



SANTA CRUZ COUNTY COMPREHENSIVE ECONOMIC DEVELOPMENT STRATEGY (CEDS)

2009 ANNUAL UPDATE

FEBRUARY 10, 2010

Prepared for
**Santa Cruz County Workforce Investment Board
County of Santa Cruz Human Services Department**

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EXECUTIVE SUMMARY

INTRODUCTION

This Comprehensive Economic Development Strategy (CEDS) was prepared on behalf of Santa Cruz County under the auspices of the Workforce Investment Board (WIB) with the participation of each of the four incorporated cities and the County Redevelopment Agency. In addition to these jurisdictions, the CEDS Committee includes six other business entities and institutional partners. The CEDS Committee and the WIB Board worked extensively through the fiscal year to implement the CEDS and prepare this Annual Update documenting the progress each participating jurisdiction has made.

ECONOMIC CONDITIONS

Santa Cruz County continued to see effects of the recession through 2009. Employment dropped to a ten-year low and construction activity declined substantially. In some ways, Santa Cruz weathered the recession better than many California counties, but was much harder hit than most of the rest of the U.S. Neither California, nor Santa Cruz is expected to rebound quickly. Santa Cruz has traditionally lagged behind other northern California counties, both in entering and coming out of recessions. Santa Cruz still shows a trend of rising unemployment while recent data has suggested California may have hit the peak overall. A number of these trends are apparent in the performance indicators of the past couple years.

The state of the economy has taken a significant toll on four major local jurisdiction revenue sources: property taxes, development fees, transient occupancy taxes (TOT) and the sales and use tax. Property taxes have been high through the housing boom; however, the fast rising revenues were largely artificial and have declined sharply. Taxable sales have seen significant declines as well in the County with all jurisdictions showing declines of over ten percent.

Although the County's unemployment rate is below California's overall, the most recently reported figures show that Santa Cruz County's rate has been in excess of ten percent for nearly a year. While some areas such as Aptos boast unemployment rates significantly under the other areas of Santa Cruz, Watsonville, which has historically seen higher than average rates, has an unemployment rate hovering around 25 percent.

With increasing unemployment, applications for CalWORKs are up 26 percent for the 12 month period through August 2009 compared to the same period a year earlier. The value of food stamp use in the County has increased 40 percent over the same period. Workers and families are clearly in distress as employment opportunities become scarcer. Ongoing cases for Emergency Assistance (EA) are up 21 percent.

Some recent retail sales data has suggested that sales over the holidays in the City of Santa Cruz were roughly equivalent to those of last year. This supports other reports that the effects of the recession in Santa Cruz County may have started to diminish. Most predictions of an economic recovery in the region agree that it will be modest in size and speed for the near future.

PERFORMANCE ON CEDS GOALS

Despite adverse economic conditions, the local jurisdictions were able to make progress on some of the CEDS goals. This Annual Update provides information on 15 performance measures designed to gauge progress on the six CEDS Goals, outlined below. Most of the indicators declined in 2009 but some housing and non-residential projects were completed during the year.

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.

Performance Measure #1: Unemployment rate

The County unemployment rate for 2009, as of September, is estimated at 12.1 percent, up from 7.3 percent in 2008, nearly mirroring the rate of California as a whole. In light of the persistently high unemployment rate, the local Workforce Investment Board has successfully pursued job training grants available as a result of the American Recovery and Reinvestment Act of 2009, and worked closely with the local community college Career Technical Education program to enhance education, job training, and employment experience opportunities. In addition, EDA has helped to fund the Green Industrial Technology Training Center, which is being constructed in Watsonville by Cabrillo College, to prepare people for careers in green tech industry and assist organizations with workforce development necessary to support green operations.

GOAL 2: REGIONAL PROSPERITY

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.

Performance Measure #2: Job growth in all industries and in cluster industries

As of September 2009, jobs in the County had dropped by an estimated 3,500 jobs over the same point in 2008. Employment seemed to hit a low point in January through March of this year before some growth occurred.

Performance Measure #3: Jobs retained

No significant job retention activity has occurred since 2007.

Performance Measure #4: Number of plant closures

Several major businesses in the County have closed or experienced significant reductions in workforce. Major layoffs have occurred in each city as well as unincorporated areas. The most significant recent

closures include Gottschalks, which laid off roughly 200 employees in Capitola and 70 in Watsonville, as well as 299 employees affected by the workforce reductions at Seagate Technology and 400 by Pajaro Valley Unified School District.

Performance Measure #5: Building permit trends for non-residential construction/additions

Commercial building permit values are expected to drop nearly 38% in 2009 over 2008 after having dropped over 52 percent in 2008 over 2007. While additions and alterations rose significantly between 2007 and 2008. They have since declined as well and overall non-residential permits are estimated to have dropped nearly 18 percent over the past two years.

Performance Measure #6: Growth in Transient Occupancy Tax (TOT) and sales tax revenues

Compared to calendar year 2007, both TOT and sales taxes grew in 2008, but the trends were declining late in 2008. For the year, TOT grew in each city in the County with the exception of the City of Santa Cruz where TOT revenues dropped 1.7 percent.

