REPORT TO COUNCIL

City of Sacramento
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Staff Report
November 1, 2005

Honorable Mayor and
Members of the City Council

Subject: Economic Development Strategy and Five-Year Work Plan

Location/Council District: Citywide/All

Recommendation: Information only

Contact: Tom Zeidner, Senior Project Manager, (916) 808-1931
Presenters: Wendy Saunders, Economic Development Director
Department: Economic Development
Division: Downtown and Citywide
Organization No: 4451/4453

Summary:

This report describes the process of updating the City's Economic Development Strategy. The intent of the Strategy is to develop a vision for the future economy of the City and a strategy for aggressively pursuing new economic development opportunities. Further, the goal of the Strategy is to prepare a specific workplan for the City's Economic Development Department that establishes the actions that the Department will take to position the City for the best possible economic future.

Committee/Commission Action: None

Background Information:

In 2000, an Economic Development Strategy Framework was adopted by the City Council with the intent of establishing the City's economic development priorities over a five-year period. As that period has elapsed, the staff has commenced the process of preparing an updated Economic Development Strategy. Further, the Council has established a three-year strategic goal of "spreading economic development throughout the City" and conducting a series of "business summits" within the Community. The update of the Strategy is intended to meet the Council's goal of spreading economic development throughout the City, and the process for preparation of the Strategy has been structured to include a series of business summits, thus achieving this second important goal.

A broad outreach and strategy development process seeking input from key interest groups is currently underway. A team of consultants retained for the strategy have completed individual interviews with all members of the City Council to discuss economic development issues and priorities. That feedback was incorporated into a

background report describing existing economic conditions, issues and current City economic development strategies and activities. A summary of that report was presented to Council on August 9. The themes that emerged from that report are summarized as follows:

- **Establish/maintain a high quality of life within the city** – as this will attract and retain both residents and businesses;
- **Participate in regional economic dynamics** – understand economic clusters driving the region, and continue to seek opportunities to diversify the city's economy away from dependence on state government;
- **Identifying the City's role in promoting economic development** – move away from direct subsidies to projects and instead focus on infrastructure improvements and deregulation to assist with business attraction and retention;
- **Promoting workforce development** – match/develop employee skills with the needs of desired firms and industries;
- **Develop a vision and identity for downtown Sacramento** – strengthen position as the hub of the region through facilitation of additional regional, cultural, civic entertainment and economic activities downtown;
- **Recover retail sales tax revenues** – stem leakage in key categories to Elk Grove, Roseville and secondary regional centers;
- **Redevelop commercial corridors, particularly the older ones** – evaluate abilities to accommodate mix of housing, retail and other uses; and
- **Prioritize Economic Development Department activities** – become less project-focused and more strategic.

The background report also presented the consultant's existing industry analysis. That work indicated that the Sacramento region is "specialized" (contains a preponderance in certain employment categories compared to the state as a whole) in the fields of government, construction and financial services. The region is gaining specialization in professional and business services and has typical specialization in the fields of healthcare, educational services and leisure and hospitality for communities of similar size. This report indicates that the Sacramento region is under-specialized in manufacturing.

The background report further identified "clusters of opportunity" for the Sacramento region. Economic clusters are traditionally defined as interdependent groups of exporting industries, their suppliers and the public and private institutions that provide the inputs that these industries require in doing business. The clusters of opportunity identified for the Sacramento region include:

- Biomedical & Health
- Computer/electronic manufacturing
- Education & training
- Management, creative and business services
- Construction

- Information services, telecom and software
- Finance and insurance
- Visitor services
- Industrial machine

Strategy Outreach Process

During the month of August, a series of focus group meetings was conducted to elicit input from key interest groups. Participants in these sessions included economic development professionals; business attraction and assistance organizations; small business assistance groups; ethnic and local chambers; the Sacramento Area Commerce and Trade Organization; workforce development organizations; nearby government jurisdictions; higher education institutions; professional and business services companies; healthcare and life sciences institutions; manufacturers; other major employers; trade associations & lobbyists; and the real estate development community. During the sessions, participants were asked to identify Sacramento's top economic development priorities and challenges, which were then prioritied by the groups. The top priorities that emerged from this process were as follows:

