



SANTA CRUZ COUNTY COMPREHENSIVE ECONOMIC DEVELOPMENT STRATEGY (CEDDS)

FINAL DRAFT FIVE YEAR PLAN
MAY 2015

Prepared for

Santa Cruz County Workforce Investment Board
County of Santa Cruz Human Services Department

Prepared by

Santa Cruz County Administrative Office

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EXECUTIVE SUMMARY

INTRODUCTION

This Comprehensive Economic Development Strategy (CEDS) was prepared by the Santa Cruz County Administrative Office under the auspices of the Workforce Investment Board (WIB) with the participation of each of the four incorporated cities and the Santa Cruz Port District. In addition to these jurisdictions, the CEDS Committee includes other business entities and institutional partners. In preparation of the upcoming CEDS, the County engaged in a county-wide planning process including the preparation of an Economic Vitality Background Report (included as Appendix A) which resulted in Economic Vitality Strategy (EVS). While the actions included in the EVS will be primarily conducted in the unincorporated areas, the overall effort enjoyed wide participation by the public, Chambers and other organizations engaged in economic vitality efforts and City economic development staff. The CEDS is reviewed by a sub-committee of the Workforce Investment Board (WIB), and the WIB's Executive Committee prior to being presented to the full WIB. The CEDS will then be subject to a thirty day public review period, and a public hearing, which will be conducted by the County Board of Supervisors prior to being submitted to the Economic Development Administration (EDA).

ECONOMIC CONDITIONS

EMPLOYMENT TRENDS

As with the statewide economy, Santa Cruz County's job base has been strongly affected by the Great Recession, which spanned the years 2007 through 2012. Employment in the County peaked at 104,400 in 2007, but then the County lost more than 8,200 jobs (7.9 percent) by 2011. Over the same period the State lost 6.6 percent of industry employment. The State's recovery was underway by 2011, while the County was still losing in-county employment. By 2013, the State had recovered 98.5 percent of industry employment, while the County lagged behind at just over 97 percent. Santa Cruz County's largest employment sectors are government, education and health services, leisure and hospitality, retail trade, professional and business services, and agriculture. In general, mining, logging and construction, information and wholesale trade had the highest employment percentage declines between 2007-2013, partially offset by gains in education and health care, leisure and hospitality, and agriculture. Unemployment rates are generally higher than the State as a whole, and the period from 2007-2013 was no exception. The City of Watsonville continues to have an annual average unemployment rate that far exceeds both the County and State annual averages.

CLUSTER ANALYSIS

The Santa Cruz County economy includes "niche economies" driven by concentrated activity in distinct clusters of industries. Often what makes these clusters "sticky" is a shared workforce. In 2000, in collaboration with Cabrillo College, the County formed a regional leadership group to better understand the niche economic drivers that were replacing more traditional industries, such as the manufacturing sector, which, firm by firm, moved out of the region to areas of the county which would provide a better

match with lower cost resources. At that time, the analysis identified six niche clusters, which at the time accounted for about 66 percent of employment:

- Food Processing and Production
- Health and Fitness
- Advanced Manufacturing
- Tourism
- Software
- Sports and Recreation Manufacturing

The data review at the time was a preliminary step toward a better understanding of the new drivers of the Santa Cruz County economy, and it provided a way to focus efforts to close the gap between the number of Santa Cruz County residents employed and the number of Santa Cruz County jobs available. It also informed policy makers of future workforce needs.

In 2007, the CEDS included a cluster analysis for the following key groups of industries, which accounted for just under 40,000 jobs in 2005:

- Software and Computers
- Lifestyle with components of Commercial Crafts, Natural Lifestyle, Recreational Services and Recreational Products
- Food and Agriculture

An important aim for this CEDS, as for any strategic plan, is to focus deployment of the area's limited capital and human resources on certain economic sectors that can provide the greatest return on those investments in terms of benefits to businesses, workers, and the local economy. Targeted industries for retention and expansion would be based on potential for growth, existing concentration, higher than average wages, and building on local strengths such as the Santa Cruz brand and quality of life.

A policy direction for the CEDS Committee for the coming year will be to review the previously conducted cluster analysis for continued relevancy and investigate the feasibility of including education, healthcare and information technology sectors. With additional analysis of the data, the County's economic development professionals will be able to focus economic vitality efforts on closing the gap.

Population and Labor Force

Between 2010 and 2014, Santa Cruz County's population grew 3.5 percent, slightly more than the 2.9 percent growth for California as a whole. Within Santa Cruz County, the largest growth occurred in Santa Cruz, which expanded by over 3.8 percent during this period.

The employed labor force in the County has closely approximated the trend shown with industry employment countywide, declining by about 5,600 employed workers between 2007 and 2011. It had regained this loss by 2013. In general, Santa Cruz County's labor force has a higher educational attainment than the state and national averages.

GEOGRAPHY AND ENVIRONMENT

Santa Cruz County is situated between two distinct California regions: Silicon Valley and the Monterey Peninsula. Santa Cruz, the county seat, is 30 miles south of San Jose and 70 miles south of San Francisco and Oakland. Many Santa Cruz County residents commute to high tech jobs in San Jose and other Silicon Valley cities. While a few high tech companies have had local operations within Santa Cruz County at one time or another, many have re-located or downsized their local workforce recently.

The area's key economic strength has been, and continues to be, agriculture as its location provides a unique growing environment for high-value crops such as cut flowers, landscape plants and berries. The county is situated in a unique geographic area bordered on one side by the Pacific Ocean, and on the other side by the Santa Cruz Mountains. The area has a typically Mediterranean climate with warm, dry summers and cool, wet winters. The average high temperature in the summer is 70 degrees Fahrenheit and the average low in winter is 38 degrees. Average annual precipitation, which falls between the months of October and May, is typically 22 inches of rain. However, the County is experiencing severe drought conditions which have affected the ability of farmers to plant and harvest crops, and constrained new development. The growing season is about ten months long with 260 days of sunshine.

The blend of waterfront coastlines and mountainous forests also makes the area a popular attraction for visitors, as well as a desirable location to live. Next to agriculture and food production and packaging, tourism is a very important component of the county's economy. Much of the mountainous terrain and coastline area is protected open space. Coupled with the County's site characteristics, this creates limited space for development. Tension between the need to sustain or improve economic vitality through agricultural, commercial and residential development that could grow local government revenues in order to provide services to residents and maintain our community's quality of life, while preserving land dedicated to open space and recreation drives much of the area's public debates.

Santa Cruz County has maintained a consistently higher rate of waste diversion compared to the state as a whole. In addition, Santa Cruz County has maintained a relatively low number of days exceeding the state mandates for air pollution. A significant issue with Santa Cruz County is its water capacity and usage.

2014 is the third dry year in a row, and the driest in the historical record. On January 28, 2014, the Board of Supervisors adopted a resolution declaring a state of drought in Santa Cruz County with instructions that all county residents including those on small water systems and private wells were urged to reduce water use by at least 20 percent. These actions are endorsed by all county water agencies. Some agencies will be requesting additional reductions by their users, depending on the condition of their water supplies and the severity of the drought.

TRANSPORTATION ACCESS

Santa Cruz County is traversed by two major highways, California State Highway 1 and Highway 17, in addition to other arterials. These highways serve industry, local households and a significant labor force that commutes out of Santa Cruz County for jobs, primarily in Santa Clara County. The existing street and highway network is very impacted in many places, and AMBAG has identified specific problem

spots along Highways 1, 9, 17, 129, and 152. Highway 1 (Mission Street segment), Highway 9 (through San Lorenzo Valley), and Highway 17 (through Santa Clara County line) were all identified as having “F” level-of-service (LOS) ratings, which indicates heavily gridlocked traffic conditions.

SWOT Analysis

With these economic conditions in mind, the County has identified the following strengths, weaknesses, opportunities, and threats.

STRENGTHS

- Agriculture, Food Production, Processing and Packaging Sector
- Leisure and Hospitality/Tourism
- Retail Sector
- Highly trained workforce in much of the County
- Health care industry
- Education and Government sectors
- Active civic & non-profit sector

WEAKNESSES

- Residential development constraints
- High housing costs compared to wages
- Limited space for commercial growth
- Ratio of jobs in the County compared to workforce
- Aging infrastructure: deferred maintenance of transportation and other infrastructure as well as lack of investment in new water supplies

OPPORTUNITIES

- Tourism-
 - Increased visitor stays
 - Increased retail spending
 - Market to international visitors, especially during the shoulder months
- Creative sector
- Emerging industries and a re-emerge of information technology sector
- Science and Technology transfer from UCSC

THREATS

- Globalization
- Increasing housing prices
- Limited water supply
- Further degradation of local and regional transportation infrastructure
- Urban use – agricultural use conflicts
- Global warming and sea level rise

CEDS GOALS AND OBJECTIVES

This plan sets forth seven goals that articulate the County’s broad, general expectations regarding economic development programs and activities. These goals and objectives establish the policy framework that supports future grant applications to EDA for funding of economic development projects. The CEDS also provides a set of specific objectives and measurable performance criteria for each goal.

GOAL 1: WORKFORCE DEVELOPMENT

Maximize human and business capital by promoting a well-trained workforce for Santa Cruz County employers, ensuring individual economic security and community vitality. Provide Santa Cruz County employers with a reliable pipeline of well-qualified workers. Provide Santa Cruz County residents with access to the education and job-training opportunities necessary to attain and succeed in jobs available through Santa Cruz County employers. Develop and maintain an adequate stock of affordable housing to ensure that all segments of the workforce have satisfactory housing options in Santa Cruz County.

GOAL 2: STRENGTHEN KEY ECONOMIC SECTORS

Support the sustained economic growth of the largest economic sectors and ensure regional economic vitality by supporting the growth of firms that fill important niches in the County’s economic base, that have the potential to catalyze broader economic growth and that provide opportunities for career advancement and higher wages.

GOAL 3: QUALITY OF LIFE

Increase the region’s attractiveness to new business and improve quality of life by supporting the further development and improvement of affordable housing choices and community services, including public safety, lifelong learning, parks and recreation, visual and performing arts, and cultural heritage.

GOAL 4: EXPAND PUBLIC SECTOR CAPACITY AND INFRASTRUCTURE

Repair or reconstruct aging infrastructure and build new infrastructure where needed to provide for the needs of existing and new businesses and residents.

GOAL 5: FISCAL HEALTH

Improve the fiscal sustainability of city and county governments, especially in light of the loss of redevelopment financing for local projects, economic vitality initiatives, and affordable housing.

GOAL 6: BUSINESS ENVIRONMENT

Promote a business climate that fosters the birth and growth of Santa Cruz County-based businesses, facilitating the strategic location of companies that have a sound business reason to be based here. Ensure that our regulations, policies, and assistance programs provide a competitive advantage for business retention, expansion, creation, and operations.

GOAL 7: BUILD COLLABORATION

Build collaborative networks for economic development between government, industry and academia to leverage each other's strengths for the improved economic vitality and quality of life of the County and its residents. Align policies and priorities among local and regional government agencies, including schools and colleges.

PRIORITY – SETTING CRITERIA

The County has established the following criteria to be used by the CEDS Committee to rank project proposals for EDA funding in Santa Cruz County. The criteria are presented in rank order.

1. Policy Criteria
 - a. Consistency with CEDS goals and objectives
 - b. Consistency with applicable City/County economic strategic plan or approved community/general plan
2. Job Creation Criteria
 - a. Potential total new jobs created
 - b. Potential new jobs with higher than median wage for each potential occupational category
 - c. Potential jobs saved/retained
3. Potential additional private sector investment
4. Potential regional economic impact
5. Fiscal Impact Criteria
 - a. Potential net fiscal impact
 - b. Potential sales tax generated
 - c. Potential transient occupancy tax generated
 - d. Potential property tax generated
6. Workforce Criteria
 - a. Increases workforce skills
 - b. Increases access to workforce training
7. Positive or minimal impact on environment
8. Positive impact on transportation access/infrastructure/affordable housing
9. Promotes sound management of physical development
10. Promotes in-fill or reuse of existing structures
11. Increases access or use of high-speed telecommunications

REGIONAL COUNTYWIDE PARTICIPATION IN DEVELOPMENT OF THE CEDS

INTRODUCTION TO THE COMPREHENSIVE ECONOMIC DEVELOPMENT STRATEGY

Investments in public infrastructure are a necessary antecedent to community economic vitality. Realizing this, the federal Economic Development Administration is authorized to make grants to communities needing assistance with these investments. A Comprehensive Economic Development Strategy (CEDS) is required by the Public Works and Economic Development Act of 1965 and Economic Development Administration (EDA) Regulations as a precondition of EDA assistance for public works projects and economic adjustment grants. An approved CEDS must be in place before a jurisdiction within Santa Cruz County may apply for an EDA grant for the purposes of economic development. While the CEDS should be consistent with existing community economic development vision and goals, the CEDS is not meant to take the place of an individual community's economic development vision or plan. An individual community may have an economic development plan that articulates more specific goals and objectives. The CEDS stays in effect for five years. An annual report must be filed by the Santa Cruz County CEDS Committee that outlines progress made toward achieving the goals identified in this plan.

The EDA has a set of guidelines by which it selects potential projects for funding. These guidelines direct that projects for which communities are applying for EDA grant funds must be market-based, proactive, reflect awareness of economic changes, maximize private investment, result in higher-skilled and higher-paid workers, maximize tax-payer return and involve the participation of local agencies, both public and private.

Typical EDA-funded projects include construction of necessary public infrastructure, including water systems, wastewater treatment systems, roadways, bridges, parking garages, lighting, and signage. They also include the development of business incubators, libraries, training centers and technology transfer activities.

THE PLANNING PROCESS

The development of the Santa Cruz County CEDS involved participants from the private and public sectors. The County Board of Supervisors acted as the planning organization and authorized the Santa Cruz County Workforce Investment Board (WIB) to develop the CEDS and serve as the Strategy Committee. The WIB Board has 41 members, of which 21 are representatives from the private sector.

The WIB selected five of its members to serve on the CEDS Committee along with WIB staff and one official and an alternate representing either the City Manager's Office or Economic Development from each of the five jurisdictions in the county. The process of developing the CEDS followed a timeline illustrated below. Significant milestones during the planning process were meetings with the full WIB Board and the full CEDS Committee. These included the meetings of September 17 and October 29 in 2014 and January 21 and February 25 in 2015. In all cases, meetings were noticed and attended by

interested members of the public in addition to committee members and meetings were facilitated to allow maximum input from all attendees.

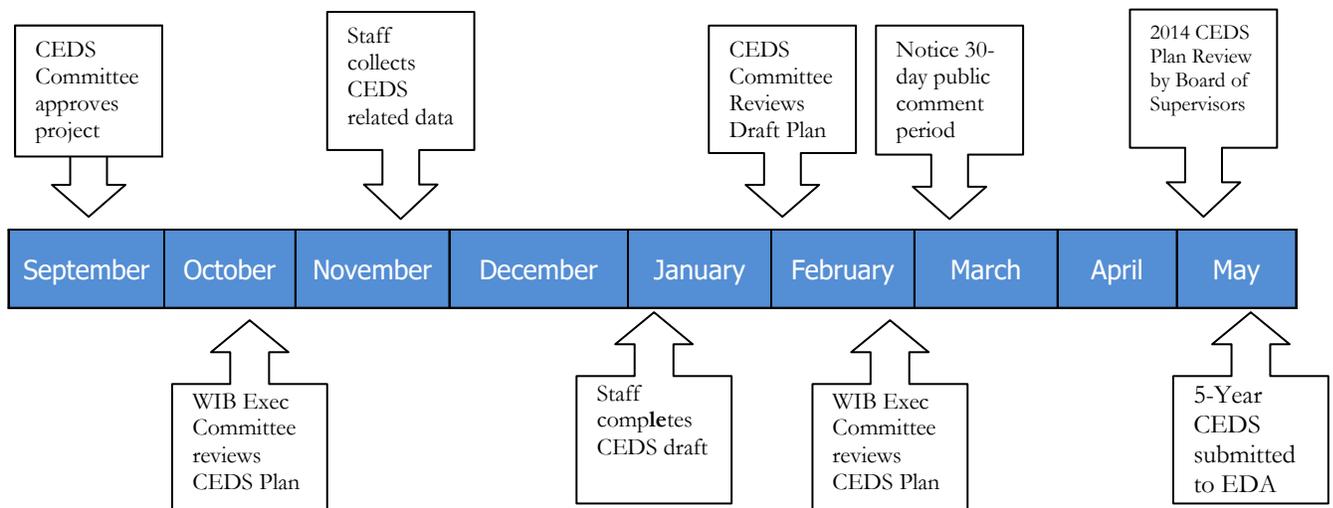
On January 21, 2015 the CEDS Committee was presented findings from the staff analysis of the region’s economic strengths, weaknesses, opportunities and threats, with recommended goals and strategies and performance measures. CEDS Committee members suggested modifications and additions as well as discussed the region’s opportunities and constraints.

The second major milestone was the February 25, 2015 meeting, which included the entire WIB Board as well as the entire CEDS Committee. The purpose of this meeting was to discuss a draft of the CEDS goals and strategies. After review and changes by staff to respond to the discussion, the document was made available to the public for a period of thirty days.

The final draft of the CEDS was presented to the Santa Cruz County Board of Supervisors on April 21, 2015.

PROCESS

2014 CEDS TIMELINE (SEPTEMBER, 2014 – MAY, 2015)



PLANNING ORGANIZATION–BOARD OF SUPERVISORS

- John Leopold, First District Supervisor
- Zach Friend, Second District Supervisor
- Ryan Coonerty, Third District Supervisor (seated January 2015)
- Greg Caput, Fourth District Supervisor
- Bruce McPherson, Fifth District Supervisor

STRATEGY COMMITTEE

WORKFORCE INVESTMENT BOARD MEMBERS

Private

Chair: Ron Slack, CEO, Fine Print Graphic Design
Vice Chair: Carol Siegel, Employment Manager, Santa Cruz Seaside Company
Paul Arsenault, Business Representative, Sheet Metal Workers Union
Alan Aman, COO, Palo Alto Medical Foundation
Jack Cheney, CFO, Wonderfully Raw Gourmet
Valarie Custodio, Team Leader, Target
Marshall Delk, VP, Santa Cruz County Bank
Else Destout, Owner, Photography by Else Destout
Jon Gundersgaard, Sr. Technical Recruiter, Seagate
Andy Hartmann, Business Manager/Financial Secretary, IBEW Union Local 234
David Hood, President, First Alarm
Julie Lambert, DOF, S. Martinelli and Co.
Vicki Miranda, VP Human Resources, Dominican Hospital
Rob Morse, Manager, P G & E
Francisco Rodriguez, President, PVFT #1936
Howard Sherer, CEO, Hutton Sherer Marketing
William Tysseling, Executive Director, Santa Cruz Area Chamber of Commerce
Bob Williamson, Business Rep, IATSE, Local 613

Public/Non-Profit

Alia Ayrad, Director, Center for Employment Training
Greg Caput, Chair, Santa Cruz County Supervisor
Jack Carroll, Chair, Career & Technical Ed, Watsonville/Aptos Adult Education
John T. Collins II, Sr. VP of Workforce Development Programs, Goodwill Industries
Christina Cuevas, Program Director, Community Foundation of Santa Cruz County
James Dion, Manager, Employment Development Department
Cecilia Espinola, Director, Santa Cruz County Human Services Department
MariaElena de la Garza, CEO, Community Action Board
Mark Hodges, Director, COE/ROP
Corrie Kates, Dep City Manager, Scotts Valley
Carlos Palacios, City Manager, City of Watsonville
Rock Pfothhauer, Dean of Instruction, Career Education and Economic Development, Cabrillo College

CEDS COMMITTEE

Ron Slack, Chair, Fine Print Graphic Design
Carol Siegel, Vice-Chair, Santa Cruz Seaside Company
Steve Ando, City Manager, Corrie Kates, Community Development Director/Deputy City Manager, City of Scotts Valley
Jo Anne Dlott, Sureharvest
Bonnie Lipscomb, Exec. Director of Economic Development, J. Guevara, Economic Development Manager, Joe Hall, Management Professional, City of Santa Cruz
Jamie Goldstein, City Manager, Katie Cattan, Sr. Planner, City of Capitola
Kathy Previsich, Planning Director, Barbara Mason, Economic Development Coordinator, County of Santa Cruz
Kurt Overmeyer, Economic Development Coordinator, City of Watsonville
John Gundersgaard, Sr. Technical Recruiter, Seagate Technology
William Tysseling, Executive. Director, Santa Cruz Area Chamber of Commerce

CEDS Project Team

Susan Pearlman, Principal Administrative Analyst, Santa Cruz County Administrative Office
Barbara Mason, Santa Cruz County Economic Development Coordinator
Gary McNeil, Interim Director, Santa Cruz County Workforce Investment Board

WIB STAFF

Gary McNeil, Acting Director
Lacie Gray, Senior Analyst

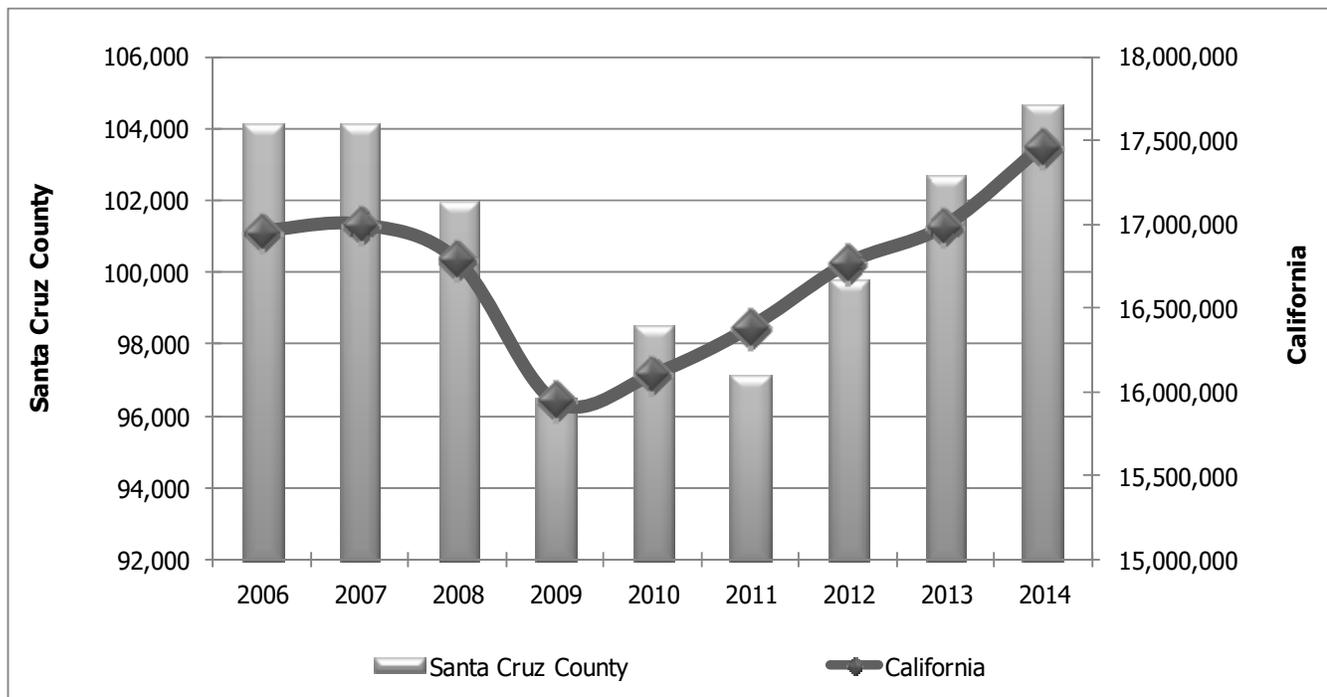
BACKGROUND

ECONOMIC BASE

As a whole, Santa Cruz County’s job base has stagnated over the study period of 2007 – 2013, losing just under 3 percent of county-wide employment by industry versus 1.5 percent for the State. During this period Santa Cruz County’s wage-and-salary employment ranged from a low of 94,800 jobs (2010) and a high of 104,400 jobs (2007) at the beginning of the Great Recession. The largest employment decline was in mining, logging and construction, which lost nearly 41 percent of jobs, followed by the information sector, with a loss of 38.5 percent, and wholesale trade at 20.5 percent. The losses were partially offset by growth in the education and healthcare sector, which at a 31.5 percent gain outstripped the 20.6 percent growth in California. In 2013, Santa Cruz County’s largest employment sectors were government, education and health services, leisure and hospitality, retail trade, professional and business services and agriculture.

