

# **Salinas Valley Economic Development**

## **Strategic Vision**

**And**

## **Recommended Action Plan**

**Fiscal Year 2009-2010**



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## **I. Executive Summary**

The Economic Development Plan recognizes the current business conditions, the existing dependence on agricultural employment and a higher than normal government employment impact, and the impacts of reliance on retail sales tax revenues which are very cyclical.

The purpose of this Economic Development Plan is to identify the steps needed and actions required, which result in the retention and expansion of existing businesses; a focused effort on attracting new businesses that accomplish increased diversification away from the dependency on the agricultural sector; adding retail operations which reduce “retail leakage” as defined in the Buxton Report; provide support for local entrepreneurial development; continued regional cooperation; identification of environmentally responsible development; creation of a “Targeted Marketing” effort; and, addressing long term sustainability for the community.

The plan emphasizes job creation, both numerically and by providing higher paying opportunities; a continued effort for retail sales tax expansion; repositioning of the community’s image, both internally and externally; attraction of new businesses that are part of the new economy, primarily focused on alternative-energy related businesses; continued support for the agricultural sector through attracting critical suppliers and research based businesses; and, the promotion of major City of Salinas redevelopment projects.

Specific milestones have been identified where possible, so that measurable outcome performance benchmarks are established. The suggestion of the creation of Action Teams comprised of various community and business leaders is proposed to draw upon the high level of talent available in the region to assist in implementation of this plan.

The plan addresses moving forward with a: 1) focused strategic effort, given the current fiscal constraints and the need to “catch up” with other regions that have been emphasizing economic development for many years, 2) recognition of the importance of working cooperatively and collaboratively regionally, and 3) understanding the interdependencies that exist within our region.

Finally, a discussion should occur concerning establishment of an Economic Development Incentive policy. Items such as the recent action to establish “Buy Local” and “Shop Local” programs fit into this category. Other discussion points can be about the use of incentives such as new retail sales tax sharing, abatement of new property taxes for certain types of businesses, implementation of zoning changes and/or plan reviews and processing for new developments that use a design/build approach, and the waiving or abatement of certain fees. Any and all of these considerations should be tied directly to specific strategy attainments, i.e.; job creation or tax base expansion.

## II.

### Strategic Vision

**“To provide professional economic development services which result in an improved quality of living for Salinas Valley residents accomplished through strengthening existing area businesses, adding new enterprises that either compliment current activities or expand better paying employment opportunities for current residents, while assisting Salinas Valley municipalities in enhancing and sustaining future revenue streams.”**

### **III. Existing Conditions/Major Industries**

#### **1. Agricultural Sector**

Currently the Salinas Valley agricultural sector produces approximately \$3.2 billion of sales. The vintner/wine-growing sub-sector produces an additional \$400 million of sales. The challenges for the agriculture industry are well documented: 1) food safety and food security, 2) extreme challenges from an increasing locally-produced competitor base in the prime marketing areas of the U.S. eastern states, putting at risk a traditionally secure market area, 3) significant pressure to diversify production/processing from commodity efforts toward higher margin product differentiation, 4) concerns about a continuing availability of labor, 5) intensive cost pressures created by high sensitivity to petroleum-based product cost increases, and 6) ongoing challenges in the capital funding markets.

The Salinas Valley agricultural producers have: 1) benefited from locally provided innovations resulting in higher levels of productivity in growing row crops; 2) lowered production costs through increased use of mechanization; 3) expanded market presence and production availability through national and international expansions; 4) identified new market offerings, via introduction of value-added products; and 5) identified new products by providing capital investment for ongoing research efforts.

The announcement by Chiquita and Fresh Express to locate a research operation in the City of Salinas is a potential bell-weather for locating additional research facilities, either university or industry funded.

The local vintner/wine-growing sector has continued a strong growth pattern, but the lack of locally produced wines prevents increasing profitability as most of the grapes/grape juices are shipped to other areas of California. The local Appalachians are recognized for their high quality grape production.

#### **2. Tourism Sector**

Tourism in the region is the second highest income source providing gross sales of approximately \$2 billion. Most of the tourism activity flows toward the Monterey Peninsula area, but the continued success of local events, such as the California Rodeo, Salinas Air Show, and the National Steinbeck Center that draw visitors from throughout the world provide a positive tourism impact within the Salinas Valley region.

A significant challenge for all tourism based economies is the diminishment of travel, due to current poor economic conditions and the ever increasing cost of living, resulting in travel decisions focused on local areas. Additionally, even in the best of travel/tourism times, the Salinas Valley communities have not taken advantage of the hundred of thousands of travelers driving through our communities annually on their way to the Monterey Peninsula area.

### **3. Public Sector**

The Salinas Valley, as well as, most areas of Monterey County, relies on all levels of government for high paying employment positions. At the same time, most municipalities are currently understaffed while simultaneously facing increased demands for services. As the national, State, and local economies deteriorate; all public agencies are facing large revenue shortfalls resulting in serious discussions concerning reductions of service levels and program offerings.

