



# Economic Vitality Study

## Santa Cruz County 2014



# Acknowledgements

*We gratefully acknowledge the following people for their assistance in producing this Economic Vitality Study.*

## **Board of Supervisors**

Zach Friend, Board Chair – District 2

Greg Caput – District 4

Neal Coonerty – District 3

John Leopold – District 1

Bruce McPherson – District 5

## **County of Santa Cruz:**

Susan A. Mauriello, County Administrative Officer

Susan Pearlman, Principal Administrative Analyst

Kathy Molloy Previsich, Planning Director

Barbara Mason, Economic Development Coordinator

## **Consultant Team: BAE Urban Economics**

Janet Smith-Heimer, MBA, President and Project Manager

Paul Peninger, MCP, Principal

Jessica Hitchcock, MCP, Associate

Mikayla Weissman, Analyst

*We also gratefully acknowledge the more than 250 people who attended six countywide focus groups and four countywide public meetings convened during the planning process for this Strategy, as well as members of the public who provided comments to the County. Their input and guidance was invaluable in creating this Study, and its companion, the Santa Cruz County Economic Development Vision and Strategy. Along with the county's staff and consultants, all of those who participated in the process and took the time to prepare comments can be considered the principal authors of the EVS.*

# Table of Contents

<b>Overview of the Economic Vitality Study</b> .....	<b>1</b>
Core Values: Sustainability and Community Investment .....	2
<b>Presentation of Key Goals</b> .....	<b>3</b>
Organization of Study .....	3
<b>Goal 1: Create Shared Vision and Organize for Action</b> .....	<b>4</b>
Creating a Shared Vision and Organizing for Action.....	5
<b>Goal 2: Support Sustainable Development with Housing &amp; Transportation Choices</b> .....	<b>10</b>
Sustainable Development.....	12
Availability of Housing Choices .....	14
Availability of Transportation Choices .....	17
<b>Goal 3: Strengthen Key Economic Sectors</b> .....	<b>19</b>
The Agriculture Sector .....	19
The Health Sector .....	22
The Education Sector .....	24
The Leisure & Hospitality Sectors.....	26
<b>Goal 4: Support Small Businesses, Technology/Innovation, and the Arts</b> .....	<b>31</b>
Small Businesses.....	31
Emerging Sectors: Technology and Innovation.....	35
Arts and Creative Enterprises .....	39
<b>Goal 5: Expand Public Sector Capacity &amp; Infrastructure</b> .....	<b>43</b>
Public Sector Capacity & Infrastructure .....	45
Workforce Training.....	50
<b>Goal 6: Revitalize and Strengthen Town Centers and Commercial Areas</b> .....	<b>53</b>
<b>Goal 7: Promote Santa Cruz County to Regional, State, National, &amp; Global Markets</b> .....	<b>58</b>
<b>Possible Two-Year Work Plan (2014/15 and 2015/16)</b> .....	<b>61</b>
Suggested Two-Year Work Plan: Strategies and Actions.....	62
Ongoing Supportive Policies and Intentions, and Mid- to Longer-Term Priorities as Resources Allow .....	70
<b>Appendices</b> .....	<b>73</b>
Appendix A: The Study Development Process.....	74
Appendix B: Economic Trends Report .....	75
Appendix C: Economic Context, Trends and Projections.....	76
Appendix D: Summary of Sub-Regional Economic Strengths and Strategies.....	84
Appendix E: Overview of Hotel Product Types.....	90
Appendix F: Summary of Focus Group and Public Comment; and CFSC Summaries.....	106

# Overview of the Economic Vitality Study

The Santa Cruz County Economic Vitality Study (EVS) represents the results of an initiative led by the County of Santa Cruz to identify measures that could be taken by governmental, business and non-profit sector entities that could work together to strengthen the local economy. The study effort began with data collection and analysis, as well as with stakeholder discussions at a total of nine focus group meetings and community workshops held in 2013. The result of this analysis and public input was presented in a Public Review Draft EVS released in May 2014. A three-month public review period yielded an extensive level of public comment. As a result, the Public Review Draft has now been divided into two documents: The first presents a more focused County of Santa Cruz **Economic Development Vision and Strategy (EDVS)**, and the second is an updated and revised document now presented as an **Economic Vitality Study (EVS)**. This approach has been taken in order to more clearly present the priority strategies and action items that the County of Santa Cruz will focus on over the next two years, while still retaining the countywide broad perspective of the initial EVS in a manner that incorporates public comment on the initial draft. The Study can be considered written by the hundreds of participants in the EVS process who contributed their perspectives, ideas and comments.

