

City of Santa Cruz



Economic Development Strategy

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IA Objectives and Process

Objective

The objective of this process was to engage the public in defining a vision of Santa Cruz as a vibrant and sustainable local economy and developing potential strategies to achieve this vision. This process included the following actions:

- Provide potential strategies to improve the economic opportunities and prosperity of the community.
- Inform the public and decision makers of the importance of economic development and how a “sustainable economy” is essential to fund City services.
- Inform the General Plan as to the economic vision and priorities of the community.

The result of this process, the Economic Development Strategy, is a strategic study that will serve two purposes: it will inform future City policy development, such as the Economic, Land Use and Circulation Elements of the General Plan and it will be the basis of a strategic work program or Implementation Plan. The Implementation Plan will set priorities, fully develop critical strategies and establish benchmarks to measure success.

It should be noted that this study is not a comprehensive list of all actions that the City could take to facilitate the local economy nor is it a fully developed plan of action.

The Process – The Economic Advisory Task Force

In December of 2003 the City invited 60 individuals representing a cross section of the community to act as an Economic Advisory Task Force (EATF). Representatives to the Task Force included business owners, property owners, cultural event promoters, non-profit organizations, college and university officials, retailers, and tourism professionals, among others. The members of the EATF were charged with the development of a “vision” of economic success for each of the City’s six Economic Clusters and to develop strategic initiatives to reach that vision.

From January through May of 2004, Redevelopment and Planning Department staff conducted a series of workshops with each cluster. Each group met an average of three times to discuss and develop strategies for their industry. In addition, a seventh group, the “Community Panel” was assigned the task of reviewing the final draft document as a whole and providing a framework and context for the Task Force’s work. The Community Panel was made up of members of the community representing non-profit organizations, social services providers, affordable housing advocates, commercial property owners and City Council members.

The Community Panel provided the “Community Context” section (Part IB) and the Plan Summary in Part IIIA as well as expanded upon the vision for greater partnerships for

“Sustainable Innovation”. The final results of the individual Economic Clusters are compiled and presented in Part IIC. In addition, there emerged several areas of commonality among the groups resulting in similar strategies, discussed in Part IIB. Finally, Part III concludes with the proposed components of an Implementation Plan.

IB Community Context

The Importance of Economic Development to Our Community – A Message from the Community Panel

A healthy local economic base is an essential element of a livable community. As we face some of the most challenging economic times in recent history, the City has a compelling interest in promoting economic development that meets the needs of our citizens. The City also has a compelling interest in working proactively to pursue economic development that fits well within the community.

A thriving business sector that is well integrated with the community's goals provides important benefits to the entire population. Conversely, the lack of a healthy and growing economic base contributes to many of the problems that Santa Cruz faces today. For example, in recent years our City has experienced job losses like the rest the nation. This trend is exacerbated in Santa Cruz due to the disparity between the high cost of housing and the available job stock. Residents are reluctantly leaving the area in search of a better match between available housing and employment. Local young adults who are entering the workforce cannot afford to live in their hometown. These trends contribute to school closures as school districts struggle with the exodus of families, declining enrollment and an eroding tax base. In addition, a large percentage of our residents must commute in order to find or retain employment. Commuting reduces the quality of life with: extended workdays; a longer separation of children and parents; local roads clogged with traffic; and the negative impact on air quality and other environmental resources.

In order to begin to address these problems, Santa Cruz must strive for a balanced and sustainable economy. For this study, a “sustainable economy” is defined as an economy that offers a wide variety of economic opportunities, creates strong local prosperity and contributes to the local tax base, providing needed public services. The rich sets of ideas contained in this report, one for each of the City's six sectors of economic activity, provide an important beginning for that process. However, for the process to succeed the distance separating different parts of the community need to be reduced and partnerships need to be created. Representatives from the University, City and other local and regional governments need to collaborate and share ideas to reach common economic goals. Enterprises, large and small, need a City administration that will facilitate and support their productivity. Nonprofits need a City that will champion their needs and recognize their contributions.

A renewed commitment to developing a thriving, sustainable economic base will positively impact people and families in our City by:

Increasing Economic Opportunity, through the development of a diverse and growing employment base with jobs that meet a variety of educational and skill levels. We want to move towards an economy where local people can find quality jobs that provide adequate

compensation, and where there is opportunity for advancement in a variety of business. We also want to support the option for people to work at home or start small businesses. A diverse and growing employment base will help us retain and support families, preserve the diversity of our community, and promote a decent standard of living for all our residents.

Increasing Economic Prosperity will help provide resources for all sectors of our community. A large share of the cash, in-kind and volunteer leadership that local charitable, environmental, cultural and educational groups rely upon comes, directly and indirectly, through the business community. Through Adopt-A-School Programs, sponsorships for events such as First Night, the Human Race and the Wharf to Wharf, contributions to United Way and other local agencies as well as service on Boards of Directors and Service Clubs, civic-minded businesses make a real difference in our community. As businesses have left the area, contributions to the United Way, local non-profits and schools have declined. A focus on attracting and retaining businesses that practice corporate citizenship through community reinvestment, and on creating a higher standard of living for local workers and small business owners, will have broad impact in our community.

Sustaining City Services through maintaining a strong, diverse tax base. The fiscal crisis in Sacramento and the growing deficits in Washington demonstrate that, increasingly, local communities must bear an even greater burden in the financing of services that local residents want and need. Santa Cruz has a long and proud history of innovative and effective community investments in Parks and Recreation, Social Services, Community Centers, Performing Arts Venues, Cultural Resources, Community Policing and programs for youth. City residents treasure these programs, services and civic investments. A growing local tax base would provide the revenue to maintain these services in the current climate of State and Federal budget cuts, and will give the City more control over the course of the City's financial future.

How Local Government Affects the Economy

It is important to recognize the role of the local government in facilitating the City's economy. The policies and choices that a local government makes can greatly affect the entrepreneurial spirit, economic competitiveness and long-term success of a city. Local government affects the economy in the following ways:

- **Policies** – The policies adopted can shape the qualities of a community and can facilitate in attracting employees, financial investment, and companies to an area. In addition, policies need to align economic and community goals in order to create an economy that can provide support for needed City services.
- **Land Use** – Land use decisions greatly affect how land is used or preserved and what types of facilities are ultimately developed. This is an important component in ensuring a balance between economic/industrial uses and maintaining our quality of life.
- **Local Infrastructure** – The City's investment in local infrastructure ensures local business efficiency through providing adequate roads, transit, utilities and communication facilities.