Most businesses in Santa Cruz County are small businesses with fewer than 10 employees; over 70 percent of businesses fit this description. Approximately one out of four firms had 10 to 19 employees (23.8 percent), and only a small fraction of firms in the County were large firms with over 50 employees. Small size can make firms less resilient to changes in the regional economy.

FIGURE 1
TOTAL WAGE AND SALARY JOBS, SANTA CRUZ COUNTY



Source: California Employment Development Department, Labor Market Information Division

Change in Wage in Salary Employment by Industry		
Santa Cruz County and CA		
Percentage Change Annual Average 2007-2013		
	SC Co	CA
	% Change	% Change
Government	-10.0%	-5.0%
Educational and Health Services	31.5%	20.6%
Retail Trade	-12.1%	-5.2%
Leisure and Hospitality	6.1%	7.1%
Professional and Business Services	0.0%	2.9%
Manufacturing	-6.3%	-14.6%
Mining, Logging and Construction	-40.7%	-37.7%
Wholesale Trade	-20.5%	-2.5%
Financial Activities	-5.6%	-12.7%
Transportation, Warehouse, Utilities	-12.5%	0.8%
Information	-38.5%	-4.4%
Other Services	2.6%	-8.4%
Total Employment Non Farm	-3.7%	-1.7%
Total Farm	5.0%	7.2%
Total, All Industries	-3.1%	-1.5%
Labor Force	4.7%	3.8%

Source: California EDD, Labor Market Information Division

ECONOMIC CLUSTERS

The Santa Cruz County economy includes “niche economies” driven by concentrated activity in distinct clusters of industries. Often what makes these clusters “sticky” is a shared workforce. In 2000, in collaboration with Cabrillo College, the County formed a regional leadership group to better understand the niche economic drivers that were replacing more traditional industries, such as manufacturing, which were moving out of the region to areas of the country which would provide a better match to their competitive advantages. At that time, the analysis identified six niche clusters, which at the time accounted for about 66 percent of employment:

- Food Processing and Production
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- Tourism
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The data review at the time was a preliminary step toward a better understanding of the new drivers of the Santa Cruz County economy, and it provided a way to focus efforts to close the gap between the number of Santa Cruz County residents employed and the number of Santa Cruz County jobs available. It also informed policy makers of future workforce needs.

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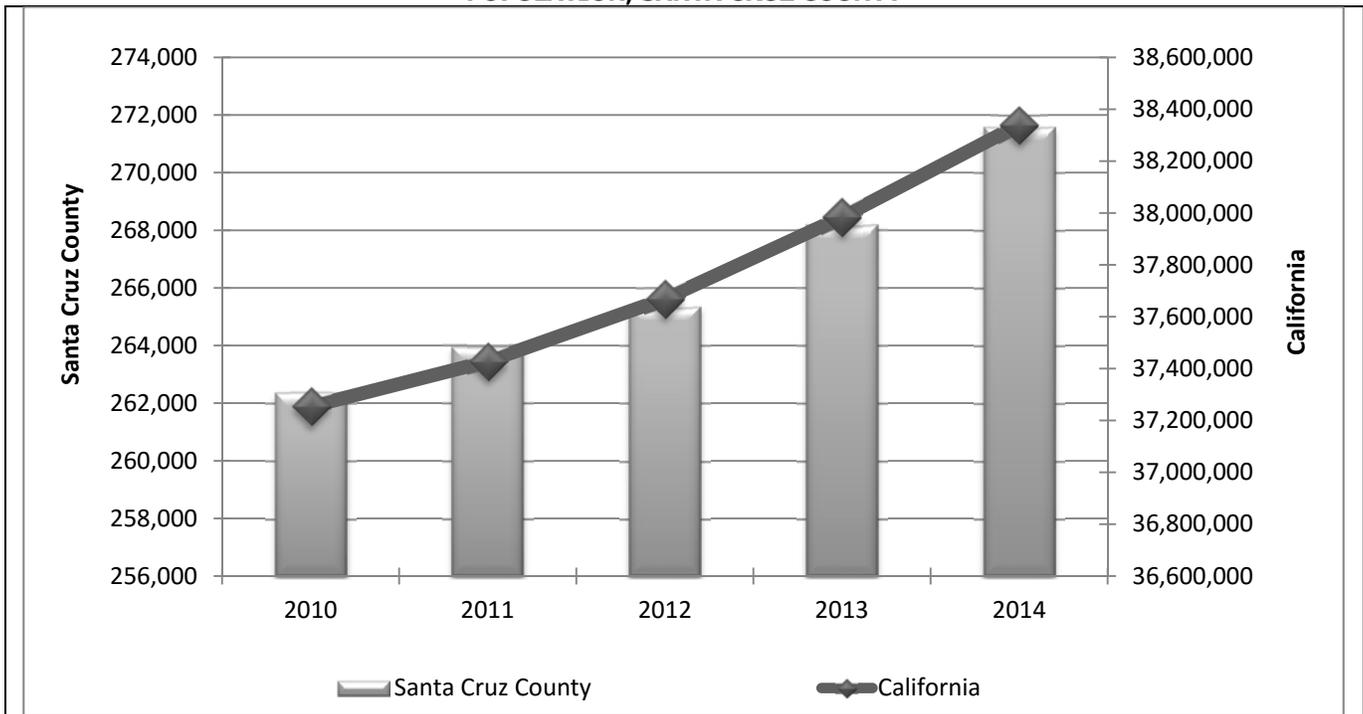
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A policy direction for the CEDS Committee for the coming year will be to review the cluster analysis for continued relevancy and investigate the feasibility of including education, healthcare and information technology sectors. With additional analysis of the data, the County's economic development professionals will be able to focus economic vitality efforts on closing the gap between industry employment available within the County to the County's labor force. The gap is between the jobs provided by employers in Santa Cruz County and the County's workforce; there are more people who are working, but they either have to work out of County because there aren't jobs in their area of expertise, or choose to work out of County for higher wages.

POPULATION AND LABOR FORCE

Between 2010 and 2014, Santa Cruz County’s population grew by about 9,213 residents with a growth rate of 3.5 percent during this period (Figure 4). This growth rate exceeds the 2.9 percent growth for California as a whole. Within Santa Cruz County, the largest growth occurred in Santa Cruz, which expanded by about 5.8 percent during this period with about 3,500 new residents and a total population of over 63,400. This is a change in growth patterns, whereby in former study periods, the majority of the growth in population occurred in South County.

**FIGURE 2
POPULATION, SANTA CRUZ COUNTY**



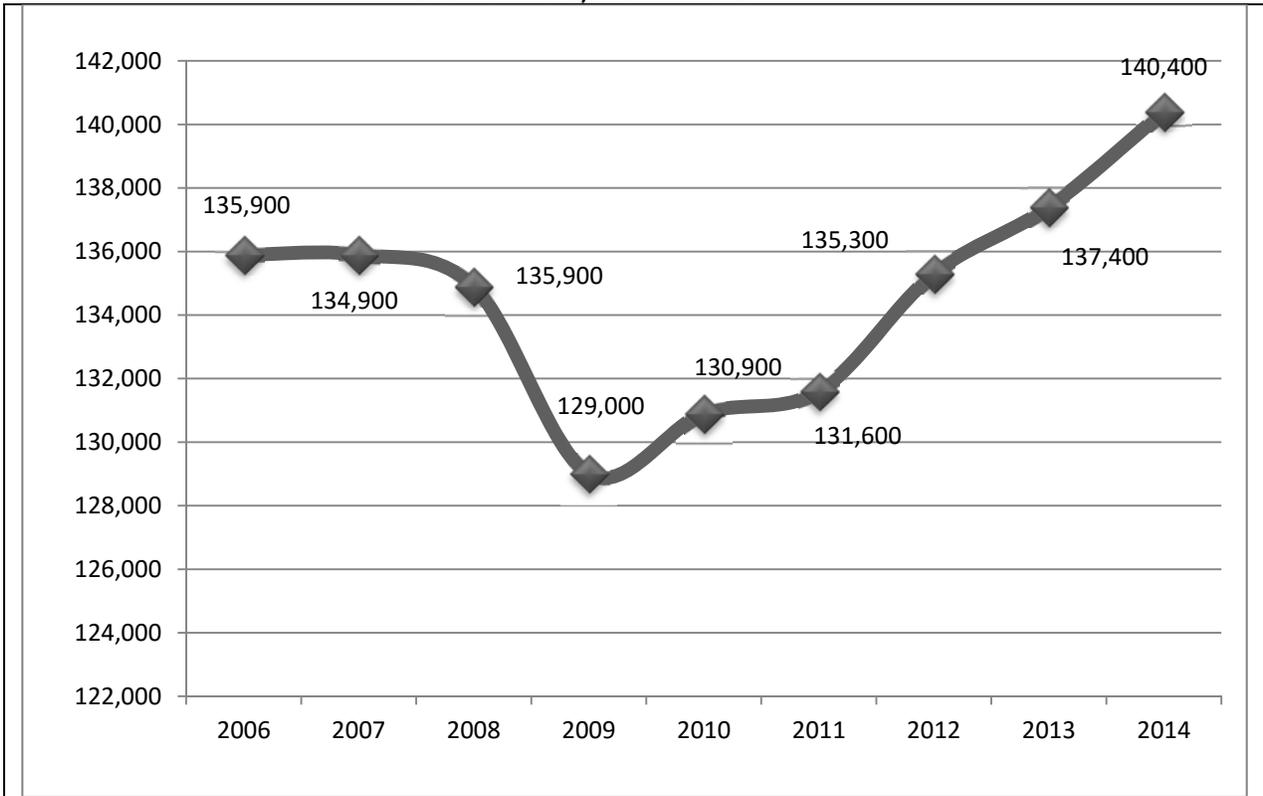
Source: 2007 California Department of Finance

Population Change by Jurisdiction						
	2010	2011	2012	2013	2014	2010-14 % Change
Capitola	9,918	9,923	9,957	10,047	10,136	2.20%
Santa Cruz	59,946	61,245	61,825	62,686	63,440	5.83%
Scotts Valley	11,580	11,581	11,612	11,746	11,954	3.23%
Watsonville	51,199	51,226	51,484	51,919	52,508	2.56%
Unincorporated	132,643	133,975	134,878	131,791	133,557	0.69%
Santa Cruz County	262,382	263,954	265,348	268,189	271,595	3.51%
California	37,253,956	37,427,946	37,668,804	37,984,138	38,340,074	2.92%

Source: 2014 Department of Finance:
Table 2: E-4 Population Estimates for Cities, Counties, and State 2011-2014 with 2010 Benchmark

The labor force in Santa Cruz County has shown greater fluctuation compared to the population trend. In 2006, the labor force in Santa Cruz County totaled 135,900 workers. By 2009, this rapidly declined by nearly 7,000 workers through the years of the Great Recession (Figure 5), only mustering a recovery in 2012. The labor force is expected to grow to an estimated 140,400 workers in 2014.

**FIGURE 3
LABOR FORCE, SANTA CRUZ COUNTY**

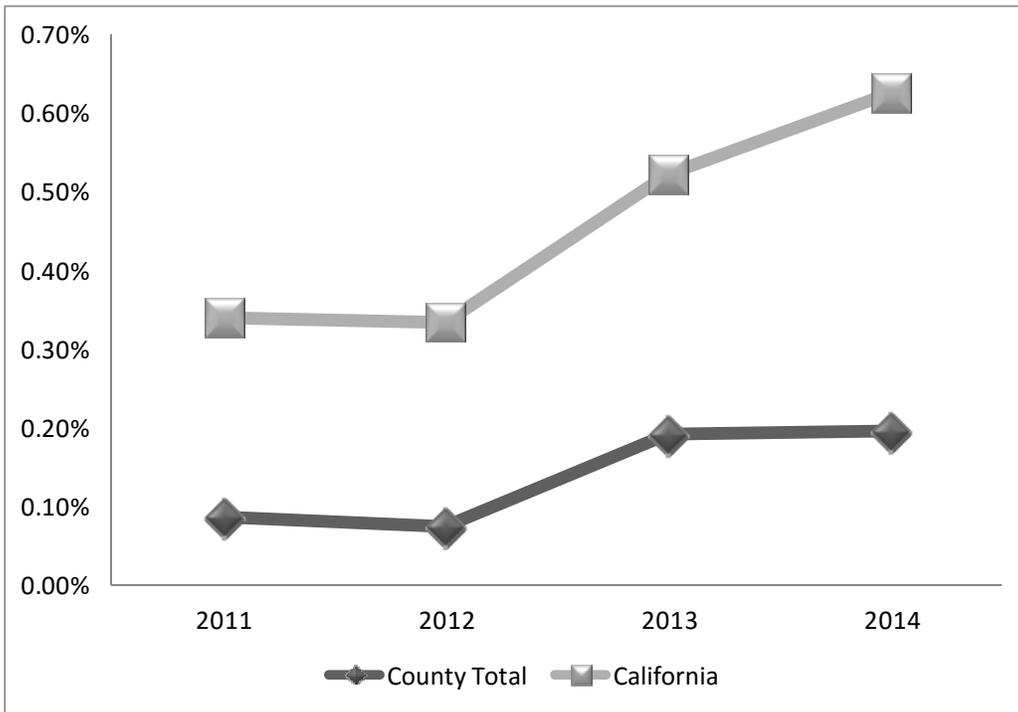


Source: California Employment Development Department, Labor Market Information Division

In general, Santa Cruz County’s labor force has a higher educational attainment than the state and national averages. However, according to the Community Assessment Report (2014) the percentage of high school graduates completing all University of California/California State University courses has declined slightly, from 48.8 percent in 2006-07 to 48.5 percent in 2012-13, while the percentage of high school graduates completing these same courses level state-wide increased 4.4 percent, from 35 to 39.4 percent. Girls completed them at a much higher rate (55%) than boys (41%). Similarly, more than half of those identifying as White (57%) completed them, as compared to over one-third (40%) of Latinos.

Housing in Santa Cruz County has increased at a much lower rate than the population, growing from 104,476 units to 105,047 units, a growth rate of .5 percent between 2010-2014. (Figure 6). This .5 percent growth rate is lower than the 1.3 percent housing growth rate for California as a whole during the same period.

**FIGURE 4
PERCENT CHANGE HOUSING UNIT CONSTRUCTION, COUNTY, CALIFORNIA**



Source: California Department of Finance

Total Housing Units, Santa Cruz County & California

Santa Cruz County	2010	2011	2012	2013	2014	% Change 2000- 2007
Capitola	5,534	5,536	5,537	5,543	5,530	-0.1%
Santa Cruz	23,316	23,351	23,372	23,410	23,472	0.7%
Scotts Valley	4,610	4,610	4,608	4,625	4,656	1.0%
Watsonville	14,089	14,095	14,121	14,128	14,129	0.3%
Balance Of County	56,927	56,974	57,004	57,137	57,260	0.6%
County Total	104,476	104,566	104,642	104,843	105,047	0.5%
California	13,670,304	13,704,850	13,740,488	13,785,855	13,845,281	1.3%

Source: California Department of Finance

PROJECTED GROWTH IN LABOR FORCE, POPULATION AND HOUSING

The Association of Monterey Bay Area Governments (AMBAG) has developed the 2035 Metropolitan Transit Plan and Sustainable Communities Strategy (MTP/SCS), which is a long range planning document required by both State and Federal law. For the first time AMBAG now also has the responsibility to prepare a Sustainable Communities Strategy (SCS) as part of the MTP, pursuant to requirements of SB 375 (2008). The SCS sets forth a forecasted development pattern for the region, which when integrated with the transportation network and other transportation measures and policies, is intended to reduce greenhouse gas emissions from passenger vehicles and light duty trucks. The following provides some key findings from the Regional Growth Forecast, which provides an overview for the Monterey Bay region, including San Benito, Monterey and Santa Cruz Counties.

- The AMBAG regional economy has an industry structure quite different than the statewide structure or the industry structure in regions like Southern California or the San Francisco Bay Area. This is largely due to the large share of jobs in Agriculture. More than 18 percent of total jobs are in this sector, compared to 2.4 percent statewide. Other sectors with above average shares include Leisure and Hospitality (which has not kept pace with statewide job growth since 2000), Government, Healthcare and Self-Employment.
- The region is projected to experience job growth at a slightly slower rate than the state and nation, primarily due to the region's below average concentration in fast growing sectors that apply technology to the development of goods and services that are sold to customers around the world. Information and professional services are where the largest job gains are projected for the state's economic growth will come from, and the AMBAG region has a below average share of jobs in these sectors. The region also has a below-average exposure to growth in foreign trade.
- The largest job gains in terms of absolute numbers over the forecast period to 2035 are in Education and Health Services, which will add nearly 18,000 jobs in the region. Three sectors are projected to add about 10,000 jobs in the region through 2035 – professional and business services, leisure and hospitality, and government. Construction job levels will rebound from recent lows, but will remain below pre-recession levels in 2035 reflecting a slow return to more normal construction patterns in the region. Manufacturing job levels are projected to remain near current levels and will not regain the job losses that occurred during the past 20 years. These projects do not include any major move of high tech manufacturing jobs from Silicon Valley to the AMBAG region. The national trends of slow job growth in retail and finance sectors are also expected in the AMBAG region.
- The region has a high ratio of people to jobs, and a major cause of this is that AMBAG region residents in large numbers commute to jobs outside the region, principally to jobs in Santa Clara County.
- Population in Santa Cruz County is forecast to grow by a compound annual growth rate of .65 percent between the period 2010-2035, compared to a compound rate of .71 percent in Monterey and 1.56 percent in San Benito Counties. These estimates translate into an estimated population in 2035 of about 308,600 in Santa Cruz County, 495,000 in Monterey County and 81,300 in San

Benito County. Housing units in Santa Cruz County are expected to grow from about 104,500 in 2010 to 120,200 in 2035, a slower rate of annual growth (.56 percent) than projected population growth.

WORKFORCE TRAINING

Workforce training is available in five types of settings: through Workforce Investment Act funded training; through partnerships between high school districts and regional occupational programs (ROPs); through adult education programs offered by unified school districts in Santa Cruz and Watsonville; through Cabrillo College; and, through the CalWORKs program, which is also subsidized by federal and state workforce investment funds. Adult education programs provided by the Santa Cruz City School District and the Pajaro Valley Unified School District offer vocational technical career training in several areas. There are specialized vocational programs in nursing assistant, pharmacy technician, electronics and computer repair, software programming, accounting, office management, green gardening and green construction.

GEOGRAPHY AND SETTING

Santa Cruz County is situated between two distinct California regions: Silicon Valley and the Monterey Peninsula. Santa Cruz, the county seat, is 30 miles south of San Jose and 70 miles south of San Francisco and Oakland. Many Santa Cruz County residents commute to high tech jobs in San Jose and other Silicon Valley cities.

The area's key economic strength continues to be agriculture as its location provides a unique growing environment for high-value crops such as berries, specialty vegetable crops, cut flowers, and nursery and landscape plants. The County has also experienced the emergence of organic growers and direct to the public marketing of crops through farmer's markets and direct to restaurant sales have increased profit margins. The county is situated in a unique geographic area bordered on one side by the Pacific Ocean, and the US's largest National Marine Sanctuary, and on the other side by the Santa Cruz Mountains. The area has a typically Mediterranean climate with warm, dry summers and cool, wet winters. The average high temperature in the summer is 70 degrees Fahrenheit and the average low in winter is 38 degrees. Average annual precipitation, which falls between the months of October and May, has typically been about 22 inches, but the County is currently experiencing a prolonged drought. The growing season is about ten months long with 260 days of sunshine.

