

CITY OF WATSONVILLE

Economic Development Strategy

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Executive Summary

As part of the process undertaken by the City in 2005 to update the General Plan, the consulting firm of TIP Strategies, Inc. was engaged by the City of Watsonville (City) as part of a team led by Fregonese Calthorpe Associates to update the economic element of the general plan. The economic element is intended to provide the City with a framework for enhancing economic growth along with the supporting information needed to implement the recommendations.

This Economic Development Strategy utilizes much of the information and recommendations of that earlier work, updating and modifying as needed to reflect changes since that time. A common understanding of economic development helps clarify intent and purpose. With that in mind, this Strategy uses the following definition:

“Economic development is the use of public resources to stimulate private investment.”
TIP Strategies, 2005

In other words, effective policy for Watsonville should be judged by how well public resources can create a response from private investors. This response can be measured in not only in the number of jobs created or retained, but also in capital investment (land and buildings), technology developed, and benefits to local industry.

KEY FINDINGS

Watsonville’s location on the Central Coast and Monterey Bay, as well as its proximity to major metropolitan areas and abundant natural resources for recreational and agricultural uses, offers significant opportunities for economic growth. The strategies outlined here are intended to help define Watsonville in the minds of businesses and residents throughout the region. Sound economic development policies will enhance Watsonville’s ability to capture regional job growth and business expansion while enabling it to maintain its capacity to provide public services for current and future residents.

While the City’s economy is rooted in agriculture and food processing, Watsonville has a diverse and stable economic base that extends far beyond those traditional industries. Growth of the community’s economic base can be achieved through the attraction of new companies and – more importantly – through the expansion of existing firms.

Challenges

During the process of developing the economic element of the General Plan, interviews with local businesses and developers revealed a number of obstacles to continued business growth in Watsonville. Those trends/conditions continue today:

- *Low educational attainment and skill levels of much of the local labor force in the immediate area:* Local business people expressed concerns about the quality of the available workforce, ranging from educational attainment to reliability to English language competency. These concerns affect the ability of businesses to expand and as a result influence profitability. In addition, they limit the ability for existing workers to

advance to higher levels of responsibility. Although a significant portion of the local labor force has a higher education and/or skill levels, many of these residents commute to jobs in other areas (Silicon Valley, Santa Cruz) because these areas offer higher pay than local employers (primarily in the public sector and health care), and/or because there are not currently very many jobs within the city that require higher skill and education levels (i.e., computer engineering, biotechnology, or other high technology jobs).

- *Shortage of affordable “workforce” housing:* The availability of affordable housing was cited as a deterrent to economic development. California’s housing crisis is certainly a consideration, but the disparity between income and housing prices is particularly acute in Watsonville. However, despite the unfortunate impact of the current foreclosure crisis on many local homeowners, this current housing market downturn presents the best opportunity in years for local workers to become homeowners, and this increased affordability certainly makes the area more attractive to prospective employees and/or employers considering relocating to the area.
- *Lack of available land:* At the time of the analysis performed as part of the General Plan update, the City had just 85 acres of vacant, developable land, representing approximately 2 percent of the City’s total land area. Most of the residentially zoned property included within this figure has been developed since that time. With the annexation of the Manabe-Ow property, an additional 70 useable acres has been added to that total, of which only 6 is available for residential uses and the remainder is available for industrial (employment-generating) and limited commercial uses. These areas must be carefully monitored to ensure that employment opportunities are maximized.
- *Removing obstacles to development:* Interviews with developers familiar with the area revealed important obstacles facing large-scale development projects in the Watsonville area. Pressure from regional environmental groups, enforcement issues, and low consumer spending levels combine to make the City less attractive to major commercial and industrial developers.
- *Fiscal concerns:* California’s budget crisis, as well as the national economic downturn and housing market collapse, has reduced the amount of state or federal funding available in most programs in the short term. With our definition of economic development in mind, it becomes imperative to determine whether public funds can produce a discernible private response. Regarding local funding availability, the City’s current non-housing tax increment financing revenues have been dedicated primarily to a single project, the Civic Plaza.

Opportunities

Despite these challenges, the City has a variety of options to expand and enhance its economic activity. These opportunities can – and should – interlink:

- *Business expansion:* The healthy state of local businesses suggests that expansion assistance would have immediate benefits for the local economy. While the presumption of “business recruitment” continues to dominate some approaches to economic

development, an aggressive approach to the expansion of local companies would do much more than ensure retention. In addition, a “cluster-based” recruitment model might be misguided. Many businesses understand their supplier and customer bases perfectly and would benefit more from a general improvement in professional services in the local area.

- *Development at Manabe-Ow:* Industrial land and buildings need to be part of Watsonville’s overall growth strategy. While many existing businesses currently have expansion space, this will not continue indefinitely. In addition, the relocation of new businesses – both manufacturing and service based – could exceed existing capacity. As a result, the formation of a new business park based on flex space/corporate headquarters design would provide a valuable asset to the community. Competitive pressures for housing and retail services in other coastal cities will drive land prices up to levels that approximate those of Silicon Valley, making affordable and attractive options for business growth in Watsonville entirely realistic. Combined with an extension of the state Enterprise Zone, if possible, and targeted incentives, flexible planning will make new development an attractive option to a wide variety of businesses. Given the current business climate, and the high level of the costs to develop required infrastructure for this property, it is likely that development will initially be slow, and will extend for twenty to twenty-five years.
- *Downtown/retail development:* Increasing the level of retail sales in Watsonville’s downtown will be key to the City’s economic future. In addition to adding to the tax base, a strong retail strategy will provide a means for increasing community visibility in the region and should be a high priority. The advantage of a downtown as an economic entity bears many of the same hallmarks as a retail shopping mall. While it will be difficult for Watsonville to compete successfully for a major retail development, it can create its own, comparable shopping experience.