- **Capital Projects** – Spending resources on capital projects and public services stimulates economic activity, maintains previous investments and can result in greater employment.
- **Workforce Development** – To ensure a strong workforce the City must participate in the development of early childhood, K-12, post-secondary and workforce programs for its residents.
- **Marketing** – Communicating a community's assets, advantages and on-going objectives is essential to retaining and recruiting businesses.
- **Leadership** – Local government must provide leadership and engage in active partnerships for long-term economic success.

This strategy is a first step in bringing local business leaders, non-profit organizers, University representatives and City government together to envision common economic goals and design a plan to achieve those goals. Many of the strategies proposed by the EATF look to the City to improve the local economy's vitality and diversity through changes in City policy and through greater City leadership. Other strategies look to the private sector and non-profit organizations to play lead roles in partnerships and programs to promote Santa Cruz and its economic health.

IC Background Information

In April of 2003, the City of Santa Cruz Redevelopment Department, in conjunction with the Planning Department, commissioned Bay Area Economics (BAE) to prepare an Economic Background Report to provide information for the long-term needs of the Economic Element and General Plan (2020) update. In addition, as the City is facing a serious budget deficit which will affect the City's ability to provide needed services, this information was intended to inform potential short-term policy implementation prior to the General Plan update.

The conclusion of the Economic Background Report suggested that the City view the report as "Phase One" of a Comprehensive Economic Development Strategic Plan. Phase Two of the Comprehensive Economic Development Strategic Plan would solidify the goals and strategies needed for improved economic vitality within the City and lay out the implementation actions for those strategies. Phase Two was to include a series of workshops with the participation of the business community, educational institutions, workforce providers, cultural and entertainment interests, and the public at large.

In July of 2003, the City Council accepted the Economic Background Report and provided direction to the Redevelopment Department and the Planning Department to complete a Comprehensive Economic Development Strategic Plan as recommended. In response, this Economic Development Strategy was developed through the efforts of the City's Economic Advisory Task Force (EATF), a 60 member group that worked together to develop economic strategies for the City's key economic sectors as identified in the Economic Background Report. Based on EATF recommendations and City Council direction, staff will next design an Implementation Plan to support the proposed strategic initiatives.

Background Report

The Economic Background Report prepared by BAE in July of 2003 (for the complete text of the BAE report, see Appendix IVC) identified six primary Economic Clusters that have the greatest effect on the City of Santa Cruz's economy. The overriding theme of the Report is that the City's economy is historically strong and unique, but is in need of development and continued investment to insure that the high demand for, and cost of, City services can be met and funded from the monies derived from the local economy. The following information includes highlights from the BAE Report and a discussion of the key Economic Clusters identified therein (population and economic statistics presented are current through the second quarter of 2003)

City Budget vs City Services. The Economic Background Report notes that the City's General Fund is beset by increasing costs due to a number of factors beyond the City's control as well as recent economic weakness and the current composition of the local economy. At the same time, General Fund revenues are stagnant or declining. The majority of City services residents expect, such as street and sidewalk maintenance, park maintenance and recreational facilities, police and fire services, and social services are paid for in whole or in large part by the General Fund. Thus, there is a clear and direct relationship between the health of the local economy and the provision of City services. Continued provision of the high level of City services will require strategic initiatives designed to improve and grow the economy.

City Demographics. The City's demographics and economic composition are in a state of evolution. The City's demographic is one of relatively high median incomes (\$56,300) and extremely high educational attainment (44% of adults with a college degree). The City has grown recently at a very modest rate of only 1.1% per year to an estimated 55,917 persons with a median age of just 32 years, while its household size has declined over time to 2.44 persons per household. The City has a high proportion of non-family households (consisting of unrelated individuals) accounting for nearly 50% of all City households. The vast majority of City residents are Caucasian.

Employment Trends. Over the last approximately ten years the City's labor force (those seeking jobs) increased by 3.3 percent, to 31,940 residents employed, with an unemployment rate in June of 2003 of 6.0%. Due to seasonal employment patterns, unemployment typically fluctuates between 6 and 9% annually. A relatively large number of residents work at home (5.7% of employees).

Major Industries/Key Employers. The City's economy has a number of key industries that employ both residents and non-residents of the City. The City's largest industry is Educational Services, accounting for over 17% of all working residents. The University of California at Santa Cruz is the City's largest employer with more than 4,000 employees. The largest private sector employers include (1) Plantronics (manufacturing) with 414 employees, (2) Santa Cruz Beach Boardwalk (entertainment/tourism) with 340 employees, (3) Community Bridges (human services) with 265 employees, and (4) Costco (retail) with 225 employees. Between 2000 and 2002, the City lost 1,216 jobs due to closures and consolidations of major employers such as Texas Instruments, Lipton, Salz Tannery, and others. Despite recent significant job losses the BAE Report finds that there is cause for optimism as the economy continues to rebound from the recession of the early 2000's.

The following is a brief discussion of some of the economic assets for each Economic Cluster identified in the Economic Background Report.

Tourism

The City of Santa Cruz is blessed with a number of characteristics that make it a wonderful place to visit and live. Visitors come to Santa Cruz to enjoy a vibrant arts and entertainment community, a unique and thriving retail industry, a beautiful natural environment with a plethora of outdoor recreational activities, and the offerings of the City's highly regarded beach areas. Visitors and residents enjoy a sought after destination with a strong community identity.

Although visitation data is not available for Santa Cruz as a whole, the strong attraction of the Boardwalk serves as an indicator of the number of visitors to the area. According to surveys conducted by the Seaside Company, owner and manager of the Boardwalk, the beach adjacent to the amusement park attracts approximately three million visitors per year, with approximately 1.8 million visitors paying to utilize the rides and attractions of the Boardwalk amusement facility annually. This visitation level makes the Santa Cruz Beach Boardwalk the 7th most visited amusement/theme park in California, and 12th among most visited destinations in the state¹.