Added to the issues and concerns stated above are the additional pressures brought to bear on local municipalities as a result of continued reduction of jobs in all sectors. This loss of jobs cascades throughout the public sector in the forms of increased demands for social services; loss of retail sales tax revenues; increasing despair; and, concurrent related domestic issues, combined with the potential revenue reduction actions, threatened or perceived, by the State.

### **4. Retail Sector**

The City of Salinas has long served the larger Salinas Valley area as the center for retail shopping. The City of Salinas is the largest populated community in Monterey County with a population of approximately 152,000 persons. Normally the City experiences around \$2.5 billion in annual retail sales. Large retail presence is located on the west side of the City (Westridge Retail Center), on the north side (Northridge and Harden Ranch Retail Centers) and modestly sized neighborhood retail centers located throughout the City. The eastern side of the City (East Alisal area) has many smaller, locally owned retail shops with lesser number of retailers located in the Oldtown/Downtown area on Main Street.

New retail developments located in nearby communities in both Northern Monterey County and Southern Santa Clara County has reduced the continued expansion of the City of Salinas retail base.

Recently, the Buxton Company completed an analysis of the Salinas Market Area retail potential. The final report indicates a shortfall of approximately \$250 million in annual retail sales primarily due to lack of desired retailers being located in the City.

Additionally, the recent deterioration of the national, State and regional economies have decreased collection of retail sales taxes, on which the City is highly dependent for General Fund revenues, by an alarmingly accelerating pace. When added to the existing home mortgage situation, it is imperative that a retail recovery effort be initiated as soon as possible.

#### **IV. Plan Emphasis**

This plan will propose a strategic emphasis on:

1. Meeting with existing businesses to understand current and near-term challenges and to take appropriate action where possible (Business Retention and Expansion);
2. Attracting new business, which results in the diversification away from the high dependency on agricultural activities through an aggressive recruitment program;
3. Assist with the attraction of desirable retailers, which reduces “retail leakage” and encourages increased regional visitations;
4. Provide support for entrepreneurial development of local businesses;
5. Initiation of regional cooperation and participation;
6. Development opportunities that are environmentally responsible;
7. Creation of a “targeted” marketing approach;
8. Emphasizing long-term economic sustainability from the perspective of adequate municipal revenue generation resulting in the ability to predictably provide for community services; and
9. Economic Development Incentive Policy considerations.

#### **V. Plan Objectives & Recommendations**

##### **1. Business Retention & Expansion**

The first and highest priority for economic development is to assist existing local businesses to remain healthy. Existing local businesses generally have provided jobs, paid taxes, contributed to local charitable and community efforts for many years. Additionally, they offer the best opportunity to assist with the attraction of new businesses. To assure the community is aware of the challenges and opportunities facing existing businesses, a formal visitation program needs to be initiated and sustained. Through the information gathered from the visitations, items and areas of importance for our existing businesses will be revealed. With this new information, the City will better understand the broader economic challenges, needs and opportunities that locally owned and operated businesses are facing. This added information could provide an opportunity to assist local businesses and government with possible legislative acts and actions that may result in forestalling or eliminating significant job losses.

Another important outcome from visiting existing businesses is the opportunity to share information concerning new programs, such as the Salinas Valley Enterprise Zone and the benefits that designation offers.

Finally, the visits help in establishing trust between the private sector businesses and representatives from government and public entities. This gaining of trust can result in the identification of contacts for suppliers of products and/or services for which a focused recruitment approach could yield business contacts that would locate to the regions, thereby, both strengthening existing business operations competitive stature and providing new job opportunities for local residents.

**Recommendation #1:** Concurrent with the approval of this plan, a formal Business Retention & Expansion (BR&E) visitation program will be initiated. The visits will include representatives from the City and community organizations; such as the Salinas Valley Chamber of Commerce (SVCC), Oldtown Salinas Association, SUBA, Monterey County One-Stop Business Development and other interested parties.

**Outcome:** It is anticipated that this effort will begin by mid-August 2009.

**Recommendation #2:** A computerized database program will be used to confidentially capture key information about sales trends, investment decisions, and local and regional cost trends that will provide comparisons to like type businesses and industries on a national and regional basis to evaluate how strong or weak our local businesses are compared to others.

**Outcome:** A series of reports, shared with the business respondents and interested organizations, will be prepared at least annually. The first reporting activity will occur at the end of 2009.

**Recommendation #3:** Continue to encourage retail expansion within the Hispanic/Latino area promoting the benefits for current residents and as a regional attraction. New developments such as the Alisal Marketplace offer a wonderful opportunity to create a regionally recognized Hispanic and Latino retail and social center while offering existing retailers an opportunity to expand. This form of regional development will assist in attracting new visitors and provide the benefits of new retail sales taxes.