The broad perspective of the Study is to recognize countywide assets, opportunities and partnerships; and to highlight goals, strategies and actions that County governmental agencies could pursue to complement and strengthen the economic development efforts of key existing businesses, agencies and organizations. Of foremost importance is support for the existing businesses and agencies that provide jobs, goods and services to county residents and businesses, and which create the shape of the existing Santa Cruz economy. There is also potential for economic development efforts to increase support for small businesses, and also to help strengthen the potential for new and expanding economic sectors.

County of Santa Cruz economic vitality resources will complement and be leveraged through partnerships with business organizations and other agencies involved with the local economy. These include but are not limited to the Santa Cruz County Workforce Investment Board (WIB), the Santa Cruz County Conference and Visitors Council (CVC), and economic vitality programs of the county's incorporated cities of Santa Cruz, Scotts Valley, Capitola, and Watsonville. Other key supporters of economic success include but are not limited to the Central Coast Small Business Development Center, Santa Cruz County Business Council, El Pajaro Community Development Corporation, and chambers of commerce and associations representing the geographic areas of the Santa Cruz Area, Capitola-Soquel, Aptos, Pajaro Valley, San Lorenzo Valley and Pleasure Point.

This Economic Vitality Study (EVS) presents a series of suggested goals, and ideas for strategies and action items that could help achieve these goals in order to promote job growth (especially "living wage" jobs), expand workforce development, strengthen public revenues, and improve the quality of life for residents and businesses in Santa Cruz County. Improved prosperity for all will have positive economic and social multiplier effects, as households with less economic stress place fewer demands on the social service system and have an increased ability to participate in the life of a

healthy community. Although the EVS focuses on unincorporated portions of the County in terms of suggested strategies and actions, it is structured to provide an overall framework for economic vitality for the whole of the County; including incorporated and unincorporated areas. This approach has been taken so that a single Study document might reflect the work and initiatives of local partners in a coordinated framework. It does not replace or contain all of the strategies of other entities, but reflects key aspects of the work and priorities of others involved with economic vitality so that all activities might complement each other.

## **Core Values: Sustainability and Community Investment**

Because it has been well over twenty years since the last County economic development strategy was created, the process of preparing this new EVS emphasized extensive public outreach and stakeholder input. The process revealed important perspectives that are widely shared, as well as items that attract less attention but are also worthy of consideration. It is safe to conclude that nearly all participants believe that there are strategies and actions that the County could pursue that would improve not only business climate and job growth in the County, but also community quality of life.

It is important to recognize, and indeed celebrate, certain core community values that exist in Santa Cruz County. Unlike many other regions in California, Santa Cruz County has worked for decades to balance growth and development with local values of natural resource preservation and sustainability. This Strategy was developed with these key core values in mind, while also taking a 21<sup>st</sup> century forward-looking view. As a result, the process emphasized economic opportunities that can strengthen and preserve the County's key assets - including a high quality of life, an emphasis on environmental conservation and restoration, and a mindfulness of the importance of equity for all County residents.

One of the key values that emerged through the public input process conducted during Strategy formulation was the idea of renewed interest in "investment" in the future of Santa Cruz County. The Great Recession of 2008-2011 has taken a great toll on local residents and businesses, resulting in substantial job losses. This event, among other factors, has energized local stakeholders and elected officials to come together, revisit Santa Cruz County's economic strengths and opportunities, and re-dedicate the region's commitment to sustainable economic approaches that emphasize long-term, value-added investment.