Considering this high level of visitation to the area, it is assumed that the Beach Area, taken as a whole, functions as the key tourist destination for visitors to Santa Cruz. Beach Area attractions in addition to the Boardwalk include the Santa Cruz Main Beach, the Santa Cruz Municipal Wharf, Lighthouse Field and Point, Steamer Lane, the West Cliff Drive pedestrian promenade, and nearby Downtown Santa Cruz with its vibrant specialty retail, cultural, and entertainment offerings.

Technology and Manufacturing

Among Santa Cruz's top 20 private employers, five companies fall into the key sector of Manufacturing and Technology. The City of Santa Cruz has a long-established manufacturing sector, particularly in the subcategories of traditional goods. However, the importance of this sector is shrinking in proportion to the overall economic base in terms of number of jobs. To counterbalance this trend, however, Santa Cruz is home to several growing technology firms, as well as several producers of popular products in the electronics and food industries. The lifestyle/ health and sports subcategory is also increasingly important to manufacturing with the growth of companies such as Santa Cruz Bicycles and Novak Skateboards.

Small Business and Home Occupation

The City of Santa Cruz's economy is noteworthy for the number of small and home-based businesses relative to other communities. The City's strong quality of life, highly educated workforce and entrepreneurial environment all contribute to a vital and growing small business sector and the proliferation of highly qualified consultants and professional services firms. As of 2003, 5.7 percent of working residents in Santa Cruz work at home, compared to only 3.8 percent statewide.

Santa Cruz supports a strong home and small-business sector. This core group of entrepreneurs, which includes artists, software developers, web service providers, and a host of professional workers and consultants, represents an important focus of expansion strategies for economic development.

¹ Destinations include both privately owned theme and amusement parks and State and National parks.

Arts, Culture and Entertainment

The City of Santa Cruz offers a strong environment for the arts. According to a survey conducted by the Santa Cruz County Conference and Visitors Council, the arts were ranked as the second most important attraction to Santa Cruz following outdoor activities.

Cultural and arts centers located in the City include the Santa Cruz Symphony at the Civic Auditorium, the Kuumbwa Jazz Center, the Museum of Art and History, the Santa Cruz Natural History Museum and a host of other well known facilities. There are numerous cultural events occurring throughout the city year-round, including: the world renowned Cabrillo Music Festival; Shakespeare Santa Cruz, held at the UCSC campus; First Night Santa Cruz, and other high profile concerts and theatrical performances.

Retail

Santa Cruz has maintained its retail sales relatively well through the recent economic downturn with several categories exceeding statewide averages. Today, retail in Santa Cruz is thriving, with a vibrant downtown and several business districts. Santa Cruz is composed of a number of retail districts, including Downtown's Central Business District, the Mission Street corridor, the Wharf and Beach Area, and the Eastside retail offerings, particularly along Soquel and Water Streets. Santa Cruz's downtown retail district was severely damaged during the 1989 Loma Prieta earthquake. Following that period, the City formed a Redevelopment Project Area and invested considerable energy and resources into revitalizing and rebuilding its downtown. Today, the Downtown is the City's symbol for retail success, blending local boutique retail with regional and national tenants in the context of a traditional main street environment.

Education/Workforce

The City of Santa Cruz is set apart by a high degree of excellent educational and workforce development institutions.

The University of California at Santa Cruz (UCSC) opened in 1965, and today is one of 10 campuses in the University of California system. UCSC has been receiving worldwide recognition in the past few years for its high quality academic programs, particularly in the areas of engineering and technology development. The University's presence in Santa Cruz creates three key benefits that have implications for future economic development in Santa Cruz, including: (1) the University as the City's largest employer; (2) the resulting direct and indirect spending by employees and students within the local economy; and (3) the potential for private sector investment in new technology resulting from growing levels of federally-funded and state-funded academic research in a wide variety of scientific endeavors.

Cabrillo College, a locally respected and highly supported community college, while not in the City limits, nevertheless offers direct benefits to the City. Cabrillo trains numerous workers which contribute to the City's economy in skilled trades such as health services and computer applications/business technology. Cabrillo offers existing workers opportunities for continued education and personal enrichment, and also transfers a large number of its students to traditional four-year colleges and universities.

Several workforce development organizations exist within the City whose mission it is to train workers for jobs in the community. These include Goodwill Industries and the Santa Cruz County Workforce Investment Board (WIB), and others.

The City further benefits from an excellent array of primary and secondary educational facilities in the form of traditional grammar, junior, and high schools, as well as public charter schools and several private schools. These institutions lay the foundation for the economic success of our community by educating its future leaders and entrepreneurs.

Finally, residents of the City are within a commutable distance to many excellent educational choices including Stanford University, Santa Clara University, San Jose State University and California State University Monterey Bay. This has contributed to Santa Cruz's well educated workforce and relatively young population.

BAE Key Conclusions

The following are the key conclusions presented in Bay Area Economics' Background Report. These conclusions were presented to the Economic Advisory Task Force and were used during their development of potential strategies.

- ***The overall economic base in the City is weathering the economic downturn relatively well***, despite perceptions from widely publicized business closures and job losses. Total jobs have increased in the past year, largely due to growth in UCSC employment as well as strong retail sales. The loss of key businesses in the manufacturing and technology sector, however, do present the City with a serious economic development challenge.
- ***One of the City's key competitive strengths is its highly educated labor force***, which in turn is attracted to the community's unique quality of life. It is not clear, however, that companies seeking to locate in northern California are aware of this competitive advantage to the fullest extent. This suggests potential strategies to promote Santa Cruz's lifestyle to employers needing an educated workforce, access to lifelong learning opportunities, and other amenities offered by locating in Santa Cruz.
- ***UCSC is a key component of the City's economic future*** in terms of employment, spending by students/faculty/visitors, research and related stimuli to private business creation, and as a potential force in the revitalization of blighted areas of the community. Potential economic strategies include consensus building through permanent collaboration in major planning and decision-making, specific partnerships in business incubation and entrepreneurship assistance, and new development opportunities in the City that would accommodate UCSC growth needs while also channeling investment to create a sustainable economy with public and private sector benefits.
- ***The tourism sector is suffering from the economic downturn***. Over the long term, this sector will remain key to the City's vitality and should be strengthened to the extent possible. Potential strategies include; development of a conference center with high quality rooms and services, linking the new conference facility to existing hotels, improved transportation linkages between existing and future visitor attractions, and development of a broader array of hotel products. Despite progress in this direction, there does not yet appear to be a fully realized strategy to maximize Santa Cruz's potential drawing power.

