

# MEMORANDUM

To: Executive Board, Association of Bay Area Governments  
From: Bay Area Council Economic Institute  
Date: February 25, 2015  
Subject: Regional Economic Strategy Update

## PROGRESS TO DATE

The best practices research and sub-regional meetings have been completed.

**Best Practices Research:** Results of business-driven regional economic strategies from other parts of the country have been summarized (Boston, DC, Seattle, Los Angeles, Atlanta, and Chicago). Five key pillars for action were constant themes:

- Education & Workforce Development
- Business Climate
- Entrepreneurship & Innovation
- Infrastructure
- Quality of Life

**Sub-Regional Meetings:** The six sub-regional meetings of local economic development groups held by BACEI as a component of the strategy project touched on many of the issues surfacing in the best practices research. Findings from these meetings are summarized in **Attachment A**.

## NEXT STEPS

The steps outlined below will engage business leaders in an expeditious manner and will produce a set of inputs for up to five white papers on specific strategy areas.

**Series of meetings:** We will hold a series of small meetings, which will leverage the existing BAC policy committees, augmenting this group with other appropriate regional stakeholders. The emergent process will begin with a broad view on regional vitality, but the recommendations produced by the process will build on the group's area of focus. Proposed meetings and topics are detailed below:

- **Housing and Land Use:** The BAC has an existing Housing and Sustainable Development Committee that consists of active members from a broad range of sectors related to housing and regional development. This committee directs its attention to issues such as regulatory barriers to development and creative solutions to meeting the region's housing and development needs. The meeting will target specific recommendations in this area.
- **Transportation:** The BAC's existing Transportation Committee is also made up of members reflecting a broad cross section of sectors. The committee addresses issues of funding and service expansion of public transit systems, creative public-private transit models, as well as highway and road system improvements. The meeting will target specific recommendations in these areas.

- **Infrastructure:** This meeting will draw participants from existing BAC committees on water, 21st century infrastructure (energy and communications), and transportation, as well as other appropriate regional stakeholders. The meeting will focus on prioritizing the region’s infrastructure needs and considering various investment options such as through public-private partnerships, Infrastructure Financing Districts, and other funding mechanisms.
- **Workforce Development:** Stakeholders from the workforce development community will be woven into the three meetings previously described.

**Synthesize findings from recent BACEI research:** In addition to the engagement with regional leaders, the sub-regional meetings, and the best practices research, the final roadmap document will include a systematic review of findings from recent research completed by the BACEI. Prior research completed by the Economic Institute, in addition to the *2012 Regional Economic Assessment*, is highly relevant to informing a regional economic strategy, and findings relate directly to the specific topic areas outlined above. This content will help frame the engagement meetings and inform the overall recommendations of the project.

The *2012 Regional Economic Assessment* found “areas of weakness include high housing costs, infrastructure, K-12 education, and customer service in government interactions.”

Recent BACEI publications—informed in large part by interviews with the business community—that are relevant for review and include:

**In the Fast Lane: Improving Transportation in Alameda County (2014) & Tri-Valley Rising (2014)** – Both reports highlight critical transportation needs in the region and propose specific recommendations based on in-depth interviews with regional leaders and experts.

**21st Century Infrastructure (2015)** – This report highlights the state’s growing need to upgrade communications and energy infrastructure in order to remain globally competitive. Based on approximately 70 interviews with local stakeholders as well as technical and policy experts, the report outlines a series of policy recommendations. For example, local governments can facilitate the improvement of broadband networks by mapping city-owned assets and creating streamlined permitting processes.

**Manufacturing’s Redesign in California (2015)** – Specific types of manufacturing are growing in the Bay Area in terms of both, employment and firms. The report highlights this and the opportunities for continued growth in different parts of the state. Recommendations include state and local-level options for supporting the expansion of regional strengths through better alignment of stakeholders, creating industrial corridors that mix zoning, and infrastructure investments to promote industrial uses. Further, workforce needs can be better met by establishing more robust collaboration between community colleges (and other educational and training institutions) and businesses.