However, these revenues continued to decline in 2009. Compared to FY 08/09, each jurisdiction has budgeted for a drop in TOT revenues for FY 09/10 with the exception of Capitola and Scotts Valley, which both have new hotel projects underway. Watsonville budgeted for a 16.2 percent drop in TOT revenues contributing to an overall budgeted drop of 13.3 percent throughout the County. For sales tax, the County as a whole saw a drop of nearly 14 percent in taxable sales in 2009.

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.

Performance Measure #7: Number of visitors at state parks, including beaches, located in Santa Cruz County

Visitor attendance to state parks rose just under three percent in Santa Cruz County in FY 07/08 over FY 06/07. This is the most recent data available from the California State Parks Statistical Reports.

Performance Measure #8: Number of days beaches closed due to environmental hazards

County beaches experienced no days of closure but 220 days of postings in 2008. This will provide a benchmark for future progress on this indicator.

Performance Measure #9: Number of licensed child care slots

The County has experienced a 1.2 percent decline in total child care slots in 2009.

Performance Measure #10: Number of affordable housing units constructed.

Jurisdictions in the County constructed or retained about 288 affordable housing units, including assisting first time homebuyers through affordable loan programs.

GOAL 4: INFRASTRUCTURE

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

Performance Measure #11: Progress on a Capital Improvement Program (CIP) projects

The cities and the County completed about \$43 million in economic development related infrastructure in the 2008/09 fiscal year and have programmed about \$66.8 million for the 2009/10 fiscal year. Dependent on the balance of outside financing and declining revenues due to the economic downturn, these figures are lower than in prior years.

GOAL 5: FISCAL HEALTH

Support the ongoing fiscal health of every community within Santa Cruz County.

Performance Measure #13: Projects completed with positive net fiscal impact

Retail projects were completed in Capitola, Santa Cruz and in the unincorporated County.

Performance Measure #14: Planning projects completed to meet objective of the goal

All jurisdictions report moving forward with non-residential planning projects, despite the current economic climate.

GOAL 6: BUILD COLLABORATION

Build collaborative networks for economic development between 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.

Performance Measure #15: Projects completed to meet the objective of the goal.

City and County jurisdictions collaborated on the "Shop Santa Cruz County" initiative to promote local shopping. Support was also gained for the Santa Cruz County Conference and Visitors Council (CVC) Visitor Survey which lays the groundwork for supporting overnight visitation promotion efforts.

REGIONAL COUNTYWIDE PARTICIPATION IN THE CEDS

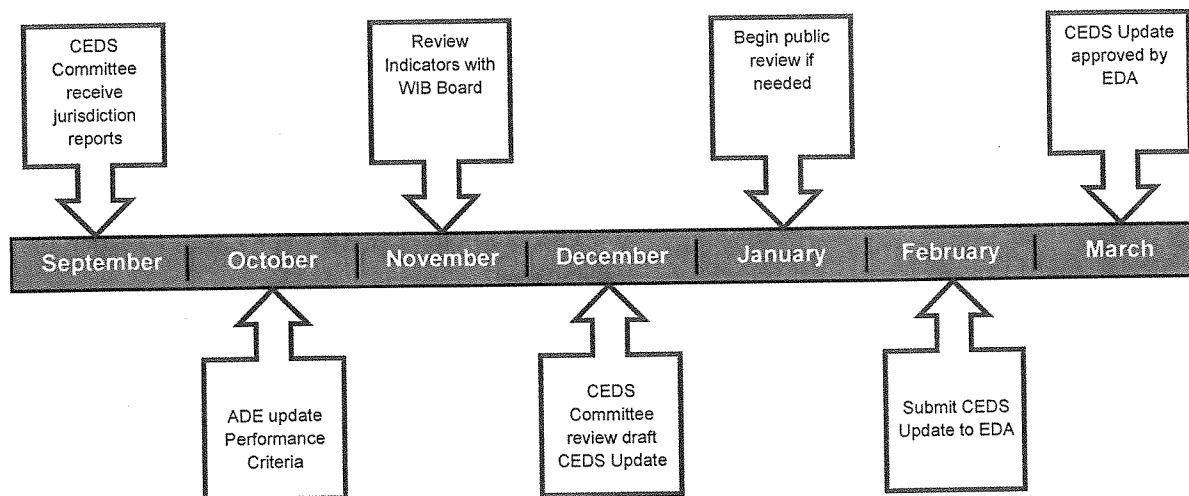
THE PLANNING PROCESS

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 currently has 34 members, of which 18 are representatives from the private, for-profit sector. Members from the private sector included representatives from the following firms or organizations: Good Times; Martinelli and Co; The National Council on the Aging; Inc.; O'Neill; Inc.; Watsonville Community Hospital; Seagate Technology; Driscoll Strawberry Associates; Inc.; First Alarm; Sutter Santa Cruz; Wells Fargo Bank; Monterey Bay Central Labor Council; Hutton Sherer Marketing; Santa Cruz Seaside Company; Graniterock; and Santa Cruz Area Chamber of Commerce.