- ***The retail sector is faring relatively well in the economic downturn, but could be augmented by strategic planning.*** Based on further study, opportunities may exist for emerging forms of retail, such as lifestyle centers (with upscale furniture and accessories), artisan centers, and/or selected home improvement retailers with physical designs that fit sensitively into the local urban fabric.

- ***Several longstanding challenges combine to create Santa Cruz's major competitive disadvantage.*** Recent housing price increases have caused a critical lack of affordable for sale housing. In turn, lack of housing affordability decreases the City's economic competitiveness vis-à-vis more affordable markets. This can lead to disinvestment and population loss damaging the economy. It also creates increased in-commuting by workers who can't afford to live in the City, but still work in the City. Moreover, the difficulty of obtaining land use entitlements and permits, the perception of a general lack of support by the City of the business community, and physical constraints such as traffic congestion, all combine to limit the City's economic potential. However, solutions to these challenges must be sensitively crafted to preserve the uniqueness and ambiance of Santa Cruz.

- ***The Marine Research and Education Center at Terrace Point represents a major economic development opportunity for the City.*** Terrace Point offers the City and the University a unique opportunity to work collaboratively on a joint economic development initiative to create high-quality, sustainable jobs and catalyze related research and development "spin-off" business ventures. The City needs to support such partnerships and plan for the use of appropriate parcels of land for such purposes.

- ***The preservation of lands zoned for production, distribution and repair uses is key to the long-term health and vitality of the Santa Cruz economy.*** In reaction to the local housing shortage and rising residential land values, there has been an erosion of the industrial land inventory across the city. Several vacant and underutilized parcels are left in the industrial land stock that should be considered for preservation to accommodate future employment centers. These potential uses should include the production, redistribution or repair of goods and local high technology start-up companies, specialty manufacturing/sports equipment companies, and bio/nano technology companies. University research and development spin-offs will also need appropriately zoned land with adequate services and infrastructure.

The following section outlines the Economic Advisory Task Force (EATF) strategy recommendations for each Economic Cluster. Included are: the Task Force's vision for each cluster's long-term success, the key strategic initiatives for each cluster and overlapping issues noted throughout several industry groups. This section concludes with potential partnerships between the City and UCSC and staff recommendations.

IIA Vision: Economic Excellence

Having a clear, compelling vision is especially important for the future of Santa Cruz. Many vibrant cities do not reach their full potential because they are not able to adapt to changes in their local, state, or even national economic environment. Many of these communities have quality assets, but lack a clear community vision for how best to leverage those assets into economic success.

It is important that Santa Cruz creates and conveys a clear vision of what "economic excellence" looks like for itself in order to encourage employers and residents to stay or to ultimately locate in our community. People have many choices of where to work, live and invest so it is imperative that we adopt a vision of ourselves that will communicate the positive life style and business assets that our community has to offer.

There should be a vision for each of the City's key economic sectors. For each of the six Economic Cluster groups, a primary vision emerged. This vision represents the utilization of the City's best assets while protecting our quality of life. The following is a description of each Economic Cluster based on its primary vision.

VISION FOR ECONOMIC CLUSTERS

Tourism - A Welcoming City, a beautiful city with extraordinary natural resources and attractions that welcomes visitors with a variety of accommodations.

Technology - A Place of Innovation, a city that creates a rich environment for technological development and which actively pursues partnerships for innovation.

Small Business - An Entrepreneurial Environment, a place of opportunity where entrepreneurs find support for the creation and expansion of local businesses.

Arts, Culture and Entertainment - A Creative Community, a community that embraces local talent and encourages the arts and entertainment through philosophy, policy, and philanthropy.

Retail - A Unique Shopping Experience, a city that prides itself on providing a unique shopping experience as well as meeting the retail needs of the community.

Education - An Abundant Educational Environment, a place with tremendous intellectual resources that provides a variety of excellent educational opportunities at all levels.

The following is a comprehensive vision for each cluster group, including a discussion and a vision statement for the varying aspects of each industry.

A Welcoming City – The Vision for Tourism

Historically, tourism has been one of Santa Cruz’s strongest economic engines. Over the last 30 years there has been a drop in Santa Cruz’s visitation as well as an aging of the tourist serving accommodations. The Tourism Cluster discussed ways to provide a more welcoming city by modernizing our facilities, broadening our market by providing a greater variety of accommodations and connecting the many assets that bring visitors to Santa Cruz with both improved transportation and comprehensive marketing. The following are the vision statements of the Tourism Cluster group:

- *A Variety of Lodging/Accommodations* – Santa Cruz as a destination that offers a variety of visitor accommodations to encourage visitors to stay overnight.
- *Revitalized Hotel Stock* – a local hotel inventory that provides a high quality product to accommodate longer staying visitors.
- *Strengthen Transportation* – improve, promote and build upon transportation opportunities including efficient signage, improved circulation and alternative transportation options.
- *Market Santa Cruz* – a comprehensive marketing strategy that conveys the exceptional experience of visiting Santa Cruz.
- *Community Support* – local residents and City officials that acknowledge the benefits of tourism and the relationship between tourism revenues and City services.

A Place of Innovation – The Vision for Technology and Manufacturing

Santa Cruz has played a part in the beginnings of some world-changing ideas. Wet suits, Chaos Theory, skateboards, human genome research, bike helmets and many more ideas started here. The City is also at the center of a remarkable concentration of natural resources - one of the biggest marine reserves in the world, state and national parks, wetlands and redwoods, whales and otters - and a network of research centers focusing on the environment.

In addition, Santa Cruz has many unique assets that can lead to the support of and development of new and emerging industries. Our proximity to Silicon Valley, the world leader in technological innovation, the local presence of UCSC, a center for marine science and biomedical research, information technology and adaptive optics, and our location on the Monterey Bay National Marine Sanctuary are all assets that could be utilized to develop partnerships in technological and manufacturing innovation. In addition, Santa Cruz has a unique population in that it is highly educated and highly

entrepreneurial. This combination of resources should be used to establish Santa Cruz as a place of innovation and technological creativity.