## DELIVERABLES

The engagement meetings will be carried out between February and June. Summarized outcomes of meetings and prior research in individual white papers, including statement of priorities and identification of key regional strategies will be completed by July 31, 2015.

# ATTACHMENT A

## Preparing the Bay Area for the Future: A Regional Economic Strategy

September 2014

To: Therese Trivedi, Metropolitan Transportation Commission  
Cynthia Kroll and Johnny Jaramillo, Association of Bay Area Governments

From: Sean Randolph and Tracey Grose, Bay Area Council Economic Institute

As part of the Regional Economic Strategy process, the Bay Area Council Economic Institute has led six sub-regional meetings that have highlighted local best practices in economic development and identified local priorities and concerns. Possible regional-level strategies were discussed that would support or complement local efforts. These sub-regional meetings have included local leaders and economic development organizations, with representation spread across entities focusing on business, workforce development, transportation, and education. Six sub-regional meetings have taken place in the North Bay, San Francisco, the East Bay, Santa Clara County, San Mateo County and Solano County.

Each meeting addressed two broad questions: 1) What best practices and initiatives in support of economic vitality are taking place at the local level and have proven outcomes? 2) What potential regional-level actions do local leaders see as helpful to their own efforts? Based on the notes taken from those meetings, the following highlights the economic development themes that came across over multiple meetings.

### Manufacturing

Bay Area cities from the East Bay to Silicon Valley have a strong presence in advanced manufacturing. Manufacturing plays an important role in many sub-regional economies, as a key for job retention and diversity—manufacturing-related jobs usually span a wide range of wage and education levels, with opportunity for advancement. With manufacturing processes stemming from numerous technological advances with strength in the Bay Area (e.g. advanced lighting systems and electric vehicles), the field is considered very diverse and attracts workers from machinists and technicians to software designers and engineers.

With new technological capabilities coming out of the Bay Area's national laboratories and universities, strategic partnerships have played a role in bridging the gap between prototype and product. San Jose's Environmental Innovation Center (EIC) is a green-enterprise that provides services for clean-tech entrepreneurs and helps contribute to San Jose's vision of a green future by helping to divert waste

from landfills, create clean tech jobs, retrofit buildings to be green, and replace streetlights with smart zero emission lights. San Jose's EIC is expected to create 25,000 clean tech jobs and reduce per capita energy use by 50 percent in the city. In working with Prospect Silicon Valley, a nonprofit technology commercialization catalyst supported by the City of San Jose, big and small companies will be able to demonstrate new technological innovations in a real world setting, helping them bring their products to the market faster.

In the East Bay's Tri-Valley area, the presence of two national laboratories—Lawrence Livermore (LLNL) and Sandia National Laboratories—has generated significant economic benefits to the broader community, as technology advances have resulted in numerous new products being manufactured by companies throughout the region. Livermore Valley Open Campus, a joint venture between LLNL and Sandia, works to facilitate research cooperation between the labs and industry. Additionally, Tri-Valley's iGATE (a part of the California Innovation Hub program) acts as a business incubator for the labs, offering R&D space to start-ups and helping to license lab technologies for commercial use.

### Biomedicine/Biotech

The Bay Area is a national leader in its concentration of biology-related companies, which has created a self-sustaining synergy for biotech in the region. In San Francisco, a biotechnology payroll expense tax exclusion, linked to the expansion of UCSF in Mission Bay, has been instrumental in attracting a critical mass of biotech companies. The tax exclusion has also led to the growth of supply chain companies and those with complementary technologies. Where there were few biotech companies 10 years ago, the San Francisco area now boasts one of the most robust biotech clusters in the nation, which includes Takeda Pharmaceuticals, Elan Pharmaceuticals, and Amgen. San Francisco's next step is improving synergy with the North Bay and Solano County, where life sciences companies continue to locate given the area's access to highly skilled labor and available land. Water and sewer infrastructure in Solano County also make it an attractive location for the manufacture of biologic products. The North Bay's high concentration of biotech companies includes BioMarin, Genentech, and Medtronic, while Google's Calico health research spin-off has shortlisted Marin as a possible location.