The WIB has selected seven of its members to serve on the CEDS Committee along with WIB staff and one city official from each of the five jurisdictions in the County. The CEDS Committee meets quarterly to conduct business related to implementation of the CEDS plan.

The process of completing the 2009 Annual CEDS Update followed the seven-month timeline illustrated below. The CEDS Committee discussed the CEDS Update at both its September meeting in 2009. The full WIB Board received a progress report on the CEDS Update at its November 2009 meeting, and authorized the CEDS Committee to complete the Update document and submit it to EDA.

PROCESS



PLANNING ORGANIZATION

Santa Cruz County Board of Supervisors

John Leopold, First District Supervisor
Ellen Pirie, Second District Supervisor
Neal Coonerty, Third District Supervisor
Tony Campos, Fourth District Supervisor
Mark W. Stone, Fifth District Supervisor

STRATEGY COMMITTEE

WORKFORCE INVESTMENT BOARD MEMBERS

Private

Chair: Slack, Ron, Good Times
Vice Chair: Lambert, Julie, S. Martinelli & Co.
Elliot, Russ, Easton-Bell Sports
Gilbert, Jeri, Watsonville Community Hospital
Gundersgaard, Jon, Seagate Technology
Hein, Janet, Driscoll Strawberry Associates, Inc.
Hood, David, First Alarm
Johnson, Cheryl, Plantronics
Nocella, Al, Sutter Santa Cruz
Quist, James, Wells Fargo Bank
Sherer, Howard, Hutton Sherer Marketing
Siegel, Carol H., Santa Cruz Seaside Co.
Trenor, Mark, Graniterock
Tysseling, William, Santa Cruz Area Chamber of Commerce
Wolfe, Chris, Granite Construction

Public

Arsenault, Paul, Sheet Metal Workers Local Union No. 104
Ayyad, Alia, Center for Employment Training
Berry-Wahrer, Diane, Department of Rehabilitation
Campos, Tony, Santa Cruz County Supervisor
Collins, John T., II, Shoreline Workforce Development Services
Cuevas, Christina, Community Foundation of Santa Cruz County
De Lorenzo, Nicholas, National Council on the Aging
Deraiche, Rick, Employment Development Department
Espinola, Cecilia, Santa Cruz County Human Services Department
Johnson-Lyons, Christine, Community Action Board
Lipscomb, Bonnie, City of Santa Cruz
Morr, Bonnie, United Transportation Union Local 23
Pfothner, Rock, Cabrillo College
Powers, Mary, Santa Cruz Adult School
Schaller, Glen, Monterey Bay Central Labor Council
Van Valkenburg, Ed, Carpenters Union Local 505
Watkins, Michael, Santa Cruz County Office of Education
Williamson, Bob, IATSE, Local 611

CEDS COMMITTEE

Ackerman, Marty, City of Watsonville
Ando, Steve, City of Scotts Valley
Dlott, Jo Anne, Santa Cruz Seaside Company
Gundersgaard, Jon, Seagate Technology
Hill, Rich, City of Capitola
Lambert, Julie, S. Martinelli & Co.
Lipscomb, Bonnie, City of Santa Cruz Redevelopment Agency
Lynberg, Betsey, Santa Cruz County Redevelopment Agency
Slack, Ron, Good Times
Trenor, Mark, Graniterock
Tysseling, Bill, Santa Cruz Area Chamber of Commerce

JURISDICTIONAL ALTERNATES

Hall, Joe, City of Santa Cruz
Hambelton, Robert, Santa Cruz County Redevelopment Agency
Koht, Peter, City of Santa Cruz
Tavantzsis, Marcela, City of Watsonville

WIB STAFF

David Lundberg, Interim WIB Director
Gary McNeil, Human Services Senior Analyst

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Sean Karafin, Associate

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CEDS GOALS AND PERFORMANCE MEASURES

The Santa Cruz County CEDS plan sets forth six goals that articulate the County's broad, general expectations regarding economic development programs and activities. For each goal, the CEDS defines a set of performance measures. This part of the 2009 CEDS Update provides the most current data available to indicate how the County is progressing on these measures.

The six goal areas are:

1. Workforce Development
2. Regional Prosperity
3. Quality of Life
4. Infrastructure
5. Fiscal Health
6. Partnerships

GOAL 1: WORKFORCE DEVELOPMENT

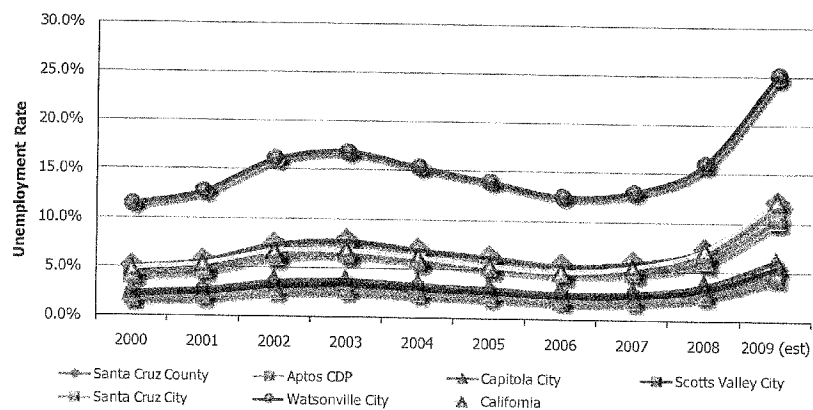
Maximize human and business capital by promoting a well-trained workforce for Santa Cruz County employers, ensuring individual economic security, and community vitality. Provide Santa Cruz County employers with a reliable pipeline of well-qualified workers. Provide Santa Cruz County residents with access 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.