The vision emerging from this report builds on this tradition of innovation and our stewardship of natural resources of global importance. We propose that the City take the lead in building a Partnership for Sustainable Innovation. Working with the University, Santa Cruz's diverse enterprises, artists, designers, and nonprofits, the City can foster the growth of sustainable livelihoods, services and production.

The following are the vision statements of the Technology/Manufacturing Cluster group:

- *Take the Lead in Partnerships* – City to lead strategic partnerships with UCSC and other technological leaders to drive innovation and economic impact.
- *Go Green* – partnerships with and regulatory support for the green industry and green products which will add sustainability to our local economy along with traditional economic benefits.
- *Adaptive Development* – smaller, flexible light manufacturing and technology spaces and incorporate them into mixed use development.
- *Promote New Technology* – development of existing industrial land for new technology industries in order to foster new business and small start-ups.

An Entrepreneurial Environment – The Vision for Small Business and Home Occupation

As noted in the BAE Background Report, the City of Santa Cruz has a tremendous number of small businesses and home occupations. This points to a great number of entrepreneurs and innovators that live and work in the City. This spirit is one of Santa Cruz's greatest assets and needs to be embraced and cultivated by the local government. The Small Business and Home Occupation Cluster group provided the following visions:

- *Cooperative Spirit* - a streamlined permitting process in order to facilitate and support new and expanding businesses.
- *Incubation of New Ideas and Business* – a place of incubation and new commercial ideas.
- *Transportation* – a transportation system that promotes the efficient movement of goods and services throughout the City and beyond.

A Creative Community - The Vision for Arts, Culture and Entertainment

Santa Cruz is home to an abundance and diversity of creative talent. We are a showcase of fine artists, musicians, performers, and live entertainment venues. In addition, Santa Cruz provides a full cultural experience with museums, interpretative centers and cultural special events. The Art, Culture and Entertainment Cluster group envisioned this talent re-energized by support from both the local populace and the state at large. In their vision, the City would take the lead in supporting the arts through the acknowledgment of their contribution to the economy, through investment and improved marketing.

- *Supported Creative Talent* – a community that embraces and invests in local creative talent and sustains and grows that talent by providing policy, regulations and facilities that encourage art, culture and entertainment ventures, including financial incentives for such ventures, and appropriate public facilities supporting arts and entertainment.
- *Cultural Magnet for the West Coast* – a City that is a cultural and entertainment destination for the West Coast.
- *Promotion of the “Santa Cruz Arts Experience”* – a City with a comprehensive marketing strategy that conveys the unique experience that is Santa Cruz.

A Unique Shopping Experience - The Vision for Retail

Santa Cruz provides an interesting and diverse shopping experience that is embraced by visitors and locals alike. Strong business districts, multi-generational business owners and unique retailers have come together to create a vibrant retail sector. The Retail Cluster group envisioned a future Santa Cruz that cultivated and encouraged even greater retail strength through improvement of the remaining neglected properties, the modernization of infrastructure and a new focus on the neighborhood retail center.

- *Strong, Vibrant and Diverse* – retail that provides needed services to visitors and residents in order to capture both tourism and local retail spending.
- *Retention and Expansion* – a City that promotes the preservation, retention and expansion of existing businesses within Santa Cruz.
- *The Revitalization of Retail Areas* - maximization of neglected properties and the modernization of the existing infrastructure.
- *Vital Neighborhood Serving Centers* – business districts, cultural districts and neighborhood centers that are clearly defined and that include a strong retail component serving existing residential uses and new higher density housing, as well as a variety of other land uses.
- *Extended Stay Visitors* – visitors that spend more than one night and consequently more retail dollars in Santa Cruz.

An Abundant Educational Environment – The Vision for Education and Workforce Development

The residents of Santa Cruz enjoy a wide variety of educational opportunities including private and public K-12 programs, a local community college, a nationally recognized public university, many workforce programs and a multitude of other adult education opportunities. The Education/Workforce Preparedness Cluster group envisioned workforce programs that were designed through partnerships with business and industrial leaders in order to create an up-to-date and modern workforce. In addition, they envisioned greater partnerships between the education industry and the business community in which education at all levels could benefit from the resources of our local population.

- *Create an Up-To-Date Workforce* – a well trained and diverse workforce that is designed to target emerging employment trends.
- *Market Educational Opportunities* - a community that markets and identifies itself as one with excellent private and public educational opportunities at all levels.
- *Educational Partnerships* – a community that includes strong educational partnerships between the City, the business community, public and private educators, and UCSC.
- *Attract Educators* - a place with an exceptional quality of life valued by educators.

IIB Overlapping Concepts

Through the visioning process, recurring themes emerged in every Economic Cluster which manifested as either Vision Statements (above), or as Strategies (discussed in IIC, below). The following is a summary of the overlapping visions that were developed separately by more than one cluster group. The fact that several themes or strategies recurred frequently indicates that those visions and strategies are of special importance to the EATF and should be addressed promptly by the City.

A Business Friendly City – Many cluster groups expressed the desire for the City to present itself to the community as “business friendly”.

A Responsive City – Every cluster envisioned a City government that was engaged and responsive to the needs of the business community. This was seen as essential in order to facilitate and encourage the economic success of the community as a whole.

Marketing Santa Cruz – Communicating and coordinating all the assets that make Santa Cruz an exceptional place to live, work, play and visit is essential to bringing visitors, investment and jobs to the city. Re-examining and reinvesting in how Santa Cruz is marketed was a top vision of most of the clusters.

Longer Staying Visitors – Many of the cluster groups included “extended or longer staying visitors” as a needed component of the tourism industry. Visitors who stay longer will have a better chance of enjoying a larger variety of City attractions, such as retailers, restaurants, museums and art galleries. The vision to meet the needs of longer staying visitors included a conference hotel and a larger variety of accommodations.

Transportation/Signage – Many of the Cluster groups expressed concern over transportation issues, particularly in relation to inadequate visitor and resident serving directional signage for vehicles and pedestrians throughout the City.