Plans for downtown must leverage current initiatives, such as the recent opening of the new Civic Plaza and parking structure, as well as past planning efforts, such as the Paseo Plaza Project. However, future efforts must recognize that any investment of public resources should be evaluated by the ability to generate private investment. For downtown this means not only generating additional capital investment, but also identifying and recruiting employment at higher income levels. Watsonville should not assume that current education levels are an insurmountable obstacle to this approach. Matching regional labor demand and supply is a feasible and effective strategy.

- *Freedom Boulevard Corridor:* Based on the opportunity for infill and redevelopment, Freedom Boulevard represents a significant opportunity for redevelopment in the City. This street has the potential to serve as a major corridor linking downtown with the airport and the Buena Vista area. Specific considerations for the corridor should begin with an understanding of the retail potential in the City and in the surrounding trade area. The competitive environment should include near-by shopping centers and should identify retail options in each center or strip development. The market area “pull factor” of Freedom Boulevard should be assessed based on existing shopping center distance

(and the range of products offered). From this baseline understanding, the City can work with existing businesses or with developers to create niche opportunities (ranging from specialty grocery stores to furnishings and boutiques). Finally, the stability of retail and service options should be clearly demonstrable to developers through the use of prospectus brochures that make investment options clear.

Framework

This implementation plan builds on information compiled and analyzed by the consulting team which worked on the Economic Element of the General Plan, and on an implementation plan to achieve the goals set forth in the general Plan, with input from City officials and other key stakeholders.

Community assessment: To understand the opportunities available to Watsonville, the team conducted an economic assessment of the area to identify Watsonville's unique economic strengths and weaknesses in the context of the Pajaro Valley, as well as the larger regional economy. This assessment focused on attributes that define the community's overall business climate and are of greatest concern to business leaders, site selectors, and other economic decision makers. The assessment used the then-current data sources (proprietary and public) to assess factors such as available skilled labor and community population, current industries and major employers, and land use. The quantitative analysis was supplemented by interviews with major employers, education officials, local retailers, and members of the development community. The information from this assessment is incorporated into the 2005 economic development strategy and the very similar Economic Element of the 2005 General Plan (attached as Appendix A to this document (16 pages).

Scenario planning: In order to understand the impact of potential development trends in the City, the Economic Element of the General Plan considered and evaluated three employment scenarios representing alternative futures for the community. Scenario modeling was used as a foundation for the General Plan because of its ability to demonstrate the impact of different approaches to future development. This is especially true for economic development in Watsonville, where the relationship between employment, housing and land use are directly intertwined.

The scenarios for Watsonville's employment/economic development could take one of three directions, representing alternatives futures for the community: (1) growth could be primarily that of a bedroom community, (2) growth in the form of employment gains could reshape the City as a thriving employment center, or (3) growth could continue along current strengths and employment patterns.

The City does not seek to become a bedroom community for larger employment areas, nor is it realistic to expect Watsonville to assume the position of being the area's largest employment center. The most logical and realistic direction of economic development would follow the City's recent employment patterns and jobs-to-household ratio; however, maintaining or improving upon these trends will require the City to pursue the goals set forth in the general plan, and carried through to this economic development strategy. Absent these goals, the City runs the risk of becoming a "bedroom community" for Santa Clara County, which has already occurred to some extent, in which case the City would become increasingly reliant on property taxes with little new job growth in areas other than those required to support a growing population (typically low-paying jobs in retail and personal services).

It is important to note that the City can attempt to follow and or influence a scenario, however, what actually happens in a community is often a function of elements that cannot be easily predicted and that may be the result of national and global trends, incidents and events which play out very differently in different places. A good example of this phenomenon is the dramatic decline in local production of crops such as apples and cut flowers, due to changes in international trade laws that allow growers in China, Latin America and elsewhere to flood the U.S. market with dramatically cheaper produce, making local production economically infeasible. This globalization is forcing Watsonville and other U.S. cities, particularly in manufacturing and farming communities, to completely rethink their economies in order to survive in today's international marketplace.

This strategy contains recommendations for long-term and short-term actions and goals to create a sustainable local economy, given the current context of intense global competition, as well as local and regional challenges. The strategy takes a long-term and flexible approach to this challenge, similar to the 25 year time frame of the 2005 General plan. Long term efforts are needed due to the complexity and difficulty involved. The recently annexed Manabe-Ow specific plan area is one of the initial tangible steps in this strategy. This project is intended to provide a major new employment center consisting primarily of light industrial and office uses, as well as an adjacent site for workforce housing.

The remainder of this plan is organized according to the goals established in the Economic Development Element of the General Plan, and addresses the following main topics:

- **Quality of Place,**
- **Industry,**
- **Talent (the workforce), and**
- **Marketing.**

I. Quality of Place

Goal: A vibrant community with a wide range of lifestyle options and amenities for current and future residents.

Economic development activities are often undertaken in a vacuum — as if “jobs” were somehow independent of the people who hold them. Workers need places to live, amenities, and educational opportunities. In the competition to develop and attract a talented workforce, quality housing, good restaurants and good schools are not luxuries — they are necessities.

Much has been written about the importance of quality of life to the site selection process. Communities throughout the nation have positioned themselves by touting their advantages in this regard — good schools, safe streets, pleasant weather. While these factors are important, they may impose a narrow focus. Quality of life assumes that everyone thrives in the same environment and is attracted to the same amenities. It assumes that current residents’ view of what makes a community would be shared by all.

By contrast, quality of place considers what is attractive to a range of residents, both current and future. The idea of quality of place accommodates growth and recognizes the benefits of change. Quality of place is about providing options, not just for current residents, but for those who will be residents in the future. Cities that fail to provide a range of alternatives for their current and prospective residents will fall behind those that do.

Historically, quality of place in Watsonville has faced serious challenges in connection with residential development. While housing costs are an issue throughout California, Watsonville’s situation is exacerbated by the income levels of area residents. This combination of low household incomes and high housing costs will make future growth in the area difficult and will continue to put pressure on area residents.