Performance Measures

Measure #1: Unemployment rate

Figure 1 shows the recent trends in unemployment rates for the jurisdictions in the County and the state average. The curves represent annual averages and show an upward trends beginning in 2007. 2008 rates for all cities, the County as a whole, and the State showed significant upward movement and estimates show this trend continues through 2009. As of September, the 2009 estimated County unemployment rate was 21.1 percent, compared to the 2008 rate of 7.3 percent. Statewide, the 2009 unemployment rate is estimated at 12.2 percent and the national rate was 9.3 percent.

FIGURE 1
UNEMPLOYMENT RATE BY SANTA CRUZ COUNTY JURISDICTION & CALIFORNIA



Source: California Employment Development Department, Labor Market Information Division

GOAL 2: REGIONAL PROSPERITY

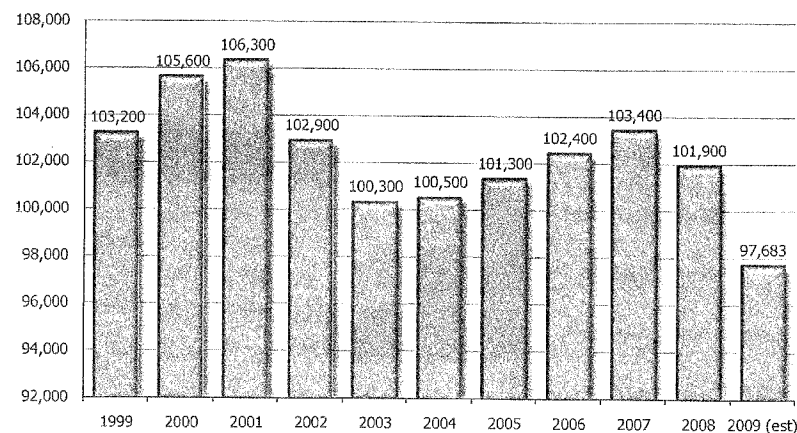
Ensure regional economic vitality by supporting the growth of firms that fill important niches in the County's economic base, that have the potential to catalyze broader economic growth and that provide opportunities for career advancement and higher wages.

Performance Measures

Measure #2: Job growth in all industries and in cluster industries

Santa Cruz County had shown accelerating employment growth well into 2007, but then the downturn in the housing market and general economic conditions caused a dramatic slowing of growth in the County (Figure 2). Although employment had continued to grow at a slow pace earlier in 2008, approximately 1,500 jobs were lost between 2007 and 2008. As of September 2009, the State Employment Development Department showed a decline of 3,500 jobs in the County over the prior 12 months. The numbers in Figure 2 represent an annualized projection of employment decline for the year in 2009. The County is clearly affected by the worsening national economy reflected in additional job declines through the end of 2009.

FIGURE 2
TOTAL WAGE AND SALARY EMPLOYMENT, SANTA CRUZ COUNTY



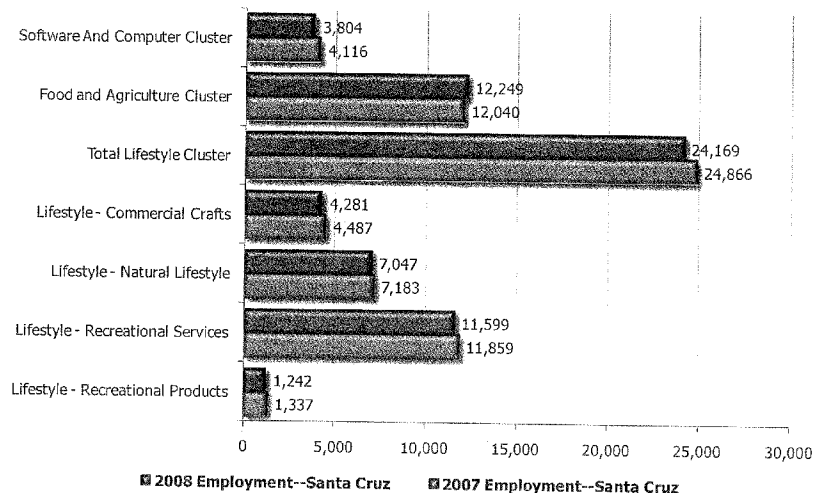
Source: California Employment Development Department, Labor Market Information Division

Note: Year-over-year employment growth increased annually from 2005 to 2007. In 2008 employment dropped 1.4% and is estimated to drop an additional 4% in 2009.