IIC Strategic Initiatives and Tactics

Strategic Initiatives identify how our community will realize its vision and achieve its desired outcomes. Each Economic Cluster worked to create a list of strategic initiatives that were capable of relatively short-term implementation by the City or the appropriate institution that would lead to the further development of that Cluster's portion of the economy.

Implementing the strategic initiatives will require an Implementation Plan with specific tactics required for the City to carry out. Action on these strategic initiatives will spur increased investment in our local economy, affecting each Economic Cluster, and will improve the City's ability to provide services that enhance quality of life and ensure the long-term fiscal soundness of the City.

The following describes the three Key Strategic Initiatives developed by each Economic Cluster - the initiatives determined to have the greatest potential impact - aligned with the main vision that they support. The full list of strategy recommendations by the EATF follows the Key Strategic Initiatives.

KEY STRATEGIC INITIATIVES

A Welcoming City - Tourism

City to actively pursue and support the construction of a Beach Area conference hotel.

City to create zoning incentives for the remodel and addition of rooms to existing hotels and motels.

City to create and implement a visitor signage/transportation plan that connects the Downtown and Beach Area to other City attractions and locations.

A Place of Innovation - Technology and Manufacturing

City to actively pursue partnerships with UCSC in order to encourage the development and retention of new technology in Santa Cruz.

City to develop and implement a program that would provide potential new businesses and expanding businesses vital resource information in one location.

City to pursue partnerships and funding sources for "sustainable innovation", specifically Green and Eco products and development proposals.

An Entrepreneurial Environment – Small Business and Home Occupation

City to design and implement a "Business One-Stop Center" so that businesses will have one point of contact for all necessary entitlements, fees, etc. needed to establish/expand a new or existing business.

City to identify and develop, through direct construction on City-owned properties or in partnership with private or public land owners, small business/small manufacturer incubation spaces throughout the City for rent at affordable rates.

City to develop and implement a City-wide available sites GIS database, available electronically via an interactive web-based platform which provides up-to-date information on zoning, current development, leasing/purchase information, etc.

A Creative Community – Arts, Culture and Entertainment

City to acknowledge the importance of the arts to its quality of life and to its economy, and to identify Santa Cruz as a cultural destination.

City to encourage and participate in a work program with appropriate promotional organizations to develop a marketing plan that proactively communicates the unique “Arts Experience” of Santa Cruz throughout the State and West Coast.

City to promote and participate in a County-wide and/or City-wide Economic Impact Study regarding the impact of the arts on the local economy. Strategies developed through the study will be considered for incorporation into the City’s Economic Strategy.

A Unique Shopping Experience - Retail

City and visitor serving groups to develop marketing plan to proactively communicate a positive image of Santa Cruz to the local area, Bay Area and state.

City to actively pursue projects that include conference center /meeting facilities in order to promote multi-day stays and conferences within the City.

City to develop sign program to provide better links between geographical retail areas and to connect visitors with transportation options and parking structures and facilities.

An Abundant Educational Environment - Education

City to participate in the formation of a system to tie workforce development providers and agencies together which includes greater business involvement; predicts upcoming employment needs; and results in courses and training customized to employer needs.

City to participate in the creation of a Business/Education Consortium to continually identify business needs, better integrate resources, promote regional higher education assets, and to create partnerships between the business community and public and private education, including K-12.

City to provide incentives for employers that wish to maintain and attract new workers through employers assisted housing.

Following is a complete list of strategies developed by each of the individual cluster groups to address the vision and goals they set for their industry's economic excellence.

A Welcoming City – Tourism Strategies

- City to actively pursue and support the construction of a beach area conference hotel.
- City to work with developers and the lodging industry to diversity local accommodations with upscale boutique facilities, all-suite or extended stay, and a larger conference center/meeting facility.
- City to create zoning incentives for the remodel and addition of rooms to existing hotels/motels.
- City to create a hotel façade improvement program. Explore potential funding sources such as Redevelopment grants or loans, CDBG funds or Planning Department fee incentives.
- City to create a visitor signage/transportation plan that focuses on finding signage and transportation linkages connecting the Boardwalk, the wharf, the harbor, downtown, the Seymour Discovery Center/Long Marine Lab, the future Monterey Bay Visitor's Center and Tannery Arts District, and UCSC campus cultural venues. Potential transportation linkages to include parking with shuttle programs, trolley, bus, train and improving pedestrian walkways and bikeways.
- Tourism associations and visitor serving facilities to work with City leaders to actively pursue and provide political support for acquisition of the rail corridor.
- City to prioritize the work program and identify funding sources for the remaining recommended public improvements specified by the Beach and South of Laurel Plan in order to link the area between the beach and the downtown.
- City to participate in a marketing program that addresses the following:
 - specialty markets
 - resort market
 - off-season events/programs
 - visitor “fun packages”
 - coordinating year round activities
 - drawing day visitors to a larger variety of visitor locations
 - connecting the arts, retail and visitor attractions
 - a central reservation call center for all Santa Cruz properties for consistent marketing
 - additional funding potential for CVC
- Facilitate cooperation between City, hospitality industry and event organizers to better manage the scheduling of special events and attractions and their promotion.

- City to provide information to the public that directly relates tourism tax dollars to public benefits.
- City to show political support for tourism and tourism-related projects through political decision making.

A Place of Innovation – Technology and Manufacturing Strategies

- City to pursue partnerships with UCSC in order to encourage the development and retention of new technology in Santa Cruz.
- City to pursue partnerships and funding sources for Green and Eco development proposals.
- City to design and implement a “Business One-Stop Center” so that businesses will have one point of contact for all necessary entitlements, fees, etc. needed to establish/expand a new or existing business.
- City to develop and implement a program that would provide potential new business and expanding business vital resource information.
- City to develop and implement a City-wide available sites GIS database, available electronically via an interactive web-based platform which provide up-to-date information on zoning, current development, leasing/purchase information, etc.
- City to identify and develop, through direct construction on City-owned properties or in partnership with private or public land owners, small light industrial/manufacturer incubation spaces throughout the City for rent at affordable rates.
- City to meet with business associations located in the industrial areas to develop a plan to address homeless and vagrancy issues near employment centers.
- City to make changes to its zoning ordinance to:
 - Allow for industrial commercial lots smaller than 20,000 square feet.
 - Allow for a more market-force mechanism to determine parking requirements in commercial areas rather than the minimum parking requirements currently in place.
 - Revise zoning ordinance to include biotechnology and nanotechnology (and other pertinent future technologies) as allowed uses for areas zoned Industrial.