However, with single family median home prices dropping from record highs in 2005-06 to \$435,000 in February 2008, home prices in Watsonville are now more affordable than they have been in years, and continue to be the lowest, on average of any urbanized area in Santa Cruz county. Nonetheless, competition from other areas in the region, such as the Salinas Valley and portions of San Benito County, off-sets this relative advantage by offering somewhat lower-cost homes within the same general market area and, in some cases, within shorter commute distances to higher-paying jobs in the Silicon Valley. As a result, a focus on quality of place becomes even more important.

The introduction of new growth areas to the City, combined with infill and redevelopment of existing properties, presents opportunities to accommodate growth and to provide housing and employment options for current residents. Because of the potential to dramatically impact Watsonville’s quality of place and increase the tax base, ensuring the efficient and appropriate use of these opportunities should be the City’s highest priority.

A. New Growth Areas

To facilitate the employment goals established for the New Growth Areas (Buena Vista, Manabe-Ow, and Atkinson Lane), the City should encourage the expansion of existing businesses and provide targeted incentives to attract new businesses. Of the New Growth Areas, emphasis should be placed on Manabe-Ow because of its potential to generate employment. (General Plan Policy 5.1.1)

Action items:

1. **Development of the Manabe-Ow Property** as a premier new flexible employment center for industrial and/or office park uses with an integrated site for some workforce housing. Due to the extent and cost of infrastructure required for this site prior to construction of any buildings, it will take a number of years to develop the property.. This area was annexed to the City in 2006, with the intent of providing adequate sites for job growth needed within the next 20 years. Establishing Manabe-Ow as a “signature project” that would showcase Watsonville throughout the region can be accomplished in three ways:
 - a) *Focus on existing businesses.* Creating a space that could meet the expansion needs of existing businesses (including corporate headquarters, R&D or training facilities) will help reinforce Watsonville’s well-deserved reputation as a “business-friendly” community, and increase awareness of the City in regions well beyond the Pajaro Valley.
 - b) *Link with other opportunities.* By offering developers a new “product” in Manabe-Ow, consisting of well-planned development sites large enough and ready for modern industrial uses, the City has the chance to spur additional development in the downtown through the attraction of new business to the area.
 - c) *City involvement in Project.* The City should continue to work with the developers to define a clear vision of how it wants the property to develop and should use public improvements to guide private investment. This can be accomplished by zoning and codes, by design standards, and by the scale and location of physical improvements – from roads to water and sewer.

2. **Prepare Specific Plan for Manabe-Ow annexed area.** Preparation of a Specific Plan to guide development of the annexed area is currently underway to ensure that the City’s vision for this property is realized. A Technical Advisory Group comprised of the property owners, City representatives, technical advisers and stakeholders has been established to work on the Plan, which will consider the following elements:
 - a) Identification of barriers to development and, where possible, actions for alleviating them prior to marketing the property.
 - b) A market-driven approach that considers the impact of parcel configuration, density requirements (including FAR), and the competitive environment to determine the appropriate mix of uses.

- c) Financing considerations, to evaluate the most appropriate type of financing for the project (Grants, Tax Increment Financing, bond issues, assessment district, general fund appropriations, etc.)
 - d) An analysis of traffic impacts associated with the project and a transportation demand management plan, including financing options.
- 3. Develop Marketing and Recruitment Strategy for Manabe-Ow.** While much of the marketing will be driven by the property owners/developers, and will depend upon the demand for the space, the City can take an active role in shaping the central marketing message and can put its economic development resources, if any, into a coordinated recruitment strategy to bring employers with the potential to make the greatest local economic impact, in terms of employment and other related economic benefits, to the site.
- a) *Develop recruitment strategy.* While recruitment of new business is still viable for Manabe-Ow, the City should focus on the site as a means to encourage the expansion of existing businesses. The park should be viewed as a way to create a “move-up” opportunity for existing employers and their supplier network, if they need such opportunities. Once the needs of existing business have been met, specific targets for recruitment should be developed.
 - b) *Prepare separate marketing strategy.* Based on the recommendations of the specific plan and the expansion and recruitment targets selected, the City and/or the property owners/developers should prepare a strategy for marketing the site. The City should consider the preparation of marketing materials, including a brochure and website or webpage, specifically for the Manabe-Ow development.

B. Redevelopment Areas

The City should encourage redevelopment and infill of both residential and non-residential uses within designated redevelopment areas. (GP Policy 5.1.2)

Action items:

- 1. Document Vacant and Underutilized Property.** The City should continue to document, on a parcel-by-parcel basis, those properties in each redevelopment area that are vacant or underutilized in terms of property tax revenue generation or employment. Parcels with absentee owners should be identified as this can be an indicator of sites that are not being maintained or utilized to their fullest potential. The work of the consulting team, reflected in the general plan, provides a starting point for this process.
- 2. Assemble Parcels.** Where appropriate, the City should consider assembling specific parcels into larger parcels that would make them more attractive to developers. In addition, Watsonville should consider placing liens on properties that are delinquent on taxes or where City crews have had to maintain overgrown yards. The City can then sell these properties through a foreclosure sale or attempt to purchase the properties. Waiving tax delinquencies and helping future owners obtain clear title is another incentive that could be offered to encourage redevelopment of specific properties. Once properties have

been assembled, the City can then solicit developer participation in the same manner as described above (see A.3 above)

