



Community Development Department

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DATE: February 24, 2014
TO: Thomas J. Haglund, City Administrator
FROM: Lee Butler, Development Center Manager
SUBJECT: Economic Development Strategic Plan

Recommendation

It is recommended that the City Council review and accept the Economic Development Strategic Plan and provide initial direction to staff regarding Council's implementation priorities.

Background

In early 2013, the City issued a request for qualifications and a request for proposals for consultant services related to the preparation of a new General Plan. As part of the General Plan consultant services, the City included development of an Economic Development Strategic Plan (EDSP). The EDSP is the City's five-year strategy to promote job growth and economic development in the City. The consultant team selected for the new General Plan includes Applied Development Economics (ADE) as the lead economic development consultant. Since mid-2013, the City has been working closely with ADE in the preparation of the EDSP. The EDSP will be the City's first, and it will be used in the creation of a work plan to help guide economic development efforts for the City and various partner organizations.

The Planning Commission reviewed an EDSP draft at its February 6, 2014 hearing. The Commissioners and staff discussed the importance of economic development to the fiscal health of the City, stressing how fiscal health promotes a vibrant community, which in turn promotes economic development. Staff also stressed the partnership aspect of the EDSP, noting that a wide cross-section of public, private, and non-profit organizations must work together to foster economic development. Planning Commissioners asked whether there is an unmet demand for various business types identified in the EDSP or if there is no demand for those businesses. Staff responded that the EDSP helps to identify those industries that Gilroy is well-positioned to attract and why, and that information can be useful in targeted marketing efforts. One Commissioner noted the importance of working with the schools, particularly on common workforce development goals. Another Commissioner asked about comments from partner organizations. Staff indicated that they have reviewed the comments received, and they will continue working with those organizations to consider and, as appropriate, incorporate their comments into the plan. Planning Commissioners were generally complimentary of the draft plan.

Analysis

The following section provides an analysis of the EDSP's timing and relationship to the new General Plan, the background information and community engagement that has influenced the EDSP, and the scope and vision of the EDSP. This section also provides an overview of the EDSP sections, including those are most critical for the City Council's review, and it outlines the recommendation and next steps for the EDSP.

EDSP Timing and Relationship to the New General Plan. As noted above, the EDSP is the City's five-year strategy for promoting job growth and economic development. The General Plan is a longer-term planning document that provides a blueprint for where and how the City will grow, as well as how it will deliver services, over the next 25+ years. The General Plan is much broader, and the EDSP is much more focused.

The choice to pursue the EDSP at the onset of the General Plan was deliberately made for a number of reasons. First, development of a new General Plan will take two-and-a-half years. Actions recommended as part of an EDSP can be completed or well underway during the time that the broader General Plan is being developed. Second, the frontloading of the EDSP in the General Plan process puts economic development at the forefront of the conversation, thereby stressing the importance of economic development as a leading factor in all future decisions in the General Plan. Third, the information gathered and developed with the EDSP will feed directly into the background reports, land use decisions, and policy considerations of the General Plan.

Changes to the General Plan must follow a formal process and by state law can only occur up to four times per year. On the other hand, the EDSP is intended to be dynamic in nature, changing periodically to reflect work items completed, industry trends, and market demands.

Development of the EDSP – Background Information and Community Engagement. As a starting point for the EDSP, ADE conducted background research into a variety of economic and demographic indicators, such as measures of income, race, education, housing affordability, land availability, and lease rates for the City. ADE reviewed the same information for eight other competitor cities in the broader region and used this data as a benchmark for comparing Gilroy to the other communities.

Informed with the background information, ADE conducted a series of outreach and engagement strategies to analyze the statistical data in the context of the experiences and perceptions of the local community. ADE directly interviewed over 25 individuals in the business community, and an online survey garnered responses from nearly 50 businesses. The General Plan Advisory Committee reviewed and discussed the EDSP at three separate public meetings. EDSP materials were also presented to the Chamber of Commerce Government Relations Committee at multiple meetings and to the Gilroy Economic Development Corporation board of directors. Additional community engagement efforts are detailed below in the Public Outreach section.