The blend of waterfront coastlines and mountainous forests makes the area a popular attraction for visitors, as well as a desirable location to live. Next to agriculture and food processing, tourism is a very important component of the county's economy. Much of the mountainous terrain and coastline area is protected open space, and public and land trust ownership has increased significantly over the last decade. Coupled with the County's site characteristics, this creates limited space for development. Tension between the need to sustain or improve economic vitality through agricultural, commercial, and residential development, a constrained amount of water, the desire to preserve open space and areas for recreation, and competing positions regarding these issues and the needs and methods to expand and modernize transportation and data infrastructure drives much of the area's public debates.

TRANSPORTATION ACCESS

Santa Cruz County is traversed by two major highways, California State Highway 1 and Highway 17, in addition to other arterials. These highways serve industry and local households. The existing street and highway network is very impacted in many places. All Santa Cruz County highways have been identified as particularly problematic, including Highways 1, 9, 17, 129, and 152.

Highway 1 (Mission Street segment), Highway 9 (through San Lorenzo Valley), and Highway 17 (through Santa Clara County line) were all identified as having “F” level-of-service (LOS) ratings, which indicates heavily gridlocked traffic conditions.

According to the most recent County of Residence to County of Work Flows (2006-2010), about 23 percent of the workforce commutes out of Santa Cruz County to work. The top five destinations include San Francisco (832) Alameda (1,007), San Mateo (1,305), Monterey (5,779), and Santa Clara (17,451).

ENVIRONMENT AND RESOURCES

Santa Cruz County has maintained a consistently higher rate of waste diversion compared to the state as a whole. In 2013, the per capita rate of disposal of 2.6 pounds per residents per day (PPD) is nearly half the statewide target of 4.6 PPD.

In addition, Santa Cruz County has an excellent air quality record, with the exception of areas in the San Lorenzo Valley. The number of days per year with “good air quality” was 355 in 2000, and 363 in 2012 (CA Air Pollution Control Officer’s Association, April 2013). The regional Air Quality Control Board continues to sponsor a wood-stove change out grant program to address the days per year for which the San Lorenzo Valley, due to mountainous topography, experiences a loss of air quality.

A significant issue with Santa Cruz County continues to be water capacity and usage. 2014 is the third dry year in a row, and the driest in the historical record. On January 28, 2014, the Board of Supervisors adopted a resolution declaring a state of drought in Santa Cruz County with instructions that all county residents including those on small water systems and private wells were urged to reduce water use by at least 20%. These actions are endorsed by all county water agencies. Some agencies will be requesting additional reductions by their users, depending on the condition of their water supplies and the severity of the drought.

In collaboration with the Santa Clara Open Space Authority and the Sonoma County Agricultural Preservation and Open Space District, the Resource Conservation District of Santa Cruz County has undertaken the first-ever comprehensive valuation of our county’s natural capital and ecosystem services. Using new techniques for calculating value and rates of return on investment in natural capital and rates of return on investment in natural capital, the project report shows that natural capital and stewardship provide significant goods and services offering “an extraordinary return on investment.” Using these new techniques, the report estimates that Santa Cruz County’s natural capital provides at least \$800 million to \$2.2 billion in benefits to people and the local economy every year. A final report, which suggests a new vision for a 21st century economy is expected in early 2015.

OTHER BACKGROUND

- Santa Cruz County's ethnic distribution primarily consists of white and Hispanic/Latino residents, with Latino residents constituting the fastest growing segment of the population (now nearly 33 percent of the population versus about 24 percent in 2000).
- Unemployment rates in Santa Cruz County have generally been higher than the State as a whole, and the period from 2007-2013 was no exception. The City of Watsonville continues to have an annual average unemployment rate that far exceeds both the County and State average.
- Poverty rates in Santa Cruz County have generally been slightly below the statewide poverty rate, but the increase in the rate for those 18 to 64 years of age increased by over 50 percent (54%) from 2007 to 2013, going from 10 percent to 15.4 percent, far higher than the Statewide increase of 30 percent (11 percent to 15.6 percent) for that same age group over the same period of time.
- Growth in taxable sales has remained stagnant since 2005, with taxable sales remaining at about \$3.1 billion through 2012., while taxable sales in California grew 4 percent over this same period.
- The growth in tourism spending in Santa Cruz County between 2007 and 2012 outperformed the state in travel spending and local tax receipts. However, employment during this same period remained stagnant at about 8,200 jobs. Local jurisdictions have all seen a strong increase in Transient Occupancy Tax receipts, led by Capitola which has doubled the collections from \$609,000 to just under \$1.3 million between 2008-09 and 2013-14. County-wide, average occupancy has increased from just under 49 percent to nearly 63 percent, and the average room rate has increased from \$109 to just under \$126 per night.
- Agricultural production has increased in value by nearly 22 percent between 2007 and 2013. The largest growth has occurred in higher value berry crops such as raspberries (114 percent), leaf lettuces (89 percent), Brussels sprouts (66 percent), wine grapes (53 percent) and apples (47 percent).
- Santa Cruz County has a lower percentage of the labor force in private wage and salary employment than California as a whole (72.4 percent versus 77 percent), but a higher percent were engaged in local, state or government employment (16 versus 14 percent), and a much higher percentage were self-employed in their own businesses (12 versus 8 percent).
- The median income of households in Santa Cruz County was \$66,519, while in California it was \$61,094, according to the American Community Survey 2009-13. Sixteen percent of households in the County had incomes over \$150,000 versus 14 percent for the State.
- In California, an estimated 23 percent of the housing units were constructed since 1990, versus 16 percent for Santa Cruz County. Santa Cruz County has far fewer multi-unit structures than the State average (20 versus 31 percent), and a slightly higher percentage of housing is provided by mobile/manufactured units (6 percent versus 4 percent for the State).

COUNTYWIDE SWOT ANALYSIS

This CEDS contains an assessment of the region’s economic development strengths, weaknesses, opportunities and threats, in other words, a SWOT analysis. This chapter presents the SWOT analysis as it affects the County as a whole. A later chapter of the CEDS, entitled Local Economic Development Priorities and Projects, briefly describes each of the cities and the county unincorporated communities separately in terms of economic characteristics and economic development issues and priorities.

STRENGTHS

The assessment of strengths is based on analysis of existing data sources, including the Santa Cruz County Economic Trends Report (June 2013). Santa Cruz County’s key economic strengths consist of:

- Agriculture, Food Production, Processing and Packaging sector
- Leisure and Hospitality/Tourism sector
- Retail sector
- Highly trained workforce throughout much of the County
- Education and Health care industry
- Government Sector
- Active civic and non-profit sector

Tourism Industry

The tables following show that travel spending in Santa Cruz County increased by nearly 12 percent between 2007-2012 and Transient Occupancy Tax (TOT) increased by almost 66 percent during the same time period, partially due to an increase in the TOT rate. Capitola experienced the highest gain.

SANTA CRUZ COUNTY							
	2007	2008	2009	2010	2011	2012	% Change 2007-12
Travel Spending	\$640.2	\$649.6	\$609.8	\$651.9	\$699.9	\$716.7	11.9%
Earnings Employment	195.3	197.4	194.6	195.1	193.8	205.9	5.4%
Local Tax Receipts	14.1	14.2	12.8	14.0	15.5	16.3	15.6%
State Tax Receipts	\$25.5	\$25.7	\$26.8	\$29.4	\$29.9	\$29.0	13.7%
Total Employment (Number of Jobs)	8,200	8,030	8,040	7,920	7,910	8,210	0.1%
CALIFORNIA							
	2007	2008	2009	2010	2011	2012	% Change 2007-12
Travel Spending	\$95,800	\$98,200	\$89,200	\$95,100	\$101,800	\$106,200	10.9%
Earnings Employment	30,100	30,700	28,800	29,500	30,800	32,600	8.3%
Local Tax Receipts	2,300	2,400	2,100	2,200	2,400	2,600	13.0%
State Tax Receipts	\$3,600	\$3,700	\$3,700	\$4,100	\$4,200	\$4,100	13.9%
Total Employment (Number of Jobs)	928,000	928,800	880,600	879,100	892,500	925,300	-0.3%
Source: Dean Runyan Associates 2014							

City/Area	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	% Change 2009-2014
Capitola	\$609	\$587	\$598	\$912	\$1,073	\$1,263	107.4%
Santa Cruz	3,724	3,861	4,217	4,626	5,344	7,059	89.6%
Scotts Valley	520	544	570	713	782	926	78.1%
Watsonville	626	616	591	708	725	783	25.1%
Unincorporated	3,887	3,511	4,048	4,605	4,515	5,485	41.1%
County	\$9,366	\$9,119	\$10,024	\$11,564	\$12,439	\$15,516	65.7%
California	\$1,417,000	\$1,320,000	\$1,458,000	\$1,613,000	\$1,725,000	N/A	

Source: Local from CVC State: Dean Runyan Associates 2014

Retail Sector

The retail sector is an important sector due to the tax that accrues to local governments and agencies as either a designated or general purpose tax, and due to the importance of this sector as a job generator. About 11.5 percent of total employment in the County comes from the retail sector, which is higher than the statewide average of 10.3 percent. So while the retail trade sector shows some competitive advantages it has suffered in the economic downturn at a higher rate than neighboring counties and the state as a whole.

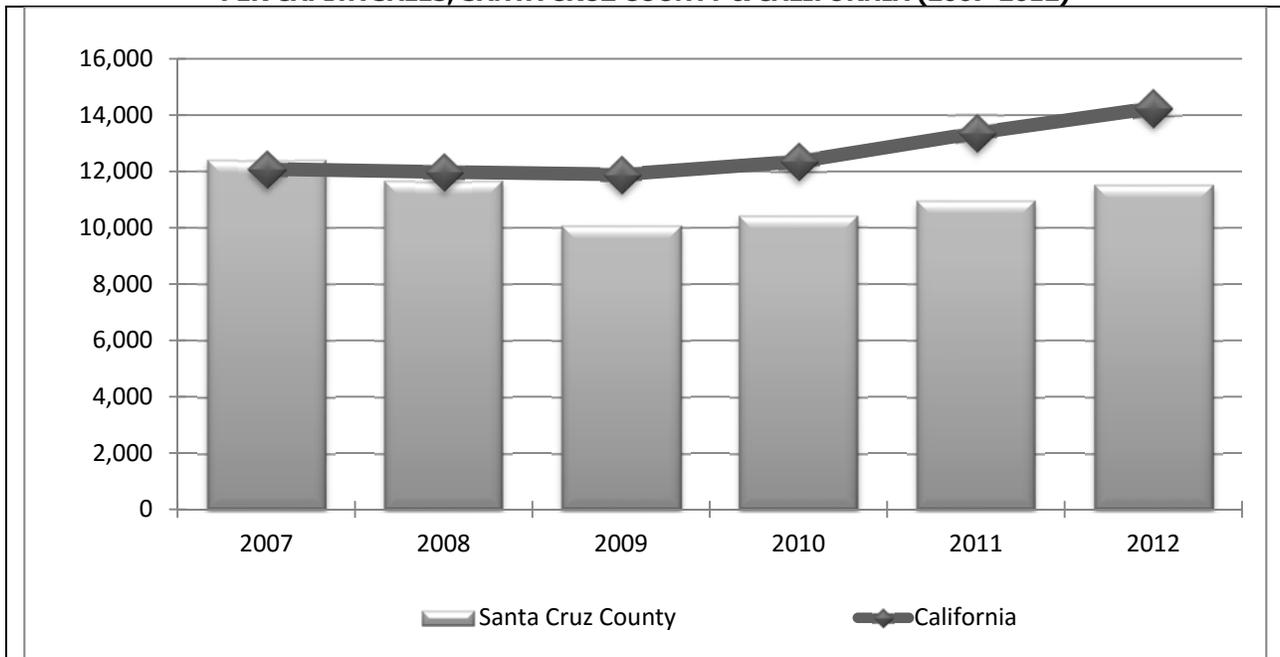
According to the recent Economic Trends report, Santa Cruz enjoys a brand that is known world-wide, which is unusual for such a small area. Sales for clothing, restaurants and bars, and general merchandise are all below their potential, and an analysis of sales tax per capita shows a large gap between Santa Cruz County and California, suggesting the need for strategies to attract and develop additional retail outlets.

Finally, a good deal of the County's retail facilities are outdated, and in general with the exception of some areas of downtown Santa Cruz, have not kept pace with contemporary retailing concepts which have emerged in other parts of Northern California. Private sector investment in updating the retail environment should be a focus of economic vitality efforts.

County	2007	2008	2009	2010	2011	2012	% Change 2007-2012
Monterey	5,680,652	5,399,594	4,705,845	4,955,562	5,312,732	5,637,445	-0.8%
San Benito	550,032	504,523	422,942	449,872	486,490	530,017	-3.6%
Santa Clara	33,663,448	32,274,306	27,427,709	30,523,322	33,431,217	36,220,445	7.6%
Santa Cruz	3,195,786	3,031,072	2,638,469	2,731,832	2,893,395	3,056,694	-4.4%
State	441,854,412	441,517,560	440,950,094	460,096,468	500,076,783	536,904,428	21.5%

Source: California State Board of Equalization: Report of Taxable Sales in California, Annual

**FIGURE 5
PER CAPITA SALES, SANTA CRUZ COUNTY & CALIFORNIA (2007-2012)**



Source: California State Board of Equalization: Report of Taxable Sales in California 2014

Food and Agriculture

The food and agriculture industry is currently a major economic driver in Santa Cruz County. Farm employment accounts for 8.3 percent of in-county employment, versus 2.6 percent Statewide, not counting additional jobs created by direct-to-consumer sales at the numerous farmers' markets operating throughout the County and jobs associated with both commercial and cottage-based food production. In 2013 about 18,000 acres of agricultural lands in the County generated about \$600 million in direct revenue (roughly \$33,000 per acre). Looking at the broader economic impacts from this sector a 2013 report indicates that in 2011, a direct revenue of \$566 million from agriculture in Santa Cruz County contributed \$1.46 billion to the local economy in both direct and indirect economic output, supporting more an 11,000 jobs (Agricultural Impact Associates, 2013).

Top Agricultural Crops by Production Values (In Millions) 2007-2013

Crops	2007	2013	% Change 2007-13
Strawberries	\$196.9	\$201.8	2.5%
Raspberries	71.1	152	113.8%
Indoor Cut Flowers	35.0	33.7*	-3.7%
Field Grown Flowers	20.6	*	
Apples	8.1	11.9	46.9%
Livestock/Animal Prod.	6.3	6.9	9.5%
Timber Farming	6.4	3.4	-46.9%
Brussels Sprouts	8.8	14.6	65.9%
Lettuce, Leaf	5.5	10.4	89.1%
Lettuce, Head	6.9	7.4	7.2%
Wine Grapes	\$3.0	\$4.6	53.3%
Total Value	\$491.5	\$599.3	21.9%

Source: County Agricultural Commissioner: Santa Cruz County Crop Reports 2007-13.

*Indoor and Field Grown Flowers now reported together

The availability of water, and addressing saltwater intrusion in the Pajaro Valley, are important topics of discussion that affect this industry. Facilities to accommodate larger food processing operations are no longer available in Santa Cruz County, as they have either been repurposed or are no longer competitive as a location.

Highly Trained Workforce

Overall Santa Cruz County's over-25 population has a significantly higher educational attainment than either that of California or the US. Santa Cruz County is fortunate to have both a community college and a state university within its boundaries. These post-secondary educational institutions provide a constant stream of trained workers for growing firms. The number of Cabrillo College graduates increased by nearly 55 percent between 2007 and 2013 and the number of UCSC graduates increased by 15 percent over the same period. The key for Santa Cruz County is finding ways to leverage this advantage and employ these graduates locally. The tables that follow display the education attainment of the County's workforce and graduates and degrees earned in Cabrillo College and UCSC.

In and of themselves these educational institutions generate economic value. For example, in 2011-12, UCSC generated an estimated \$1.3 billion in economic activity within the Monterey Bay Area. This supported over 15,750 jobs for area residents, which makes the University the largest employer in Santa Cruz County. In addition, UCSC faculty, staff and students contribute approximately 1 million hours of community service, which represents an economic value of more than \$12 million to the local economy.

Educational Attainment 2013, Percent of Adults Age 25+			
Attainment Level	Santa Cruz	California	National
Less than 9th Grade	8.1%	10.1%	5.8%
9th to 12th Grade, No Diploma	5.1	8.2	7.6
High School Graduate (Includes Equivalency)	14.1	20.8	27.8
Some College, No Degree	24.1	22	21.1
AA Degree	9.8	7.9	8.1
BA Degree	23.5	19.5	18.4
Graduate or Professional Degree	15.4	11.5	11.2
Total	100.0%	100.0%	100%
Percent of High School Graduates or Higher	86.8	81.7	86.6
Percent of BA and Higher	38.9%	31.0%	29.6%
Number of Persons 25 or Older	172,123	25,147,232	210,910,615

Source: U.S. Census Bureau, 2013 American Community Survey

Cabrillo College Graduates by Degree Earned	
	2007 to 2013 % Change
AA	63.7%
AS	44.0%
CERTIFICATE (18+ Units)	71.4%
SKILLS CERT. (18 Units or less)	35.8%
TOTAL	54.6%

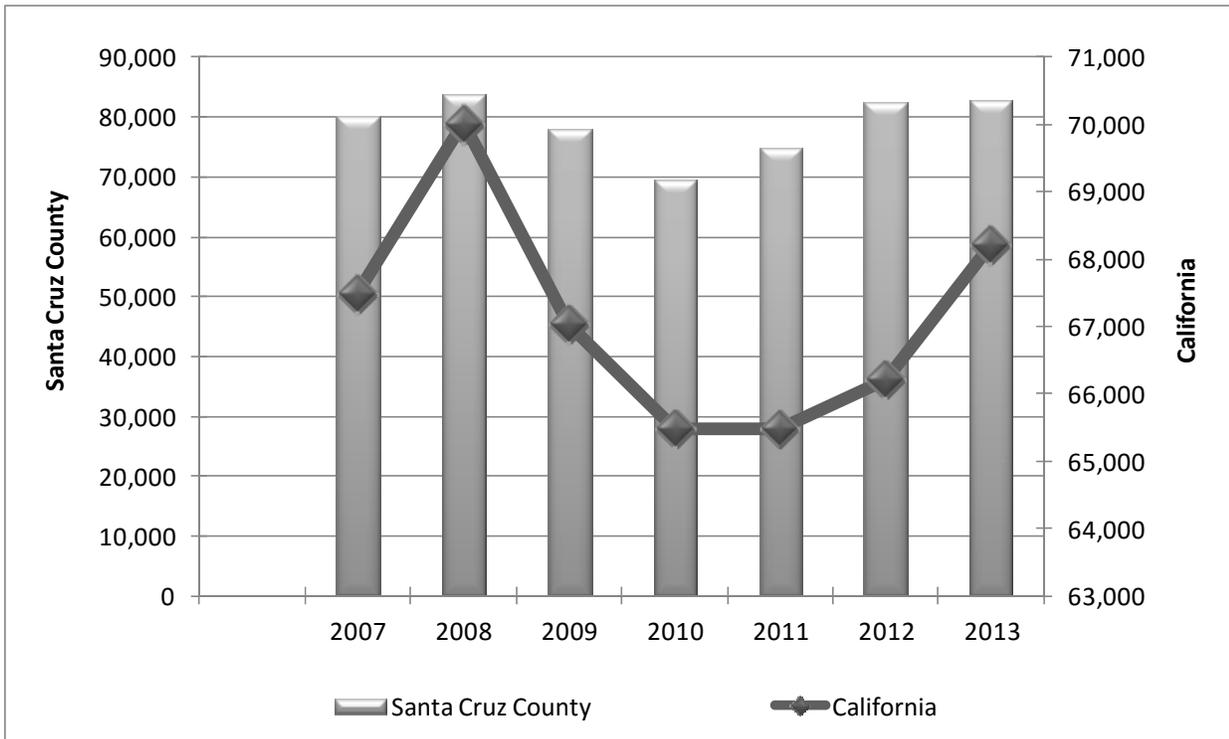
Source: Cabrillo College, Planning and Research Office 2014

UCSC Enrollment and Degrees Awarded by Year						
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Fall						
Total ALL Students	15,820	16,613	16,763	17,175	17,446	17,404
Degrees Awarded						
Bachelors	3,468	3,276	3,488	3,701	4,301	4,038
Masters/Certs	302	283	287	330	310	280
Doctorates	135	146	152	148	172	160
Total Awarded	3,905	3,705	3,927	4,179	4,783	4,478

Source: University of California Santa Cruz.

Numerous studies have found a direct linkage between wages earned and the amount of post secondary income education attained. While there are other factors at work, there should be little surprise that there is a correlation between education attainment and median family income when comparing Santa Cruz County's to California as a whole.

**FIGURE 6
MEDIAN FAMILY INCOME, SANTA CRUZ AND CALIFORNIA**



U.S. Census, American Factfinder

Leisure and Hospitality

Leisure and Hospitality includes all tourism, hotels, arts, recreation and entertainment economic activity. This sector has competitive advantages, although employment has had difficulty maintaining employment during the Great Recession. So while some data have shown improvements, the number of jobs in the industry sector has not shown as much growth as might have been expected. Both hotel occupancy and price per room night have been showing gains, especially in the past three years, at least partially due to the establishment of a Tourism Marketing District, which is estimated to collect approximately \$1.9 million in 2015. This funding is used by the industry to develop and implement marketing and sales programs.

Santa Cruz County was recently reported to have the fifth highest concentration of artists per capita in the US after New York, Los Angeles, San Francisco, and Santa Fe. A key challenge cited in the County’s effort to create an economic vitality strategy was that our area lacks centrally located, affordable, exciting and well-marketed space to show and sell artists’ work, which suggested an opportunity for a permanent Artists Collaborative or Visual Arts Center. Improvements have recently been made as the County has added significantly to capital infrastructure for performance and visual arts with new facilities at the Tannery Arts Center, at UCSC, and at Cabrillo Community College, and the County has sponsored skills building workshops for artists to market products through Etsy, the world’s largest digital marketplace for handmade products.