- 3. Conduct Market Demand Analysis.** The City should analyze the demand for each potential type of use (i.e., residential, office, commercial, mixed-use) within each redevelopment area. This analysis should document the current supply and absorption rates for existing products in Watsonville and the surrounding area that would compete with new development. It should also identify the target market for each product type and delineate relevant physical, economic, and social characteristics that would affect the area's appeal to those markets (e.g., safety, proximity to amenities, etc.). This information can be shared with private developers of specific redevelopment areas. This analysis should be conducted as soon as practical and should address all redevelopment, with emphasis on Freedom Boulevard.
- 4. Property Owner Consultation.** The City can solicit statements of interest from major commercial and industrial property owners in the redevelopment project area in order to identify sites with owners interested in redevelopment, reuse or rehabilitation in the short term (5-10 years). Sites and/or proposals should be compared to the current General Plan designations for compatibility and then reviewed for fiscal impact and financial feasibility. Upon identification of a viable proposal, the property owner could submit the proposal to the City pursuant to the standard development review process. Requests for City or Agency participation or assistance in a project will be considered in accordance with the required public participation processes.
- 5. Review City Permitting Process.** The local land-use decision making process can create a significant barrier for infill and redevelopment projects. For example, if a developer is required to seek variances or amendments to existing regulations the process can add significantly to his or her costs, increasing the risk and, in some cases, making the project financially infeasible. If it has not already done so as part of the 2005 General Plan Update, the City should streamline existing development review and approval processes for those projects that achieve infill and redevelopment goals.
- 6. Assess Impact of Zoning and Land Use Regulations.** Existing regulations should be reviewed to ensure that they do not present a barrier to infill or redevelopment. For example, the modeling done as part of the Land Use Element of the General Plan indicated that reducing parking ratios in existing commercial zones would make properties along Freedom Blvd. more attractive for redevelopment and infill. Other factors that can improve the financial feasibility for projects in redevelopment areas typically include allowing higher densities and a mix of uses. Consideration should also be given to ensuring that existing regulations do not allow development that would negatively impact the area or that would prohibit more favorable projects in the future.
- 7. Explore Financing Options.** Infill and redevelopment projects frequently face higher land acquisition costs and development costs than "Greenfield" (undeveloped) sites because of surrounding uses, contamination, and/or the effects of market speculation. This tendency, coupled with the difficulties in establishing the market value of the

finished development, can make projects difficult to finance through traditional means. The City should explore non-traditional approaches to financing, such as the development of public-private partnerships that pool funds, tax credit financing, industrial development bonds, assessment district financing, possible sales tax rebates and land leases (for City-owned parcels.)

- 8. Establish Design Infill/Redevelopment Guidelines.** Quality design is an important ingredient in successful infill and redevelopment projects. The City should ensure that new projects are constructed in a manner that complements existing development and furthers the goals outlined in the General Plan's Urban Design and Human Scale element.
- 9. Develop Infill/Redevelopment Incentives Policy.** The City should develop an incentives policy specifically targeted to encourage infill and redevelopment throughout the community. This policy would establish specific criteria—such as employment and wage targets, design standards, and community “livability” goals—which trigger incentives. Examples of incentives would include a streamlined or “fast-track” review and approval process, waivers or reduction of the project's development-related fees, or in some cases, tax abatements or credits. Examples of policies would include affordable housing targets in mixed used projects. (I think some of this may be in our General Plan already).
- 10. Identify Specific Projects for Redevelopment Funds.** As redevelopment funds become available, the City should identify specific initiatives for funding. The availability of these funds and other relevant incentives should be marketed to the development community. Because of the level of employment targeted and its potential to transform the image of Watsonville, Freedom Blvd. should be the priority corridor among redevelopment areas.
- 11. Align Efforts of Local Organizations with General Plan.** The City should work with local community and economic development organizations, such as the Pajaro Valley Chamber of Commerce, the Santa Cruz County Workforce Investment Board, and El Pájaro Community Development Corporation, to ensure that their efforts are aligned with the General Plan. This could include staff and board training; presentations of the plan; and strategic planning assistance.

C. Housing Affordability

Because attracting and maintaining a qualified workforce is essential for economic growth, the City should continue to operate current programs and develop innovative new programs to address Watsonville's housing issues. As identified in the General Plan, housing availability is a critical issue for businesses.

Action items:

- 1. Continue Current Programs.** The City should continue current housing programs designed to increase the availability of affordable housing and “workforce” housing. The City has been a leader in the region in the provision of affordable housing; however, the need for affordable housing will continue to be a challenge for the City and the region as

a whole. The Housing Element of the General Plan provides detailed guidance on this issue.

- 2. Involve Key Stakeholders in Best Practices Research.** City officials should work with major employers and members of the real estate and financial community to benchmark best practices regarding workforce housing. A collaborative approach might lead to the inclusion of workforce housing areas in conjunction with new employment-intensive developments, especially when these units can be located close to the actual place of employment. While the idea of “worker housing” proximate to companies has fallen out of favor, Watsonville and other cities reliant on low-skilled manufacturing may do well to reconsider this option. The proposal for development of the Manabe-Ow annexed area utilizes this approach to some extent, with the inclusion of a 6-acre workforce housing site within the 70-acre specific plan area.

D. Retail Strategy

The City should implement a formal retail strategy. In addition to providing a source of tax revenue, retail is increasingly seen as an amenity without which other economic sectors find it difficult to recruit workers. While traditional theory sees retail as a spin-off effect from the manufacturing sector, many successful communities now recognize that a thriving retail sector helps attract large employers to a region. This effort should focus on both aesthetic and economic issues, including the development of a retail/commercial strategy for the downtown in context with Freedom Boulevard, East Lake Avenue, and the industrially zoned properties throughout the City. (General Plan Policy 5.2.2)

Action items:

- 1. Conduct Trade Area Research.** The City should conduct a targeted analysis to help City leaders better understand the current state of retail in the City and examine opportunities for future expansion. This research should delineate Watsonville’s trade area, document the needs of existing retailers, identify current “gaps” and opportunities for retail development in the City, and provide information on site location factors for existing and potential retailers.
- 2. Prepare Retail Strategy.** Based on findings from the research outlined in action item D.1, the City should develop a strategy for enhancing existing business and for the attraction of new retailers city-wide. This strategy should document concerns of existing property owners and retailers, and establish a business plan for facilitating additional retail development in key retail centers, such as the downtown. Part of this process should include conducting an inventory of existing sites and buildings and identifying land that could be assembled and presented to a potential retailer or other appropriate target.
- 3. Revitalize Downtown.** The City should participate with the private sector to revitalize the City’s central business district. Working with relevant groups, the City should help form a new downtown development organization. This organization should view the downtown as an economic development force as well as an overall amenity. It should be

structured as a board with public and private participation, should be connected to local economic and community development organizations and should have a narrow mission with specific goals. The form of the organization could be as a Business Improvement (Assessment) District, a downtown association, or a Main Street Program. The board should have a “sunset” provision dissolving it upon completion of its mission, except in the case of a downtown association, which is typically an ongoing organization, like a chamber of commerce.