EDSP Scope. While the direct focus of economic development is on job retention and growth, the EDSP recognizes the interconnected nature of a variety of factors influencing

economic development, such as fiscal health, tourism, quality of life, and community amenities. Economic growth enables prosperity for businesses, individuals, and the City. This prosperity is invested back into arts, culture, and a myriad of services that help create a vibrant community with improved quality of life for all. An improved quality of life then promotes economic growth through business attraction, retention, and expansion, so investments in economic development reverberate throughout the community. The broad scope of recommendations contained in the EDSP demands partnerships between a variety of public, private, and non-profit organizations.

EDSP Vision. As further detailed in the EDSP, the economic vision for Gilroy is to have a prosperous and diversified business community that enhances the quality of the community, providing both jobs and financial resources to support a high quality of life for its residents, and that attracts visitors as well. The EDSP builds on Gilroy's connections to agriculture, Gilroy's existing retail strengths, and the potential embodied in Gilroy's Downtown. In the action plan, the EDSP sets forth steps that the City can take to further its economic vision by diversifying Gilroy's employment base, boosting retail and tourism, taking advantage of Gilroy's infrastructure, and promoting Downtown and cultural activities in Gilroy. The action plan is broken down into the following seven goals:

1. Diversify the local economy by creating jobs with career opportunities for the local workforce.
2. Enhance Gilroy's position as a regional retail center.
3. Increase tourism to Gilroy.
4. Establish Gilroy as a cultural center in South County.
5. Enhance Downtown as a local and visitor destination.
6. Utilize key infrastructure to support economic development opportunities.
7. Enhance workforce quality through training and housing opportunities.

Overview of EDSP Sections. The EDSP is included as Attachment A to this report. The first two chapters of the EDSP (the Introduction and Summary chapter and the Action Plan chapter) contain many of the plan's high-level conclusions. The Council may choose to focus their comments and discussion on these initial two chapters. The final four chapters (SWOT Indicators, Industry Growth Trends, Retail Market Analysis, and Tourism Market Analysis) contain more specific and detailed information and analyses to supplement the summary and action plan. The EDSP concludes with a list of the report authors, the persons consulted, and responses to the business surveys.

Recommendation. It is recommended that the City Council review and accept the Economic Development Strategic Plan and provide initial direction to staff regarding Council's implementation priorities. The Action Plan chapter contains nearly 50 actions items, many of which have multiple parts. With so many actions to pursue, focusing efforts on the most pressing items will yield better results than an attempt to tackle all items at once. The timeframe column in the Action Plan matrix provides an indication of which actions are most urgent. Ten actions were indicated as "immediate" for a variety of reasons, such as work already being underway to address a particular action step, close alignment of an action step with Council's stated vision and goals, or an action step's promotion of a number of different goals. Action steps with an immediate timeframe are

shown in Table 1, along with the partner organizations that would assist in completion of the action step:

Table 1: Action Steps with an Immediate Timeframe

<u>Action #</u>	<u>Action Step</u>	<u>Partner Organizations</u>
1.1	Pursue business development and attraction targets that are consistent with the skills and education levels of the workforce. [See information on workforce employment and occupations in Section 3 of the EDSP and discussion of potential industry targets in Section 4.]	City of Gilroy, Gilroy EDC
2.1	Continue to support fiscally responsible efforts to retain and expand car dealer row, such as the renaming of Chestnut Street to Auto Mall Parkway.	City of Gilroy, Gilroy EDC
3.2	Explore financing strategies for completion and operation of the Sports Park in accordance with the Sports Park Master Plan such that the City can expand and promote events for youth sports and regional tournaments, either to supplement regional events currently hosted in South County or to create a new niche for itself.	City of Gilroy, Gilroy Welcome Center(marketing support)
3.3	Explore the opportunity to attract a full-service business hotel with conference facilities to attract more business travel to Gilroy. Support expansion of bed and breakfast and other leisure hotel options as well.	City of Gilroy, Gilroy EDC
4.2	Support private efforts to bring arts, cultural, and entertainment uses to Downtown. <ul style="list-style-type: none"> ▪ Evaluate and update regulations to promote arts, culture, and entertainment events in Gilroy, particularly in Downtown. 	City of Gilroy, Gilroy Arts Alliance, Downtown Business Association, Gilroy EDC, Chamber of Commerce
4.3	Continue to promote arts and cultural events in Gilroy to a regional audience. <ul style="list-style-type: none"> ▪ Evaluate ways in which promotional efforts can be expanded to (1) include more arts and cultural activities, events, and announcements and (2) reach a broader audience. 	City of Gilroy, Gilroy Arts Alliance, Welcome Center, Gilroy Gardens, Downtown Business Association
5.1	Address the need to retrofit unreinforced masonry (URM) buildings.	City of Gilroy, URM Task Force
5.6	Demand high-quality design and high-quality materials in new Downtown development to continually improve the image of Downtown and the City as a whole.	City of Gilroy
5.7	Complete and implement the City Action Plan for	City of Gilroy &