Santa Cruz County has numerous parks and beaches, extensive active recreation opportunities, high quality festivals, road races and marathons, and a growing farm-to-table sector, which in combination with world-class local wine production and birding events, are contributing to growing agri-tourism strength. The proposed addition of conference facilities in the City of Santa Cruz' Beach/Boardwalk area and the recent upgrade of several existing properties with conference amenities may gain sufficient critical mass required to attract a larger share of the year-round meetings market.

Health Care

Santa Cruz County has three major medical care facilities within the County. These include Dignity Health/Dominican Hospital, Palo Alto Medical Foundation/Sutter Hospital, and Watsonville Community Hospital, all of which are among the top 20 employers in the County. Quality health care is a necessary antecedent to attracting employers to the area.

This sector provides high quality jobs and is expected to grow rapidly over the next two decades. The Education and Health Services sector is one of the larger employment sectors in the County, measuring 16.1 percent of industry employment versus 14.8 percent average industry employment state-wide. Growth in this employment sector between 2007-13 was 22.6 percent, higher than the 20.6 percent growth overall in California over the same period. Half of the top ten occupations which are projected to achieve the most growth between 2010-20 are in health-related fields. See page 29.

UCSC supports a broad range of research of biomedical research in the Division of Physical & Biological Sciences and through the Centers for Adaptive Optics and for the Molecular Biology of ribonucleic acid (RNA). The University's Genomic's Institute aims to unlock the world's genomic data to accelerate medical and scientific breakthroughs, including work to demystify cancer and to save threatened species by restoring genetic diversity. Research conducted by the Institute's researchers has resulted in the formation of nearly a half dozen new spin-off companies.

Non-Profit Sector

Santa Cruz County benefits from a wide range of community organizations which provide social services that help support economic productivity and a high quality of life. These non-profits also provide leadership on many countywide events and activities and economic development efforts. A recent trends analysis conducted by the Corporation for National and Community Service measured the value of volunteer service in California at \$21.2 billion for nearly 940 million hours of service. The Santa Cruz County Community Assessment Project included a survey of volunteerism and charitable giving which saw the percentage of survey respondents who indicated that they regularly did volunteer work in the community increase from 36 percent in 2003 to 47 percent in 2013. The percentage of respondents who reported regularly contributing money to charitable organizations also increased from 66 percent to 74 percent over the same period.

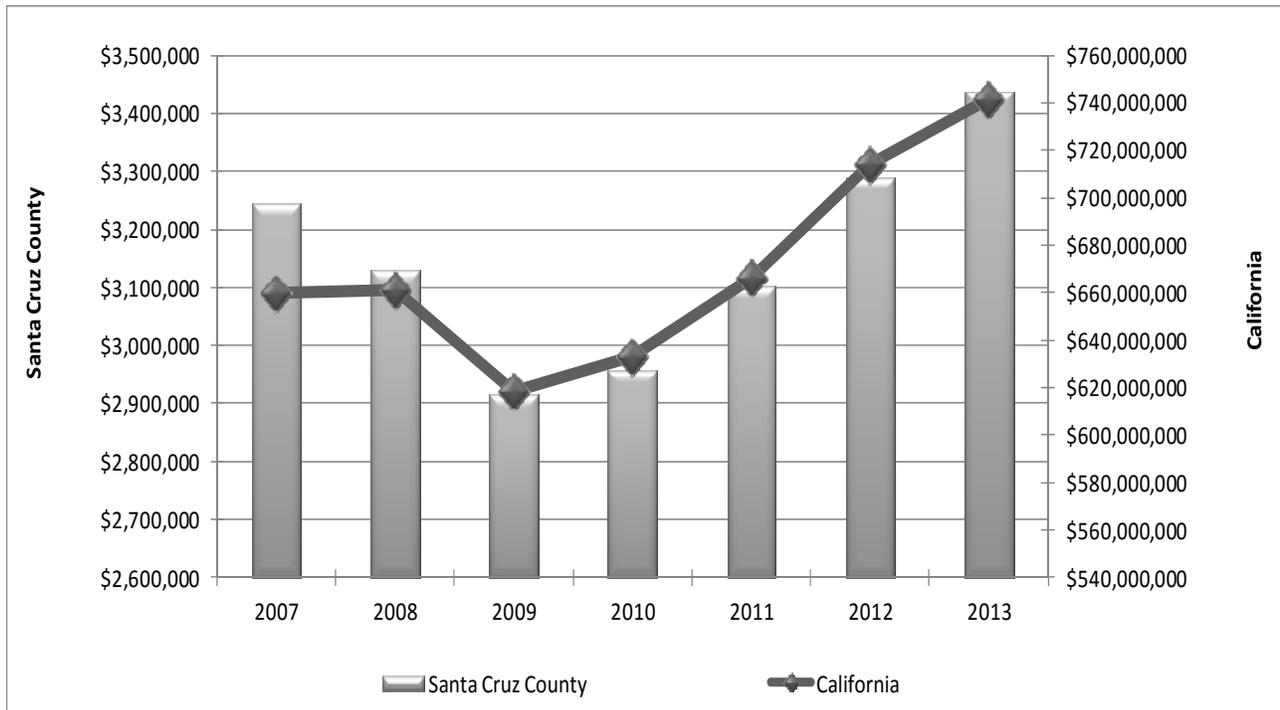
In addition to the value provide through volunteer hours and charitable gifts, the County's non-profit sector is a varied one, which if consistent with the statewide employment trends, provides about 1 to 1.5 percent of total in-county employment. The 2010 Santa Cruz County Nonprofit Landscape Study included survey results from 162 non-profit organizations in Santa Cruz County that provide a broad array of services from environmental conservation, to education, animal welfare and senior care. In this

last study timeframe which looked at changes between 2005 and 2010, the economic downturn had increased demand for services at the same time that cuts in state, local government, and institutional foundation funding occurred, forcing non-profit organizations to make difficult choices. While the median operating budgets had increased from \$150,000 in 2005 to about \$261,500 by 2010, and median paid staff had increased from 1.9 FTE to 3.0 FTE, the sector found itself facing heavier workloads without commensurate increases in pay or benefits for staff. More than three-quarters (78%) of non-profits reported stagnant income in 2010, up from about 60 percent in 2005

Wage and Salary Employment by Industry, Santa Cruz County & CA		
Percentage Change Annual Average 2007-2013		
	SC Co	CA
	% Change	% Change
Government	-10.0%	-5.0%
Educational and Health Services	31.5%	20.6%
Retail Trade	-12.1%	-5.2%
Leisure and Hospitality	6.1%	7.1%
Professional and Business Services	0.0%	2.9%
Manufacturing	-6.3%	-14.6%
Mining, Logging and Construction	-40.7%	-37.7%
Wholesale Trade	-20.5%	-2.5%
Financial Activities	-5.6%	-12.7%
Transportation, Warehouse, Utilities	-12.5%	0.8%
Information	-38.5%	-4.4%
Other Services	2.6%	-8.4%
Total Employment Non Farm	-3.7%	-1.7%
Total Farm	5.0%	7.2%
Total, All Industries	-3.1%	-1.5%
Labor Force	4.7%	3.8%

Source: California Employment Development Department, Labor Market Information Division

FIGURE 6
2007-2013 ANNUAL PAYROLL COMBINED BY INDUSTRY (\$1,000)



Top Employers in Santa Cruz County		
Employer Name	Location	Industry
Cabrillo College	Aptos	Schools, University, Colleges
Creekside Farms	Watsonville	Farms
Dominican Hospital	Santa Cruz	Healthcare
Dutra Farms	Watsonville	Grocers-Wholesale
Fox Racing Shox	Scotts Valley, Watsonville	Design, Development, Mfrs
Granite Construction Inc.	Watsonville	Gen Contractor, Construction Materials Prod.
Larse Farms, Inc.	Watsonville	Growers-Shippers
Monterey Mushrooms	Watsonville	Growers-Shippers
Mukti for Social Development	Santa Cruz	E-Commerce
Plantronics, Inc.	Santa Cruz	Electronic Equipment, Supplies, Mfrs.
Santa Cruz Seaside Company	Santa Cruz	Amusement, Theme Park
Santa Cruz, City of	Santa Cruz	Government Offices-City
Santa Cruz County	Santa Cruz	Government Offices-County
Sutter Health/Palo Alto Medical Group	Santa Cruz	Healthcare
Source Naturals	Scotts Valley	Health Food Products
Threshold Enterprises, LTD	Scotts Valley	Health Food Products
University of CA, Santa Cruz	Santa Cruz	Schools, University, Colleges
Watsonville, City of	Watsonville	Government Offices-City
Watsonville Community Hospital	Watsonville	Healthcare
West Marine, Inc.	Watsonville	Marine Equipment and Supplies

Source: America's Labor Market Information System Employer Database. Some employees may be located out of area

WEAKNESSES

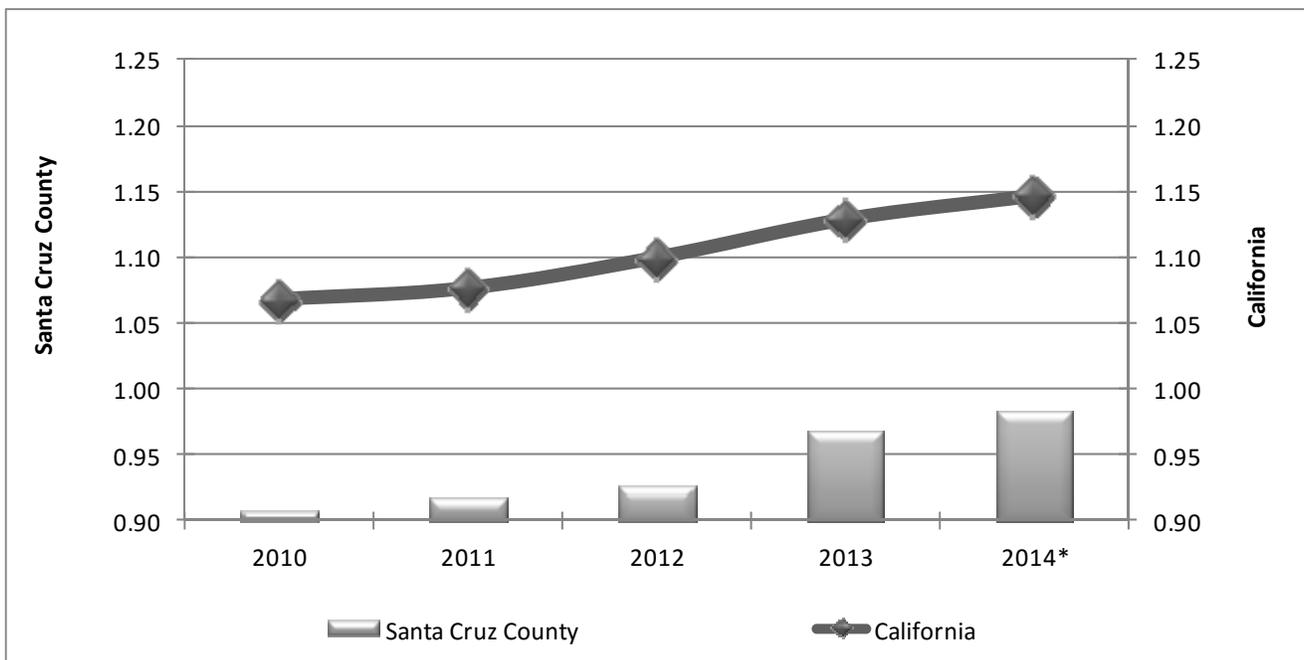
The assessment of weaknesses is also based on analysis of existing data sources. Santa Cruz County's key economic weaknesses consist of:

- Residential development constraints and high cost of housing compared to wages
- Limited space for commercial growth
- Ratio of jobs in the County compared to employed residents
- Water supply
- Aging infrastructure: deferred maintenance of transportation and other infrastructure as well as lack of investment in new water supplies

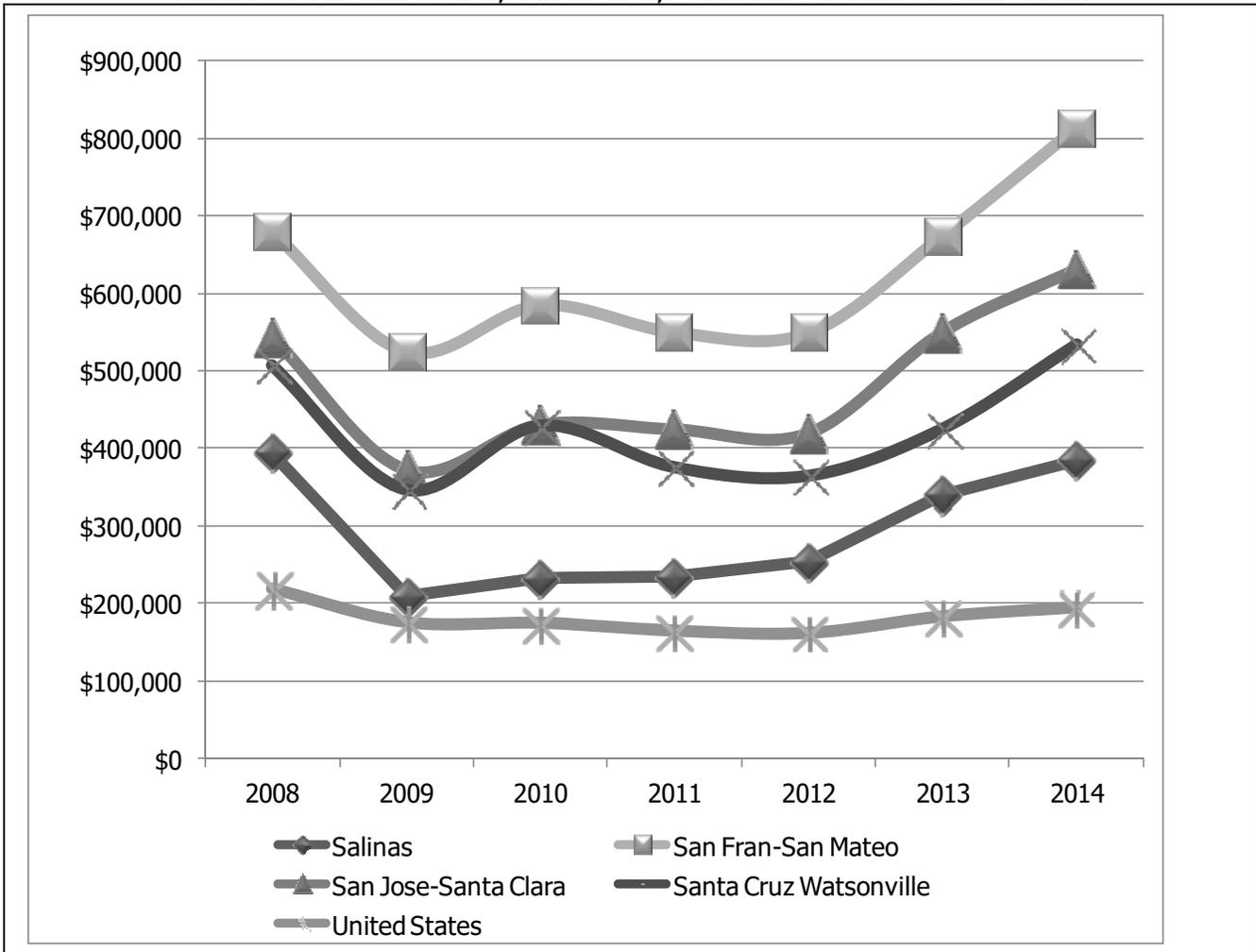
Residential Development Constraints

The County’s housing market is influenced by natural constraints, a lack of infrastructure outside of the Urban Services Line (USL), and a lack of available vacant land within the USL. Measure J, a voter initiative passed in 1978 imposes a USL growth boundary, and sets a cap on the number of residential permits that can be issued annually. The County’s natural features, combined with steep slopes, landslide hazards, fault zones, riparian corridors and sensitive habitats create physical limits to where housing can be accommodated. In addition, a good deal of developable area is within the California Coastal Zone, which adds an additional layer of regulations. The demise of redevelopment in California has greatly influenced funding available to design and construct housing affordable to low and moderate income families. All of these factors combine to create a difficult match.

**FIGURE 7
SANTA CRUZ AND CALIFORNIA JOBS TO HOUSING BALANCE**



**FIGURE 8
MEDIAN HOME SALES PRICE, SANTA CRUZ, COMPARISON AREAS & CALIFORNIA**



Source: California Association of Realtors & National Association of Home Builders

Median Sale Price: All Home Sales Types								
Metro Area	2008	2009	2010	2011	2012	2013	2014	2008-14 % change
Salinas	\$393,300	\$209,000	\$232,000	\$235,000	\$254,000	\$340,000	\$385,000	-2.11%
San Fran-San Mateo	680,000	525,000	585,000	550,000	549,000	675,000	815,000	19.85%
San Jose-Santa Clara	544,000	373,000	431,000	425,000	420,000	550,000	631,000	15.99%
Santa Cruz Watsonville	\$508,000	\$347,000	\$430,000	\$376,000	\$365,000	\$426,000	\$535,000	5.31%
United States	\$219,000	\$176,000	\$175,000	\$165,000	\$162,000	\$183,300	\$195,000	-10.96%

Source: National Association of Home Builders

TOTAL HOUSING UNITS, SANTA CRUZ COUNTY

Santa Cruz County	2010	2035	% Change 2010-2035
Capitola	5,534	5,553	.34%
Santa Cruz	23,316	29,355	25.9
Scotts Valley	4,610	4,785	3.8
Watsonville	14,089	18,188	29.09
Balance Of County	56,927	62,315	9.5
County Total	104,476	120,196	15.1%

Source: AMBAG

The Housing Opportunity Index (HOI) compares local wages with local housing costs. The following tables provide information on the least/most affordable areas with the second table providing the HOIs for selected communities and metropolitan areas in California and elsewhere. Santa Cruz County's HOI is 7.1, meaning that only about 7 percent of local jobs pay wages high enough to afford the median-priced home.

HOI List of Most and Least Affordable Areas		
	Most Affordable	Least Affordable
2012 Q1		
* Large Metros	Indianapolis-Carmel, IN	New York-White Plains-Wayne, NY-NJ ^^^
Small Metros	Cumberland, MD-WV	Ocean City, NJ
2012 Q2		
* Large Metros	Youngstown-Warren-Boardman, OH-PA	New York-White Plains-Wayne, NY-NJ ^^^
Small Metros	Fairbanks, AK	Ocean City, NJ
2012 Q3		
* Large Metros	Ogden-Clearfield, UT	New York-White Plains-Wayne, NY-NJ ^^^
Small Metros	Fairbanks, AK	Santa Cruz-Watsonville, CA
2012 Q4		
* Large Metros	Ogden-Clearfield, UT	San Francisco-San Mateo-Redwood City, CA ^^^
Small Metros	Fairbanks, AK	Ocean City, NJ
2013 Q1		
* Large Metros	Ogden-Clearfield, UT	San Francisco-San Mateo-Redwood City, CA ^^^
Small Metros	Mansfield, OH	Santa Cruz-Watsonville, CA
2013 Q2		
* Large Metros	Ogden-Clearfield, UT	San Francisco-San Mateo-Redwood City, CA ^^^
Small Metros	Utica-Rome, NY	Santa Cruz-Watsonville, CA
2013 Q3		
* Large Metros	Indianapolis-Carmel, IN & Syracuse, NY	San Francisco-San Mateo-Redwood City, CA ^^^
Small Metros	Kokomo, IN	Santa Cruz-Watsonville, CA
2013 Q4		
* Large Metros	Youngstown-Warren-Boardman, OH-PA	San Francisco-San Mateo-Redwood City, CA ^^^
Small Metros	Kokomo, IN	Santa Cruz-Watsonville, CA
2014 Q1		
* Large Metros	Syracuse, NY	San Francisco-San Mateo-Redwood City, CA ^^^
Small Metros	Cumberland, MD-WV	Santa Cruz-Watsonville, CA
2014 Q2		
* Large Metros	Youngstown-Warren-Boardman, OH-PA	San Francisco-San Mateo-Redwood City, CA ^^^
Small Metros	Cumberland, MD-WV	Santa Cruz-Watsonville, CA
2014 Q3		
* Large Metros	Youngstown-Warren-Boardman, OH-PA	San Francisco-San Mateo-Redwood City, CA ^^^
Small Metros	Kokomo, IN & Cumberland, MD-WV	Napa, CA

Source: National Association of Home Builders Wells Fargo Housing Opportunity Index