**Outcome:** Engage the Alisal Marketplace development team on an ongoing basis and offer support for identifying Hispanic/Latino businesses desired for location to Salinas

**Recommendation #4:** With participation of the SVCC, OSA and SUBA, continue to promote the growth potential of existing retailers, mostly locally

owned and operated stores, to consider expansion through both increasing product offerings as well as the opening of additional stores.

**Outcome:** Through outreach efforts and partnering with members of the Salinas Valley Chamber of Commerce, Oldtown Salinas Association and SUBA, a plan will be developed that addresses contacting the organizations' memberships to promote expansion opportunities before the end of August 2009.

## 2. **Business Attraction**

Recruitment activities and efforts will be focused on attracting new businesses and industries that provide higher paying jobs while meeting the sensitivity of no impact or low impact to the regions physical environment. Following are areas of interest:

### A. **Alternative Energy/Green Collar Businesses**

During the Rocky Mountain Institute's community assessment visit and discussions everyone was considering wind turbine and/or photovoltaic solar system projects. Without question the Salinas Valley has many days and hours of wind activity and significant hours of sunlight. All valley communities expressed a desire for new alternative energy businesses to either locate or start operations in the Salinas Valley.

#### a. Wind Turbines

Wind turbine construction, placement and servicing is clearly a viable new industry which will both benefit existing businesses and residential users, as well as, assist in creating a new "green" image for the Salinas Valley. Everyone remarks about the wind in the Salinas Valley, the question to be answered is if there is the potential for a viable wind turbine commercial application.

**Recommendation:** Upon receipt of the Rocky Mountain Institute (RMI) Assessment of the Salinas Valley written report, a regional approach addressing the business opportunities associated with alternative energy will be initiated. Representatives of the five Salinas Valley cities and the county will be included in this effort.

**Outcome:** A first step in working cooperatively has already occurred with Monterey County staff requesting a representative from all of the five Salinas Valley cities to join with Monterey County at an initial meeting in the City of Gonzales to discuss wind turbine zoning ordinances. The ongoing outcomes of this collaborative effort will be reported on a quarterly basis.

## b. Photovoltaic Solar Systems

Another immediate area of potential application is the installation of photovoltaic solar systems. Most likely, the best opportunities in the near term will be on large commercial, municipal and school facilities. As an example, the \$8 million solar array system being installed at this time is at the large Blackstone Winery processing facility located in Gonzales. The Return On Investment (ROI) expected for investors most likely could only be achieved with a larger facility that has the potential to provide acceptable cost savings that justify the investment costs.

**Recommendation:** Efforts have been initiated to identify Energy Service Companies (ESCO's), similar to the company doing the photovoltaic solar system at the Blackstone Winery in Gonzales, which may have an interest in locating an operation within the Salinas Valley. All five of the Salinas Valley cities have agreed to have discussions toward a regional business opportunity for a company that would provide new jobs and access to investment capital.

**Outcome:** A large ESCO has already made contact with the City of Salinas and expressed interest in a potential energy improvement project. Other ESCOs will be identified and contacted by the end of the second quarter 2009.

## c. Alternative Energy Feedstock

The potential for alternative energy feedstock production could also provide a "new" agricultural opportunity in the Salinas Valley region. It is anticipated that less productive land areas, probably those located in the eastern and southern portion of the Salinas Valley, could support crop feedstocks for bio-diesel or direct energy production. The testing of mustard seed oil as a biodiesel feedstock is currently being pursued by MST and makes use of an existing bio producer located in the City of Gonzales. The refinery operation is located in the Paso Robles area.

**Recommendation:** The possibility of growing alternative energy feedstock crops has begun with interest already expressed. The Monterey County Agriculture Department has been engaged concerning the important issues of land quality, availability and land uses allowable.

**Outcome:** A company has contacted the City of Salinas to determine if there is an interest in growing energy feedstock crops in the Salinas Valley. This company will provide specific data needs for location considerations, soil types, and weather patterns.

#### d. Energy Efficient Buildings

During their community visits to the Salinas Valley communities, the Rocky Mountain Institute team identified an immediate opportunity for energy use reduction through improving existing buildings to achieve higher energy efficiency. Placement of building insulation, energy efficient windows, properly sized heating/ventilating/air conditioning units and other actions can provide for significantly lower energy costs, environmental improvements and provide new job creation.

**Recommendation:** An assessment of the potential for existing buildings that could qualify for investments that achieve high-energy efficiency should be initiated immediately.

**Outcome:** Invitations, coordinated with each community, will be sent to ESCOs to visit and complete a survey of potential buildings that would benefit from energy efficiency investments. Identification of the companies will be completed by the end of June 2009 and invitations sent forth during August 2009.