	Downtown	partners to be determined
6.8	Continue efforts to develop short- and long-term plans for broadband connections between City-owned facilities, such as City Hall, fire stations, and the police station.	City of Gilroy

In addition to the action steps noted above, the Council may want to consider prioritizing other action items as well. Additional priorities for Council to consider are identified below in Table 2. These are selected as additional options since many of these efforts are already underway, and each item has the potential to achieve wide-ranging benefits.

Table 2: Potential Additional Priority Action Items

Action #	Action Step	Partner Organizations
1.8	Continue to evaluate and update City policies, processes, and regulations in anticipation of and in response to the dynamic nature of business needs. Consider how such changes can improve businesses' costs, timelines, clarity, certainty, and project feasibility.	City of Gilroy, Gilroy EDC
2.3	Work with retail centers to maintain a fresh mix of stores and an attractive shopping environment. <ul style="list-style-type: none"> ▪ Require high quality site design, architecture, and materials in new retail developments. 	City of Gilroy, Gilroy EDC, Chamber of Commerce
3.1	Promote winery tourism through coordinated efforts with the Welcome Center, Tourism Business Improvement District marketing program, local winery association, and other efforts.	Gilroy Welcome Center, City of Gilroy
5.3	Continue to implement improvements to parking, lighting and other infrastructure in Downtown.	City of Gilroy

While Tables 1 and 2 narrow down the list of nearly 50 EDSP action items to a more manageable number, further prioritization will help establish timelines in the work plan that will be developed from the EDSP. Tables 1 and 2 present a variety of priority options for the City and various partner organizations. It is recommended that the Council identify the following action items as the City's top economic development priorities:

- **Action 1.8:** Continue to evaluate and update City policies, processes, and regulations in anticipation of and in response to the dynamic nature of business needs. Consider how such changes can improve businesses' costs, timelines, clarity, certainty, and project feasibility.
 - Efforts to improve policies, processes, and regulations are continuous, and their importance should not be understated. They provide opportunities for streamlined permitting, better customer service, and promotion of business.

- **Action 2.1:** Continue to support fiscally responsible efforts to retain and expand car dealer row, such as the renaming of Chestnut Street to Auto Mall Parkway.
 - Auto dealer sales provide an important revenue source for the City. Efforts to establish Auto Mall Parkway are underway for future council consideration, and this will significantly improve the visibility of the Gilroy dealerships through Highway 101 exit signage, both north and south of the city.
- **Action 5.1:** Address the need to retrofit unreinforced masonry (URM) buildings.
 - Vacant URM buildings significantly drain Downtown's vitality and image. The City's URM Task Force has been meeting with individual owners of the 18 remaining URM properties to expedite retrofits. Safety upgrades and occupancy of the URMs are a key component of the City's Downtown revitalization efforts.
- **Action 5.3:** Continue to implement improvements to parking, lighting and other infrastructure in Downtown.
 - Many efforts are currently underway to improve downtown infrastructure, such as the paseo construction at 7453 Monterey Street, resurfacing on Egleberry Street, installation of new security cameras, and new street light banner signs. These improvements enhance the aesthetics, convenience, and safety of Downtown, thereby attracting more people to enjoy the City's center.
- **Action 5.7:** Complete and implement the City Action Plan for Downtown.
 - Various public engagement strategies have helped identify community priorities for Downtown. In Spring of 2014, Council will have an opportunity to update and refine its Downtown priorities in response to the various community engagement activities and the analyses of those results. This will be a key tool in directing staff's efforts towards achieving the City's vision of a thriving Downtown.
- **Action 6.8:** Continue efforts to develop short- and long-term plans for broadband connections between City-owned facilities, such as City Hall, fire stations, and the police station.
 - Starting in 2015, state legislation changes will result in the City having to pay for various broadband services that are currently free of charge. The City is developing options and alternatives to address its broadband connectivity needs in light of the pending cost increases.

