



SANTA CRUZ COUNTY COMPREHENSIVE ECONOMIC DEVELOPMENT STRATEGY (CEDs)

2013 ANNUAL UPDATE

FEBRUARY 11, 2014

Prepared by
Workforce Investment Board of Santa Cruz County
County of Santa Cruz Planning 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 four incorporated cities and the County Planning Department. In addition to these jurisdictions, the CEDS Committee includes five other business entities and institutional partners. The CEDS Committee and the WIB Board worked extensively through the fiscal year to implement the CEDS and to prepare this Annual Update, documenting the progress each participating jurisdiction has made.

ECONOMIC CONDITIONS

Santa Cruz County has continued to see a falling unemployment rate with accelerated job growth in 2013 over 2012. Major governmental revenues rose for all jurisdictions this year; although non-residential building development trends remain weak. There are several encouraging economic indicators for the year so far in 2013.

- Hotels and motels saw 60 percent occupancy for the first 10 months of the year.
- The number of mortgage holders defaulting on payments, which topped 2,000 in 2009, has fallen to 208 as of December 27, 2013.
- Homeowners have seen homes appreciate in value and have been able to refinance at historic low interest rates.
- Tourism is up statewide which positively benefits Santa Cruz County.

PERFORMANCE ON CEDS GOALS

This Annual Update provides information on 15 performance measures designed to gauge progress on the six CEDS Goals, outlined below:

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 average annual unemployment rate for 2013 is estimated at 10.4 percent, down from 11.1 percent in 2012. This fall in unemployment is similar to the state trend, which is estimated to have decreased from 10.4 percent in 2012 to 10.3 percent in 2013.

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

Jobs in the County are projected to increase by an estimated 4,023 jobs between 2012 and 2013. This remains more than one percent below the most recent peak in wage and salary employment in 2007. Among the industry clusters, Government, Health Care and Social Assistance, Retail, Manufacturing, Hospitality, and Professional Services all achieved significant increases in 2013.

Performance Measure #3: Jobs retained

Efforts through the Small Business Development Center (SBDC) and the individual jurisdictions resulted in retention of about 22 threatened jobs as of December, 2013.

Performance Measure #4: Number of plant closures

Plant closures continued in 2013, resulting in the loss of more than 524 jobs as of September 30, 2013.

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

The value of non-residential building permits decreased to about \$42 million in 2013, down from \$49 million in 2012. This decrease resulted from reduced commercial and additions and alterations permits. Other non-residential permits rose by \$8.4 million to \$13 million in 2013.

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

Both lodging revenues and taxable sales continued upward trends in 2013.

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

The number of visitors to State Parks and Beaches increased in FY 11-12, after two years of decline. This is the most recent published data.

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

There were no beach closures in 2012 and the County experienced a decrease in posting days for bacteria on beaches. 2013 data is not yet available.

Performance Measure #9: Number of licensed child care slots

The County experienced a 2.17 percent decrease in total child care slots between 2011 and 2012. 2013 data is not yet available.

Performance Measure #10: Number of affordable housing units constructed

Approximately 1,222 affordable units are under construction or were retained through efforts of the local jurisdictions, including homebuyer assistance programs in 2013.

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

Several jurisdictions report completing infrastructure projects directly related to economic development as further described in pages 15 and 16 of this document.

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

The City of Santa Cruz in particular reports several industrial projects completed during the year, including the Santa Cruz Warriors Basketball Facility in downtown and the 395,400 sq. ft. USGS Pacific Coastal and Marine Science Center. In addition, the expansion of multiple businesses in Watsonville and the re-tenanting of portions of the Borland campus in Scotts Valley improved fiscal conditions in those jurisdictions.

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

The County of Santa Cruz adopted completed multiple amendments to its County Code to facilitate development. The City of Capitola completed its Draft General Plan and companion Environmental Impact Report. The City of Scotts Valley has continued to issue permits for the Town Center and Woodside developments. The Cities of Watsonville and Santa Cruz have multiple projects under development. These developments will increase its property values and tax revenue, with a positive effect on fiscal health.