### B. High-Tech Presence

#### a. Telecommuting

It is apparent that there is an expanding residential population living in Salinas but work in the San Jose area. Many of these recently arrived Salinians have a high-tech position with firms located in the Silicon Valley. One area of possible partnering with San Jose businesses could occur with telecommuting. This approach could ultimately result in a permanent business location, office space or potentially a research facility, adding local purchasing and spending tax revenue potential for the City of Salinas. Also, as the local population of a high-tech, highly skilled workforce grows; the ability to attract high-tech businesses to consider locating to the City will increase significantly.

Some expectations are: 1) An increase in the number of persons telecommuting will enhance local spending as home based persons are more inclined to spend locally. 2) Less auto commuting will assist with environmental improvements as a result of less travel. 3) A major benefit of telecommuting is an increase in the number of Salinas's high-tech workforce that should provide an increased appeal for high-tech businesses in considering Salinas as a possible location.

**Recommendation:** A residential mail-out and online survey form will be created by the Economic Development Department. The purpose of the mail-out and survey will be publicized through press releases. The focus

of data captured will be to determine local resident information concerning existing telecommuting, San Jose/Silicon Valley work locations and level of interest in possibly telecommuting. Data responses will be tabulated and shared with Silicon Valley businesses in an effort to encourage increased telecommuting.

**Outcome:** An assessment of current telecommuting, the work place addresses in San Jose/Silicon Valley of City of Salinas residents and the level of interest in possibly telecommuting will be initiated by the end of the second quarter of 2009.

#### b. New Research Activities - Agriculture & Technology

As described earlier in this report, the existing agricultural sector is faced with many challenges. The opportunity for the partnering between our agricultural businesses and the Silicon Valley could result in important new ventures. One application that has a strong potential is the use of nano technology for packaging materials for the elimination of diseases, such as, ecoli.

The applications of technologies to identify new solutions concerning food safety and food security will most likely emanate for areas such as the Silicon Valley; and the research activities associated with these endeavors must be encouraged to locate within the Salinas Valley. The experiment or proof of concept created in a laboratory can only be proven through rigorous testing in the “field”. Nowhere else can this happen with greater ease than in the Salinas Valley.

Another area of high potential for partnering is in all aspects of alternative energy. It is clear that the Silicon Valley Venture Capital investment firms have targeted alternative energy and many of these future opportunities have an agricultural basis. The recent presentation by Dr. Barry Bruce, University of Tennessee, describing the potential to capture electrical energy from the use of photosynthesis and spinach via a solid-state device is a perfect example of the marriage of agriculture and high-tech.

**Recommendation:** During the anticipated Fall 2009 “Salinas Valley meets Silicon Valley” event, presentations about the various Agricultural Technology and Alternative Energy opportunities need to be made.

**Outcome:** Contacts with Dr. Barry Bruce and other local agricultural representatives will be initiated before the end of July 2009.

### c. Suppliers to and Customers of Silicon Valley businesses

No one has a desire to re-create the Silicon Valley in the Salinas Valley. However, there is a strong desire to diversify away from our existing strong dependence on agriculture. The existence of an industry with high paying jobs located approximately one hour away requires that the City of Salinas at least pursue the potential for attracting suppliers and/or customers of the existing high tech industries that are located in San Jose. Consideration of locating operations in Salinas that take advantage of lower entry costs and access to a high quality blue-collar workforce for environmentally responsible businesses should be a high priority.

**Recommendation:** Additional industry research focused on identifying potential suppliers and/or customers are required to determine specific opportunities, facility needs, work force requirements, and utility specifications.

**Outcome:** An analysis of the Silicon Valley supplier opportunities will be initiated in mid 2009 with an end date estimated for the end of 2009.

### 3. Retail Attraction

The recently completed Salinas Trade Area Report prepared by the Buxton Company indicates a “leakage” of more than \$250 million per year in missed retail sales, which amounts to an additional \$2.5 million per year, for the City of Salinas. Given the high dependence of municipalities on retail sales tax revenues, efforts toward minimizing the lost retail sales opportunities to other nearby localities is a high priority.

In addition to addressing reduction and possible elimination of retail leakage, there is the need to locate new retailers that have a regional attractiveness. The current economic downturn, as well as the difficulty of accessing new store financing, has resulted in most retail expansions being placed on a hold. Furthermore, lack of available “green grass” sites raises the cost of some construction projects, due to the higher costs associated with redevelopment.

**Recommendation:** Continue to meet with existing large retail center managers and encourage re-tenanting whenever possible with retailers identified in the Buxton Report as good matches for the current shopping habits of the residents within the Salinas Trade Area.

**Outcomes:** 1) Follow-up to the September 2008 existing retail management companies and retail developers meeting with a second meeting in June 2009. 2) During the International Council of Shopping Centers (ICSC) Annual conference in May 2009, held in Las Vegas (the largest trade show and convention of shopping center owners, operators and retailers in the world), establish contacts with targeted retailers as

identified in the Buxton Report. Also, during ICSC join with any of the Salinas area retail center owner/operators and developers, in meeting with their prospective tenants to lend encouragement to locate in the City of Salinas. 3) Finally, continue to provide any assistance to the developers for the proposed 50+ acre Hispanic/Latino emphasis multi-use Alisal Marketplace to be constructed in the East Salinas area and the Salinas Renaissance Partners LLC downtown revitalization redevelopment project.

