."

The port is a key part of San Joaquin County's emergence as a building-materials manufacturing cluster. Such manufacturers are opening facilities in the San Joaquin Valley to supply builders with the materials they need to meet the projected population growth of 1.7 million people and business expansion growth now under way.

"Weyerhaeuser operates on about 20 acres [8 hectares] on the island right now," notes Tollini. "They're bringing domestically produced, preformed trusses and frames for local distribution supporting building and housing construction. We are seeing fairly significant inbound shipments by rail of structural steel and steel beams. It's becoming a fairly significant portion of our business right now, and I think that is where the sustained activity will be for some time." Cement companies, too, are significant players at the port; California Portland Cement recently invested \$40 million at the port to install infrastructure that will help it meet anticipated demand for cement and construction products.



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## IRP San Joaquin County Demographic and Employment Forecasts

Year	2000	2005	2010	2015	2020	2025
<b>Population</b>	566,600	633,348	700,095	766,834	821,851	900,338
<b>Households</b>	202,320	225,185	248,094	270,994	293,903	316,768
<b>Jobs</b>	201,671	218,051	234,430	250,810	267,189	283,569
<b>Jobs/Housing Ratio</b>	1.00	.97	.94	.93	.91	.90

- San Joaquin County will grow by 59 percent in terms of population in comparison to the Bay Area counties at 22 percent for the same time period.
- San Joaquin County households will grow by 57 percent from the current 202,320 to 316,768.
- San Joaquin County will add 81,898 new jobs for a total of 283,569 jobs by 2025, a 56-percent increase over the 25-year period.
- San Joaquin County is projected to produce an excess of 127,200 housing units over what is needed to house its own workers.

Source: Inter-Regional Partnership Report on Demographic and Employment Forecasts, June 2003

(continued from pg. 19)

rated Tracy. "We are anticipating 15,000 people working here when the park is fully built out," says Corliss. They will work in 25 million sq. ft. (2.3 million sq. m.) of newly available space.

For the next several years in the Tracy area, Corliss envisions strong demand for industrial space, which may well be followed by R&D and then Class A demand, particularly if the office vacancy rate west of the Altamont Pass contracts. Of Tracy's population of about 70,000, Corliss estimates 22,000 commute out of the area, most to the Bay Area. "That tells you there are already 22,000 people who are skilled and trained in different aspects of business, so businesses have a good reason to want to set up in Tracy," he notes. "The market is at the point where you can entertain that. That has not been the case heretofore."


Looking ahead, five factors are driving San Joaquin County's economy into the 21st century: Bay Area integration, transportation, comparative affordability, work force availability and stability and affordable housing.

Specific amenities include 7,000 acres of available land, 20 business parks, more than five million sq. ft. (464,500 sq. m.) of industrial inventory and the Interstate network. Combined, these attributes make a solid case for making San Joaquin County your West Coast connection for business and industrial expansion.

Firms that have located to the county recognize it as California's "Population and Economic Energy Zone" — the foremost region for enhancing profitability through efficiency of logistics, the ability to control costs and the area's strategic location.


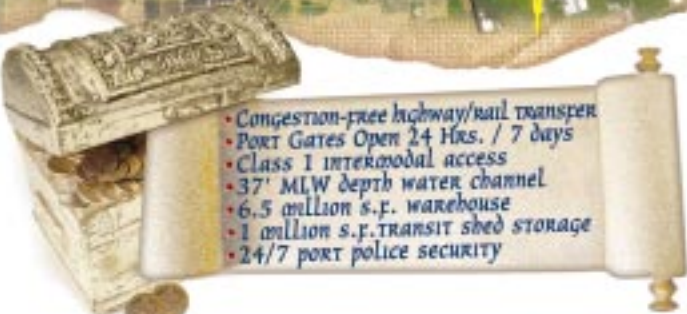
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# Airport Development Is Ready for Takeoff

One of the most underused infrastructure assets in San Joaquin County is the Stockton/San Joaquin Regional Airport ([www.stocktonmetro.com](http://www.stocktonmetro.com)). Capable of handling any aircraft, the airport is home to a handful of aircraft service companies and the private jets of local owners.

Menlo Worldwide, a global freight-forwarding company based in Redwood City, Calif., is the sole cargo operator at the airport with a daily flight to the company's Dayton, Ohio,

sorting hub. Menlo consolidated its northern California operations in Sacramento and San Jose at the Stockton airport. The Stockton operation now serves the Sacramento metro area, the Central Valley and the San Francisco Bay Area. Menlo was the first user of a new cargo ramp capable of accommodating up to four Boeing 767s at once.

"There is enormous growth potential in the area around Stockton Airport," says Mark Lasof, northern California ser-

Freight forwarder Menlo Worldwide ships a wide range of products from San Joaquin Valley companies to points worldwide from the Stockton/San Joaquin Regional Airport. Planned development of the airport is likely to attract additional cargo companies to the facility, from which they can serve the Bay Area, Sacramento and the northern Central Valley.



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vice manager for Menlo Worldwide. The facility could easily handle additional cargo carriers, and that may come to pass as more industry locates in the northern Central Valley. "The Stockton area is a gateway to San Francisco, San Jose and Oakland as well as Sacramento and Fresno — it's a central, strategic location for us."

Adds Airport Director Barry Rondinella, "Menlo saved money by consolidating here. What they learned is that we are the only major airport in northern California from which you can serve all of the large northern California markets within a two-hour truck drive."

"The movement of goods is incredibly easy here," adds Rondinella. "We can facilitate that better than a San Francisco International, or LAX or even Ontario [Calif.], because we don't have the kind of congestion they all suffer from. We are not crowded in terms of the roadways and the airfield itself." The San Joaquin Business Park, a 550-acre (223-hectare) industrial and commercial development, is about to get under way at the airport that will offer affordable land on which companies can develop facilities. And the airport's Foreign Trade Zone, Enterprise Zone and designated Opportunity Zone status affords import and export advantages.



**Barry Rondinella**



# Stockton Metro Area Data

1990 Population	480,629
2000 Population	563,598
2004 Population	643,481
Percent Population Growth 2000 – 2004	14.17
Percent Population Growth Forecast 2003 – 2009	9.84
1990 Households	158,657
2000 Households	181,629
2004 Households	215,070
Percent Household Growth 1990 – 2004	18.41
Percent Household Growth Forecast 2004 – 2009	11.65
Percent Urban Population	89.9
Percent Rural Population	10.1
Percent White	54.4
Percent Black	6.6
Percent Asian	12.3
Percent Hispanic Origin	33.5
Percent Other Population	26.7
Median Age	31.9
Median Household Income (\$US)	41,152
Per Capita Income (\$US)	17,302

## Education (Age 25+)

Percent Less Than High School	26.5
Percent High School	25
Percent Some College	25.2
Percent Bachelor's Degree	10.9
Percent Graduate Degree	4.7

## Employment

Percent White Collar Occupations	55.5
Percent Blue Collar Occupations	27
Percent Service Occupations	14.6
Percent Management, Business, Financial	11.7
Percent Professional Specialties	17.2

Source: Community Demographics at DevelopmentAlliance.com

This editorial survey of investment opportunities in San Joaquin County, Calif., was prepared by the staff of Conway Data Inc., Norcross, Ga., under the auspices of the San Joaquin Partnership. For more information on San Joaquin County, call (209) 956-3380 or visit [www.sjpnet.org](http://www.sjpnet.org). For information on Site Selection editorial surveys, contact Mark Arend, Editor, at [mark.arend@conway.com](mailto:mark.arend@conway.com) or (770) 325-3438.

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