GOAL 6: BUILD COLLABORATION

Build collaborative networks for economic development between government, industry, and academia that will leverage each other's strengths for improved economic vitality and quality of life for County residents and businesses.

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

The jurisdictions continue to collaborate on the CEDS, regional broadband, and Central Coast marketing efforts. In addition, the jurisdictions collaborate with the local and countywide chambers of commerce and the Business Council, as well as other economic development associations and organizations. The County sponsored several focus groups and stakeholder meetings, held in locations throughout the County, as part of the process of developing a new Economic Vitality Strategy.

REGIONAL COUNTYWIDE PARTICIPATION IN THE CEDS

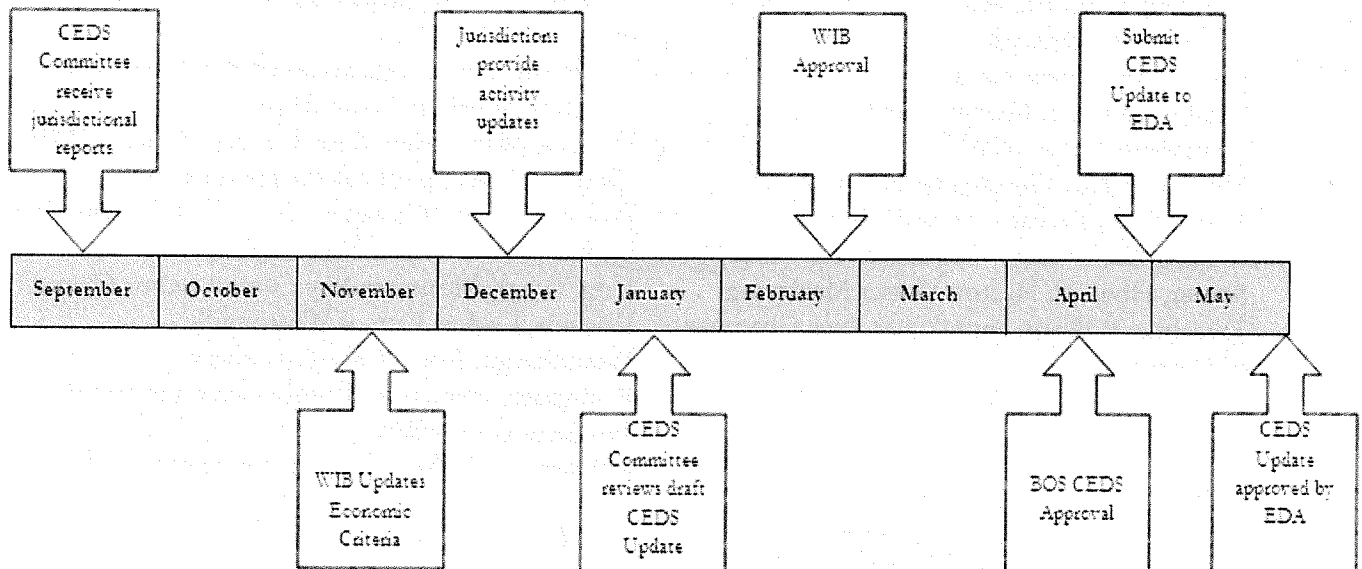
THE PLANNING PROCESS

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 38 members, of which 19 are representatives from the private, for-profit sector. Members from the private sector include representatives from the following firms or organizations: B2B Co.; Bridge Bank; Chaminade Resort and Spa; Dominican Hospital; Driscoll's; First Alarm; Good Times; Hutton Sherer Marketing; Lighthouse Bank; Pacific Gas and Electric; Palo Alto Medical Foundation; Photography by Elyse Destout; S. Martinelli and Co; Safeway; Santa Cruz Area Chamber of Commerce; Santa Cruz Seaside Co.; Seagate Technology; Target; and Wonderfully Raw Gourmet.

The WIB has selected five 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 three times a year to conduct business related to implementation of the CEDS plan.

The process of completing the 2013 Annual CEDS Update followed the nine-month timeline illustrated below. The CEDS Committee discussed the CEDS Update at both its September meeting in 2013 and its January meeting in 2014.