- a) *Working group.* This process could begin with the formation of an exploratory working group comprised of the City planning director, the chamber president, the City’s economic development director, and other key stakeholders to consider specific organizational needs.
- b) *Business plan.* The first task of the organization should be establishing a working document that can function as a business plan for development in the downtown. Issues that should be encompassed in the business plan include: identifying concerns of property owners and retailers, identifying the desired mix of uses and appropriate density for downtown, as well as assessing the status of housing in the area.
- c) *Retail management.* An additional role of the working group would be to address specific provisions for retail management (such as design standards, regular store hours, collaborative promotional efforts, and similar initiatives). Although the California Main Street Program was placed on hold by the closure of the California Technology, Trade, and Commerce Agency in 2003, the City can join the national Main Street Program as a participating city, if it chooses to pay the membership fees and comply with the membership terms. Part of this program would include networking with the National Main Street Center and the California Main Street Alliance, a nonprofit networking and advocacy group of California Main Street towns.
- d) *Retail sales tax revenues.* As part of the City’s downtown revitalization and retail strategy development, the City should focus on identifying methods for increasing retail sales tax revenue, both by increasing retail activity within the city limits and by enhancing the collection of taxes from existing businesses. Sales tax revenues can provide a means for the continued expansion of the tax base even after the City’s available land has been developed to capacity.

4. Prepare Retail Strategy for Freedom Boulevard. Freedom Boulevard represents a significant opportunity for redevelopment, including retail and mixed use projects. This fact, along with its potential to serve as a major corridor linking downtown with the airport and the Buena Vista area, and eventually the Atkinson lane housing area, demands that special attention be given to the area. A strategy for Freedom Boulevard should be market-driven and should identify niche opportunities (ranging from specialty grocery stores to furnishings and boutiques) that meet the needs of current residents as well as creating a destination that draws shoppers from outside the City.

5. Link Retail and Tourism. Retail development must be viewed with an eye towards capitalizing on Watsonville’s tourism potential. The City has a number of assets in this regard—festivals and events, nature tours that capitalize on the unique habitat created by sloughs, the Watsonville Fly-In and Air Show, as well as proximity to beaches, parks,

and museums in the area. Watsonville's tourism initiatives must be treated as a retail strategy. In other words, attracting tourists only benefits Watsonville directly if the City has a mechanism for capturing retail sales dollars.

- a) *Conduct tourism inventory.* The City should work with local economic development and tourism organizations, such as the Pajaro Valley Chamber of Commerce and the Santa Cruz County Conference and Visitors Council, to conduct an inventory of Watsonville's tourism assets. This inventory should be used to promote local attractions and events on appropriate websites and publications.
- b) *Continue environmental enhancement to promote tourism.* Natural resource enhancement such as the development of the slough trails, native plant restoration programs and visitor centers, promote the natural resources of the community and provide opportunities for additional tourism. Programs such as the birding festival and native plant walks support future tourism opportunities that can enhance the economic climate of the City.
- c) *Raise awareness among local retailers.* The City should work with relevant groups to raise awareness of Watsonville's tourism assets among local retailers and hospitality-related establishments. This will help to ensure that local businesses are prepared to capture retail spending that is associated with specific tourism-related activities.
- d) *Tailor retail efforts to specific events or attractions.* This may mean offering extended hours of operation to accommodate specific events or designing sales and marketing efforts around a related theme. For large events, (such as the Watsonville Fly-In), or regularly occurring events (such as organized tours of the sloughs), the City should consider making special arrangements, such as providing shuttle service to the downtown.
- e) *Review "way-finding" signage.* The City should ensure that signage makes it easy for non-residents to get around town. Signs should guide visitors to shopping areas and major attractions.

E. Fiscal Analysis Tools

When evaluating the merits of specific investments and land use decisions related to economic development, the City should employ all available financial tools. (General Plan Policy 5.4.1)

Action items:

- 1. Conduct Cost-Benefit Analyses.** The City should conduct a cost-benefit analysis on projects that will require some level of public incentive. Incentives should only be awarded to those projects that stimulate private investment and show a positive return on investment in the form of expanding the City's tax base. As an alternative to a full-blown analysis, the City could develop an index or point system by which specific incentives will be determined. One example of this approach, the City of Austin's "Smart Growth" matrix, is included as an appendix to the 2005 Economic Development Strategy by T.I.P. Strategies (available at the Community Development Department).

- 2. Conduct Cost of Services Study.** While residential property taxes can form a solid revenue base, it is not uncommon for the cost of services to exceed the amount paid in. In fact, the greater the disparity between housing values and residential property taxes, the greater the need for business taxes to make up the difference. But, like residential rates, business taxes can act as a disincentive for corporate relocation and expansion. If it has not been done recently, the City should conducting an updated cost of services study to provide an understanding of the fiscal implications of various development patterns, fees and tax rates. National studies suggest that it is more costly to serve residential property than nonresidential property, due to the greater service demands by residential developments for police, fire, EMS, trash collection, street repair, and recreational opportunities. In California, this costliness is even more extreme, due to the limits placed on local governments' ability to set property tax rates due to Proposition 13, passed in 1978. Generally, the demand created by rapid residential development can outpace the ability of a city to provide these services.