An Entrepreneurial Environment – Small Business and Home Occupation Strategies

- City to design and implement a “Business One-Stop Center” so that businesses will have one point of contact for all necessary entitlements, fees, etc. needed to establish/expand a new or existing business.

- City to develop a culture in which they address businesses “in a business manner,” by:
 - Acknowledging the importance of business in Santa Cruz to dispel the myth that Santa Cruz is business un-friendly.
 - Training regulatory (Planning) and other related staff to develop a corporate, business-friendly culture that can respond to the permit and fee needs of small businesses/home occupations.

- City to identify and develop, through direct construction on City-owned properties or in partnership with private or public land owners, small business/small manufacturer incubation spaces throughout the City for rent at affordable rates.

- City to develop specific incentives to encourage illegal home occupations/small businesses to attain the correct permits and pay the appropriate fees. Develop rewards and business assistance products to deliver to businesses which become legal.

- City to analyze and amend City Purchasing procedures to support local businesses.

- City to develop and implement a City-wide available sites GIS database, available electronically via an interactive web-based platform which provides up-to-date information on zoning, current development, leasing/purchase information, etc.

- City to actively sponsor special events that have a direct link to revenue generation in good and bad economic times and to develop a long-range event promotion strategy for City-sponsored/promoted events.

- City to analyze dedication of a certain percentage of TOT to fund special events sponsorship and direct promote of events that will generate direct and indirect revenues to the City and to its businesses.

- City to make changes to its zoning ordinance to:
 - Allow for mixed-use live-work development in non-residentially zoned areas as well as residentially zoned areas.
 - Allow for ground floor small manufacturing uses with 2nd and 3rd floors dedicated to townhouse uses in non-residentially zoned areas.
 - Prohibit residential uses on ground floors in industrial zones.
 - Allow for industrial commercial lots smaller than 20,000 square feet.
 - Allow for downtown-style qualities to develop in less dense zones/districts of the City as urban settings are desirable employment centers.
 - Allow for a more market-force mechanism to determine parking requirements in commercial areas rather than the minimum parking requirements currently in place.

A Creative Community – Arts, Culture and Entertainment Strategies

- City's Economic Element and General Plan and promotional materials to include specific statements regarding the importance of the Arts/Entertainment to the quality of life in the City of Santa Cruz and to acknowledge its important economic impacts, and to identify Santa Cruz as a cultural destination.
- City to encourage and participate in a work program with appropriate promotional organizations to develop a marketing plan that proactively communicates the unique "Arts Experience" that is Santa Cruz throughout the State and West Coast. This program to include:
 - City to encourage Conference and Visitors Council to increase its promotion of Santa Cruz as an arts destination.
 - City to promote and participate in a County-wide and/or City-wide Economic Impact Study regarding the impact of the arts on the local economy. Strategies developed through the study will be considered for incorporation into the City's Economic Strategy.
 - City to promote the arts to existing and new corporations and businesses and to encourage their sponsorship and financial support of the arts.
 - City to work with appropriate cultural and tourism organizations to assist in the production of a comprehensive events calendar to be distributed locally and regionally to potential arts and entertainment visitors.
- City to develop financial incentives for new or expanding arts, culture, and entertainment businesses and ventures to assist with start up and expansion costs.
 - Pursue funding sources such as Federal and State Grants for the Arts.
- City, in cooperation with Cultural/Arts Organizations, to develop plan to remodel and modernize the Civic Auditorium.
- City, Economic Development/Promotional organizations and Cultural/Arts organizations to develop a framework to create greater alliances and coordination between Arts/Culture and Entertainment, Retail, and Tourism industries.
- City to actively promote the location and start-up of retail and working galleries in it's key economic centers, specifically the Central Business District (Downtown), the Eastside, and Mission Street, as well as other areas.
- City Planning and Police Departments to consider revisions to the Municipal Code to provide a simpler and faster processing for businesses involved in the arts, culture or and entertainment.
- City to develop financial and regulatory incentives for gallery start-ups.

- Planning Department to analyze zoning ordinance for the inclusion of a Live-Work ordinance to allow for development and construction of live-work units to promote affordable studio and living spaces.
- City to identify areas of the City as Cultural Districts and to create incentives for the arts through regulatory flexibility in those areas.
- City to periodically reconvene the Economic Advisory Task Force in order to gauge economic policy progress and to promote and encourage strategic partnerships amongst arts/culture/entertainment and key economic sectors and the City.

A Unique Shopping Experience – Retail Strategies

- City and visitor serving groups to develop marketing plan to proactively communicate a positive image of Santa Cruz to the local area, Bay Area and state.
- City to actively pursue project that includes conference center/meeting facility in order to promote multi-day stays and conferences within the City.
- City to develop signage program to provide better links between geographical retail areas and to connect visitors with transportation options and parking structures.
- City to contract circulation study for strategies to connect beach area with downtown and other retail areas, to implement existing traffic alleviating options for the beach area (shuttle buses/trolley) and to develop a long term strategy to raise the resources to implement current and future improvements to that area.
- City to engage business associations and other organizations representing retailers and the visitor serving industry to work with City Council to provide Public Works a priority list for public infrastructure projects.
- City to actively pursue adequate long-term water supply.
- City to develop revolving loan program for new or expanding local businesses to assist with start up costs, improvements and worker training.
- City to partner with established business organizations to sponsor workshops to create greater alliances and coordination between the retail, entertainment and tourism industries.
- City Planning Department to amend zoning ordinance to include a simpler, streamlined processing for a variety of retail uses.
- City to amend current façade improvement program – City to reconsider removing some of the limitations of the current façade improvement program.
- City to contract market study to create strategies and an implementation plan to address:
 - Retaining visitors for longer stays in Santa Cruz
 - Recapturing retail dollars lost to other cities/counties

A City with Abundant Educational Opportunities – Educational Strategies

- City to participate in the formation of a system to tie workforce development providers and agencies together that includes, greater business involvement, that adequately predicts upcoming employment needs and results in courses customized to employer needs.
- City to participate in Business/Education Consortium to continually identify business needs, better integrate resources, promote regional higher education assets as well as create partnerships between the business community, UCSC and public and private education, including K-12.
- City to provide incentives for employers that wish to maintain and attract new workers through employers assisted housing.
- City to participate in the development of an advocacy strategy on funding for private and public post-secondary education.
- City to examine potential incentives for businesses that invest their own resources in employee skill development.
- City to identify potential Cabrillo College extension site in downtown area and to support the location of such a campus.
- City to promote public and private educational programs through Community Grants program (Social Services Program or other funding sources)
- City to include the promotion of the excellent local public and private educational opportunities in future marketing programs.