## Presentation of Key Goals

This Economic Vitality Study presents ideas for strategies and action items that would help achieve the seven key goals that have been identified through the process of preparing the Study:

- GOAL1: CREATE SHARED VISION AND ORGANIZE FOR ACTION
- GOAL2: SUPPORT SUSTAINABLE DEVELOPMENT WITH HOUSING & TRANSPORTATION CHOICES
- GOAL 3: STRENGTHEN KEY ECONOMIC SECTORS : AGRICULTURE, HEALTH, EDUCATION, AND LESURE/HOSPITALITY
- GOAL 4: SUPPORT SMALL BUSINESS, TECHNOLOGY/INNOVATION, AND THE ARTS
- GOAL 5: EXPAND PUBLIC SECTOR CAPACITY AND INFRASTRUCTURE
- GOAL 6: REVITALIZE AND STRENGTHEN TOWN CENTERS AND COMMERCIAL AREAS
- GOAL 7: PROMOTE SANTA CRUZ COUNTY TO REGIONAL, STATE, NATIONAL, & GLOBAL MARKETS

## Organization of Study

This Economic Vitality Study is organized into sections, with the first seven sections identifying and providing information about each goal, followed by an outline of ideas for strategies and action items that could work together toward achievement of the goals. Certain priorities were then selected for inclusion in a suggested possible “Two Year Work Plan” presented at the end of the Study. A chart presented after that Work Plan presents a list of suggested “On-going Supportive Policies and Intentions, and Mid- to Longer-Term Priorities” that can be pursued as resources allow and through collaboration and partnerships.

Finally, various appendices are included in order to provide important information and summaries of stakeholder and public input.

## Goal 1: Create Shared Vision and Organize for Action

Santa Cruz County has a diverse regional economy dispersed over a large geographic area, with numerous active economic development organizations. These organizations include the Santa Cruz County Workforce Investment Board (WIB), Central Coast Small Business Development Center (SBDC), Santa Cruz County Conference & Visitors Council (CVC), Santa Cruz County Business Council, Santa Cruz County Farm Bureau, El Pajaro Community Development Corporation, Santa Cruz Area Chamber of Commerce, Capitola Soquel Chamber of Commerce, Pajaro Valley Chamber of Commerce & Agriculture, San Lorenzo Valley Chamber of Commerce, Aptos Chamber of Commerce, Pleasure Point Business Association, Think Local First, and many others. In addition, each incorporated city in the County has an economic development staff function, including the cities of Santa Cruz, Capitola, Scotts Valley, and Watsonville.

Area schools, training programs, universities and colleges also play a key role in economic vitality, and constitute important partners. These include area school districts and the Santa Cruz County Office of Education, the Regional Occupation Program (ROP), the University of California at Santa Cruz, Cabrillo College, Cal State Monterey Bay (CSUMB), as well as colleges and training programs in Santa Clara and nearby counties. In addition to business and educational organizations, many non-profit agencies as well as groups formed around various special interests including arts, lodging, technology and recreation all contribute toward the economic vitality of Santa Cruz County. The strong non-profit sector in Santa Cruz also indirectly supports economic vitality through provision of social “safety net” services including but not limited to health care, job training, and organization of volunteer resources and services that support members of the Santa Cruz community.

However, many of these organizations focus on a specific geographic area, or on a single topic, requiring partnerships across organizations to broaden each entity’s breadth and depth. One of the most important roles that the County of Santa Cruz can fill to enhance economic vitality will be to serve as a coordinator and facilitator of partnerships among existing organizations. Suggested actions to implement this goal include accepting this Study, dedicating staff to the economic vitality coordinating role, establishing an inter-departmental Strategic Action Team to support key projects; promoting the County through a regular communications program; and facilitating partnerships countywide among partners including business, residents, and local economic developers.

As of 2014, the County of Santa Cruz does not have a business license requirement. The EVS suggests consideration of a requirement for a business license that is modeled after the programs that exist in each of the four cities in Santa Cruz County. Any fee associated with the license requirement would be set at a level to recover the costs of operating the program, and would not be considered a revenue generator for the County. A business license program would enable collection of basic information so that the County may analyze business growth, have information needed to be competitive for economic development grants, further target economic vitality efforts, and communicate with businesses. This initiative would focus on educating and supporting small businesses and expansion efforts.