For example, national studies summarized by the American Farmland Trust suggest that commercial property returns far more to a city's revenue stream than it requires in services. According to their findings compiled from community services studies conducted in 70 cities across the country, commercial and industrial land requires only 27¢ in services for each \$1.00 of taxes paid. By comparison, residential land is a net drain, requiring \$1.15 in services for each \$1.00 of tax collected. While many of these studies have been criticized for over-simplifying the correlation between land use and expenditures, the analysis can provide important insights into the relationship between the City's cost structures and land development patterns. Many studies on fiscal impact analysis in California and elsewhere are available via the Internet, including a recent U.C. Berkeley research paper regarding development options in the Silicon Valley:

Vicki Elmer, Abigail Thorne-Lyman, and Dena Belzer, "Fiscal Analysis and Land Use Policy in California: A Case Study of the San Jose Employment Land Conversion Analysis" (December 1, 2006). Institute of Urban & Regional Development. IURD Working Paper Series. Paper WP-2006-10. <http://repositories.cdlib.org/iurd/wps/WP-2006-10>

Some automated, GIS-based fiscal impact analysis tools are also available online:

<http://theurbanexplorer.com/clients.html>
<http://64.81.66.68:8181/sanjose/>

II. Industry

Goal: A business environment that supports the retention of existing businesses, fosters entrepreneurship, and attracts new business to the City.

The heart of an economic development program remains business retention, expansion, and recruitment. While there are barriers to this approach – notably workforce skills, housing costs, and land availability – it is in the overall interest of the community to address these barriers in any event. Job growth will remain a critical concern, especially for higher wage occupations, and business expansion is the surest way to meet this challenge. As a result, providing adequate space for expansion is critical for the area’s future economic growth, as well as its social well-being.

A. Business Retention, Expansion, and Recruitment

The City should continue to foster a business climate that facilitates the retention and expansion of existing businesses, fosters entrepreneurship, and attracts new business to the City. (General Plan Policy 5.2.1)

Action items:

- 1. Develop Target Industry Program.** The City should work with local and regional groups to identify target industries for the region. Targets should be selected based on their fit with existing businesses, such as filling gaps in supply chains and support services, as well as their ability to meet City objectives, such as local “living wage” goals and consistency with the regional economy and regional transportation infrastructure, and other development constraints. Consideration should be given to tourism and retail, as well as to developing targets for specific areas of the City (such as encouraging business services and commercial growth along Freedom Blvd.; focusing industrial growth on the existing industrial area; and identifying airport-related targets, such as freight forwarders, for vacant and underutilized areas identified around the airport). (See also Strategy 5.3)
- 2. Work with the South County Committee of the Business Council.** The City should continue to participate on the South County committee which has been established by the Santa Cruz County Business Council. This group could advise the City regarding the impact of specific regulations and ordinances on the local business climate, assist in the prioritization of local economic development initiatives, provide a “reality check” for long-term planning, and offer insight about business needs such as training or regulatory constraints.
- 3. Coordinate Economic Development Initiatives.** The City should work with existing local and regional economic development groups, such as the Pajaro Valley Chamber of Commerce, the small business development center, as well as area trade association, to coordinate business-related initiatives.
- 4. Emphasize Business Retention and Expansion Program.** The expansion and retention of existing businesses should be at the heart of any economic development strategy.

Creating a formal mechanism for gathering information from local companies—through employer surveys or business forums—is a key component of successful business retention efforts.

- a) *Inventory*. The City should maintain an inventory of existing business and available properties. Having a clear understanding of the types of businesses already in the community, in addition to keeping tabs on new locations and expansions, is the first step. The City should continue to document existing businesses and available properties. Business tax records, utility hookups, and ownership transfers can be important sources for information.
- b) *Employer survey*. The City should consider the development of an annual employer survey as a means for keeping in touch with local business and documenting specific needs or concerns. The survey could be conducted as a paper survey or via the Internet. There are numerous examples of such surveys on the web (e.g., search “business retention survey” on Google).
 - Confine questions to things that you need to know.
 - Include cover letter on official stationery stating how results will be used and benefit to respondent.
 - Postage paid return envelopes improve response.
 - Conduct as personal interview for key employers.
- c) *Business roundtables*. The City should provide local businesses the opportunity to meet regularly with economic and community development staff. The purpose of these meetings is similar to that of the employer survey, but the face-to-face approach often stimulates discussion that a survey cannot. This could be accomplished by holding quarterly forums or in conjunction with an existing event, such as is typically offered by local chambers of commerce.
- d) *Incentives*. Incentive policies are typically directed at the recruitment of new industries. However, such policies should also be viewed in terms of how they might apply to the expansion of existing businesses. Non-cash incentives, such as “fast-track” permitting and flexible zoning, can make the difference in the bottom line cost of expansions.
- e) *Intervention*. In conjunction with local workforce groups, the City should develop a “rapid response” strategy for dealing with potential layoffs or plant closures. Under the Federal Worker Adjustment and Retraining Notification Act (WARN) of 1989, companies with 100 or more employees must notify local governments and state workforce organizations about plant closings or mass layoffs at least 60 days in advance of the event. However, at this point, it is frequently too late to do anything about it. Part of the City’s business retention program should focus on identifying “at-risk” companies and developing an aggressive intervention strategy.
- f) As part of this effort, the staff should be aware of the tools available to help avert such actions or ameliorate their impact. Examples of these tools include:
 - Understanding the role of financial tools, such as Employee Stock Ownership Programs (ESOPs).
 - Identifying companies who can benefit from customized assistance, such as the manufacturing modernization and training services offered through the U.S. Department of Commerce’s Manufacturing Extension Partnership (MEP)

program. The MEP program for Northern California is administered by Manex, a consulting firm based in Hayward, CA.

- In the event of a layoff or plant closing, working with other community and educational organizations to coordinate services for affected workers, including re-training and career counseling.

To be truly effective, intervention must occur early. As such, this strategy relies heavily on the information-gathering steps outlined above.

B. Small Business & Entrepreneurial Development

The City should work to foster a business climate that supports small business and fosters entrepreneurial development.