PROCESS



PLANNING ORGANIZATION

2013 Santa Cruz County Board of Supervisors

John Leopold, First District Supervisor
Zach Friend, Second District Supervisor
Neal Coonerty, Third District Supervisor
Greg Caput, Fourth District Supervisor
Bruce McPherson, Fifth District Supervisor

2014 Santa Cruz County Board of Supervisors

John Leopold, First District Supervisor
Zach Friend, Second District Supervisor
Neal Coonerty, Third District Supervisor
Greg Caput, Fourth District Supervisor
Bruce McPherson, Fifth District Supervisor

STRATEGY COMMITTEE

WORKFORCE INVESTMENT BOARD MEMBERS

Private

Chair: Slack, Ron, Good Times
Vice Chair: Siegel, Carol H., Santa Cruz Seaside Co.
Aman, Alan, CEO Palo Alto Medical Foundation
Cheney, Jack, Wonderfully Raw Gourmet
Conner, Carolyn, Safeway
Custodio, Valerie, Target
Delk, Marshall, Lighthouse Bank
Destout Elyse, Photography by Elyse Destout
Elliot, Russ, Bridge Bank
Gundersgaard, Jon, Seagate Technology
Heien, Janet, Driscoll's
Hood, Dave, First Alarm
Lambert, Julie, S. Martinelli & Co.
Mangelsen, Steve, B2B CFO
Miranda, Vicki, Dominican Hospital
Morse, Rob, Pacific Gas and Electric
O'Laughlin, Denise, Chaminade Resort & Spa
Sherer, Howard, Hutton Sherer Marketing
Tysseling, William, Santa Cruz Area Chamber of Commerce

Public

Arsenault, Paul, Sheet Metal Workers Local Union No. 104
Ayyad, Alia, Center for Employment Training
Berry-Wahrer, Diane, Department of Rehabilitation
Caput, Greg, Santa Cruz County Supervisor
Carroll, Jack, Watsonville/Aptos Adult Education
Collins, John T. II, Sr. Vice President, Goodwill Industries
Cuevas, Christina, Community Foundation Santa Cruz County
Dion, James, Employment Development Department
Espinola, Cecilia, Santa Cruz County Human Services Department
Hartmann, Andy, International Brotherhood of Electrical Workers Local 234
Hodges, Mark, Santa Cruz County Office of Education - Regional Occupational Program (ROP)
Johnson-Lyons, Christine, Community Action Board
Kates, Corrie, City of Scotts Valley
Lara, Cesar, Monterey Bay Central Labor Council
Palacios, Carlos, City of Watsonville
Pfothenauer, Rock, Cabrillo College
Rodriguez, Francisco, Pajaro Valley Federation of Teachers Local 1936
Williamson, Robert, IATSE, Local 611

CEDS COMMITTEE

Ando, Steve, City of Scotts Valley
Dlott, Jo Anne, SureHarvest
Goldstein, Jamie, City of Capitola
Gundersgaard, Jon, Seagate Technology
Lipscomb, Bonnie, City of Santa Cruz
Overmeyer, Kurt, City of Watsonville
Previsich, Kathy, County of Santa Cruz
Siegel, Carol, Santa Cruz Seaside Co.
Slack, Ron, Good Times
Tysseling, Bill, Santa Cruz Area Chamber of Commerce

JURISDICTIONAL ALTERNATES

Hall, Joe, City of Santa Cruz
Kates, Corrie, City of Scotts Valley
Mason, Barbara, County of Santa Cruz

WIB STAFF

David Mirrione, WIB Director

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 2013 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