The Communications Strategy should provide for easy access to economic data of the County, this Study, the Santa Cruz County Economic Development Vision and Strategy (EDVS) that has a focus on priority strategies and actions for the County of Santa Cruz, economic tools, and information regarding the progress of the County and its businesses towards a sustainable business environment. The Communications Strategy will emphasize sharing accomplishments of the local business community, as well as promoting the County as a place where businesses are celebrated and embraced.

Establishing and tracking appropriate metrics will facilitate efforts to benchmark communities, and create measurements and reporting mechanisms to measure success of economic vitality efforts related to job creation, investment and local fiscal revenues.

## Creating a Shared Vision and Organizing for Action

### **1.1 ACCEPT ECONOMIC VITALITY STUDY (EVS) AND APPROVE A COUNTY OF SANTA CRUZ ECONOMIC DEVELOPMENT VISION AND STRATEGY (EDVS) FOR 2014/15 THROUGH 2015/16**

---

The process of developing and accepting this Economic Vitality Study (EVS), and approving action items for a County of Santa Cruz Economic Development Vision and Strategies (EDVS) for the next two years, can be used to publicize and build consensus toward economic vitality goals. The initial Public Review Draft EVS was distributed to business organizations and all of those who participated in the Stakeholder Focus Groups and Community Meetings. Comments on the Public Review Draft were used to develop the Economic Vitality Study to be considered and accepted by the Board of Supervisors. The Board will also consider approving a proposed County of Santa Cruz Economic Development Vision and Strategy (EDVS) to guide the initial years of county efforts, which will occur through the process of allocating resources through adoption of annual County Budgets.

*1.1.1: Accept the County of Santa Cruz Economic Vitality Strategy, and adopt an Economic Development Vision and Strategy (EDVS) consisting of priority strategies and action items from the Study which can be the focus of county economic development efforts during FY 2014/15 and 2015/16.*

*1.1.2: Convene a group of key stakeholders to create a proposed "Economic Vision Statement" for Santa Cruz County. This Statement would be an expansion of the Vision initially adopted by the County in the EDVS, and could be used to ensure consistent communications by stakeholders; to guide investments in and balanced use of built, natural, human and social capital; to foster prosperity for all residents; and to support strong businesses that provide living wage jobs as well as needed goods and services.*



## **1.2 ORGANIZE COUNTY ECONOMIC VITALITY STAFFING AND RESOURCES**

---

*1.2.1: Dedicate County staff, through an interdepartmental approach, and provide funding for targeted professional services. Focus on using existing staff, and consider only targeted expansion of staff as needed to bring on new skill sets and expertise, in order to implement the following activities:*

### **Economic Development Office**

- Business Retention and Expansion Program; Outreach and “Matchmaking”;
- with Technology/innovation business cluster as a special focus
- Marketing and Promotion of Santa Cruz County with specific branding components
- Strategic Collaboration with a wide range of private and public partners;
- Memberships in Chambers and other Business Organizations
- Contract for creation and implementation of Communications Strategy
- Contract with Small Business Development Center (SBDC) Education, Business Trainings, Job Training: Restaurant Improvement, Web-Based Sales, Customer Service

### **Planning Department, along with other Development Services Departments and Agencies**

- Permit Assistance and Ombudsman; Land Use/Regulatory Assistance

### **Interdepartmental Team Supporting RDA Successor Agency**

- Disposition of RDA Successor Agency Real Property Assets at 7<sup>th</sup>/Brommer & 17<sup>th</sup>/Capitola Road

### **County Administrative Office**

- Data Analysis and Research
- Preparation of Comprehensive Economic Development Strategy (CEDS) Update and Annual Reports
- Grant-writing, Funding, Contract and Grant Administration