IID Staff Recommendations

During the focus group process, members of several clusters expressed their frustration with the City's regulatory and political process. Many communities have successfully improved the communication between a City and its business investors with the creation of an Economic Development Coordinator. The role of an Economic Development Coordinator would be to work across departmental lines to facilitate and advocate for business in Santa Cruz. The following is staff's specific recommendation:

- City Redevelopment Agency to expand its focus on business recruitment, retention and marketing with the retention of an Economic Development Coordinator.
- City to establish a Business Recognition Program that acknowledges businesses that contribute significantly to the local economy and community.

IIE UCSC Partnerships

In May of 2004, acting UC Santa Cruz Chancellor Martin Chemers presented the City Council with a list of actions that UCSC could participate in designed to improve varying aspects of the quality of life in Santa Cruz while potentially mitigating some of the impacts of the University on the community. Acting Chancellor Chemer's efforts to create partnerships are well timed as the EATF recognized the importance of a strategic alliance between UCSC and the City as essential to the City's economic success. As the City develops an Implementation Plan for the Economic Development Strategy, a City/UCSC working group should be formed to consider and create potential partnerships to be incorporated where appropriate.

Acting Chancellor Chemers proposals included:

- Allow the use of part of the Texas Instruments site on the city's Westside for a business incubator. A group of government, business and University representatives would be convened to study the feasibility of such a plan.
- Bring private developers in to build private housing on UCSC land for city residents such as firefighters and teachers.
- Open discussions about an alternate access to UCSC — but not a "boulevard through the Pogonip" greenbelt land. He proposed instead that the University take on a rigorous study of previous ideas and new technology.
- Increase distance-learning classes that would reduce the number of students who clog local streets on the way up to campus. It's also possible the university will look at opening satellite campuses in Monterey or Santa Clara counties to reduce traffic.
- Provide land at the Long Marine Lab for a desalination plant that would provide water in a drought.
- Offer to pay the University's "fair share" of money toward road and traffic improvements in the City.
- Help extend the tourist season in town. Among the suggestions: lengthen the run of the annual Shakespeare Santa Cruz festival, capitalize on the University's research for eco-tourism or include University arts events in the City's tourism packages.

This Economic Development Strategy was formulated through a process which gathered extensive input from a wide range of individuals, economic sectors, and interests in our community. The intent of this document is to jump start economic development in existing sectors in anticipation of much broader, long range planning to come with the work on the Economic Element of the General Plan. The successful implementation of this Strategy is dependent upon two key processes - public education and building a broad-based constituency.

IIIA Plan Review

Public Education about Economic Development

City staff will continue to develop materials designed to educate the public about economic development strategies, plans, processes and progress towards stated goals. City staff and elected officials will convene a wide range of interested parties and facilitate partnerships to ensure that public educational materials and programs are developed and disseminated to present the strengths of the recommendations and to demonstrate that legitimate public concerns have been acknowledged and addressed whenever possible.

Building a Broad-based Constituency

Partnerships involving the full diversity of our community must work to create a constituency that embraces a widely shared vision for economic development in our community. We believe that it is both desirable and possible to cultivate a sufficiently broad constituency that understands how the various parts of the Strategy fit together into a comprehensive whole that invigorates our community. The absence of such a constituency leaves an environment in which narrow self-interests may focus counterproductively on specific concerns without striving to see how those concerns are addressed through a comprehensive vision and set of strategies. A broad-based constituency will be necessary, persuasive, and enabling. We invite all parties of diverse and differing perspectives to join constructively in forming this broad constituency to create a diverse, unique, and sustainable community.

Build Implementation Partnerships with the Community

City Council and staff should take this strategy out into the business, educational and residential communities. They should engage key economic-development partners about how to champion the vision, create partnerships and align efforts to move forward on the implementation of the Strategic Initiatives.

Set Priorities and Make Commitments

In addition, for this strategy document to be effective, the plan must be embraced by the City government and the community at large. An Implementation Plan will need to be

designed that further outlines the City's roles and tactics in carrying out the recommended strategies. Each City department will need to be made aware of the economic priorities set in the implementation and their respective roles in implementing the plan. A full implementation plan should be created that supports the fast tracking of the most needed tactics while addressing and prioritizing the entire strategy.

This strategy should be communicated throughout the entire City organization, so every staff member can help in reaching the goals set for economic excellence. City Council should commit to a select number of fast track Strategic Initiatives and work with senior staff to prioritize and design tactics to implement those initiatives within the next year. A full implementation plan should be created that supports the fast tracking of the most needed tactics while addressing and prioritizing the entire strategy.

IIIB Track Performance and Progress

On an annual basis prior to the City's budget hearings, the City staff should report to the City Council and public on the following:

- **Implementation Plan** – An up-to-date look at the status and implementation of the strategic initiatives. Priorities and work programs shall be set on a yearly basis.
- **Economic Performance** – Key economic indicators should be reviewed and reported annually. The success of the implementation of the program is ultimately seen in the economic improvement of the City. An annual report should be run and presented with a summary of the City's economic performance based on agreed upon indicators.
- **EATF Annual Review** – In order for this plan and its implementation to be effective, it is imperative that feedback is received and presented from the business community. As the economy changes, it is important to remain open and flexible to problem solving new issues that may arise. The membership of the EATF should be reviewed annually and updated as needed and should meet yearly to provide input to City Staff regarding the priorities of the Implementation Plan.

The following items are attached:

IVA. Community Panel Results

IVB. Economic Cluster Group Results – Summaries

IVC. BAE Economic Report for the City of Santa Cruz (2003)