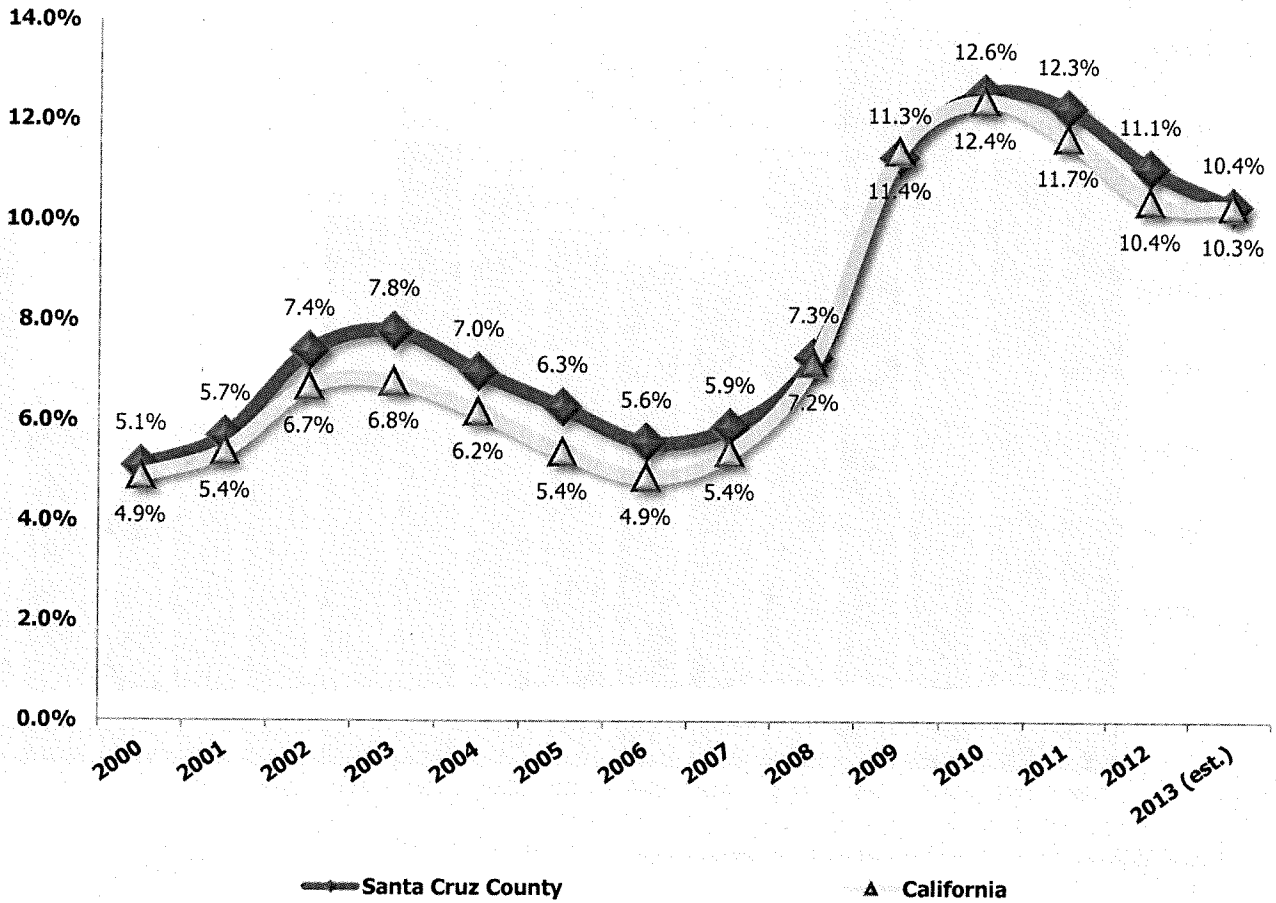
Maximize human and business capital by promoting a well-trained workforce for Santa Cruz County employers, ensuring individual economic security and community vitality. Provide Santa Cruz County employers with a reliable pipeline of well-qualified workers. Provide Santa Cruz County residents with access 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 County and the state average. The curves represent annual averages and show a continued downward trend this past year after several years of increasing unemployment. As of October, the 2013 estimated County unemployment rate was 7.5 percent, compared to the October 2012 rate of 8.7 percent. Statewide, the October 2013 unemployment rate is estimated at 8.3 percent, compared to the national rate of 7.0 percent.

**FIGURE 1
UNEMPLOYMENT RATE FOR SANTA CRUZ COUNTY & 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

Job growth in 2012 was moderate, adding 800 jobs over the low-point of 2010. However, through the first nine months of 2013, wage and salary employment was up 4.2 percent over the similar period in 2012, leading to projections of over 4,140 new jobs in 2013 (Figure 2). (Wage and salary employment does not include self-employed business proprietors.)