#### 4. **Entrepreneurial Development**

All large businesses begin as a small business, many start as a result of an idea believed but not yet proven. The Salinas Valley region is home to many scores of business entrepreneurs. Innovation is a foregone byword in the region. Wherever possible, encouragement for the continuation of support for entrepreneurial development must be pursued. Program efforts need to be initiated to encourage continued emphasis on new business startups.

##### a. Entrepreneurial Incubator

The region has many highly regarded academic institutions that graduate individuals with unique skills and educational capabilities. Many of these graduates desire starting their own business. Working closely with the Monterey Institute of International Studies (MIIS) Entrepreneurial Studies Program, California State University at Monterey Bay (CSUMB) Business School, Naval Post Graduate School (NPS), and Hartnell College, the Salinas Valley community should assist in the creation of an Entrepreneurial Incubator.

**Recommendation:** The development of an Entrepreneurial Incubator will require participation of representatives from a broad cross-section of academia and the private sector. The first step suggested is to interact with the Monterey County Business Council's (MCBC) Education Cluster, Hartnell College, CSUMB, SUBA, and gain their support for this proposal.

**Outcome:** Contacting the MCBC will be achieved by the end of the second quarter of 2009.

##### b. Innovation Center

Without question the first place most residents go for information are the local libraries. Both the physical improvements and program offerings available in the Salinas Library system have elevated the status of this community asset. However, another potential asset that can be included is the creation of an Innovation Center. The Innovation Center would: offer access to information concerning: 1) technology transfer opportunities (university based research seeking someone to commercialize), 2) emerging industry data, 3) sophisticated Internet connectivity, and, 4) a relaxed physical environment that promotes inquisitiveness and learning. The Innovation Center will be partnered with a new

Mentoring Network comprised of experienced businesspersons, angel and venture capitalists, and others interested in the encouragement of new business creation.

**Recommendation:** The creation of an Innovation Center located within the Salinas Library should be pursued.

**Outcome:** The establishment of an Innovation Center within the Salinas Library system should begin with a conversation with the Library Director to identify the physical and staffing requirements. Secondly, the requirements could then be built into either the downtown revitalization redevelopment effort for the City properties along Lincoln Avenue or as separately defined library project. Lastly, the identification of added action steps can be identified by the end of the third quarter 2009.

### c. Skill Centers

Not everyone can commute to a central campus area for many reasons. As major new redevelopment projects are proposed, the Salinas Valley communities need to encourage the placement of continued learning and business development skill centers as part of the design. Each new development should place an emphasis on providing access to learning for local businesses and entrepreneurs. This will both encourage new business creation as well as provide a vision of a positive future for many young people.

**Recommendation:** The creation of skill centers within any proposed major redevelopment projects should be brought forward during the preliminary design phase of each project. The specifics and potentials of each project will vary and a flexible approach must be used. As there are two potential projects at various points of development, the Alisal Marketplace and the Downtown revitalization projects, the Salinas Redevelopment Agency should be engaged to determine the next steps in this process by the end of 2009.

**Outcome:** All major projects will be required to add “skill centers” as part of the overall design considerations increasing locally accessible business skills learning and entrepreneurial development.

## 5. Regional Cooperation and Participation

There are increased outputs and improved outcomes when people work together. Whether as a family unit, community, or business where skills combine to achieve greater levels of production, working together accomplishes more and wastes less. The decision to embrace the Salinas Valley cities and Monterey County, for preparation and submittal for consideration as an Enterprise Zone has proven to be successful. The commitment of the five Salinas Valley City Mayors and City Managers to meet every month and discuss common issues has been of extremely high value as witnessed by the financial support to employ the Rocky Mountain Institute for a valley wide assessment.

Participation in local, regional, statewide and national organizations that offer an expanded network for accessing information, knowledge and influence is worthwhile. Recent participation and memberships in the Monterey County Business Council (MCBC), the four-county (Santa Cruz, San Luis Obispo, Monterey and San Benito) Central Coast Marketing Team (CCMT), the California Association for Local Economic Development (CALED), International Council of Shopping Centers (ICSC) and the International Economic Development Council (IEDC) has provided information about local, regional, statewide, national and international activities that otherwise would not have been available. Increased attendance and participation in other organizations such as, AMBAG, the Monterey County Overall Economic Development Committee and the Monterey County Convention and Visitors Bureau (MCCVB) have provided enhanced awareness of the Salinas Valley's economic opportunities and concerns.