* Employment is reported as an annual average. 2009 estimate based on percent change from January through September 2008 to the same period in 2009, prorated to annual average.

The more detailed industry data needed to show cluster-level employment changes are only available through 2008 at this time. As shown in Figure 3, all clusters grew, with the exception of the Lifestyle – Recreational Products cluster which showed a significant decline between 2006 and 2007. It should be noted, however, that in the Agricultural Cluster, the dollar value of crop production has been showing solid increases for several years, although the jobs have not followed pace.

**FIGURE 3
INDUSTRY CLUSTER EMPLOYMENT, 2007-2008**



Source: ADE, data from IMPLAN CEW county employment database (for calendar years).

Measure #3: Jobs retained

None of the jurisdictions report significant figures of threatened jobs retained or job retention activity.

Measure #4: Number of plant closures

In Capitola, three businesses have been identified as having experienced a permanent closure. Mervyn's had announced its impending closure before the last update, and 104 jobs had been lost when the closure occurred in fiscal year 08/09. The closure of Gottschalks and Wachovia in the same year came with the layoffs of roughly 200 and 20 employees, respectively. An additional 30 layoffs occurred from Spa Fitness. In the current fiscal year, 5 layoffs occurred at Wolf Camera and 10 at Train Place Deli.

While no plants were identified as having closed, the City of Santa Cruz saw significant reductions of workforce at several businesses including: 71 employees at Plantronics, 50 at the University of California, Santa Cruz, and 12 at the City itself, all in fiscal year 08/09. Fiscal year 09/10 so far has seen an additional loss of 40 jobs at the University and 17 more at the City.

Scotts Valley saw a reduction in workforce from Seagate Technology in FY 08/09 of 299 jobs (195 in March and 104 in May).

Watsonville experienced temporary closures, for roughly a week around the holidays in both fiscal years 08/09 and 09/10. The temporary closures of West Marine affected 390 employees in FY 08/09 and 325 in FY09/10. Additional layoffs occurred in FY 08/09 of 149 at Sandpiper Farms, 65 at DHL Express, 30 at Granite Construction, and 15 at Watsonville Community Hospital. Additional layoffs occurring so far in FY 09/10 include 35 jobs at Nova Controls, 6 jobs at Ritmo Latino, 9 at the Fox Theater, and 5 at the Lobby Café. The City itself had three layoffs and implemented a reduction in hours for all employees.

The largest impact in the past two fiscal years was the reduction in workforce in FY 08/09 by Pajaro Valley Unified School District (PVUSD), which has locations in Watsonville and unincorporated areas. PVUSD laid-off roughly 400 employees. The unincorporated areas also saw the loss of 56 jobs with the closure of Circuit City in FY0 8/09, 120 employees at Cemex, and with 6 layoffs with the reduction of workforce at Easter Seals.

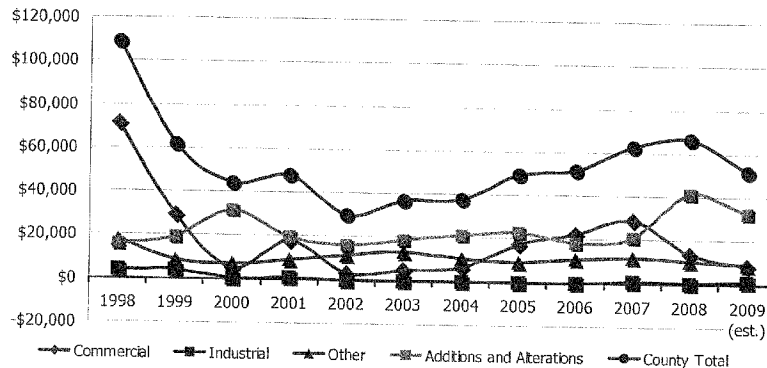
Finally, in fiscal years 2008 through 2010, 36 layoffs occurred at the Palo Alto Medical Foundation, which has facilities throughout the County.

Measure #5: Building permit trends for non-residential construction/additions

Figure 4 shows the trend in non-residential building permits countywide through the end of 2008, with estimates for 2009. Commercial permit values increased slightly in 2008, but have dropped dramatically in 2009. Additions and alterations had helped the total values in 2008, but even that activity declined in 2009. Industrial permits continued to show little activity.

Since 2007, overall non-residential permit values have decreased 17.6 percent. It is expected that 2009 will show \$20.3 million less in commercial permits (70 percent) and \$11.5 million (55 percent) less in additions and alterations compared to 2007.

FIGURE 4
NON-RESIDENTIAL PERMIT VALUATION, SANTA CRUZ COUNTY (IN '000S)



Source: California Construction Industry Research Board, 2008

Measure #6: Growth in TOT and sales tax revenues

In 2007, Santa Cruz County exceeded the state average for growth in Transient Occupancy Taxes (TOT). However, with the deteriorating economic conditions in 2008, the growth rate was cut in half to 5.1 percent countywide from 2007 to 2008. The City of Santa Cruz posted a 1.7 percent decline between 2007 and 2008 and the County unincorporated area had only a 5.6 percent increase, compared to more than 15 percent for the calendar year 2007 over 2006 (Table 1).