In addition to providing direction on City priorities, the Council may also want to recommend its top priorities for partner organizations. For example, the Council could recommend that Actions 1.1 (pursue business development and attraction targets) and 3.3 (explore the opportunity to attract a full-service business hotel) be pursued as top priorities for the Gilroy Economic Development Corporation. Similarly, the Council could recommend that the Gilroy Welcome Center pursue Action 3.1 (promote winery tourism) as a top priority. As is the case with many City priorities, both the Economic Development Corporation and the Welcome Center have efforts underway related the above-noted items, yet identification will provide important focus as to council expectations for a coordinated economic development effort.

In considering priorities, the Council should be aware that the EDSP Action Plan identifies a series of items to consider in the deliberation process for the new General Plan. Said items are identified in the “Timeline” column of the Action Plan matrix with a “(GP)” symbol. Each of those items will be an important factor in various decisions during the development of the new General Plan.

Next Steps. Based on implementation priorities identified by the Council, staff will develop an economic development work plan that will be presented to the Council in the coming months. The work plan will provide an update on the progress made and the next steps that will be undertaken for each of the top priority items identified in the EDSP. As mentioned in the Analysis section above, the EDSP is intended to be a dynamic document. The work program and the EDSP Action Plan will be updated from time to time as work items are completed, as the development of the new General Plan progresses, or as new information comes to light (e.g., if an emerging industry establishes itself as a new attraction target). Progress and next steps for the economic development work plan will be reported to Council on an annual basis.

Public Outreach

ADE employed broad community engagement in the development of the EDSP, including formal presentations to various organizations, stakeholder interviews, and an online survey.

The General Plan Advisory Committee (GPAC) is a 25-member committee that represents a broad cross-section of Gilroy stakeholders. EDSP discussions at three GPAC meetings provided opportunities for comment from the public and a wide range of interested parties. On October 9, 2013, the General Plan Advisory Committee (GPAC) considered and discussed benchmarking data, employment projections, target industries, market trends, and the economic vision for Gilroy. On November 13, 2013, the GPAC considered and discussed the preliminary Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis, as well as the preliminary action plan. A draft of the EDSP was presented to and considered by the GPAC at their January 8, 2014 meeting. A synopsis of the GPAC and public comments is provided in Appendix C to the EDSP.

ADE directly interviewed more than 25 individuals in the business community, including but not limited to business representatives from agriculture, automotive, cultural, development, food processing, industrial, lodging, real estate, retail, and tourism sectors. Additionally, ADE interviewed representatives from various economic development partner organizations, including the Gilroy Economic Development Corporation, Chamber of Commerce, Welcome Center, and Downtown Business Association. A synopsis of the comments received in the interviews is provided in Appendix B to the EDSP.

An online survey was distributed to Economic Development Corporation contacts, Chamber of Commerce contacts, the Downtown Business Association, a subset of companies with City of Gilroy Business Licenses, and various targeted businesses. The survey was posted for approximately four weeks, and nearly 50 businesses provided responses that have influenced the EDSP. All survey responses are included in Appendix A at the end of the draft EDSP.

Starting in late 2013, the EDSP has been regularly discussed at the Chamber of Commerce's monthly Government Relations Committee meetings, and a task force from that body provided a comment letter on the draft EDSP. The draft Action Plan was presented to the Gilroy Economic Development Corporation's board in January. The Economic Development Corporation also formed a task force that provided a comment letter on the draft EDSP. Similarly, the Gilroy Welcome Center board of directors and the Gilroy Gardens board of directors both reviewed portions of the draft EDSP and provided comment letters. The comment letters from these four organizations are provided in Appendix D to the EDSP. The availability of draft EDSP materials was also announced at four monthly Gilroy Downtown Business Association meetings.

Environmental Assessment

The Economic Development Strategic Plan (EDSP) is not considered a "project" per Section 21065 of the California Environmental Quality Act (CEQA) in that the plan will not cause a direct or a reasonably foreseeable indirect physical change in the environment. Future actions related to the EDSP may require CEQA clearance; however, the consideration of the EDSP itself does not.

Human Resources

Adequate staffing was available to assist in the development and review of the EDSP. Staffing levels will dictate the implementation timeline for the various action items. The work program identified above will identify the Council's priority items and target timelines for completing those items given current staffing levels.

Financial Impact

Adequate funding was available for the development and review of the EDSP. Implementation timelines will be adjusted to achieve action item priorities in accordance with current staffing levels, thereby resulting in no additional fiscal impact to the City.

Attachments:

- A. Draft Economic Development Strategic Plan