The current economic conditions have increased the level of stress for all municipal organizations in all areas of resource allocation and planning. More attention has been placed on the current and near term negative financial outlook BUT there exists as great an impact on human resources within the municipalities. Most recoveries of this magnitude take years for full return to fiscal capabilities to provide the level and quality of services residents expect and government desires to provide. The best acknowledged approach is one of cooperatively assisting each other, as cities and as individuals, in all pulling together to accomplish common goals.

**Recommendation:** Continue both membership and participation in all of the local, regional, statewide and national organizations with a stated goal of increased exposure for economic opportunities within the Salinas Valley. Apply acquired information concerning economic trends in the creation of strategies that assist existing businesses to remain as healthy as possible, while enhancing diversification through focused business attraction efforts.

The most effective approach is normally associated with a well thought out plan that is both achievable and executable. This work must be coordinated with the participation of elected officials representatives from key governmental agencies, community leaders and members of the private sector.

**Outcome:** Establish Action Teams for each of the following focus areas: 1) Retail Recovery and Expansion Team comprised of retailers, retail developers, economic development staff, commercial real estate brokers, utility and planning staff members; 2) Alternative Energy Uses and Green Building Opportunities Team comprised of architects, residential and commercial builders, utility and planning staff members; 3) Business Retention and Expansion Team comprised of business owners, Enterprise Zone Manager, chambers of commerce board members and staff, economic development agencies and departments and Monterey County One Stop staff; 4) Renewable / Alternative Energy Team comprised of agricultural producers, Grower Shipper Association, Monterey County Agriculture Department; and 5) Business Attraction

Team comprised of economic development staff, business owners, MCBC, and planning staff.

The creation of the Action Teams should be initiated within ninety (90) days of adoption of this Economic Development Plan. Within the following ninety (90) days each Action Team will identify specific goals and objectives, meeting schedules and task assignments. All results of every Action Team will be shared with all regional partners.

## **6. Environmentally Responsible Development**

The acute awareness of the negative impacts as a result of global climate change also presents a unique opportunity to take advantage of new technologies associated with “green based businesses”. Given the existing emphasis on environmental stewardship that has been associated with agricultural production and processing, as well as an abundance of support regionally for ‘doing the right thing’, every effort needs to be expended to create the correct business environment that results in the location of “green based businesses”. All indications are that the new “green based businesses” provide better paying jobs, have a long term horizon for sustainability, build on the strengths already resident in the region, and able to coexist with agriculture which is our largest employment and revenue producing sector and satisfies a high priority of achieving diversification away from the high dependence on agricultural businesses.

The regionally supported assessments by the Rocky Mountain Institute (RMI) and the high degree of receptiveness during the RMI team’s visit are clear indications of support for evaluating the region’s potential to be a part of the new “green based businesses” movement. This potential is neither fleeting nor temporary. The region must address doing things significantly different as a matter of survival. The Salinas Valley must commit to becoming a properly scaled participant in the “new” economy.

**Recommendation:** In addition to the creation/establishment of the green related Action Teams identified above, a major effort must be made to convince new economy green based businesses research activities to first consider and then commit to locating in the Salinas Valley. The first significant opportunity to accomplish exposure to the value of being located in the Salinas Valley is at the proposed Salinas Valley meets Silicon Valley Leadership Conference that will be held in the San Jose area this fall. Additional opportunities will occur through direct outreach to California businesses and nearby existing manufacturers of green-based businesses that are seeking new and/or additional locations that are “good” fits for the Salinas Valley.

**Outcome:** Within one hundred twenty (120) days of receipt of the final assessment report from the Rocky Mountain Institute, members of the region need to meet and identify up to four primary business attraction/expansion opportunities that can be pursued through a focused marketing effort.

## 7. **Targeted Marketing Approach**

A major responsibility to be initiated and completed within the next three to six months is the creation of a marketing effort that promotes the strengths of the Salinas Valley. The most frequent areas of interest to potential new business locating into a region are: a. Workforce Capabilities and Availability, b. Location/Site considerations, c. Cost of Business Operations, d. Quality of Living, e. Higher/Continuing Educational Presence and Access and, f. Is the Community a Business Friendly Place.

### a. Workforce Capabilities and Availability

The Salinas Valley is fortunate to have two recent workforce analyses completed, one by Hartnell College as part of the Salinas Valley Vision 2020 Project and the second being a workforce capabilities analyses provided by Joel Kotkin. Both of the workforce analyses made it clear that the Salinas Valley has an abundance of technically competent blue-collar workers as well as a large presence of white-collar professionals.

A hidden strength in the Valley's workforce is a major knowledge base of skills associated with international trade and marketing. The agricultural sector has evolved into a significant internationally based business operation.

### b. Location/Site Strengths

The Salinas Valley is strategically located within easy driving distance to Sacramento, San Francisco, San Jose and Los Angeles. The existing Union Pacific Railway line has availability of capacity AND has expressed a desire to work with the region to locate a new rail served warehousing and distribution site. The valley's surface transportation network includes US Highway 101, many state highway routes and airport access for limited direct flights from the Monterey Airport, and available capacity for business jet use at the Salinas Airport with international flight access within a one hour drive at the San Jose Airport.