TABLE 1
TRANSIENT OCCUPANCY TAX BY JURISDICTION,
SANTA CRUZ COUNTY & CALIFORNIA (IN '000S)

Jurisdiction	1998	2007	2008	% Change: 2007-2008	% Change: 1998-2008
Capitola	\$286	\$604	\$643	19.0%	150.9%
Santa Cruz	\$2,716	\$3,751	\$3,685	-1.7%	35.7%
Scotts Valley	\$101	\$694	\$723	4.3%	615.4%
Watsonville	\$281	\$638	\$830	30.0%	194.8%
Unincorporated	\$3,118	\$4,258	\$4,496	5.6%	44.2%
Santa Cruz County	\$6,503	\$9,944	\$10,453	5.1%	60.7%
California	\$899,720	\$1,465,802	\$1,567,616	6.9%	74.2%

Source: Dean Runyan Associates, 2008

*Note: Many jurisdictions raised their TOT tax rate in 2004, which affects the 1998 to 2008 growth figures.

Presented in Table 2 below are the TOT figures taken from the operating budgets of the cities and the County. Capitola and Scotts Valley both have hotel projects in the planning or construction stages, and are projecting increases in TOT for the next fiscal year. The County as a whole is expected to see a

decline of 13.3 percent while Santa Cruz budgeted for a 24 percent drop between fiscal years.

TABLE 2
TRANSIENT OCCUPANCY TAX BY JURISDICTION
SANTA CRUZ COUNTY (IN '000S)

	Actual FY 08/09	Budgeted FY 09/10	% Change FY 08/09 - FY 09/10
Capitola *	\$583	\$657	12.7%
Santa Cruz	\$3,724	\$2,830	-24.0%
Scotts Valley	\$520	\$575	10.6%
Watsonville	\$753	\$631	-16.2%
Unincorporated	\$3,887	\$3,519	-9.5%
Santa Cruz County	\$9,467	\$8,212	-13.3%

Source: ADE Inc., Local Jurisdiction Budgets

Note: *FY 08/09 figures combine actual, mid year estimates, and budgeted figures. Figure for Capitola represents Q4 '08 - Q3 '09.

The average overall growth rate shows a loss of nearly 14 percent of taxable sales for this past 12 month period when compared the same period a year earlier (Table 3). Each city and the unincorporated areas experienced losses in the double digits. While Watsonville saw the least significant decrease of 11.5 percent, Scotts Valley showed the most significant loss in taxable sales of 21 percent.

TABLE 3
ANNUAL TAXABLE SALES BY JURISDICTION,
SANTA CRUZ COUNTY (in '000s)

	FY 98/99	4 Quarters to Q3 2008	4 Quarters to Q3 2009	% Change: 2008-2009	% Change: 98/99-2009
Capitola	\$419,491	\$489,083	\$397,143	-18.80%	-5.33%
Santa Cruz	\$676,535	\$915,464	\$799,315	-12.69%	18.15%
Scotts Valley	\$164,876	\$213,904	\$169,075	-20.96%	2.55%
Watsonville	\$340,271	\$630,459	\$557,931	-11.50%	63.97%
Unincorporated/Unallocated	\$829,264	\$857,175	\$750,309	-12.47%	-9.52%
Santa Cruz County	\$2,430,437	\$3,106,084	\$2,673,774	-13.92%	10.01%

Source: California State Board of Equalization: Report of Taxable Sales in California: 1998-2007, Local Jurisdictions

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.

Performance Measures

Measure #7: Number of visitors at state parks, including beaches, located in Santa Cruz County

Based on limited data for two of the three areas of the County, Table 4 indicates a reduction in visitors in FY 2007-2008 compared to FY 2006-2007 at State Parks in the County. This is the most recent data available from the California State Parks Statistical Reports.

TABLE 4
VISITOR ATTENDANCE CALIFORNIA STATE PARKS,
SANTA CRUZ COUNTY: FY 2007-2008

	FY 06-07	FY 07-08
Mountain Sector	1,738,595	1,673,842
Pajaro Coast Sector	6,566,486	6,577,556
San Mateo Coast Sector	2,250,896	2,591,470
Total	10,555,977	10,842,868

Source: California State Parks Statistical Report

Measure #8: Number of days the beaches closed due to environmental hazards

Table 5 provides a benchmark for measuring future trends on this indicator.

TABLE 5
NUMBER OF DAYS OF BEACH CLOSURES AND POSTINGS,
SANTA CRUZ COUNTY: 2008

Days of Closure (due to sewage)	0
Days of Posting (due to bacteria levels)	220

Source: Santa Cruz County Environmental Health Services

Measure #9: Number of licensed child care slots

The County has experienced a modest reduction in total child care slots in 2009, mostly due to fewer family care providers (Table 6).