### Education and Workforce Development

The advancement of high-tech industries throughout the region has put pressure on labor costs and created a need for more workers with specific skills. While many cities and academic institutions around the Bay Area maintain workforce collaborations with both the biotech and manufacturing industries, those internship and placement programs often have a focus on higher-wage jobs. There is less focus on creating career pathways for those individuals qualified for middle-wage positions. Innovative programs are now being created to make those jobs accessible to a broader range of applicants:

- **Design It! Build It! Ship It!** is a consortium of 10 East Bay community colleges, five workforce boards, UC Berkeley, CSU Eastbay, East Bay EDA, and other regional partners. The program was awarded \$14.9 million dollars from the Department of Labor to strengthen career training for advanced manufacturing, transportation and logistics, and engineering. The consortium looks to strengthen and expand training programs in these core areas; implement strategies to accelerate the ability of unemployed adults to change careers in an efficient manner; and expand access to technical training programs for low-income adults facing educational barriers.
- **The Oakland-Alameda County Opportunity Youth Initiative** has a goal to connect over 2,000 opportunity youth (young people aged 16-24 years who are neither in school nor employed) to stabilization services, education and training, and employment services leading to career employment in the growth sectors of the East Bay economy. In July 2014, the initiative was awarded an implementation grant from the Aspen Forum for Community Solutions.

- **San Francisco has established “sector academies”** that provide postsecondary training in technology, health care, hospitality, and construction. These sector academies connect vocational training in a growing field with supportive services and, ultimately, employment services and post-placement support. The sector academy approach also provides the opportunity for participants to sequence credentials within a field.

Education serves as an important first step in facilitating this development. As Science, Technology, Engineering, and Mathematics (STEM) workforce issues continue to challenge companies, cities and organizations have collaborated on programs to address STEM at an early age. In the North Bay, Sonoma County and the John Jordan Foundation have created a Career Technical Education Fund to provide \$50,000 annually over five years to schools to advance industrial arts and STEM programs. In the East Bay, the Diablo Gateways to Innovation Consortium will receive an \$8 million grant from the California Department of Education for programs designed to keep students in school and move them toward three high-demand fields: advanced manufacturing and engineering, information and communication technology, and health science. Partners in the consortium include area community college and school districts, workforce investment boards, and private employers.

In Richmond, Chevron has decided to tackle education and workforce issues simultaneously by placing a \$15.5 million investment into the city. The goal is to create jobs, grow small businesses, expand job training opportunities, and improve schools over the next five years. To set this plan in motion, Chevron has teamed up with Emerald HPC International, a local economic and community development expert to create people-based and place-based development strategies. The hybrid program will be split between supporting jobs and business development and investing in local education programs.

### **Business Retention and Attraction**

While talent is often cited as a main reason for businesses locating within the Bay Area, the high cost of doing business is usually mentioned when companies are asked about drawbacks. Throughout the regional meetings, municipal regulatory obstacles were identified as hampering a more efficient path toward economic development. These issues revolve around zoning and permitting for new development, which can often drive up costs and delay timelines. In order to address this, Santa Rosa in the North Bay is redefining how it views economic development decisions and is promoting itself to businesses through revamped communications and marketing materials. The city is trying to facilitate industry clustering through zoning changes and has set up an Economic Competitiveness Task Force that identifies how projects can be accelerated through the planning process. The cities of San Jose and Fremont have similarly streamlined permit applications and created more flexible land use policies as they deal with a limited amount of land zoned for industrial uses.