Action items:

- 1. Review Existing Regulations.** The City should conduct a review of development regulations, ordinances and approval processes to ensure that government is being responsive to the small business community. Small business owners and representatives of relevant groups, such as the Central Coast Small Business Development Center and local chambers of commerce, should be part of this review.
- 2. Create Small Business Ombudsman.** The City should consider the creation of a small business ombudsman. This position would be the primary point of contact for new and small businesses in the area and would serve as a liaison between the business community and relevant City departments and commissions.
- 3. Promote Existing Small Business Programs and Services.** The City should work with the Central Coast Small Business Development Center to ensure that its services are promoted to Watsonville area business. Specific emphasis should be given to identifying entrepreneurial ventures that go beyond the traditional “mom & pop” operations that are the typical target of such efforts.
- 4. Involve Local Schools.** The City should encourage boards and administrators of local public and private schools to offer business-related coursework and activities to their students, particularly in the junior high and high schools. Programs that provide direct links between technology-based learning and business opportunities have extraordinary potential. Schools should be encouraged to work with local business leaders, as well as Cabrillo College and other higher education institutions in the region, to develop curricula that provide broad-based information technology skills and involve students in business-related issues. Examples include job shadowing, formal apprenticeships, and personal research projects with a specific business application. Benchmarking of best practices related to career preparation should be part of this measure.
- 5. Leverage State and Federal Funds.** The City should identify and seek federal and state grants to support innovation and assist private companies in securing government funds, particularly relative to innovation, including the Small Business Innovative Research or

SBIR program. As part of this measure, the City should identify local recipients of such awards to learn more about the constraints faced in competing for the SBIR or other awards. Data on award recipients are available from the Small Business Administration. The most recent data available on-line are for 1998 and include two Watsonville companies—Sylectics (Phase 1 award for \$99,906) and Triton Technology (Phase 2 award for \$69,973). Non-technology specific awards should also be considered. (See <http://www.sba.gov/sbir/indexresources.html> for a listing of available resources.)

- 6. Develop Innovative Programs to Foster Entrepreneurship.** The City should consider innovative programs, such as providing annual stipends to students in technology-related fields, in order to retain and attract entrepreneurs. These individuals should be recruited not only from Watsonville, but from the region. This effort should be reviewed on an annual basis and if sufficient applicants are not available, the recruitment effort should extend statewide or even nationwide. A similar program initiated by the Racine County Economic Development Corporation in Wisconsin could serve as a model.
- 7. Provide Technical Support.** Access to timely research and industry-specific data can be a significant expense for small businesses and entrepreneurs. The City, potentially joining with other local business-oriented organizations – such as the Central Coast Small Business Development Center, the Santa Cruz Business Council, or the Chamber of Commerce – should explore the feasibility of developing business-related databases that could be accessed by local entrepreneurs. These databases could include industry intelligence services, such as Hoovers, or GIS-based economic and market data, psychographic data, and other demographic, labor force and economic databases not currently available to, or easily accessed by the public. The Business/Industry Affairs department in Littleton, Colorado could serve as a model for this approach.
- 8. Ensure Adequate Networking Opportunities.** One of the best means for nurturing new businesses and providing growth opportunities for existing businesses is to provide networking opportunities. By establishing a regular meeting schedule, hosted jointly by the Chamber, Workforce Investment Board, or other business-oriented organizations, business owners can discuss issues on a topical basis (workforce, supplier networks, start-up resources). Opening these events up to the entire region can enhance the prospects of success. Once sufficient interest is generated, networking events could be organized by industry or issue. An active, monitored listserv can provide another means for discussions of interest to area entrepreneurs.

III. Talent/Workforce

Goal: A workforce that is flexible and more educated at all wage levels that can meet the needs of existing businesses and help draw others to the area.

Lower operating costs have been a key factor in the growth of businesses in the City. However, today's competitive environment means that business cost advantages must be combined with the availability of skilled workers. Job lay-offs are an unfortunate reality of current market conditions, and can only be offset when the skills of the workers are not easily matched by lower cost labor elsewhere. This argues for a workforce that is both more flexible and more educated, even in those occupations that have traditionally been defined as low-wage. Examples can be found in health care, in office support, and even in agriculture.

A. Education and Workforce

The City should encourage major employers, workforce development, and educational agencies to identify and implement programs that can raise educational attainment levels and improve career opportunities for local residents, in accordance with the City's General Plan Policy 5.3.1.

Action items:

- 1. Identify Education and Workforce Partners.** The City should continue to encourage officials from Pajaro Valley Unified School District, Cabrillo College, the Aptos-Watsonville Adult School, and U.C. Santa Cruz, as well as business leaders from major industry sectors in the region (including healthcare, agriculture/food processing, manufacturing, public sector, and hospitality) and representatives from the Santa Cruz County Workforce Investment Board to continue to work cooperatively to address education, training, and other workforce readiness issues. As funding for such efforts is always limited, perhaps the most important contribution that can be made by local industry representatives is contribution of grant funding for targeted curriculum development, training and internship programs that are most needed to support key local industries and major employers.
- 2. Develop Work Program.** A key part of the education and workforce effort should include the development of a work program that identifies strategies to address broad issues (such as the availability and marketing of adult education and vocational programs that are currently available to local residents), as well as specific needs, (such as the current shortage of nurses at Watsonville Community Hospital). This work plan should begin with an inventory of existing initiatives in the region to identify gaps and overlaps. The group should also document examples of innovative programs from outside the region.
- 3. Work with School District.** The City should continue to insist that the local school districts 1) improve educational attainment levels and 2) identify partnership opportunities that can help prepare K-12 students for future careers. The latest available "Adequate Yearly Progress" report for the Pajaro Valley Unified School District shows that only five out of thirty-three schools in the district met the minimum federal standards

under the “No Child Left Behind” legislation during the 2006-07 school year. Of the five that met the standards, only one was located within Watsonville, the Linscott Charter School (K-8). The remainder of the passing schools were located in the higher income areas of the district (unincorporated county areas of Aptos, Seascap, Corralitos). None of the Watsonville high schools or junior high schools met the standard.