- Marketing
  - The need to improve city and region's image
  - The need to attract headquarters firms
  - The need for access to foreign markets

- Physical Infrastructure
  - Expediting local government regulatory processes
  - Better interregional government cooperation
  - The need to deal with traffic congestion
  - Public safety perceptions
  - The need to develop the downtown Sacramento railyards

- Human Resources
  - The need for links to affordable housing and transportation
  - Better access to specific job skills
  - Communications with immigrant-intensive workforce
  - Linkages between the community and learning institutions (community colleges, Sacramento State, UC Davis)
  - The high cost of living affects workforce recruitment

- Finance
  - The need for better early stage capital availability for start-ups
  - The availability of financing for major projects (high rises)
  - Cultivating an entrepreneurial culture

Governance/Business Climate
  - The need to reduce barriers, provide resources, and for government to then "get out of the way"
  - Managing growing opposition to development
  - Reducing uncertainty
  - Identifying "best practices" from other cities
  - Tax sharing issues involving the City and County

- Quality of Life
  - The need to address increased commute times
  - Escalating housing costs
  - Public safety
  - Air quality
  - Focus on the urban core
  - Improving the waterfront

- Innovation/Technology
  - Support the growth of a life science cluster
  - Develop citywide wireless network
  - Create attractive places for creative people

Producers, People and Places

The issues identified by the three focus groups can be categorized into three general themes outlined below

1. Producers – Strengthening Business – the City's Economic Engine
   a. Retaining and expanding existing businesses
   b. Facilitating formation of new businesses
   c. Attracting and recruiting outside businesses

2. People – Linking Residents to the Economy
   a. Job opportunities
   b. Skills readiness
   c. Housing affordability
   d. Quality of life/livability

3. Places – Building Strong Neighborhoods
   a. The General Plan update
   b. Infrastructure: transportation, sewer/water, energy
   c. Anchors: neighborhoods, districts, corridors
   d. Image: Identity and marketing strategy

The Economic Development Strategy will articulate the specific actions the City should pursue in furtherance of these priorities. A second round of focus groups will be scheduled to bring the City's work plan to a greater level of specificity. Issues and opportunities related to producers, people and places will be explored in each of these focus groups. The focus groups will be centered upon the subjects summarized below:

1. Enterprise formation (entrepreneurial development, small business assistance)
   a. Technology-based business
   b. Others
2. Business retention and expansion
3. Business recruitment and attraction
4. Key sector: government-related services (lobbyists, consultants)
5. Large and important employers
6. Commercial corridors and districts

To actively engage elected officials in the strategy-formation process, staff will request the Mayor and Councilmembers, depending upon specific areas of interest and availability, to host each of these focus group sessions. The focus group sessions will be convened between now and the end of January of 2006. The information derived from the focus group sessions will be incorporated in the final draft Economic Development Strategy, to be presented to Council in February 2006.

Financial Considerations:

Two consulting firms have been retained to prepare the City's Economic Development Strategy: Economic and Planning Systems, and ICF consulting. Funds for both contracts were previously allocated in the FY2005.

Environmental Considerations:

The Economic Development Strategy and 5-Year Work Plan is not subject to CEQA as it is not an activity that will result in a direct or reasonably foreseeable indirect physical change in the environment per CEQA Guidelines Section 15060 (c) (2). Any actual project that could result from the implementation of the strategy and plan will be subject to the environmental review process.

Policy Considerations:

The Economic Development Strategy is being prepared in response to the three-year strategic goal of the City Council to spread economic development throughout the City and to update a strategy framework adopted in 2000. The process for completion of the Strategy is further intended to address Council's goal of conducting business summits to better define business needs and strengthen commercial corridors.

Emerging Small Business Development (ESBD): Not applicable

Approved By: Wendy Saunders
Wendy S. Saunders
Economic Development Director

Approved for Council Information:

For ROBERT P. THOMAS
City Manager

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