TABLE 6
LICENSED CHILD CARE SLOTS IN SANTA CRUZ COUNTY

Type of Facility	2008	2009	Percent Change
Child Center Providers	4,529	4,518	-0.24%
Family Care Providers	3,714	3,624	-2.42%
Total	8,243	8,142	-1.23%

Source: Santa Cruz County Child Development Resource Center

Measure #10: Number of affordable housing units constructed.

Capitola: Three projects have been completed in the prior fiscal year resulting in deed restricted affordable housing.

City of Santa Cruz: 100 units of live/work affordable housing were completed at the Tannery Artists Lofts project and 50 units of affordable housing were retained at Mission Gardens.

Santa Cruz County: In the past fiscal year, 2008/09, 83 affordable housing units were made available to low and very low income residents. This included 29 County issued loans to first time moderate income homebuyers under its First Time Homebuyer Loan program which is eight more than the prior fiscal year.

Watsonville: In the past fiscal year, 2008/09, including first time homebuyer loans for those loans which attach long-term affordability restrictions to the residence, 48 units were made accessible to low income families. In the last half of 2009, several additional units have also been completed.

GOAL 4: INFRASTRUCTURE

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

Performance Measures

Measure #11: Progress on a Capital Improvement Program (CIP) projects

As shown in Table 7, the jurisdictions made some progress on infrastructure improvements during the past year, but these figures are lower than seen in the past. Several of the jurisdictions have programmed even fewer expenditures for next fiscal year due to anticipated reductions in tax and fee revenues caused by the recession. It should be noted that these figures do not include capital improvements for parks, libraries, and other general government functions.

TABLE 7
ECONOMIC DEVELOPMENT CAPITAL
IMPROVEMENTS
(NOT INCLUDING STREET MAINTENANCE)

	Actual 2008/09	Estimated 2009/10
Capitola		
Roads/Streetscapes	\$1,043,100	\$250,000
Parking	\$40,900	-
Scotts Valley		
Roads/Streetscapes	\$574,732	\$627,000
Drainage	\$28,600	\$38,000
Sewer	\$163,804	\$99,000
City of Santa Cruz		
All Facilities	\$8,848,705	\$9,522,587
Watsonville		
Roads/Bridges	\$16,017,000	\$9,652,000
County of Santa Cruz		
Roads/Streetscapes (1)	\$15,011,322	\$21,335,306
Drainage	\$1,869,073	\$1,107,229

Source: ADE, Inc.

(1) Including disaster recovery and Redevelopment Agency projects.

GOAL 5: FISCAL HEALTH

Support the ongoing fiscal health of every community within Santa Cruz County.

Performance Measures

Measure #13: Projects completed with positive net fiscal impact

Capitola: Recently completed projects with net positive fiscal impacts include the opening of Kohl's, Whole Foods and an International House of Pancakes.

City of Santa Cruz: Completed projects include a new 60,000 sq.ft. Safeway on the Westside, along with 9,000 sq.ft. of adjacent commercial space; a 20,000 sq.ft. New Leaf Market, also on the Westside, and a new Rittenhouse building on Pacific Avenue, with 22,000 sq.ft. of retail and 68,000 sq. ft. of office space.

County of Santa Cruz: Two projects are expected to have positive fiscal effect; the opening of Ocean Honda on Soquel Drive, and the construction and opening of a new Chinese Restaurant on lower 41st Avenue. In addition, Big Creek Lumber moved to a new location close to Hwy 1. It is less clear as to the net fiscal effect as a result of their move.

Measure #14: Planning projects completed to meet objective of the goal

Capitola: The City of Capitola reported the 41st Avenue Corridor Economic Development/Mixed use Revitalization Study as a project completed that supports the fiscal health of the City.

City of Santa Cruz: Renovation of Dream Inn Hotel and new hotel restaurant; New 100 unit Holiday Inn Express Motel.

County of Santa Cruz: In the fall of 2009, the County of Santa Cruz conducted a series of economic development study sessions for the County Board of Supervisors. The relationship of economic development to the purpose of redevelopment, and the importance of economic development to creating a vital and sustainable local economy that provides good quality jobs, improved access to goods and services, and revenues to support local government services were discussed. In addition, the Redevelopment Agency conducted an extensive public outreach effort to produce a five year implementation plan for the Live Oak and Soquel Redevelopment Project Area. Economic vitality was identified as a key community concern as part of that effort. As a result, the new five year implementation plan includes specific goals and objectives related to economic development and outlines key elements of an economic development strategy for the Live Oak and Soquel Redevelopment Project Area. Key elements include: strategies and studies to stimulate economic vitality and job creation, public parking and facilities, business assistance, and development assistance.

City Scotts Valley: The Environmental Impact Report for the Town Center Specific Plan has been approved by the City Council and cleared all appeal periods. The first project in the Specific Plan Area, the residential high density Town Center homes project, was approved by the City Council. The City Redevelopment Agency (SV RDA) purchased an existing building and is remodeling 13,150 sq.ft. to be the Scotts Valley branch library. The conversion is estimated to begin in summer of 2010 and finish in Spring 2011. The SV RDA has entered into a purchase agreement for the property of one of the propane companies on the site. When this transaction is completed it will assist in implementing the Town Center Plan.