The California Environmental Quality Act (CEQA) poses another hurdle, as development opponents often use it to block or slow projects through litigation. Bay Area cities have utilized more comprehensive planning processes—called Specific Plans—that can be used to approve development over a large swath of land without identifying a specific project. A programmatic Environmental Impact Review (EIR) is oftentimes adopted along with the housing, commercial, and industrial development zoned in the Specific Plan. Projects consistent with the development outlined in the plan are able to “tier” off of the programmatic EIR. Rather than completing a full project-level EIR, some of the CEQA requirements are loosened, thus reducing project processing time and cost. The North San Jose Development Project and Redwood City’s Downtown Precise Plan have both utilized this approach.

To further facilitate development, the City of San Carlos authorized and established a Strategic Property Acquisition Reserve in October of 2010. The purpose of the reserve is to allow the City of San Carlos to purchase parcels of land that can be used for the development of projects that will aid the economic vitality of the city. The nature of these projects must be strategic to the city and funds from the reserve can only be accessed with a formal action from the San Carlos City Council.

The need to highlight the connection between new development, jobs, tax revenue, and city services became clear across multiple meetings. Documenting the cost of building delays and tying economic development goals to permitting and zoning discussions can create a better-informed policymaker. On the voter side, economic development dashboards that explain the contribution of business to the economy have been utilized by cities in San Mateo County to demonstrate the value of new development to the community.

## Housing

The Bay Area's highly educated population and high quality of life attract employers from around the nation. However, the area's growth potential remains constrained by housing availability across all levels of affordability, particularly workforce housing. Businesses are also dependent on affordable housing as they fill mid-range positions. Economic development leaders throughout the Bay Area have voiced an interest in increasing housing across levels of affordability and highlighted its connection to job creation. In the North Bay, cities have been trying to create more dense housing options near transportation as a way to create more affordable options with limited local traffic impacts. However, many residents do not want dense development in their neighborhoods and have pushed for new housing to be moved to commercial corridors. Under this scenario, cities face a trade-off, as placing more units along those corridors diminishes space available for commercial uses that support the local tax base. Mixed-use developments could solve this problem, but cities in the North Bay and along the Peninsula have struggled to gain approval for these projects. A push to build micro-housing or starter units might be another solution, though legal challenges can slow the building process and add costs to already high land costs throughout the Bay Area.

## Transportation

Often, local government and current residents are conflicted over how to maintain quality of life while being able to attract businesses and build housing. In absence of more housing units, many sub-regions around the Bay Area are looking to improve their transportation systems in order to move workers more seamlessly from home to job, and back. Transportation impacts go beyond commuting and reach into goods movement, especially related to the efficiency of local supply chains. Throughout the Bay Area, leaders are looking to invest in transportation infrastructure today so that its economic benefits can be realized tomorrow, though it requires policymakers to take a more long-term economic approach in order to convince residents that investments in transportation will have a personal benefit.

Multiple projects throughout the Bay Area will give local governments an opportunity to better develop jobs and housing in connection to transportation. In the North Bay, SMART (Sonoma Marin Area Rail Transit) will provide residents with their first rapid rail service option. In Santa Clara County, the BART Warm Springs extension offers new connectivity options to Silicon Valley and is the first step in a route to San Jose. In addition to transit, investment in Bay Area highway infrastructure was highlighted in multiple meetings, especially as it relates to goods movement. Truck traffic throughout the Bay Area has grown with the rise of manufacturing, driving up commute times. The Port of Oakland is experimenting with nighttime deliveries to limit road congestion caused by trucks, while trying to better utilize existing capital in a way that minimizes the impact of Bay Area goods movement.

In Solano County, local leaders are emphasizing the importance of the I-80 corridor connecting Vacaville, Fairfield, and Vallejo. I-80 is currently a heavy freight corridor, though a coordinated strategy to attract a variety of businesses to the corridor could enable the county to provide work opportunities to a greater percentage of its residents. The I-80 corridor plan also points out the need for future transportation to the Mare Island Naval Complex—with its large existing buildings and dry dock capacity—which has been designated by the Vallejo City Council for industrial land use.