### **Human Services Agency**

- Workforce Investment, Community Services

*1.2.2: Designate a point person for Economic Vitality in each County Department. This action will ensure coordination among County departments and assist with fostering a culture of economic vitality as envisioned by the Economic Vitality Study. This action will assist with communication about the value of sustainable economic vitality, and providing training to all county employees regarding their role in supporting economic vitality. This action will also support active engagement of economic development staff, department heads and department point people with the business community and its associations. The County could encourage these point persons to attend at least two Chamber or other Business meetings or events each year, perhaps through a coordinated schedule to foster regular attendance by the County throughout the year.*

1.2.3: Meet with partner agencies to discuss the Economic Vitality Study, and offer to provide training to agency staff. This action will further expand awareness of the EVS and help ensure that existing employees are able to make contributions to supporting economic vitality in Santa Cruz.

1.2.4: Direct the County Administrative Officer to authorize the Planning Director to lead an Inter-Departmental County Strategic Action Team (SAT) charged with overseeing streamlining of regulations and permits, and facilitation of key projects. This will create a Strategic Action Team, consisting of key department directors and agencies, to actively engage in an on-going review of permit processes, business development fees and regulations, with the objective of identifying improvement areas and developing recommendations for consideration by the Board of Supervisors. This action will also establish a policy that development projects meeting one of the following criteria are eligible for preliminary project or pre-application review and meetings by the SAT to address requirements, potential barriers and proposed solutions to barriers; as well as to identify economic benefit, estimated fees, and process timing up front. The Planning Director notifies County Administrative Officer (CAO) that such a project is upcoming, and convenes SAT Project Meeting.

SAT Criteria (project meets one or more):

- Project creates or retains more than 10 jobs
- Project will generate or retain significant sales or transient occupancy tax
- Project is initiated by a targeted industry, including manufacturing, recreation equipment design and manufacturing, food and food related processing, electronics, technology/innovation cluster, health services fields, environmental sciences/education or environmentally-oriented businesses such as those involved with bio-sciences, marine sciences or marine-oriented businesses, alternative energy.

### **1.3 FACILITATE REGIONAL ECONOMIC VITALITY PARTNERSHIPS & SUPPORT SYSTEMS WITHIN SANTA CRUZ COUNTY, AND COLLABORATE WITH ECONOMIC DEVELOPMENT EFFORTS IN NEARBY COUNTIES, ESPECIALLY THOSE IN MONTEREY AND SANTA CLARA COUNTIES**

---

1.3.1: Establish ongoing relationships with economic development staff in each incorporated City in the County and nearby counties, and provide for quarterly meetings to network and share information and business leads.

1.3.2: Become members of key organizations, and participate with Chambers of Commerce; Industry Meet-Up Groups; Joint Venture Silicon Valley, Silicon Valley Leadership Group; Central Coast Small Business Development Center; El Pajaro Community Development Corporation, Think Local First, and other economic organizations.

1.3.3: Partner with Chambers and Business Council members for Retention and Expansion Support to Local Businesses.

#### **1.4 CONSIDER A BUSINESS LICENSE FEE PROGRAM FOR BUSINESSES IN THE UNINCORPORATED AREAS**

---

This action envisions a business license program modeled after those in effect at each of the cities in Santa Cruz County, with the fee for the license set at a level to recover costs but not to generate net revenues. The program would allow for collection of basic information to analyze business growth, further targeting of economic vitality efforts, ensuring that grant applications are well-supported and competitive, and communications with businesses. This initiative would help with a focus on educating and supporting small businesses, and business expansion efforts.

#### **1.5 CREATE COMMUNICATIONS STRATEGY TO EDUCATE AND PROMOTE THE VISION**

---

The Communications Strategy should provide easy access to economic data, the Economic Vitality Study, the County's Economic Development Vision and Strategy of priority strategies and action items, economic tools, and information regarding the County's progress toward measurable outcomes. It should also publicize and share the accomplishments of local businesses, and promote the County as a place where businesses are celebrated and embraced.