Housing Opportunity Index: 3rd Quarter 2014

Rank by Region

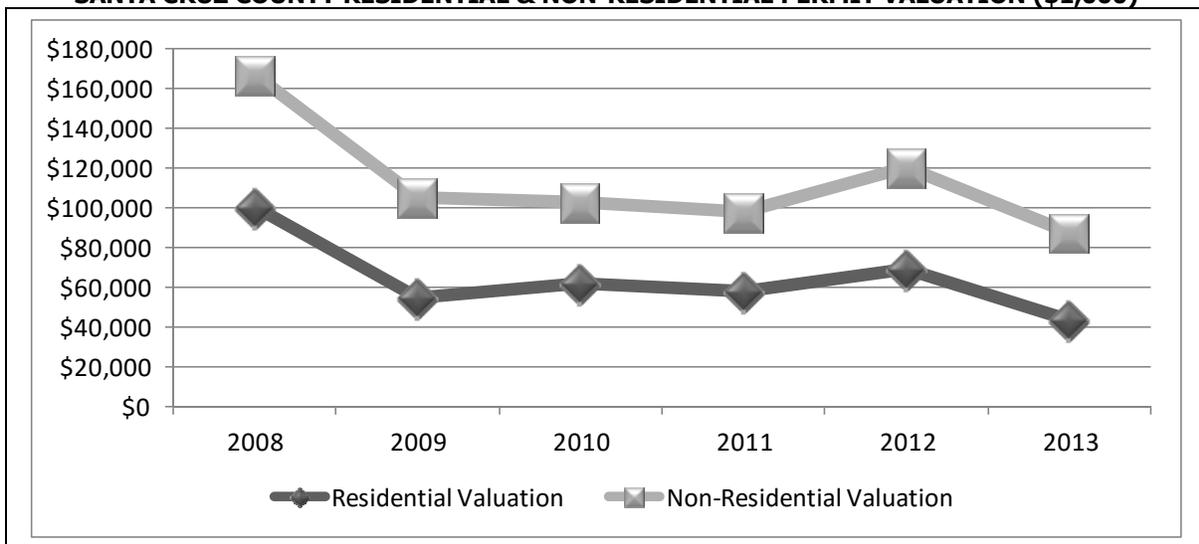
Metro Area	HOI 3rd Qtr 2014	2014	3rd Qtr 2014	3rd Qtr 2014	
	Share of Homes	Median	Median	Affordability	
	Affordable for	Family	Sales	Rank	
	Median Income	Income	Price	National	Regional
		(000s)	(000s)		
Pueblo, CO	86.5	55.4	130	18	1
Carson City, NV	85.0	67.4	177	26	2
Fairbanks, AK	80.3	73.2	225	56	5
Spokane, WA	79.3	63.4	174	62	6
Albuquerque, NM MSA	71.4	57.8	186	114	12
Mount Vernon-Anacortes, WA	70.8	67.2	219	117	13
Tacoma, WA ^^^	70.4	69.7	225	121	14
Hanford-Corcoran, CA	70.3	53.7	172	123	15
Fort Collins-Loveland, CO	69.6	73.5	260	130	16
National	61.8	63.9	221	-	-
Bremerton-Silverdale, WA	68.0	74.0	244	140	20
Greeley, CO	66.9	62.0	227	143	22
Great Falls, MT	66.3	56.2	172	145	23
Salt Lake City, UT	65.9	68.7	250	147	24
Prescott, AZ	65.7	54.8	195	148	25
Boulder, CO	64.8	96.8	351	150	26
Las Vegas-Paradise, NV	64.7	58.0	195	151	27
Santa Fe, NM	63.0	65.3	260	162	31
Chico, CA	60.9	54.0	200	170	33
Merced, CA	58.0	45.0	174	176	35
Bellingham, WA	57.8	66.7	265	177	36
Yuba City, CA	57.3	51.5	194	178	37
Bakersfield-Delano, CA	56.8	51.7	185	180	38
Redding, CA	56.6	51.5	202	181	39
El Centro, CA	56.3	43.0	162	182	40
Visalia-Porterville, CA	56.3	45.1	175	182	40
Vallejo-Fairfield, CA	56.0	76.7	300	185	42
Reno-Sparks, NV	54.9	63.0	250	190	44
Flagstaff, AZ	53.1	57.9	245	192	45
Portland-Vancouver-Hillsboro, OR-WA	53.1	69.4	278	192	45
Modesto, CA	49.2	52.7	220	199	49
Corvallis, OR	47.3	69.4	260	203	50
Fresno, CA	47.1	48.7	212	204	51
Sacramento--Arden-Arcade--Roseville, CA	46.2	68.0	299	207	52
Riverside-San Bernardino-Ontario, CA	45.6	60.7	265	209	53
Stockton, CA	44.3	58.2	258	210	54
Honolulu, HI	38.3	82.6	480	213	55
Santa Barbara-Santa Maria-Goleta, CA	37.0	72.8	446	214	56
Oxnard-Thousand Oaks-Ventura, CA	33.2	88.7	468	215	57
Oakland-Fremont-Hayward, CA ^^^	29.4	88.5	517	216	58
San Luis Obispo-Paso Robles, CA	28.2	77.0	435	217	59
Santa Rosa-Petaluma, CA	25.6	76.9	449	218	60
San Diego-Carlsbad-San Marcos, CA	23.4	72.7	437	219	61
San Jose-Sunnyvale-Santa Clara, CA	20.9	101.9	689	221	62
Santa Ana-Anaheim-Irvine, CA ^^^	17.4	83.4	579	222	63
Salinas, CA	16.7	59.1	410	223	64
Los Angeles-Long Beach-Glendale, CA ^^^	16.3	61.4	460	224	65
Santa Cruz-Watsonville, CA	14.8	77.9	600	225	66
San Francisco-San Mateo-Redwood City, CA ^^^	11.4	100.4	875	226	67
Napa, CA	10.2	70.3	510	227	68

Source: National Association of Home Builders Wells Fargo Housing Opportunity Index

Commercial and Industrial Space

Growing firms need space into which to expand, but in Santa Cruz County, there has been little to no construction of new commercial and industrial space. This limits the ability of growing firms to stay in Santa Cruz County. The following chart demonstrates the extremely low rates of permit value of both residential and non-residential construction. Just over 45 percent of non-residential activity was for alterations and additions for “other” structures (not retail, office, industrial or commercial), which may have represented part of the activity associated with the conversion of the Live Oak Business Park to the Center for Public Safety, which is relocated the Sheriff-Coroner operation center from the Government Center in the City of Santa Cruz to Live Oak.

FIGURE 9
SANTA CRUZ COUNTY RESIDENTIAL & NON-RESIDENTIAL PERMIT VALUATION (\$1,000)

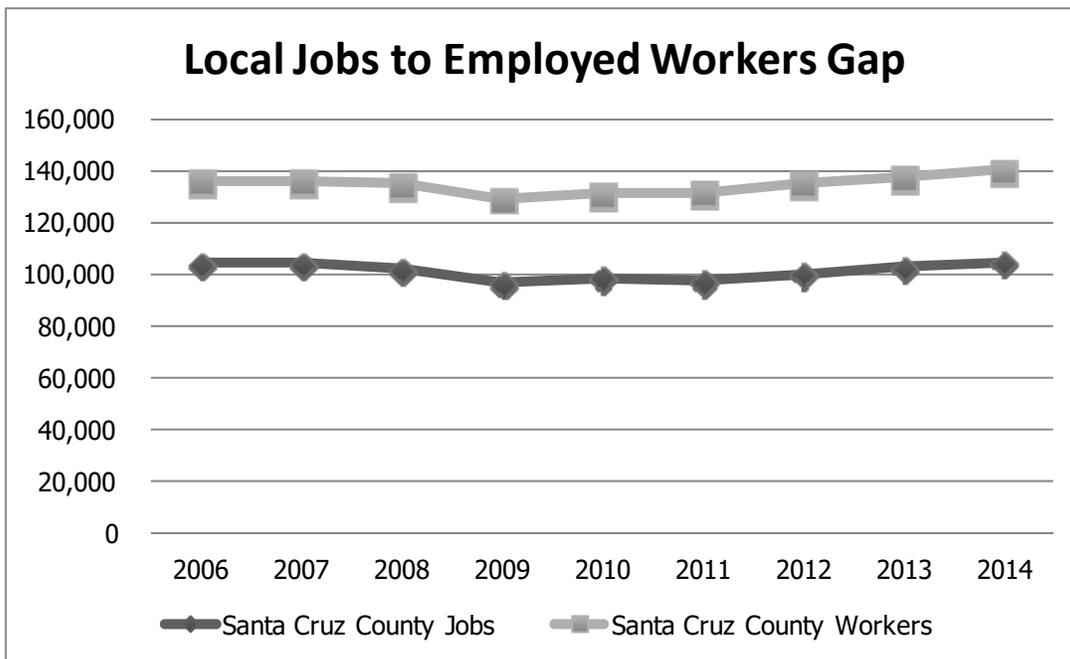


Source: California Construction Industry Research Board 2013

Local Jobs to Workforce Ratio

The Santa Cruz County has a high ratio of people to jobs, and a major cause of this is that residents in large numbers commute to higher wage jobs outside the region, principally to jobs in Santa Clara County, but also in Monterey County.

FIGURE 10
LOCAL INDUSTRY EMPLOYMENT COMPARED TO EMPLOYED WORKFORCE



Water Supply

The supply of potable water in Santa Cruz County is limited and will likely limit opportunities for economic growth without the implementation of creative measures to conserve and recycle water. 2014 is the third dry year in a row, and the driest in the historical record. On January 28, 2014, the Board of Supervisors adopted a resolution declaring a state of drought in Santa Cruz County:

- All county residents including those on small water systems and private wells are urged to reduce water use by at least 20%.
- All County departments and employees are directed to immediately implement water conservation measures and take all reasonable actions to reduce water use by at least 20% at County facilities.
- County residents and agencies should work together to reduce water use and develop additional supplies as needed to reduce the impact of future droughts.
- These actions are endorsed by all county water agencies. Some agencies will be requesting additional reductions by their users, depending on the condition of their water supplies and the severity of the drought.

Transportation Infrastructure

Businesses need a means of distributing their manufactured goods to their customers and they also need a means of receiving their supplies. The roadways in Santa Cruz County are frequently congested with auto and truck traffic (Table 14). In addition, the important farm-to-market roadways have not been adequately maintained and pose safety hazards for truckers. Current funding mechanisms transportation systems fall far short of both short and long-term needs. The 2014 CA Statewide Local Streets and Roads Needs Assessment Study concluded that there is a 10 year funding shortfall of \$78.3 billion for the local transportation network alone. The 2014 Assessment Study reported that the average pavement condition for Santa Cruz County's local streets and roads is rated with a Pavement Condition Indicator (PCI) of 57 which places the County in the "at higher risk" category, and compares unfavorably with the Statewide average PCI of 66. The report tags the County's total funding need over the next 10 years at \$677 million.

Other infrastructure maintenance has also been deferred. Again, in the unincorporated areas within the County Public Works Department jurisdiction, there are millions of dollars in deferred maintenance needed in water treatment, wastewater treatment and flood control structures.

The Association of Monterey Bay Area Governments has developed the 2035 Metropolitan Transit Plan and Sustainable Communities Strategy (MTP/SCS), which is a long range planning document required by both State and Federal law. It contains a compilation of Regional Transportation Plans (RTPs) for Monterey, San Benito, and Santa Cruz Counties and it is referenced to achieve a coordinated and balanced regional transportation system. Transportation system improvement projects include highway/roadway projects; bus rapid transit and rail projects; active transportation (bike and pedestrian projects); transportation demand management, transportation system management and intelligent transportation system (ITS) projects, and aviation projects.

For the first time AMBAG now also has the responsibility to prepare a Sustainable Communities Strategy (SCS) as part of the MTP, pursuant to requirements of SB 375 (2008). The SCS sets forth a forecasted development pattern for the region, which when integrated with the transportation network and other transportation measures and policies, is intended to reduce greenhouse gas emissions from passenger vehicles and light duty trucks. The Environmental Impact Report (EIR) examines three alternatives to the proposed 2035 MTP/SCS. Alternative 1 is a land use pattern that reflects existing land use trends, Alternative 2 includes a land use pattern that further concentrates forecasted growth in urban areas with a focus on infill, mixed use and transit oriented development in and around commercial corridors, and Alternative 3 includes a land use pattern comprised of existing land use plans and a transportation network that includes more traditional congestion relief.

SANTA CRUZ COUNTY TRANSPORTATION SYSTEM PROBLEMS/NEEDS IDENTIFIED IN AMBAG METROPOLITAN TRANSPORTATION PLAN, 2010

Route	Location	Problems/Needs
1	North County	Heavy recreational traffic, Inadequate passing opportunities, Roadside parking, Non-standard shoulders
1	Mission Street	LOS F - Peak periods, Commuter impacts, Recreational traffic, Signalized intersections
9	SC City limits through San Lorenzo Valley	LOS F - Various locations, Commuter impacts, Recreational traffic, Inclement winter weather
17	SR 1 to Santa Clara County Line	LOS F - Peak periods, Heavy commuter traffic, Heavy recreational traffic, Inclement winter weather
129	Downtown Watsonville	LOS E-F - Heavy truck traffic, Commuter impacts, Non-standard design
129	Downtown Watsonville to San Benito County	Non-standard design
152	Downtown Watsonville CBD	At capacity intersections - evening peak periods
152	Downtown Watsonville to Santa Clara County Line	Inadequate passing opportunities and shoulders

Source: AMBAG

OPPORTUNITIES

The assessment of opportunities is based on an assessment of existing trends that, together with the region’s economic strengths, pose opportunities for economic growth. Santa Cruz County’s key economic opportunities consist of:

- Tourism-
 - Increased visitor stays
 - Increased retail spending
 - Market to international visitors on the shoulder seasons
- Creative sector
- Emerging industries
- Science and technology transfer from UCSC

Tourism/Retail/Creative Sector

A number of indicators suggest that market opportunities exist for Santa Cruz to move “up market” in both its visitor-serving and retail sectors. Failure to capitalize on rising incomes and changing consumer preferences, as well as the substantial creative activity in the County, will lead to further erosion of sales dollars in these key business sectors.

The list of industries in the table below, which are potential growth areas, is based on an analysis of employment data from the Quarterly Census of Employment and Wages for Santa Cruz County. These industries have above average growth rates for employment and their employment concentrations are also increasing. While existing employment levels in these businesses is low, their growth rates and their relationship to existing strong businesses make them good targets for business expansion services and recruitment efforts.

POTENTIAL GROWTH OPPORTUNITIES

<p>Agriculture and Forestry Animal Production Forestry and Lodging Support Activities for Agriculture and Forestry Bakeries, Confectioneries, Coffee and Tea Manufacturers Grocery and Related Product Merchant Wholesalers Beer, Wine, and Distilled Alcoholic Beverage Merchant Wholesalers Flower, Nursery Stock, and Florists' Supplies Merchant Wholesalers Refrigerated Warehousing and Storage Support Activities for Transportation</p>	<p>Construction Architectural, Engineering, and Related Services Specialty Trade Contractors Construction of Buildings Heavy and Civil Engineering Construction Cement Manufacturing Furniture Manufacturing Building Material and Garden Equipment and Supplies Dealers</p>
<p>Tourism Scenic and Sightseeing Transportation Motion Picture and Sound Recording Industries Amusement, Gambling, and Recreation Industries Museums, Historical Sites, and Similar Institutions Accommodation Food Service and Drinking Places</p>	<p>Machinery and Equipment Machinery Manufacturing Navigational, Measuring, Electromedical and Control Equipment Medical Equipment Manufacturing Electrical Equipment, Appliance, and Component Manufacturing Communications Equipment Manufacturing Semiconductor Manufacturing Computer Equipment and Software Wholesalers Electrical and Electronic Goods Wholesalers Industrial Machinery and Equipment Wholesalers</p>
<p>Recreation Products Textile Product Mills Aluminum Product Manufacturing Dye and Pigment Manufacturing Fabricated Metal Products Bicycles and Parts Manufacturing Sporting and Recreational Goods and Supplies Merchant Wholesalers Sporting Goods, Hobby, Book, and Music Stores</p>	<p>Information Services Broadcasting (except Internet) Internet Publishing and Broadcasting Data Processing, Hosting and Related Services Custom Computer Programming Services Scientific Research and Development Services</p>
<p>Health Pharmaceutical and Medicine Manufacturing Medicinal and Botanical Manufacturing Ambulatory Health Care Services Hospitals Nursing and Residential Care Facilities Health and Personal Care Stores</p>	<p>Information Services Broadcasting (except Internet) Internet Publishing and Broadcasting Data Processing, Hosting and Related Services Custom Computer Programming Services Scientific Research and Development Services</p>

Source: ADE, Inc., based on data from Minnesota IMPLAN Group, 2007.

As in many communities around the globe, Santa Cruz County is very interested in securing an environmentally and economically sustainable future. This will require transitioning to practices that conserve energy and all other resources, including water and create energy locally in a sustainable manner. The County has been awarded a grant to review the feasibility of developing a Community Choice Aggregation Program for our area, with results due at the end of 2015. With the University of California's location in the County, there is an opportunity to have more of its research and development activities focused on meeting local needs for sustainable resource use.

COMPONENTS OF CLEAN TECH INDUSTRY

- Green Building Construction
 - Energy Efficiency: Lighting, HVAC, Electric Motors, Peak Shaving Control Systems, Computer Control Systems
 - Water Efficiency: Pumps And Control Systems/Retrofit/Upgrade
 - Renewable Energy: Solar, Wind, And Methane/Hydrogen Gas Recovery, Waste-To-Energy, Wave Or Tidal Action
 - Transportation: Fleet Conversion To Alternative Fuels
 - Emergency Services: Biomass Management, Infrastructure Security
 - Education And Research: UC And Other Local Research, Vocational, Job Training, And Other Employment Development, Small Business Development
-

Source: Guy Phillips, Energy Resources International, Inc.

THREATS

The potential for future economic growth in Santa Cruz County is limited not only by local weaknesses, but also by threats emanating from trends occurring external to the County. These include:

- **Globalization**

The ability of emerging markets in China, South America and Southeast Asia to increase their production of food and other goods has increased the supply of these goods globally and has reduced the price paid by consumers. This trend has resulted in the need for more efficient production processes, equipment and machinery in the food processing industry as well as in technology sectors. For businesses in Santa Cruz County to compete effectively in the global marketplace, they will have to create innovative products or concentrate on niche industries that cannot be easily duplicated in lower cost areas.

- **Increasing housing prices**

The continual increase in housing prices throughout the Santa Cruz County will constrain the ability of firms to recruit from outside the area.

- **Limited water supply**

Unless the County's water agencies fully collaborate to implement innovative means to collect, conserve or recycle water, or take advantage of new technologies, there may not be an adequate supply to support economic and population growth.

- **Further degradation of local and regional infrastructure**

Insufficient capital resources to upgrade existing infrastructure, roadways, waste treatment and flood control, limit the ability of Santa Cruz County to attract investment.

- **Urban use – agricultural use conflicts**

Since the food and agriculture sector is still Santa Cruz County's most important economic driver, the County must continue to find ways to safeguard agricultural land.

- **Global Warming**

The need to reduce carbon footprints increases pressure on many production processes. European countries and firms tend to be ahead of U.S. companies in their progress on energy efficiency technologies and processes; however, as U.S. firms make advances in this area, it will

also represent a marketing opportunity in the global marketplace. The County's Climate Action Strategy listed a number of threats associated with warming, including a significant rise in sea levels, which would impact the development of commercial and residential properties and public infrastructure along the County's long coastline.

CEDS GOALS AND OBJECTIVES

This plan sets forth six goals that articulate the County’s broad, general expectations regarding economic development programs and activities. These goals and objectives establish the policy framework that supports future grant applications to EDA for funding of economic development projects. They will also guide the development of the criteria that will be used to prioritize projects, a requirement for the implementation section of the CEDS document. For each goal, there is a set of specific, measurable objectives that can be realistically achieved in the five-year time frame of this CEDS.

The seven goal areas are:

1. Workforce Development
2. Strengthen Key Economic Sectors
3. Improve Quality of Life
4. Expand Public Sector Capacity and Infrastructure
5. Improve Fiscal Health
6. Promote Business Environment
7. Build Collaboration

GOAL 1: WORKFORCE DEVELOPMENT

Maximize human and business capital by promoting a well-trained, well-matched workforce for Santa Cruz County employers, ensuring individual economic security and community vitality. Provide Santa Cruz County employers with a reliable pipeline of well-qualified workers. Provide Santa Cruz County residents with access to the education and job-training opportunities necessary to attain and succeed in jobs. Address the inequity of opportunity for students with a low-income background to pursue higher education. Develop and maintain an adequate stock of affordable housing to ensure that all segments of the workforce have affordable housing options in Santa Cruz County.

Objective 1a: Maintain and expand partnerships between employers, workforce education and training organizations and local and regional funding agencies to develop and offer training that meets the needs of Santa Cruz County businesses and workers, such as employability training and pathways for English as a Second Language (ESL) learners to improve their work skills and education.

Objective 1b: Build on existing efforts to identify current and future workforce needs of employers. Continue to enhance systems of linking qualified job-seeking workers with employers.

Objective 1c: Expand youth workforce training and mentoring programs and internships to prepare youth, especially those at risk of dropping out of high school, for work upon graduation. Expand technical training opportunities for high school students who desire to work in the trades, or in the traditional crafts, such as woodworking.

Objective 1d: Update and improve aging educational facilities and build new educational and training facilities where needed to provide for K-12 education, post-secondary, lifelong learning and workforce training.

Objective 1e: Support improvements in K-12 education, especially math and science. Expand the capacity of the California State Summer School for Math and Science and the Science Internship Programs at UCSC and other pre-college enhancement programs for Santa Cruz County high school students.

GOAL 2: STRENGTHEN KEY ECONOMIC SECTORS

Support the sustained growth of the largest economic sectors such as Agriculture and its allied industries, Leisure and Hospitality, Education and Health Care, and Professional Services, and ensure regional economic vitality by supporting the growth of firms that fill important niches in the County's economic base, and that have the potential to catalyze broader economic growth, opportunities for career advancement, and higher wages.

Objective 2a: Conduct a new cluster analysis to identify and support the growth of industry clusters that drive economic growth in the region. Facilitate the networking of firms and professionals working within cluster industries through the participation in or formation of industry cluster organizations.

Objective 2b: Assist with the growth of new and existing firms within target industries by providing entrepreneurial development spaces and services, access to capital, business planning assistance, and mentoring.

Objective 2c: Recognize the critical role that UCSC serves to develop and transfer new technologies through scientific and medical research, and foster the location of spin-off companies in Santa Cruz County.

Objective 2d: Conduct business retention and expansion interviews to support the growth of existing firms.

Objective 2e: Ensure an adequate supply of office and industrial space for growing or re-locating firms, and shared office spaces for start-ups.

Objective 2f: Ensure an adequate supply of all necessary infrastructures, including broadband, telecommunications, transportation, water, waste collection and treatment and electricity.

Objective 2g: Leverage Santa Cruz County's unique natural, cultural and agricultural assets to support the growth of tourism.