The region has a limited number of industrial type facilities that are available for immediate occupancy. Also, there are few green grass sites that can receive new buildings, particularly in the City of Salinas. There does not appear to be any constraints on utility availability except for high water users. The issue with water is not one of adequate supply but one of not posing a risk for the agricultural sector.

### c. Cost of Business Operations

The Salinas Valley region suffers from the same challenges as most areas of California - the cost of business operations is higher than in other states. However, Salinas is not at any disadvantage as compared to other communities within California.

#### d. Quality of Living

The Salinas Valley is a highly desirable place to live, raise a family and offers a fairly stable employment base due to the continued demand for agricultural products as well as a large number of government jobs. With easy access to many recreational areas and activities, the Salinas Valley encourages a life-style that is highly desirable.

#### e. Higher/Continuing Education

The presence of Hartnell College and the nearness and ease of access to the campuses of California State University Monterey Bay, Monterey Institute of International Studies, Naval Postgraduate School and the Defense Language Institute offer to individuals and businesses the ability to pursue and satisfy continuing educational requirements. The planned new Hartnell College Alisal Campus will provide easier access for a large portion of the residents of the City of Salinas. Additionally, the new Alisal Campus will provide a new technology centered educational and training facility that should assist continued competitiveness for the agricultural related businesses in the region.

#### f. Business Friendly Community

The real measurement of gauging the degree of a business friendly place is the prevailing attitude of the elected officials AND the actual practices of reviewing and approving development plans. Fortunately the communities of the Salinas Valley have all exhibited strong support for existing businesses and the attraction of new businesses.

**Recommendation:** New marketing materials, primarily print related products, will be created for distribution through direct mail and handouts at a limited number of association meetings and trade shows. The materials will focus on the strengths of the Salinas Valley region. All print materials will also flow through to a new economic development website. The new website will provide access to a searchable database that hosts information about facilities available by location and site specific information. Some of the database items will include facilities available for occupancy, available utilities, traffic data, demographic information, and workforce information.

Business attraction efforts will focus on adding suppliers to the existing agricultural sector, new green based businesses, businesses and industry that provide higher paying job opportunities, and placement of suppliers for Silicon Valley industry that are environmentally friendly.

**Outcome:** It is anticipated that the new marketing materials approach will be finalized through employment of a local creative company by the end of April 2009. The marketing package will be reviewed and approved by the Salinas Valley City Councils in the month of June 2009. Printing and corresponding upload of visuals to the new website will be completed prior to the end of July 2009.

## 8. Sustainability through Job Creation and Revenue Enhancement

For most cities, the cost of providing primary public safety services for residences are not provided through a sustainable revenue source. Fees associated with residential development are “one time” fees. The high dependency on retail sales tax as a major source of revenues for cities results in short term planning as retail sales tax revenues are highly unpredictable. Unfortunately, the ability to put in place a more sustainable and predictable revenue source is limited.

However, there are some strategies that can be implemented to maximize the municipality’s revenue stream AND smoothing out the lack of predictability. A few of these strategies are: a. Increasing the number of higher paying jobs through targeted new business attraction. These actions, when successful, will increase the amount of discretionary spending available for our existing residents. Most people will spend more IF they are convinced that a continued higher income can be counted on for the long term. Increased local spending will add higher levels of retail sales tax revenues without an increase in the costs of providing services; b. Expansion of the current retail business base should reduce “retail leakage”. The Buxton Report indicates that the City of Salinas could support at least \$250 million of added retail sales; and c. Initiate a communitywide discussion about the importance of the municipality having a reliable revenue source such as covering the cost of providing public safety services via a property tax. Similar to the passage of Measure V, the community needs to be educated as to the need for this change and needs to be assured that the funding is traceable and measurable.

**Recommendation:** Focus our new business attraction efforts, on creating higher paying job opportunities. Providing existing residents the opportunity for better paying jobs accomplishes many positive outcomes. Continue to work with existing retailers to increase product offerings and with retail developers to attract new retailers that address the reduction of retail leakage.

**Outcome:** Follow through with the targeted marketing efforts, focusing on attraction of new businesses that provide higher paying jobs. Prepare marketing packages for a selected list of retailers identified in the Buxton Report that assist with the reduction of retail leakage and establish meetings with the retailers as part of attendance at the May 2009 International Council of Shopping Centers RECon Show.

## 9. Economic Development Incentive Policy Considerations

During troubled economic times such as we are experiencing; many communities initiate a discussion about how to encourage desired new development. Most often the focus of conversation is about the use of economic incentives. Traditionally, the forms of incentives are new retail sales tax revenue sharing, abatement of property taxes, revision of zoning ordinances, use of CDBG and other grant funds for infrastructure assistance, fee reductions, and a commitment for “fast track” processing of plan reviews and permitting.