*1.5.1: Improve and prominently feature Economic Vitality on the County website including presence on the County Home Page. As resources allow, redesign and modernize County website in its entirety.*

*1.5.2: Distribute County Economic Vitality press releases or blogs via E-News email blasts, taking advantage of external partners and distribution mechanisms.*

*1.5.3: If adopted, work with the business license contact information to create a network of emails to enable targeted information distribution and collaboration*

#### **1.6 IDENTIFY APPROPRIATE METRICS TO TRACK ECONOMIC VITALITY, AND CREATE PARTNERSHIP AND ROLE FOR CABRILLO COLLEGE TO SERVE AS CENTRAL SOURCE OF ECONOMIC DATA**

---

*1.6.1: Set up systems to track annual statistics of economic development impacts. Metrics may include:*

- Unemployment Rate & Participation in Labor Force, especially by those aged 18 to 35
- Building Permit Valuation
- Business Census Surveys
- Personal Property Assessments
- Local Industry Surveys
- Office and Retail Vacancy Rates
- Transient Occupancy Tax (TOT), Sales Tax and Property Tax revenues
- Ecosystem Health (farms, forests, streams, ocean, aquifers, habitats)
- Social Health (education, prosperity, social equity, happiness)
- Number of Locally-owned Businesses v. non-local businesses
- Level of Volunteer and Community Engagement

**1.7. RECOGNIZE PRIMARY ROLE FOR COUNTY OF SANTA CRUZ: VISION, PLANNING, INFRASTRUCTURE**

---

The County of Santa Cruz, through the five elected members of the Board of Supervisors, has jurisdiction throughout the County (though not land use authority within the boundaries of the four cities). The Supervisors all serve on the Regional Transportation Commission, Metro Transit, and members serve on many other regional and local decision-making bodies. Therefore, there is great potential for leadership and influence to achieve a shared vision for economic vitality through communication and decisions.

## Goal 2: Support Sustainable Development with Housing & Transportation Choices

Santa Cruz has a long tradition and strong reputation for careful land use planning. Santa Cruz was at the forefront of “sustainability” before the term became a fundamental of land use planning in this 21<sup>st</sup> Century. Voters approved ‘Measure J’ in 1978, which established policies that remain in effect today to manage growth, preserve agricultural lands, encourage production of affordable housing, and preserve rural and open space areas through concentrating infrastructure within an urban limit line. The October 2014 “Sustainable Santa Cruz County” Planning Study and anticipated future Sustainability General Plan Amendments will remain consistent with those core Measure J principles, while dedicating an additional focus to the urbanized portion of the unincorporated area, so that the area functions in a manner that continues to support choices and quality of life for community members and businesses.

Strong public participation in decisions about key community issues and projects reflects the deep degree of caring and respect that the Santa Cruz community has for the need to honor the assets and qualities of this unique place that is Santa Cruz County. However, many participants in the focus groups and community meetings held during the process of developing this Economic Vitality Study urged the community and decision-makers to not allow “perfection to be the enemy of the good”. A sustainable future for Santa Cruz County will involve change, and the community’s challenge is to manage that change wisely.

Goal 2 regarding “Sustainable Development and Availability of Housing and Transportation Choices” is key to laying the groundwork for a vital, thriving economy in Santa Cruz County. The County offers an exceptionally high quality of life, countless scenic assets, a myriad of precious environmental resources, and a very special mix of city, town, rural, agricultural, coastal, and mountain areas. Through decades of debate and periods of static growth, the County today has pockets of under-investment in its buildings, lands, and infrastructure. It also has both real and perceived barriers to new development and redevelopment. The overall effect of this situation in terms of land use, perceptions of business climate, and maintenance of a high quality of life, is uneven throughout the County.

Housing and transportation costs, including time spent commuting or traveling to local destinations, affect economic vitality. A sustainable land use pattern is one that provides a range of choices in housing type and travel mode, such that accessibly-priced housing is available, and sufficient transportation infrastructure allows for safe, convenient and predictable timing for travel to jobs and other destinations.

Echoing trends throughout California, County staff and elected officials have recognized that no change can lead to decline just as easily as too much change. Most communities in California, including Santa Cruz, have begun to embrace a broader concept of sustainability, which means making decisions and strategic investments regarding both urban and natural areas, as well as in