Objective 2h: Support the development of visitor-serving facilities by providing technical assistance and appropriate incentives to encourage investment to update and upgrade existing lodging properties.

Objective 2i: Provide a skilled workforce.

Objective 2j: Create financial programs that give small businesses access to capital and the means to grow.

GOAL 3: IMPROVE QUALITY OF LIFE

Increase the region's attractiveness to new business and improve quality of life by supporting the further development and improvement of affordable housing choices and community services, including public safety, lifelong learning, parks and recreation, visual and performing arts, and cultural heritage.

Objective 3a: Ensure that the natural and cultural assets that attract visitors to Santa Cruz County are enhanced and protected.

Objective 3b: Ensure that Santa Cruz County's shoreline and beaches remain open, safe and attractive for existing and future residents and visitors. Improve access to beach areas by upgrading facilities, including restrooms, picnic areas, recreation facilities, amenities and parking.

Objective 3c: Maintain and promote recreational opportunities in the County's mountain and forest areas, including its State parks, County parks and public trails and open spaces.

Objective 3d: Maintain high quality municipal services, particularly in the areas of public safety, recreation programs, libraries and social services.

Objective 3e: Continue to support the development of affordable housing choices. Incentivize the creation of accessory/second units and the development of rental properties with small units that are affordable by design.

GOAL 4: EXPAND PUBLIC SECTOR CAPACITY AND INFRASTRUCTURE

Like the nation as a whole, our region faces the challenge of maintaining and upgrading its aging infrastructure. While we place value on rural scenes and the preservation of open space, we also require the modernization and expansion of telecommunications, water treatment and wastewater management systems. Access to affordable high-speed internet and reliable cellphone service has rapidly become baseline prerequisites for all residents and businesses.

Objective 4a: Upgrade transportation infrastructure so that it meets state and federal safety standards for trucks, automobiles, bicyclists and pedestrians.

Objective 4b: Ensure water supply, treatment and distribution infrastructure has adequate capacity to meet current and future demand by residential, agricultural, commercial and industrial users.

Objective 4c: Ensure that all communications infrastructure, including wireless communications infrastructure, is adequate to meet the demands of existing and future businesses and residents.

Objective 4d: Ensure that waste treatment, flood protection, and public safety facilities meet existing and future needs.

Objective 4e: Align funding and permitting to implement small scale wastewater solutions in the rural areas to protect groundwater resources and preserve clean streams and a clean San Lorenzo River.

Objective 4f: Require a regional approach by individual water districts for water management activities and strategies to investigate new and emerging technologies for ensuring an adequate supply for the future.

GOAL 5: IMPROVE FISCAL HEALTH

Support the ongoing fiscal health of every community within Santa Cruz County. Enhance local generated revenues to city, county, and special district governments in order to maintain a high level of services to residents. Improve the fiscal sustainability of city and county governments, especially in light of the loss of redevelopment financing for local projects, economic vitality initiatives, and affordable housing.

Objective 5a: Support developments that have a net positive impact on the City, County and special district budgets.

Objective 5b: Coordinate development to achieve an efficient urban pattern of circulation and service delivery.

Objective 5c: Through targeted business recruitment and development activities, maximize the effective use of existing vacant buildings and business facilities to reduce the cost of economic growth and its use of scarce resources. Facilitate business transitions that have the potential to increase municipal revenues.

Objective 5d: Identify locally generated funding mechanisms to conduct affordable housing and economic vitality initiatives to replace the loss of redevelopment tax increment financing for local projects.

GOAL 6: BUSINESS ENVIRONMENT

Santa Cruz County's rural nature will always present businesses with challenges including high costs and limited access to large business networks. But local government can do much to promote a business climate that fosters the birth and growth of Santa Cruz-based businesses and that facilitates the strategic location of companies that have a sound business reason to be based here. Ensure that our regulations, policies, and assistance programs provide a competitive advantage for business retention, expansion, creation, and operations.

Objective 6a: Continue to streamline city and county permit processes through "Open Counter" and One Stop initiatives.

Objective 6b: Develop and implement a coordinated plan to accelerate technical assistance, programs and resources to emerging businesses in technology and other fields by establishing open access for existing businesses to UCSC's Center for Entrepreneurship.

Objective 6c: Continue and expand programs that offer training to businesses on maximizing opportunities for e-Commerce.

Objective 6d: Increase small business’ access to capital by supporting the creation of Opportunity Funds, TechRaising and locally-based Crowdfunding activities as well as through more traditional sources such as Small Business Association (SBA) loans.

Objective 6e: Increase the inventory of co-working space such as NextSpace and CruzioWorks to lower the cost of office space and administrative services.

Objective 6f: Promote a Buy and Invest Local culture. Build the Santa Cruz brand association for innovation and quality to allow businesses to market products and services globally.

GOAL 7: BUILD COLLABORATION

Build collaborative networks for economic development among government, industry and academia that will leverage each other’s strengths for the improved economic vitality and quality of life of the County and its residents.

Objective 6a: Expand partnerships between high schools, colleges, universities, civic organizations, Chambers of Commerce, government and industry.

Objective 6b: Leverage UCSC investments in research and development activities in Santa Cruz County in those research endeavors that develop solutions for the County’s energy, resource, industry development and sustainability challenges. These could include solutions to enhance clean technology, alternative energy, and digital imagery sciences, and health sciences.

Objective 6c: Foster local partnerships between UCSC, government and industry to support the licensing and commercialization of UCSC technologies for location in Santa Cruz County.

Objective 6d: Facilitate business-to-business partnerships that can foster broader economic growth.

CEDS PLAN OF ACTION

The implementation plan indicates the leading agency partners for each strategic objective. In addition to these lead agencies, there are a wide variety of additional agencies and organizations that support economic development efforts throughout the County. These additional partners are listed in Appendix C of the CEDS.

Santa Cruz County has also identified a set of evaluation criteria for each goal in the plan, which provides a basis for measuring progress in economic development and evaluating the effectiveness of the County’s economic development programs. The indicators presented in this chapter represent the primary measures upon which the CEDS is based. This chapter also includes a list of priority projects from each jurisdiction in the County, which have been identified as regional priorities. These projects may be the subject of future funding applications to EDA during the term of this CEDS. Additional economic development projects, both in terms of public investments and also private sector developments that can

serve to further the regional economic objectives, are listed in the next chapter of the CEDS that addresses economic conditions and priorities in each of the cities and the County unincorporated area.

The final section of the implementation plan in this chapter specifies the prioritization criteria the County will use internally to evaluate prospective funding applications to EDA. These criteria may be used as needed to sequence the submittal of applications from separate jurisdictions to EDA. The criteria reflect the strategic goals and objectives of the CEDS and provide a framework to prioritize projects that may have competing needs for available resources.

PERFORMANCE MEASURES AND PARTNERS

GOAL 1: WORKFORCE DEVELOPMENT

OBJECTIVE	LEADING PARTNERS	PERFORMANCE MEASURES
1a: Maintain and expand partnerships between employers, workforce education and training organizations and local and regional funding agencies to develop and offer training that meets the needs of Santa Cruz County businesses and workers, such as employability training and pathways for ESL learners to improve their work skills and education.	Adult Schools; Cabrillo College; professional business groups; Chambers of Commerce; Union apprenticeship programs	Unemployment rate/ Youth unemployment rate
1b: Build on existing efforts to identify current and future workforce needs of employers. Continue to enhance systems of linking qualified job-seeking workers with employers. Expand existing sectoral approaches, such as healthcare and construction, to other key industry areas as a means of developing a qualified workforce that meets employer needs.	Adult Schools; Cabrillo College; professional groups; Chambers of Commerce; Union apprenticeship programs	
1c: Expand youth workforce training and mentoring programs and internships to prepare youth, especially those at risk of dropping out of high school, for work upon graduation. Expand technical training opportunities for high school students who desire to work in the trades or in the traditional crafts, such as woodworking.	K-12 School Districts; Career Technical Education Program; Cabrillo College; Regional Occupation Program	
1d: Update and improve aging educational facilities and build new educational and training facilities where needed to provide for K-12 education, post-secondary, lifelong learning and workforce training.	K-12 School Districts; Community Foundation; Corporations	

OBJECTIVE	LEADING PARTNERS	PERFORMANCE MEASURES
1e: Support improvements in K-12 education, especially math and science. Expand the capacity of the CA State Summer School for Math and Science and the Science Internship Programs at UCSC and other pre-college enhancement programs for high school students.	K-12 School Districts; Cities; UCSC	Number of summer school slots open per year to local students

GOAL 2: REGIONAL PROSPERITY

OBJECTIVE	LEADING PARTNERS	PERFORMANCE MEASURES
2a: Conduct a new cluster analysis to identify and support the growth of industry clusters that drive economic growth in the region. Facilitate the networking of firms and professionals working within cluster industries through the formation of industry cluster organizations.	Chambers of Commerce; businesses; city/county economic development departments; WIB; colleges	Job growth in all industries and in cluster industries Jobs retained
2b: Assist with the growth of new and existing firms within target industries by providing entrepreneurial development spaces and services, access to capital, business planning assistance and mentoring.	Small Business Development Center; Cabrillo College; UCSC; cities; finance institutions	Number of plant closures Inventory of shared space locations
2c: Recognize the critical role that UCSC serves to develop and transfer new technologies through scientific and medical research, and foster the location of spin-off companies in Santa Cruz County.	UCSC; Cabrillo College; Santa Cruz Business Council	Building permit trends for non-residential construction/additions
2d: Conduct business retention and expansion interviews to support growth of existing firms (Business Retention and Expansion Program (BREP))	County, cities, WIB	UCSC spin-off companies that locate in SCC
2e: Ensure an adequate supply of improved office and industrial space for growing or re-locating firms, and shared space for start ups.	Cities, County, real estate developers	Number of BREP interviews conducted each year and job growth
2f: Ensure an adequate supply of all necessary infrastructure, including broadband, telecommunications, transportation, water, waste collection and treatment and electricity.	Cities, County, special districts, private cell phone companies	Dollars spent on infrastructure

OBJECTIVE	LEADING PARTNERS	PERFORMANCE MEASURES
2g: Leverage Santa Cruz County's unique natural, cultural and agricultural assets to support the growth of tourism.	Cities, County, Conference & Visitors Council; State Parks	improvements
2h: Support the development of visitor-serving facilities by providing technical assistance and incentives to encourage investment to update and modernize existing lodging properties.	Cities, County, Conference & Visitors Council; State Parks	Growth in TOT and sales tax revenues New rooms added to lodging each year
2i: Provide businesses with a skilled workforce	WIB, Cabrillo College, Adult Schools, High Schools	

GOAL 3: IMPROVE QUALITY OF LIFE

OBJECTIVE	LEADING PARTNERS	PERFORMANCE MEASURES
3a: Ensure that the natural and cultural assets that attract visitors to Santa Cruz County are enhanced and protected.	Cities, County, State Parks, Conference & Visitors Council	Number of visitors at state parks, including beaches, located in Santa Cruz County
3b: Ensure that Santa Cruz County's shoreline and beaches remain open, safe and attractive for existing and future residents and visitors. Improve access to beach areas by upgrading facilities, including restrooms, picnic areas, recreation facilities, amenities and parking.	Cities, County, State Parks, Conference & Visitors Council (CVC); Tourism Cluster	Number of days beaches closed due to environmental hazards
3c: Maintain and promote recreational opportunities in the County's mountain and forest areas, including its State parks, County parks and public trails and open spaces.	Cities, County, State Parks, CVC; Tourism Cluster	Number of licensed child care slots
3d: Maintain high quality municipal services, particularly in the areas of public safety, recreation programs, libraries and social services.	Cities, County, utility districts, special districts	Number of affordable housing units constructed
3e: Continue to support the development of affordable housing choices. Incentivize the creation of accessory/second units and the development of rental properties that are affordable by design.	Cities, County, real estate developers, affordable housing non-profits	

GOAL 4: EXPAND PUBLIC SECTOR CAPACITY AND INFRASTRUCTURE

OBJECTIVE	LEADING PARTNERS	PERFORMANCE MEASURES
4a: Upgrade transportation infrastructure so that it meets state and federal safety standards for trucks, automobiles, bicyclists and pedestrians.	Cities, County, Caltrans, Federal Highway Administration	Progress on a Capital Improvement Program (CIP) projects; dollars spent on projects and number and value of un-funded projects Internet speed rates in all communities and cost per line
4b: Ensure water supply, treatment and distribution infrastructure has adequate capacity to meet current and future demand by residential, agricultural, commercial and industrial users.	Special districts, cities, county	
4c: Ensure that all communications infrastructure, including wireless communications infrastructure, is adequate to meet the demands of existing and future businesses and residents and affordable.	Utility suppliers, cities, County	
4d: Ensure that waste treatment, waste disposal, flood protection, and public safety facilities meet existing and future needs.	Special districts, irrigation districts, flood control, waste management	
4e. Align funding and permitting to implement small scale wastewater treatment solutions in the rural areas to protect water quality.	County, special districts	# of new facilities created
4f. Require a regional approach for water management activities and for strategies to ensure adequate supply for the future.	Cities, county, special districts	Acre feet of additional water resources produced

GOAL 5: FISCAL HEALTH

OBJECTIVE	LEADING PARTNERS	PERFORMANCE MEASURES
5a: Support developments that have a net positive impact on the City, County and special district budgets.	Cities, County	Projects completed with positive net fiscal impact
5b: Coordinate development to achieve an efficient urban pattern of circulation and service delivery.	Cities, County, developers, special districts	

5c: Through targeted business recruitment and development activities, maximize the effective use of existing vacant buildings and business facilities to reduce the cost of economic growth and its use of scarce resources. Facilitate business transitions that have the potential to increase municipal revenues.	Cities, County	Planning projects completed to meet objective
5d. Identify locally generated funding mechanisms for affordable housing and economic vitality initiatives to replace redevelopment.	CA Legislature, cities, counties, CSAC, League of cities	Total \$s available each year for econ vitality and affordable housing

GOAL 6: BUSINESS ENVIRONMENT

OBJECTIVE	LEADING PARTNERS	PERFORMANCE MEASURES
6a: Continue to streamline city and county permit processes through “Open Counter” and One Stop initiatives.	Cities, County	# of permits issued annually
6b. Implement coordinated plan to accelerate the delivery of technical assistance, etc. by establishing open access to UCSC’s Center for Entrepreneurship for existing as well as campus launched businesses.	Cities, chambers and business associations, professional associations, UCSC	# of businesses with access to Center each year
6c. Continue and expand programs that offer training in e-Commerce.	SBCD, Etsy, EBay, County	# of businesses that receive training in e-Commerce
6d. Increase small business access to capital.	SBDC, Venture Capital firms, local banks and credit unions	# of new loans issued
6e. Increase the inventory of co-working spaces.	Private developers, Cities, county	Square footage of co-working space created
6f. Promote a Buy and Invest Local culture, build Santa Cruz brand association for innovation and quality to maximize ability to market products and services globally.	Buy local associations, chambers, export offices, city and county ED staff, marketing and public relations firms, CVC	# of companies that brand themselves w/Santa Cruz identity

REGIONAL PROJECT PRIORITIES

Regional priorities for EDA project funding include the following projects, listed in alphabetical order:

7th Avenue/Brommer Street Visitor Accommodations with public use component, Unincorporated Area

Airport Area Master Plan and Access Road Improvements, Watsonville

Capitola Road and 17th Avenue Commercial with Public Amenity, Unincorporated Area

Downtown Area Plan and Revitalization, Watsonville

Expansion of Offsite Parking Downtown, Eastside and Mission, Santa Cruz

Granite Creek Road/Scotts Valley Drive Interchange at Highway 17, Scotts Valley

Hotel Projects to Reuse Theatre and City Hall Sites, Capitola

Hotel and Park Amenities at Brommer and 7th Avenue, Unincorporated Area

Municipal Wharf Improvements, Santa Cruz

Pajaro River Levee Reconstruction

Parking Structure, Capitola

Reconstruction of Port Service Facility and Docks, Santa Cruz Port District

Reuse of Davenport CEMEX Plant Site, Unincorporated Area

Town Center Project Mixed Use Retail, Office and Residential, Scotts Valley

PRIORITY – SETTING CRITERIA

The following criteria would be used by the CEDS Committee to rank project proposals for EDA funding in Santa Cruz County. The criteria are presented in recommended rank order.

- 1. Policy Criteria**
 - a.** Consistency with CEDS goals and objectives
 - b.** Consistency with applicable City/County economic strategic plan or approved community/general plan
- 2. Job Creation Criteria**
 - a.** Potential total new jobs created
 - b.** Potential new jobs with higher than median wage for each potential occupation category
 - c.** Potential jobs saved/retained
- 3. Potential additional private sector investment**
- 4. Potential regional economic impact**
- 5. Fiscal Impact Criteria**
 - a.** Potential net fiscal impact
 - b.** Potential sales tax generated
 - c.** Potential transient occupancy tax generated
 - d.** Potential property tax generated
- 6. Workforce Criteria**
 - a.** Increases workforce skills
 - b.** Increases access to workforce training
- 7. Positive or minimal impact on environment**
- 8. Positive impact on transportation access/infrastructure/affordable housing**
- 9. Promotes sound management of physical development**
- 10. Promotes in-fill or reuse of existing structures**
- 12. Increases access or use of high-speed telecommunications**

LOCAL ECONOMIC DEVELOPMENT PRIORITIES & PROJECTS

COMMUNITY LEVEL ECONOMIC DEVELOPMENT ISSUES

The following sections describe specific issues for each of the communities in the County. The discussions identify key issues the communities would like to address, priority projects to accomplish, community goals and the anticipated role of the private sector in meeting these needs. Data for these sections is sourced from the California Department of Finance (CDOF), the California Economic Development Department's Labor Market Information, and the 2009-2013 American Community Survey.

CITY OF CAPITOLA

Incorporated in 1949, the City of Capitola encompasses a total of about 2 square miles, making it the smallest incorporated city in Santa Cruz County. Capitola has a total population of 10,136 (DOF, 2013), and this population level has remained relatively constant over the past twenty-five years. The city occupies a location about 5 miles south of the City of Santa Cruz with a beachfront along the Pacific Ocean. Highway 1 provides a vehicular access along the city's northern boundary. Capitola is located approximately 30 miles south of San Jose, and with its coastline location has a relatively temperate climate all year-round. Average daily high temperatures range from 76 degrees in the late summer months to 61 during the winter. The average low temperatures range from 53 degrees during the summer months to 40 degrees during the winter. Capitola generally has an average annual precipitation of over 30 inches, with the wettest months in January and February, and less than one inch of rain per month during the summer. However, as is with the remainder of the county, the current drought conditions are requiring conservation and development is constrained due to aquifer overdraft conditions and a perceived lack of capacity in the future.

Capitola's population is primarily white (80.3 percent) with smaller concentrations of Hispanic/Latino (15.4 percent) and Asian (4.3 percent) populations. Capitola has a highly educated population with over 92.4 percent of the local population completing at least a high school education, and 40.6 completing a Bachelor's degree. The median income in Capitola was \$54,064.

The unemployment rate in Capitola in November 2014 was 4.2 percent, which is below the average unemployment rate for Santa Cruz County and California as a whole.

The primary industries in Capitola are retail trade and food service/visitor accommodations. Together, these sectors account for over half of the private sector employment in Capitola. This is largely tied to Capitola's economic roles as a visitor attraction and as a location for regional retail in Santa Cruz County. Major employers in Capitola include Macy's, Target, Kohl's, the Shadowbrook Restaurant, Trader Joe's, and Orchard Supply Hardware.

Factors Affecting Capitola's Economic Performance

- Much of the city's land area is built out, with few vacant sites available for new development projects. The City owned a 4.3 acre McGregor site which has recently functioned as a construction staging site is being developed as a park, in a unique public/private partnership, which will install a variety of recreational uses. The Rispin site, approximately seven acres, is also

planned for public use. Other potential development opportunities throughout Capitola will primarily involve reusing underutilized sites that have existing buildings and/or uses.

- Capitola has served as a primary destination for regional retail in Santa Cruz County for the past three decades. Capitola Mall is the only enclosed regional shopping center in the county. In addition, Capitola's Auto Mall attracts shoppers from throughout Santa Cruz County. However, retail sales in Capitola declined sharply during the Great Recession years 2006-07 through 2011-12 at a faster rate than other areas of the County, even as population and income levels have increased countywide. The decline is therefore largely due to new competition as surrounding communities have developed their own regional retail uses. Capitola Mall and the Auto Mall have limited space for expansion projects. The economic challenge for Capitola's retail base is keeping its regional retail centers relevant as the retail market in general evolves, and competition within the region increases, especially in light of the current Mall owner's signal that modernization in the short-term is not planned.
- The portion of 41st Avenue that runs through the City of Capitola generates the vast majority of the retail sales activity in the city. Capitola Village, the Mall and the other shopping centers adjacent to the 41st Avenue corridor generated over \$315 million in retail sales in 2011-12. The corridor has issues with traffic congestion, retail vacancies, and some existing retail building configurations that are not consistent with development prototypes for newer shopping centers. Keeping 41st Avenue viable as an economic resource is a high priority for Capitola.
- The City of Capitola has identified several improvement projects for the 41st Avenue corridor that will be implemented over the next few years. The City commissioned an 41st Avenue Economic Development Study which found that most of the commercial centers along 41st Avenue have not had a major renovation in a number of years, which has led to the impression that the corridor was aging in appearance. However, there is an expansion of the theatre property at the Kings Plaza property underway, and the Whole Foods Market has given a new look to the center at the corner of Capitola Road and 41st Avenue. The renovation that accompanied the location of Target to the Capitola Mall helped freshen the Mall's appearance. In addition, the City has embarked on a 41st Avenue median strip public art project which has livened the corridor's appearance.
- Capitola Village primarily serves as a visitor destination, with its retail uses largely serving the visitor market. The Village's retail trends have declined in recent years, and growth potential from visitors is limited by parking and access issues and the relatively low number of hotel rooms in close proximity to the Capitola beach and Village area. The under-utilized Capitola Theatre site in the Village area has been identified as an opportunity site for future hotel/lodging development. In addition, the City has embarked on studies identifying circulation and parking options for the Village, and potential reuse options for City Hall and the surrounding parking lot that are adjacent to the Village. Due to renovations at existing visitor accommodation properties and a new hotel development on 41st Avenue, the City's Transient Occupancy Tax revenues have doubled during the period 2008-09 to 2013-14, to now total nearly \$1.3 million.