Additional aspects that may be part of an economic development incentive policy include: 1) a limitation on the amount of time an incentive can be in force such as a ten year revenue sharing period for new retail sales tax revenues, 2) specific dollar limits, 3) minimum project size in either jobs created or investment amounts, 4) requirement for an economic analysis and project evaluation, 5) Council consideration of each project as separate and independent, and 6) any project that may be considered is at the discretion of the Council.

**Recommendation:** The Council should schedule a study session wherein all aspects of the creation of an economic development incentives policy can be discussed and direction provided to staff to prepare a policy for Council consideration and action.

**Outcome:** Establish a study session at the direction of the City Council within sixty days of the adoption of the Economic Development Strategic Plan.

## VI. Actions Taken

### 1. Salinas Valley Enterprise Zone

Prepare all application documents and maps for submission to the State of California resulting in successful designation of the Salinas Valley as a California Enterprise Zone.

- a. Initial application submitted November 2007.
- b. Technical deficiencies response forwarded December 2007.
- c. “Set of Conditions” requiring additional responses and clarifications submitted August 2008.
- d. Additional Conditional Responses received October 16, 2008, and submitted November 14, 2008.
- e. Final and permanent designation effective January 30, 2009.
- f. EZ Manager position filled April 20, 2009.

### 2. Formation of Salinas Valley Economic Development Corporation

Initiate creation of a regional Economic Development Corporation for the five Salinas Valley cities.

- a. Bylaws have been completed and filed with the State of California.
- b. Articles of Incorporation as a 501.c.6 organization will be filed with the Federal Internal Revenue Service in January 2009.
- c. New office location identified, 65 West Alisal, second floor of the Permit Center, with a move-in date anticipated before the end of January 2009.
- d. Separation as a freestanding public/private entity dependent on economic recovery, anticipated occurring by July 1, 2010.

### 3. Participate in local, regional and statewide economic development organizations and activities promoting the Salinas Valley

Establish memberships in local, regional, statewide and national economic development organizations and associations.

- a. Memberships include: California Association for Local Economic Development (CALED), Central Coast Marketing Team (CCMT), Monterey County Business Council (MCBC), Team California,

International Economic Development Council (IEDC), and International Council of Shopping Centers (ICSC).

- b. Participation in activities includes: SVCC Government Relations Committee, Monterey County Convention and Visitors Bureau (MCCVB), Salinas Valley Tourism Committee, Monterey County Overall Economic Development Commission (OEDC), AMBAG economic development related activities, and other efforts.

**4. Agricultural Industry activities**

- a. Identified new ecoli testing approach that has the potential for significant cost savings. Coordinated a meeting on January 8, 2008 with local representatives from the agricultural sector and testing kit development team.
- b. Cooperated on railhead feasibility project opportunity.
- c. Participating in the Uni-Kool Agriculture Industrial Park team meetings.

**5. Joel Kotkin Summits**

- a. Provided significant input for Summit Two (2) stressing agricultural technologies opportunities.
- b. Assisted with the meeting arrangements and provided input for three summits.
- c. Anticipate presentation of a final report to the City Council on January 27, 2009.

**6. Salinas Area Retail Market Analysis (Buxton Report)**

- a. Established market analysis parameters.
- b. Negotiated 10% contract costs savings.
- c. Assembled area retail developers to discuss next steps for retail enhancement in the City of Salinas.
- d. Made community presentations on outcomes of market study report.
- e. Final report presented to the City Council on August 26, 2008.
- f. Report results placed on the new City website.

7. **Rocky Mountain Institute (RMI) Assessment of the Salinas Valley**
  - a. Established contract for Assessment of the Salinas Valley energy efficiency and economic development opportunities.
  - b. Created meeting schedule for RMI team visit and interviews with the Salinas Valley and north county communities.
  - c. Shepherded RMI team to all visits and arranged for all community tours.
  - d. Final assessment presentation to the City Council on January 27, 2009.
  - e. “Fresh Opportunities in the New Economy” report released April 2009.
  
8. **Communitywide Efforts**
  - a. Provided project leadership for Solar America Initiative grant application.
  - b. Assisted Monterey County Overall Economic Development Commission with update to Monterey County Economic Development Strategy Plan (EDA funded).
  - c. Co-lead participation in the Guanajuato, Mexico Festival of Sister Cities event held December 7-9, 2008.
  
9. **Recruitment Efforts**
  - a. Cardboard manufacturing company – Non-agricultural. Final decision to locate in Texas.
  - b. Packaging film producer – Agricultural. On hold - economic conditions.
  - c. Wind Turbine manufacturer – Non-agricultural. Still being considered.
  - d. Solar Panel manufacturer – two separate companies. Review in process.
  - e. Electric Hybrid car assembly operation. Review in process.
  - f. Agricultural production tracking – food safety & security. Seeking investment partners.