Watsonville: The Specific Plan for the Manabe Ow business park, a 60+ acre project, is nearing completion. The Redevelopment Agency's five-year implementation plan, adopted in December 2009, includes a number of economic development activities, including studies and plans.

GOAL 6: BUILD COLLABORATION

Build collaborative networks for economic development between 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.

Performance Measures

Measure #15: Projects completed to meet the objective of the goal.

In the past year, Capitola has indicated supporting the "Shop Santa Cruz" initiative, which as a cooperative effort to encourage all Santa Cruz County residents to patronize local stores. In addition, the County has contributed to the Santa Cruz County Conference and Visitors Council (CVC) Visitor Survey which will support CVC's efforts to promote overnight visitation.

Watsonville has developed strong ties and working relationships with key economic development entities in the area. The City contributes funding to the Santa Cruz Conference and Visitor Council for both ongoing general tourism promotion, specific promotion of the area Birding Festival and for the user survey. In addition, the City acts in close partnership with, and contributes funding to, the Small Business Development Center (SBDC) operating out of Cabrillo College, to provide business consulting and training for local businesses. Funding is also provided to the El Pajaro Community Development Corporation (El Pajaro CDC), a non-profit business assistance entity, and to the Pajaro Valley Chamber of Commerce and Agriculture. In addition, City representatives sit on the boards of the SBDC, the Chamber, and El Pajaro CDC. City economic development/redevelopment staff is currently working with a number of local property owners to plan potential projects.

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CONCLUSION: CONTINUATION OF CEDS GOALS AND PROJECTS

REGIONAL PROJECT PRIORITIES

Regional priorities for EDA project funding include the following projects (listed in alphabetical order), with progress updates:

- **Aptos Village Plan:** The Plan has been adopted by the County Board of Supervisors and funding is needed to complete capital improvement projects to implement the plan.
- **Business/Technology Incubator (City of Santa Cruz):** This project has gained increased prominence in the City's economic development efforts and replaces the downtown parking structure as a top priority project for the City. The City continues to hold discussions about the configuration and design of the parking structure, but has determined that the incubator project will have a more timely and substantial effect on meeting the CEDS goals.
- **Downtown Watsonville Revitalization:** The City continues to make improvements to the downtown area, including completing a number of Sign and Façade improvement projects and installing sidewalk improvements as funding has become available.
- **Manabe-Ow Industrial Park Infrastructure Improvements (Watsonville):** This project is the City's priority for potential EDA funding. The Environmental Impact Report and Specific Plan are expected to be approved by City Council within the next quarter.
- **Pajaro River Levee Reconstruction (County of Santa Cruz):** Planning studies have been proceeding with an appropriation of approximately \$583,000 in 2010. An addition \$5 million is required to complete the studies and environmental documentation. This level of funding is now available to the project under State Proposition 1E funds and an agreement with the State is being prepared. Under the current schedule, a General Reevaluation Report and an EIS would be completed in fall 2011. This would permit construction to begin in federal fiscal year 2012.
- **Road Improvements on 41st Avenue in from Capitola City limit to Capitola Road and 46th Avenue from Capitola Road to Clares Street:** The City of Capitola has completed a planning study to identify potential land use changes that would help to shape, and possibly fund, road improvements in the area.
- **Capitola Village Parking Facility.** The City of Capitola has recently been awarded EDA funds to conduct a planning study to increase Village parking and facilitate commercial/retail growth.
- **Scotts Valley Town Center:** The Town Center Specific Plan was expanded to encompass undeveloped portions of the previously adopted Skypark Specific Plan area. The Environmental Impact Report for the Town Center Specific Plan has been approved by the City Council and cleared all appeal periods. The first project in the Specific Plan Area, the residential high density Town Center homes project, was approved by the City Council. The City Redevelopment

Agency purchased an existing building and is remodeling 13,150 sq.ft. to be the Scotts Valley branch library. Conversion is estimated to begin in summer of 2010 and finish in Spring 2011.

- **Skypark Specific Plan (Scotts Valley):** Now incorporated in the Town Center Specific Plan.
- **Tannery Arts Center (City of Santa Cruz):** 100 BMR units were completed and are now occupied. The project's next phases consist of Artist's Working Studios/Digital Media Center, a Performing Arts Theater and a Community Education Building.

POLICY DIRECTION FOR NEXT YEAR

The Santa Cruz County CEDS Committee has determined that the major policy directions and implementing actions/projects in the CEDS continue to provide the appropriate direction for regional economic development efforts for the upcoming year. Although many of the performance indicators declined or slowed in growth, reflecting the current recessionary economy, the commitment and momentum of each jurisdiction on the priority projects identified in the CEDS remains strong. National economic conditions notwithstanding, County jurisdictions recognize the need to continue to make investments toward a stronger economic future. No change in policy direction or in the definition of performance indicators is recommended at this time.

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