- The Upper Village has some underutilized properties identified for future projects, in particular the Capitola Inn and infill opportunities at the Redtree Properties site near the Nob Hill Center.
- Capitola’s industrial development is limited to a light industrial area along Kennedy Street. These parcels have been built out, but some of the existing uses are underutilized. Generally, Capitola’s industrial businesses are small-scale operations.

Role of the Private Sector

The priority private-sector development projects include a possible hotel project on the Capitola Village theatre site and the development of the Redtree Properties site.

PUBLIC & PRIVATE SECTOR PROJECTS

The following list represents planned economic development-related projects in the City of Capitola. This list is not exhaustive but represents current priorities for future projects for which EDA funding may be appropriate, or which support key economic development goals and objectives in the City of Capitola.

CITY OF CAPITOLA	
Public Sector	Private Sector
<ul style="list-style-type: none"> ■ Capitola Village circulation and parking improvements ■ Library improvements ■ Mixed-use opportunities on 41st Avenue ■ Transportation improvements 41st Avenue ■ Park construction, public private partnership McGregor Park ■ Public Art Project, 41st Avenue median ■ Construct new City Hall and police station in a location out of the floodplain ■ Construct Village Parking Structure ■ Bay Avenue/Capitola Avenue intersection improvements ■ Resignalization of 41st Avenue/Capitola Road ■ Park construction (various) ■ Wharf Improvements ■ Corporation Yard Improvements 	<ul style="list-style-type: none"> ■ Hotel project in Capitola Village on theater site ■ Hotel project at current City Hall site ■ Capitola Inn renovation/reuse ■ Redtree Properties site development ■ Expansion of the Cinelux Theater on 41st Avenue ■ Expansion or improvements, Monarch Cove visitor accommodations ■ Modernization of Capitola Mall, including updating the mix of retail stores ■ Proposed and completed remodels of dealerships in Auto Row ■ Capitola Mall modernization and improvements

CITY OF SANTA CRUZ

Incorporated in 1866, the City of Santa Cruz is the county seat for Santa Cruz County. With a land area of 12.7 square miles, Santa Cruz has a total population of 63,440 making it the most populous incorporated city in the county. Santa Cruz’s population has grown by 5.8 percent between 2010-2014,

exceeding the State's population growth rate of 2.9 percent over the same period.. The city is served by regional highway connections, with Highway 17 connecting Santa Cruz to San Jose and the rest of the San Francisco Bay Area to the north, and Highway 1 providing access to the rest of the Monterey Bay to the south and other coastal areas to the north. Santa Cruz's major institutional assets include the University of California, Santa Cruz campus, and governmental offices for Santa Cruz County.

The community's coastline location offers a mild year-round climate. Average daily high temperatures range from 76 degrees in the late summer months to 61 during the winter. The average low temperatures range from 53 degrees during the summer months to 40 degrees during the winter. Santa Cruz has a typical average annual precipitation of over 30 inches, with the wettest months in January and February, and less than one inch of rain per month during the summer. The City is, with the rest of the county, experiencing a serious drought, resulting in mandatory water restrictions enacted by the City's municipal utility system, which serves the City as well as parts of the unincorporated area.

According to the 2009-2013 Community Survey, Santa Cruz has a largely white population (66.4 percent). Hispanic/Latino residents comprise 19.7 percent of the population, while Asians make up 6.8 percent of the population. As expected in a community with a major university, Santa Cruz's population is highly educated with about 92.4 percent of the local population completing at least a high school education, and 49.4 percent a Bachelor's degree. The Census reported the median income in Santa Cruz at \$61,600. Approximately 21.9 percent of residents in Santa Cruz live below the poverty level, which is considerably higher than the poverty rates in Scotts Valley (3.2 percent) and Capitola (8.0 percent).

The unemployment rate in Santa Cruz in November 2014 was 6.3 percent, below the county rate of 7.6 percent. Santa Cruz has the most diverse employment base within the county, with a notable concentration of jobs represented in nearly all major industry groups. The private sector industries with the highest employment in Santa Cruz are professional services, health care, arts and recreation, utilities, and information. Santa Cruz very clearly benefits economically from the presence of the UCSC campus, as well as major visitor attractions such as the Santa Cruz Beach Boardwalk. The City's major employers include the University of California at Santa Cruz, County of Santa Cruz, City of Santa Cruz, Plantronics, Santa Cruz Beach-Boardwalk , Costco, and Threshold Enterprises, Ltd.

Factors Affecting Santa Cruz's Economic Performance

- Santa Cruz's land areas are largely built out with some vacant and underutilized sites available for new development. Much of the land area available for industrial development is concentrated in the Westside District, although there are also pockets of opportunity on the Eastside along Soquel Avenue.
- The City has a vibrant and active Economic Development Department that is tasked with increasing and supporting viable, sustainable and innovative economic activities throughout the City, generating an increase in tax revenue and solidifying Santa Cruz as an attractive profitable, and healthy city to conduct business. The department is also tasked with managing the dissolution process of the former Redevelopment Agency along with providing affordable housing programs, property management of city-owned assets, and the City Arts public art

program. The 2003 Economic Development Strategy identified several key economic groupings: education, manufacturing and information technology, retail, tourism and arts and entertainment.

- Education: UCSC is a significant source of direct jobs, and other economic activity in the community. In addition to economic impacts created through the university's operations and resultant employee and student demand for local goods and services, UCSC's research activities are also a catalyst for business creation and technology transfer.
- Manufacturing and Information Technology: Since the 1990s, Santa Cruz has seen the closure of several large-scale facilities, primarily in the manufacturing and technology sectors. More recently, Santa Cruz has emerged as a center for the arts, the design and manufacture of sporting goods and other active lifestyle products, and technology. With the opening of NextSpace in downtown in 2008, and Cruzioworks in 2011, the City is experiencing growth in the technology sector that is fueled by the creation of numerous small businesses and by the presence of many independent freelancers who are now shaping the new technology ecosystem. Growth in this sector is encouraged by the formation of in-person forums, such as Santa Cruz Geeks and the Santa Cruz New Tech Meetup (the 8th largest Meet-Up in the nation), online news and sharing forums such as Santa Cruz Tech Beat, angel financing through TechRaising groups, and Event Santa Cruz. The City (and the County) is also committed to increasing broadband capacity and speeds, in order to support a growing community of freelancers and small, specialized information technology and science research firms that are located throughout the City limits and environs.
- Retail: Santa Cruz's retail sectors generally mirrored the countywide trends with a decline of nearly 8 percent in taxable sales revenues during Great Recession years (2006-07 to 2011-12) and as a result, its share of the overall taxable sales in Santa Cruz County has not changed much during this timeframe. Santa Cruz has placed great importance on maintaining the competitiveness of its downtown and Eastside retail areas and commercial districts. The City completed a retail sales analysis in 2011, and the study found that the city of Santa Cruz's downtown, east, west and wharf-waterfront districts – combined – has a pent up market potential to support 582,500 square feet of additional retail and restaurant businesses by 2016.
- The city is currently engaged in an EDA funded Santa Cruz Wharf Master Plan and Engineering Report process that will provide significant improvements to wharf businesses and additional space for wharf pedestrians.
- The City is partnering with Santa Cruz METRO to redesign the transit center at Pacific Station. A new Pacific Station will also catalyze the lower Pacific Avenue area, contributing to a safer environment and encouraging other property owners to invest in their properties. In addition to the transit center, the project will explore the mix of uses that may be appropriate at this site, with the potential of developing a multi-story building with a variety of compatible uses.
- Tourism: Santa Cruz is a major tourism destination, particularly with the presence of the beach and the Boardwalk. Santa Cruz also has the largest concentration of lodging in the county with over 2,000 hotel rooms. A number of facilities have upgraded over the past 5 years or approved for construction, one of these is now under construction and another is expected to start

construction in 2015. Combined they will provide 150 rooms of new visitor accommodations. A major conference and hotel facility proposed for the Beach Area has recently been approved by the Coastal Commission, which will enhance the City's ability to attract additional business in the year-round meeting market.

- The City has secured a \$500,000 grant from the State of California River Parkways Program (Prop 84) to fund installation of pedestrian and bike path lights on the levee from the Laurel Street Extension to the Water Street Bridge.
- Arts and Entertainment: Santa Cruz has a strong tradition and concentration in arts and cultural activities. The presence of artists and the economic activity that accompanies cultural and entertainment events adds to the quality of life, which in turn helps to attract creative professionals to the community. Phase II of the Tannery Arts Center now under construction will include a Digital Media and Creative Arts Center, and rehabilitation of the historic Kron House and Phase III will include construction of new Performing Arts Theater, which is expected to break ground in 2015. The City was successful in attracting a Development League basketball team, the Santa Cruz Warriors, by constructing a 33,000 square foot arena south of Laurel Street, which has triggered a renewal of that area of downtown. The City is engaged in planning for a permanent replacement for the temporary Warriors' arena. The City continues to provide grant management services for the Sanctuary Exploration Center, and in collaboration with Sanctuary staff, city staff has initiated the final RFP process for a second round of exhibits.

Role of the Private Sector

The private sector plays a pivotal role in the Santa Cruz's future economic vitality. The city places a high priority on several future private sector projects. These include a technology incubator, the Santa Cruz Innovation and Design Center, to be located in an industrial building vacated by Texas Instruments. Given the importance of tourism for the Santa Cruz economy, construction of the recently approved full-service conference hotel by the private sector is a high priority. The City anticipates the development, by the private sector, of the Terrace Point Marine Research Center to capitalize on its proximity to the Monterey Bay Aquarium and Research Institute. To make better use of existing infrastructure, the city is encouraging office and retail development in its downtown through private infill projects.

PUBLIC & PRIVATE SECTOR PROJECTS

The following list represents planned economic development-related projects in the City of Santa Cruz. This list is not exhaustive but represents current priorities for future projects for which EDA funding may be appropriate, or which support key economic development goals and objectives in the City of Santa Cruz.

CITY OF SANTA CRUZ	
Public Sector	Private Sector
<ul style="list-style-type: none"> ■ Tannery Arts Center, Phase III ■ Downtown parking at Cedar Street and a Front and Cathcart Streets ■ Metro/Pacific Center ■ Conference hotel at beach ■ Technology Park infrastructure ■ Parking south of Laurel ■ Parking Mission Street ■ Parking beach area transportation ■ Street improvements Soquel/Cayuga ■ Parking and street improvements Eastside Santa Cruz ■ Intersection improvements Morrissey/Soquel ■ Technology Park west side ■ Business incubators/tech transfer ■ Clean tech initiatives ■ High tech industry infrastructure ■ UCSC/City Partnership: Project for Innovation and Entrepreneurship (PIE) ■ Highway 1 and 9 Improvements ■ Highway 1 Bridge widening ■ Riverside Avenue Undergrounding of Utilities and Street Improvements ■ Wayfinding/Signage Improvements ■ Riverfront and Lower Pacific Avenue Improvements ■ San Lorenzo River Levee Improvements, Phase 4 ■ Santa Cruz Municipal Wharf Improvements 	<ul style="list-style-type: none"> ■ Terrace Point Marine Research Center ■ Downtown commercial/office development ■ Beach area conference hotel ■ Downtown major retail anchors ■ Grow Santa Cruz Loan Program ■ Ocean Street Study Area Improvements ■ Riverfront and Lower Pacific Avenue Improvements ■ METRO/Pacific Center Improvements

CITY OF SCOTTS VALLEY

The City of Scotts Valley is nestled in the redwoods in the upland slopes of the Santa Cruz Mountains with the scenic Monterey Bay just a short distance away. For the 11,755 inhabitants, the year-round climate in and around this small town is mild and the outdoor environment is very scenic. While Scotts Valley is a relatively new city as it was incorporated in 1966, in reality, it was founded as a community in 1850, and is as old as State of California. The natural charm and quiet that attracted this city's namesake over a century and a half remain to this day, and are more appreciated now given the explosive population and economic growth in nearby Silicon Valley, which is a manageable 30-mile commute.

At \$101,837, median household income in Scotts Valley is high compared to Santa Cruz County and the San Francisco Bay Area, where median household incomes are \$66,519 and \$75,604, respectively. A fairly

affluent city, only 3.2 percent of all families in Scotts Valley live below the poverty line, compared to 14.6 percent for the county as a whole. What is behind this relative affluence is that over 50 percent of the labor force are in professional managerial positions, with about 80 percent of males in that group in architecture or engineering positions, and with about 20 percent of the women in the professional management sector in that group. About 3.6 percent of local labor force is unemployed, versus almost 8 percent for the county as a whole.

While a good number of workers commute to the Silicon Valley, Scotts Valley boasts a diverse economy that represents the characteristics of the local workforce. Major employers in Scotts Valley include Seagate Technology, Threshold Enterprises, Fox Racing Shox, Central California Alliance for Health, Bay Photo Lab, Bell Sports, the Scotts Valley Hilton, and Zero Motorcycles.

Factors Affecting Economic Development

- The small town of Scotts Valley is served by two main arterials, Scotts Valley Drive and Mt. Hermon Road. Congestion at any one spot of the two main arterials can have citywide repercussions. As a result, improving the connection between these arterials and Highway 17 has been under discussion. A long-proposed interchange with Highway 17, if implemented, could relieve congestion not just in the mid-town area, particularly around El Pueblo Road, but throughout the city as well.
- While Scotts Valley enjoys a breadth of businesses in various industries, overall employment has stagnated during the period of the Great Recession. City officials are looking to facilitate the development mixed-use “Town Center at Skypark” as a way to create a downtown area with a Small Town feel, generate sales tax, create jobs, serve as a community focal point, and replace a blighted land use with a new, well-designed pedestrian-friendly built environment. The 22-acre site is comprised of a mix of ownerships between the City of Scotts Valley, the City of Santa Cruz, the federal government and a number of private landowners. In addition to the “Town Center at Skypark,” officials are exploring retail, restaurant and office development at the Gateway commercial area adjacent to the Scotts Valley Hilton. The reuse of the formerly vacant Borland campus, now known as the Enterprise Technology Center, has spurred new businesses activity by businesses leasing that unique space.
- The City places a strong emphasis on improving its quality of life as part of its economic development program. Parks and Recreation provides a variety of public parks, recreation facilities and recreation programming for the community. The facilities include large parks with playgrounds, BBQ areas and athletic fields, smaller neighborhood parks, a 49 acre open space area with a hiking trail, community center, library, senior center, skate parks, dog park and tennis courts.

Role of the Private Sector

The City of Scotts Valley has completed a specific plan for its Town Center, which includes plans for retail, office and residential uses. While the City will rely on the private sector to implement the plan, the City may pursue EDA funding to develop infrastructure to support the development of the project. Other future development sites include the Skypark area and the Gateway Specific Plan area.

PUBLIC & PRIVATE SECTOR PROJECTS

The following list represents planned economic development-related projects in the City of Scotts Valley. This list is not exhaustive but represents current priorities for future projects for which EDA funding may be appropriate, or which support key economic development goals and objectives in the City of Scotts Valley.

CITY OF SCOTTS VALLEY	
Public Sector	Private Sector
<ul style="list-style-type: none"> ■ Scotts Valley Town Center project with mixed use retail, office and residential ■ Completion of the remaining commercial elements of the Skypark Specific Plan ■ Mid-Town interchange (Highway 17) ■ SR17/Glen Canyon Road culvert improvements ■ Community pool ■ Corporation yard renovation ■ Improvement of a 7 acre public park at the Glenwood property ■ Recycled water line extensions ■ New Police Department facility ■ Undergrounding of utilities in various locations throughout the City ■ Improvements at the future park site within the Polo Ranch project ■ Granite Creek Road/Scotts Valley Drive interchange (Highway 17) ■ Erba Lane realignment ■ Pump Track at Sky Park ■ Proposed Community Theater near Town Center Development 	<ul style="list-style-type: none"> ■ Scotts Valley Town Center project with mixed use retail, office and residential ■ Completion of the remaining commercial elements of the Skypark Specific Plan ■ Retail/restaurant and office development in the Gateway Specific Plan area ■ Retail Development on El Pueblo Dr. ■ Proposed residential and commercial development at Enterprise Technology Center ■ Polo Ranch residential project (40 units) ■ Commercial/Retail development at Glen Canyon and Mt. Hermon Roads ■ Lexington Hotel development on Scotts Valley Drive ■ Repurpose Bethany College to 1440 Foundation Educational Facility ■ Completion of residential/commercial development, Scotts Valley Drive (Woodside) ■ “The Terraces”, review of residential project ■ Steele Bonnet Brewery, Scotts Valley Junction ■ Residential sub-division, “The Manor”

CITY OF WATSONVILLE

The City of Watsonville is located in the Pajaro River Valley in southern Santa Cruz County, immediately north of Monterey County. Watsonville is 45 miles south of San Jose and 85 miles south of San Francisco and Oakland.

Watsonville’s 2014 estimated population is 52,508, an increase of 2.5 percent over 2010, slightly below the Statewide average of 2.9 percent over the same period. The number of housing units in the city has grown to about 23,300 units.

The area around Watsonville is a major agricultural area. The region has a Mediterranean climate with warm, dry summers and cool, wet winters. Average high in the summer is 70 degrees Fahrenheit and the average low in winter is 38 degrees. Average annual precipitation, which falls between the months of October and May, is 22 inches of rain; however, like the rest of the county and the State, the city is experiencing an extended drought. The growing season is about ten months long with 260 days of sunshine. Its location—bordered on the west by the Pacific Ocean and on the east by the Santa Cruz Mountains—provides a unique growing environment for high-value crops such as cut flowers, landscape plants and berries. In 2013, Santa Cruz County's total crop production value was \$599.3 million, a 5.8 percent increase in total value recorded in 2012.

Watsonville is a major employment center for Santa Cruz County with about 22,000 jobs located in the city in 2013. Between 2007 and 2013, Watsonville's employed labor force has consistently numbered about 18,500; therefore, the City's employers attract workers from surrounding communities. While the overall annual average unemployment rate in Santa Cruz County was 9.5 percent in 2013, Watsonville's was 20.1 percent, and it has stubbornly remained at least double the county-wide rate during the study period (2007-2013), partially due to a reliance on seasonal economic activities such as agriculture and food packaging. Watsonville's primary economic development goal remains to diversify its economic base by attracting a broader range of industry types.

So while agriculture and its allied industries continue to be the mainstay of the Pajaro Valley economic structure, the City's economy has been diversifying with an influx of electronics, manufacturing and service firms, in addition to the establishment of distribution centers for non-agricultural products.

The main industries in Watsonville are agriculture, educational services and healthcare, retail trade, manufacturing, and recreation services. The City is home to several large national company headquarters within City limits such as Driscoll's Strawberries, Martinelli's, California Giant, Monterey Mushrooms, Graniterock, Granite Construction, West Marine, and Fox Racing Shox.

According to the 2009-2013 American Community Survey, the median household income was \$43,905, the lowest of the incorporated cities. About 20.7 percent of the population lives below the poverty level, compared to 21.9 percent in Santa Cruz, 8 percent in Capitola, and 3.2 percent in Scotts Valley. The area's strength and distinction in agriculture and food processing has attracted a large number of immigrants from Mexico to work in agriculture and allied industries. Approximately 81 percent of Watsonville's population is comprised of persons of Hispanic/Latino residents, and nearly 76 percent of all persons over the age of 5 spoke a language other than English at home.

Factors Affecting Watsonville's Economic Performance

A major opportunity is development of the Manabe-Ow property located in the southwest corner of the current City limit contains approximately 95 acres. Approximately 25 acres will be set aside for environmental purposes. A specific plan is currently being developed for the remainder of the site. The City's Economic Development Strategy recommended developing the site as an innovative business park based on flex-space and/or corporate headquarters design and light industrial space. The provision of infrastructure improvements at the Manabe-Ow site is the City's highest priority project for the next five years.

The Watsonville General Plan, Watsonville Vista 2030, has projected a growth of 5,700 households and 7,500 jobs by the year 2030. Those new jobs are anticipated to be distributed in eight distinct areas of the City. Jobs in export or traded-sector industries (including tourism) are to be located at the following sites: Manabe-Ow, 2,100 jobs; West Beach Street, 1,435 jobs; Airport Area, 1,200 jobs; Downtown, 975 jobs; and Atkinson Lane, 90 jobs. The remaining three employment areas, including Buena Vista, Freedom Corridor and East Lake Avenue, will provide jobs primarily in retail and service industries in neighborhood or community commercial centers. Opportunities in clean tech industries, brownfield remediation employment training, along with remediation implementation, are among those projects the City anticipates undertaking.

The City's former redevelopment agency created a plan to address industrial and business development and recognized the need to incentivize the development of business space and facilities and to support the growth of businesses. Business attraction, retention and expansion activities are all components of the Plan, as is revitalization of the City's industrial core, including assembly of underutilized sites, provision of public improvements and business assistance. With the loss of tax increment financing, the City is looking for alternatives to generate funds for public initiatives, including the possible development of an infrastructure finance district for the Downtown.

The City's central business district is the historic heart of Watsonville. Recent improvements include the completion of sign and façade improvements and sidewalk improvements. In addition, the City has developed a landscape improvement plan, and it is discussing various options to slow down traffic on the State Highway which is also the City's Main Street, in order to increase the attractiveness of the downtown to pedestrian shoppers.

The supply of potable water in Santa Cruz County, as with most areas in California, is a key growth management and economic development issue. The current state of transportation infrastructure is also a limiting factor in economic development. According to the Association of Monterey Bay Area Governments (AMBAG), State Routes 129 and 152 in Watsonville are at or near Level of Service (LOS) F. These routes are heavily used for truck traffic and commuter traffic for workers moving through Watsonville to Gilroy, Morgan Hill and other Silicon Valley job centers and impacts the ability of the Downtown to serve pedestrians, bicyclists, and residents with a "hometown downtown" feel, and as a result, impacts the City's economic competitiveness.