## **Breaking Down Jurisdictional Barriers**

All of the themes discussed above are to a varying degree common throughout the entire Bay Area, rather than specific to a city or county. Given this situation, the idea of better collaboration, and less competition, between jurisdictions was brought up in each meeting. Rather than thinking only within its own boundaries in zero-sum scenarios, a city may be better served to partner with others when developing economic strategies. Specifically, jurisdictions could benefit by helping each other relocate businesses that have outgrown their current space, instead of having those businesses move out of the region altogether.

Bringing together local economic development concerns shared by a broad base of Bay Area cities under a regional umbrella—such as housing across all levels of affordability and investments in the transportation system—could also make the Bay Area more competitive for federal awards. This type of organization would show a unified Bay Area while still maintaining sub-regional identities and strengths. For example, the Bay Area submitted three different proposals (San Francisco, East Bay, and San Jose) for the \$1 billion that was made available by a federal program called the Investing in Manufacturing Communities Partnership. Each of these Bay Area applications was rejected, and many of the awardees had broad regional perspectives in their proposals. In addition, the sub-regional meetings pointed to a need for better educating citizens on how their voting decisions and those of neighboring jurisdictions can jointly impact economic development within the sub-region.

The 2016 Super Bowl will provide the region with an opportunity to explore collaborations across jurisdictional borders, as the event and the programs leading up to it will require representation on committees from all corners of the region. The sub-regional meetings also surfaced many collaborative approaches to development that are highlighted below.

## **North Bay Life Science Alliance**

The North Bay Life Science Alliance (NBSLA) was established as a collaboration of public and private entities spanning across Marin, Sonoma, Napa, and Solano Counties. The Alliance, which is comprised of schools, government officials, the US Commerce Department, and many others, works to spur growth in the life sciences industry. Life sciences create many opportunities and the NBSLA works to maximize the achievement of those opportunities to bring economic prosperity to the North Bay. By promoting life sciences, the NBSLA believes it will help to grow the economy because high-grossing industries, specialized real estate, and strong salaries all create more revenue for local and regional governments, while also enabling job creation across a wide range of positions.

## **Grand Boulevard Initiative**

The Grand Boulevard Initiative is a program to turn El Camino Real, one of the most important roads on the Peninsula, into a boulevard of meaningful destinations shaped by all the cities along its length. The project consists of a group of 19 different cities, counties, and local and regional agencies united to improve the performance, safety, and aesthetics of El Camino Real, successfully fulfilling its role as the Peninsula's most important arterial road. The 19 stakeholders are working together to accomplish this goal through the Complete Streets Project, funded by a US Department of Transportation TIGER II Planning Grant. Complete Streets seeks to facilitate the re-design of the roadway to integrate sustainable development and encourage pedestrians, transit, and investment in the corridor.

## **Silicon Valley Manufacturing Roundtable & East Bay Manufacturing Group**

The Silicon Valley Manufacturing Roundtable (SVMR) is comprised of four cities: San Jose, Santa Clara, Morgan Hill, and Fremont. It has played a strong role in engaging the manufacturing industry with representatives from federal, state, and local governments, industry associations, stakeholder groups, and local academia. The members of the SVMR meet quarterly and recently have launched the Silicon

Valley Manufacturing Initiative, which will be the vehicle to leverage public and private sector investment to further strengthen and grow the region's advanced manufacturing industry. A similar group has been formed in the East Bay, called the East Bay Manufacturing Group. It is a forum where executives can mingle, share their best practices, and network with each other.

### **Northern Waterfront Economic Development Initiative**

The northern waterfront is a shoreline of about 50 miles spanning from Hercules to Oakley in Contra Costa County. The primary objective of the Northern Waterfront Economic Development Initiative is to promote economic development along the county's working waterfront by targeting business clusters and protecting industrial land (61 percent of the land is zoned for industrial uses). The project will seek to cooperate with members from both the public and private sectors who have an interest in the waterfront's economic future. By bringing these interests together, they will be able to better coordinate with each other and share information and ideas about the emerging trends and issues affecting the waterfront. A specific focus will be placed on transportation, land use, environmental regulation, and workforce development issues that influence the waterfront's economic prospects.