Development of additional light industrial space and improvement of Watsonville's downtown core and its retail and tourism industry will be key to the City's fiscal health and ability to continue to provide high quality public services. Between 2008-09 and 2013-14, Watsonville's Transient Occupancy Taxes (TOT) grew by 25 percent to total \$783,000. Annual taxable sales decreased at a slightly higher percentage rate (10.7 versus 9.5) than taxable sales did county-wide during the Great Recession years 2007-2012.

Role of the Private Sector

The City's priorities over the next five-year period, particularly relating to potential EDA funding, are development of the infrastructure for the Manabe-Ow light industrial park area and the rehabilitation and revitalization of Downtown Watsonville. Since the City's highest economic development priority is to offer a greater number of higher quality jobs, it will work closely with the private sector to develop office

and industrial space at other sites in the city, including the Airport Blvd. area, the Sakata Lane area, the Auto Center Drive area and the Downtown.

PUBLIC & PRIVATE SECTOR PROJECTS

The following list represents planned economic development-related projects in the City of Watsonville. This list is not exhaustive but represents current priorities for future projects for which EDA funding may be appropriate, or which support key economic development goals and objectives in the City of Watsonville.

CITY OF WATSONVILLE	
Public Sector	Private Sector
<ul style="list-style-type: none"> ■ Manabe-Ow Industrial Park infrastructure improvements ■ Downtown area plan & revitalization ■ Ongoing implementation of economic gardening program ■ Freedom Boulevard road reconstruction ■ Completion of public improvements for Auto Center Drive/Main Street ■ Atkinson Lane Specific Plan ■ Brownfields assessment and cleanup ■ Downtown sign and façade improvement loan program ■ Third fire station ■ Transitional housing facility ■ Green Valley Road reconstruction ■ Traffic signal synchronization project ■ Water main, storage facilities, and pumping stations upgrades ■ Sewer main and pump station upgrades ■ Freeway interchange ■ Access Road development/improvements for airport ■ Airport area master plan ■ Corralitos Creek fish habitat enhancement and filter plant upgrade project ■ Pajaro River levee improvements ■ Continued implementation of Wetlands restoration ■ Implement park accessibility program and improvements ■ Implement citywide park masterplan ■ Completion of additional phases of Wetlands Trail master plan and Monterey Bay National Marine Sanctuary Scenic Trail implementation ■ Implementation of Public Art Program 	<ul style="list-style-type: none"> ■ Manabe-Ow Industrial Park ■ Downtown revitalization projects ■ Auto Center Drive improvements ■ Airport area commercial/industrial development ■ Sakata Lane light manufacturing buildings ■ Residential developments: Atkinson Lane, Loma Prieta Terrace, Riverside Marchant Townhomes, and Longview Apartments ■ Industrial development on Airport Blvd. ■ Rehabilitation of Fox Theatre ■ Downtown mixed use development (Main Street) ■ Freedom Blvd mixed use development

SANTA CRUZ COUNTY UNINCORPORATED AREA

The County unincorporated area contains much of the county's natural open space and agricultural land, but also nearly half of the county's population, at 133,557, according to the 2014 estimates. This population has grown 2.9 percent since 2010, compared to 3.5 percent for the county as a whole. The County recently conducted an Economic Trends Report. To facilitate strategic planning and reflect the diversity of the region, the County was divided into four smaller subregions, in order to facilitate data collection. The subregions include the North Coast/Mountains (including Ben Lomond, Felton and Boulder Creek, the Urban Core (including the incorporated cities of Scotts Valley, Santa Cruz and Capitola as well as the unincorporated areas of Live Oak Soquel and Aptos, the Summit, and South County, including Watsonville. For the purposes of this report, data will reflect that collected for the Urban Core. The Urban Core has about the same proportion of people living in poverty, at 13.6, as the County as a whole (13.7 percent).

There are a number of distinct communities in the unincorporated County jurisdiction, representing a wide range of economic groups.

- The San Lorenzo Valley includes the communities of Felton, Ben Lomond, Boulder Creek and Mt. Hermon. This area is in the redwood forest and supports substantial tourist activity, particularly at the nearby state parks. Unemployment measured in Ben Lomond and Felton is typically lower than the County's rate; however Boulder Creek's rate exceeded the County's rate (11% versus 9.5% annual average) in 2013.
- Davenport is a small community along the coast, about 12 miles north of the City of Santa Cruz. The major concrete manufacturing plant which represented a major economic asset to the County has closed and the County and other interested parties have engaged in a feasibility study to evaluate opportunities reuse the industrial site.
- Immediately east of the City of Santa Cruz is the community of Live Oak. This area is heavily populated and is urban in character, with neighborhood commercial areas and some light manufacturing uses. The annual average unemployment rate in 2013 at 7.8 percent was lower than the County-wide average of 9.5 percent and the City of Santa Cruz' rate of 7.9 percent.
- Soquel, north of Live Oak and Capitola, has an urban town core and stretches into the hills at a lower density. Soquel's commercial activity is concentrated along Soquel Drive and on the north side of the freeway interchanges along State Route 1. Soquel's annual average unemployment rate for 2013 was 7.2 percent.
- Aptos, Rio del Mar and Seacliff are east of Soquel and generally include lower density residential uses, as well as a town center and other commercial areas. Aptos Village is a major focus of public and private sector efforts to improve the commercial mix in the area. Aptos, the Aptos Hills and Rio del Mar's unemployment rates are lower than the County's at 3.7, 2.8 and 5.7 percent respectively.

- The Freedom and Interlaken areas are southeast of Rio del Mar and extend to areas adjacent to the City of Watsonville in the southern portion of the County. This area is generally low density and rural, with scattered commercial development. The population in this area is predominately of Hispanic/Latino origin, employment centers are retail sales, agriculture and ag allied industries, and unemployment rates are close to those of the City of Watsonville at 17.2 and 20.1 percent, versus the County-wide annual average in 2013 of 9.5 percent.

Factors Affecting the County's Economic Performance

In 2013, the unincorporated area generated about 28 percent of total taxable sales in the County and a little over 35 percent of the transient occupancy taxes. Both of these figures are far below its share of the County's total population.

Like many counties in California, Santa Cruz County government has experienced significant budget issues in recent years, as the Great Recession and state budget policies have impacted local governments. The County has identified \$300 million in deferred flood control and road maintenance costs, as well as another \$10.3 million unmet water and wastewater facilities needs. These deficiencies affect the economic development potential of the unincorporated area.

The current water treatment system in Davenport, which serves approximately 245 residents, has recently completed Phase I of improvements, which included improvements to the water filtration system and storage capacity. The County is seeking an additional source of funding in order to relieve residents of costly service fees and to complete an upgrade of water distribution systems. Approximately one-half of the households surveyed in preparation for the project qualify as low or very low income. Phase II of the project, a reconstruction of the water distribution system, is planned to replace deteriorated sewer and water mains. The distribution lines are old, leaking and need to be replaced to conserve water and to provide better water pressure. In the newer section of Davenport, low pressure results in an inability to meet fire requirements for water pressure at the hydrants. Funding sources have yet to be identified.

The County is supporting improvements to the Aptos Village area through implementation of the Aptos Village Specific Plan. The County's ability to move forward with improvements to the communities of Live Oak and Soquel have been deeply impacted by the loss of redevelopment funding, stalling plans to develop the Soquel Drive medical district, the implementation of the Soquel Village plan, a hotel site at 7th Avenue and Brommer St., and mixed use retail development at Capitola Road and 17th Avenue, and improve other opportunity areas identified in the Sustainable Santa Cruz Plan. Other County projects related to major infrastructure needs include reconstruction of the Pajaro River levee and a variety of other road rehabilitation and storm drain projects. These await funding commitments.

In Fall 2014, the Sustainable Santa Cruz County Plan was completed under a multi-year grant from the California Strategic Growth Council in the amount of \$500,000. The grant produced a planning study that describes a vision, guiding principles, and strategies that can lead to a more sustainable development pattern in the County. Guiding Principles are detailed below. The Plan lays out suggestions for land use and transportation policies and projects that would support more diversity in land use, more choices of types of housing, and more options for transit and transportation.

The Plan was created through a community process that included public workshops, formation of a 20+ member Community Advisory Group, stakeholder meetings, an on-line communication and comment forum called “Open Town Hall”, and public hearings before the Planning Commission and Board of Supervisors. The Plan suggests strategies and actions that the County can take to support a more sustainable development pattern. These include suggestions for new zoning overlays that encourage flexibility and compact development where appropriate, amended site standards, transportation and General Plan policies, as well as specific suggestions for transportation improvements. The next step will be consideration by the Board of Supervisors regarding which of the suggested strategies to pursue, and environmental review of any proposed policy and code amendments. The following provides additional detail about the Plan’s guiding principles.

- **Economic Vitality.** Support locally owned businesses that bind the community together, and new small- to mid-size businesses that generate environmentally friendly, well-paying jobs and local economic prosperity. Encourage businesses which employ creative and technology professionals that generate tax revenue (such as hotels that generate transient occupancy tax), enterprises that generate sales tax, and manufacturing and other basic productive businesses that export products and intellectual property.
- **Focused Development.** When market demand stimulates new commercial, residential, office, or retail activity, encourage those new uses to use land efficiently. New development should be compact, located primarily within existing urban areas, and should feature a mixture of uses and development intensities that support transportation choices including transit, cycling, walking, and carpools, and to the extent possible, promote the fiscal sustainability of the area.
- **Transportation Choices.** Develop safe, reliable, and efficient transportation choices to improve air quality, reduce greenhouse gas emissions, promote public health, and enhance quality of life. Recognize that specific strategies to promote transportation alternatives will vary depending on economic developments that create demand for indirect supportive economic activity, so that important services such as police, fire, community services, and a social safety net can continue to be provided to residents. Support efforts to train and prepare County residents to occupy locally available jobs. Ensure that County regulations encourage private investment and allow for economically feasible development projects consistent with sustainability goals.
- **Housing Options.** Expand housing choices for people of all ages and incomes to lower the combined cost of housing and transportation and to promote diversity in terms of age, income, and family size throughout the County. Recognize that many factors including economic feasibility affect the provision of housing choices.
- **Fiscal Sustainability.** Recognize that there is a significant gap between the level of governmental revenue that is generated by the existing land use pattern in Santa Cruz County and the level that is needed to sustainably fund necessary public facilities and services. Promote development patterns and specific land uses that generate revenues to provide the infrastructure and services necessary for thriving communities. Recognize that economic development projects help fiscal health by generating revenues that enable high quality public services.

- **Unique Community Character.** Enhance the unique characteristics of communities by investing in healthy, safe, attractive, and walkable neighborhoods and efficient transportation choices between communities. Focus County investment within existing communities to increase community vitality, provide infrastructure efficiently, increase mobility, and promote social connections while protecting open space and existing community assets.
- **Open Space and Resource Preservation.** Preserve the County’s unique natural resources and habitats by carefully managing new development outside the urban and rural services line. Inside the urban and rural services line, promote the reuse of existing structures or developed land, and ensure that open spaces and parks are protected, accessible, and open to all County residents. Preserve the “natural capital” assets and resources of Santa Cruz County that support agricultural, timber, open space, recreation, and other economic enterprises.
- **Inclusive Decision-Making.** Encourage community and stakeholder involvement in planning and decision-making. Ensure that planning decisions are predictable, fair, forward thinking, and cost-effective. Reform the project review process to encourage high-quality infill development and reduce unnecessary uncertainty and expense.
- **Governmental Coordination.** Align policies and funding among local, County, regional, and State governmental agencies, including schools and colleges. Remove barriers to collaboration, leverage funding, improve local control over local resources, and increase the effectiveness of all levels of government that impact growth and development in Santa Cruz County. Improve financial sustainability of city and county governments, especially given the loss of redevelopment financing for local projects.

In November 2014, the Board of Supervisors approved the first revision to the County’s Economic Development Strategy in 20 years. The County’s new Economic Vitality Strategy (EVS) was an initiative to strengthen the local economy throughout the County. The EVS includes a blueprint of goals, policies, and actions to promote job growth, expand workforce development, strengthen public revenues, and improve the quality of life for residents and businesses in Santa Cruz County. The Strategy draws upon the County’s unique strengths to identify opportunities and set forth strategies to provide programs, incentives, and improved locations to attract and retain jobs in a way that enhances economic vitality.

The Economic Vitality Strategy focused actions in the unincorporated portions of the County, but it was structured to provide an overall framework for economic vitality in both incorporated and unincorporated areas of the County. This approach was taken to ensure that a single Strategy document reflects the work and initiatives of local communities in a coordinated framework. The Goals and Objectives section of this CEDS reflects this coordinated framework.

The Economic Vitality Strategy process established a phased approach from the initiation in January 2013 through final adoption in November 2014, and it involved a significant level of analysis and stakeholder involvement. Phase I conducted an evaluation of economic trends through data analysis and stakeholder focus groups, and the resulting EVS Background Trends Report is attached as Appendix A to the CEDS. Phase II identified economic opportunities; Phase III vetted those opportunities through four at-large public meetings. Phase IV created a Public Review Draft, which was presented to the Board

of Supervisors, the Planning, Housing Advisory and Environment Commissions, and to numerous community groups and meetings of economic development organizations such as Chambers of Commerce, the Santa Cruz County Business Council and other interested parties over a 90 day Public Comment period. The final phase formulated a Strategic Plan that included goals, strategies, and implementation actions, which was approved by the Board of Supervisors.

The County's Planning Department was successful in obtaining a Planning & Technical Assistance Grant from the State Community Development Block Grant (CDBG) fund in 2012 to study the potential re-use options for the CEMEX cement plant located in Davenport. CEMEX ceased operations in January 2010, after issuing a WARN notice in January 2009. The plant had been in nearly continuous operation manufacturing high quality cement for over 100 years, providing cement for such high profile projects as the Suez Canal, and providing in excess of one hundred jobs. In December 2011, in one of the largest land preservation deals in the Bay Area in a generation, five conservation groups signed an agreement to buy 8,532 acres of CEMEX property, excluding the plant itself for \$30 million to conserve as timberland and open space. The property, which is eight miles long and the largest piece of privately owned land in Santa Cruz County, stretches from the remote ridges of Bonny Doon almost to the Pacific Ocean. The broad expanse of redwood and oak forests is home to mountain lions, peregrine falcons and endangered coho salmon. When the acquisition closed, funded with donations from Silicon Valley foundations and nonprofits, it linked 26,000 acres of protected open space from Big Basin Redwoods State Park to Wilder Ranch State Park - an area about the size of San Francisco. While the purchase will eventually open the scenic land to hikers and outdoor enthusiasts, a current plan will allow timber companies to continue to do some logging on the property.

The Reuse Study examines the physical plant sites on the property. After a Request for Proposals (RFP) process a consultant was selected in March 2014. Community stakeholder meetings were convened in May, and participants involved in the Reuse Study included Sempervirens, the lead agency for the consortium that purchased the surrounding property, the Santa Cruz County Regional Transportation Commission which owns the rail line that accesses the site, the Davenport Community Association and others. In addition, a public meeting was held at the local elementary school with over one hundred local residents attending. The consultant also conducted a survey of 116 local residents in the area. The public review draft of the Davenport Cement Plant Reuse Strategic Plan was released for a sixty day public review in December 2014. The Study outlines nine land-used related recommendations to address the need for clean-up at the site, interim uses, and the need to develop a Master Plan. The initial reuse recommendations will be considered by the Board of Supervisors in March 2015. The eventual reuse of this site has regional implications.

The County's Planning Department has recently completed various amendments to the County Code engineered to stimulate economic vitality. These included an update to coastal regulations, the modernization of hotel development standards, an allowance for sign exceptions, and the extension of the minor exceptions process countywide. The department expect to continue work on amendments to County Code Chapters 13.10 (Zoning Regulations) and 18.10 (Permit Processes) in order to modernize regulations related to land use types, update use charts, development standards, and procedures to streamline permit processes as appropriate.

Role of the Private Sector

The private sector will play a major role in the implementation of the Aptos Village Specific Plan. A private developer has obtained approval of entitlements to construct up to 75,000 square feet of commercial space, 69 residential units, two new roadways, parking areas, a Village Common, and drainage, sewer and water delivery improvements. The private sector will also be engaged to make improvements to other opportunity sites in the County’s unincorporated area. Current projects include retail expansion projects on the west side of upper 41st Avenue, improvements and planned new medical and medical-related facilities along the Soquel Drive corridor, including at the former Skyview Drive-In site, implementation of the Soquel Village and Seacliff Village Plans, a hotel site at 7th Avenue and Brommer St., and a mixed use public/private retail development at Capitola Road and 17th Avenue.

PUBLIC & PRIVATE SECTOR PROJECTS

The following list represents planned economic development-related projects in the unincorporated communities of Santa Cruz County. This list is not exhaustive but represents current priorities for future projects for which EDA funding may be appropriate, or which support key economic development goals and objectives in the County of Santa Cruz.

COUNTY OF SANTA CRUZ	
Public Sector	Private Sector
<ul style="list-style-type: none"> ■ Pajaro River levee reconstruction project ■ Felton Branch Library ■ Public Safety Firearms Range/Training Facility ■ Solar Energy Projects in Public Buildings ■ Zero Waste Eco Park ■ Twin Lakes Beach Front improvements ■ 17th/Capitola Road Potential commercial retail, public/private mixed use or other commercial use of site ■ 7th Avenue/Brommer Street Hotel-Visitor Serving with Public improvements ■ Soquel Avenue/Soquel Drive Multi-Modal Transportation improvements, including enhanced transit facilities ■ Rio Del Mar Esplanade drainage & turnout ■ Seacliff/State Park Drive streetscape improvement project and public parking facilities 	<ul style="list-style-type: none"> ■ Aptos Village Plan Implementation ■ Aptos Village Road, traffic signal and sidewalk improvements (primary funding by land owner/developer) ■ West side of upper 41st Avenue retail ■ Soquel Drive medical district – Dominican and Sutter Hospitals ■ Implementation of Soquel Village plan ■ East Cliff Shopping Center redevelopment, phase II ■ 17th / Capitola Road retail site ■ Brommer/7th Avenue Visitor Accommodations ■ Mixed Use sites, Portola Drive, Live Oak ■ San Lorenzo Valley Water Operations ■ Revitalization of Brookdale Lodge ■ Davenport CEMEX site reuse ■ Agri-tourism expansion of direct to consumer sales for wine and other agricultural products ■ Modernization of various motels, hotels in unincorporated area ■ Soquel Drive Sutter/Palo Alto Medical Foundation improvements ■ Dominican Hospital/Dignity Health Improvements

COUNTY OF SANTA CRUZ

Public Sector	Private Sector
<ul style="list-style-type: none"> ■ Soquel Village Plan parking lot, park, and flood control ■ Santa Cruz Harbor Area improvements and Visitor Serving facilities (Port District area) ■ Aptos Village Plan, traffic lights, railroad crossings, and public improvements ■ Various integrated Watershed restoration projects throughout County road system ■ Hi-Tech Industry and Business Infrastructure including broadband expansion ■ Continued implementation of Technical Assistance for Cottage Food Businesses and Business which sell online through EBay or Etsy ■ Pinto Lake Water Quality Project ■ Pajaro Dunes roadway and flood control improvements ■ Craft Entrepreneurship Program 	<ul style="list-style-type: none"> ■ El Rancho Shopping Center redevelopment ■ Continued Cottage Industry Business Expansion ■ Development of visitor accommodation site – Soquel Drive Medical District ■ Expansion of Performance Foodservice (Ledyard’s) currently located on 17th Avenue

INTEGRATING THE CEDS WITH STATE ECONOMIC DEVELOPMENT PRIORITIES

As part of the comprehensive economic development strategy, the federal EDA requires jurisdictions sponsoring local and or regional CEDS to demonstrate how their respective strategies integrate with official economic development strategies of the state in which sponsoring jurisdictions are located. At this time, the State of California does not have an official economic development strategy for the state as a whole or for particular regions and areas within the state, but the Governor’s Office has established the Office of Business and Economic Development (GO-Biz) to serve as California’s single point of contact for economic development and job creation efforts. GO-Biz offers a range of services to business owners including: attraction, retention and expansion services, site selection, permit streamlining, clearing of regulatory hurdles, small business assistance, international trade development, assistance with state government, and much more.

GO-Biz collaborates with the California Workforce Investment Board (WIB) (www.cwib.ca.gov), which issues a biannual strategic plan. The WIB's two-year strategy describes the Governor's vision on how the public workforce system supports economic development in California.

The Santa Cruz County CEDS integrates and complements the California Workforce Investment Board's Strategic Two-Year Plan in several ways. First, California embraces a regional collaborative/sector strategy approach in developing policies and priorities with respect to workforce investment. As importantly, the Santa Cruz County CEDS prioritizes workforce development as a major goal, and all of the objectives within this goal are consistent with the California Workforce Investment Board's Strategic Two-Year Plan. Another similarity between the California Workforce Investment Board's document and the Santa Cruz County CEDS is the emphasis on partnerships between local and regional entities in addressing the underlying circumstances leading to the need for the CEDS in the first place. The Santa Cruz County CEDS builds on these similarities by adding goals with respect to fiscal stability and infrastructure improvement, which are not addressed in the California Workforce Investment Board's Strategic Two-Year Plan.

The County and the cities are also the subject of and partners to the 2015 Metropolitan Transportation Plan (CMTP)/Sustainable Community Strategy coordinated by the Association of Monterey Bay Area Governments (AMBAG). The MTP/SCS is a long range planning document required by both State and Federal law, and is an update of the 2010 MTP. The effort's plan contains a compilation of Regional Transportation Plans (RTPs) for Monterey, San Benito and Santa Cruz Counties and it is used to achieve a coordinated and balanced regional transportation system.