A quick review of the summary reports available for each school in the district reveals a painfully obvious correlation between the number of “key factors” and the schools’ results in meeting the standards. The key factors that the passing schools had in common were: much higher percentages of students whose parents attended college; lower percentages of students in low income families; and lower percentages of students who are English language learners. For example, at Pajaro Valley High School, 25% of the students had parents who attended college, while 81% of the students at Aptos High School had parents who attended college. See further discussion of the importance of educational role modeling below.

Such extreme economic and social disparities, and the corresponding correlation with school performance levels, is typical of many school districts and metropolitan areas nationwide, with the continual movement of middle and higher income groups to suburban and rural areas, leaving recent immigrants and very low income households in the inner cities. Efforts to increase residential integration of various socioeconomic groups throughout the county, through mixed income housing developments or neighborhoods, inclusionary zoning, and similar efforts, might prove to be most effective in improving student performance, by more evenly distributing the amount of financial and other support resources available, such as charitable giving, parent involvement, volunteering and mentoring, to all of the schools, rather than just a select few.

- a) *Improve high school drop-out rates.* Strategies for addressing high rates of high school drop-outs identified by the U.S. Department of Education include:
 - Ensuring that students are introduced to challenging math concepts, such as algebra and geometry, by the eighth grade.
 - Increasing the number of minority teachers and the number of teachers qualified to teach English language learners within mainstream classroom settings.
 - Developing after school and summer school programs to decrease the loss of important skills, particularly reading, during the summer break.
- b) *Engage parents in education.* The City should ask the school district to identify and implement strategies for engaging parents in their child’s education. Available resources include the National Coalition for Parental Involvement in Education (www.ncpie.org) and the National Community Education Association (www.ncea.com).

- 4. Support “College Bound” and other innovative programs.** Local support for the PVUSD’s “College Bound” program should be considered if additional grant funding cannot be secured. National studies—such as the June 2003 report *With Diploma in Hand: Hispanic High School Seniors Talk About Their Future* prepared by The National Center for Public Policy and Higher Education, with Public Agenda—reveal that support

systems are often lacking for Hispanic students in the pursuit of higher education. The study suggests that policies targeting so-called “college maybes” may have a significant impact on increasing college enrollment in this group.

5. Pursue Innovative Workforce Programs. The City should continue to participate on the Santa Cruz County Workforce Investment Board to identify partnership opportunities related to the recruitment and development of a talented and diverse workforce.

- a) *Promote GED programs.* According to the 2000 Census, fully one-half of Watsonville’s adult residents had not completed high school. The City should encourage the PVUSD and/or the Adult Schools to increase promotion of the GED and SOS (Second Opportunity for Students) programs to all local residents who lack a high school diploma. Creation of a publicity campaign to create a city-wide goal of increasing the percentage of local residents with a GED or high school diploma to a certain level, for instance, 70%, might help. Explanation of the benefits of increasing this percentage to the public, such as increased ability to recruit new employers and retailers to the city, might provide additional motivation to the residents.
- b) *Improve basic skills.* Particular attention should be given to identifying existing initiatives that address “essential employability skills.” Encouraging the use of fellowships and internships by major companies in the region is one approach to improving basic workforce skills. Other examples include expanding on existing programs, such the innovative Watsonville Digital Bridge Academy, or identifying commercial workforce training applications, such as EnterTech, an instructor-led, Web-based program that simulates “on-the-job” experiences while teaching entry-level skills in target learning areas.
- c) *Align WIB training programs.* The City should encourage the WIB to align training programs with occupational gaps identified in the education and work plan identified in Strategy 3.1.2.

6. Promote the Value of Higher Education to Residents. The City should work with Cabrillo College and other relevant groups to develop strategies for marketing the value of higher education to area residents. As part of this measure, the City should assist Cabrillo College in the design and implementation of a financial workshop to help increase awareness about strategies for financing college and other matters. The workshop should address the topic from the standpoint of illustrating the “return on investment” that comes from pursuing higher education.

IV. Marketing

The primary purpose of traditional economic development marketing is to generate interest from companies planning to expand or relocate. However, given the current environment, in which more and more workers are selecting place first and job second, the marketing campaign should also attract workers to the region. To do so, the City and its partners will need to differentiate the Pajaro Valley from its competitors and provide focus to the community's efforts. As with all successful marketing, economic development campaigns must be focused on clearly defined targets. The primary audiences for the City's marketing efforts are:

- 1) Regional business leaders that can influence business location decisions
- 2) Key allies, such as state and regional economic development organizations and institutions of higher education
- 3) Members of the media
- 4) Site location consultants
- 5) Decision-makers at companies within target industries

A. Positive Image

The City should undertake a sustained marketing effort to promote a positive image to current residents, as well as those outside the region.

Action items:

1. Develop Internal Marketing Campaign. Perhaps the most important target of any marketing effort should be the people and businesses currently residing or located in and around Watsonville, as they have made some level of investment in the area already. They are also the ones who represent the region on a daily basis. Local leadership should undertake a sustained internal marketing campaign to promote a positive image of the region. Making sure that existing residents and local business leaders have a positive image of the area is key to the success of any external campaign as these are the people who can best tell Watsonville's story to the outside world.

- a) *Continue current efforts.* The City has implemented several means of public outreach including its quarterly "Our Town" newsletters and Channel 70 programming. These efforts should be continued, with an emphasis not just on providing information, but on building a positive image of Watsonville as a place to live and work.
- b) *Involve local media.* City leaders should work with the local media, including both print and broadcast media, to promote positive stories about the area. Something as simple as highlighting local business achievements or including human interest stories can help create a positive image of the community for local residents.

B. Economic Development Marketing

The City should develop and implement a marketing strategy specific to economic development. A well-managed campaign can help build a positive image for the area and increase awareness, both inside and outside the region, of business activity in Watsonville.

Action items:

1. **Develop Consistent Marketing Materials.** The City should review existing marketing materials—including websites—to ensure that all materials are consistent in the information presented and in the overall appearance. They must have the same “look and feel” and must be designed to be part of the same set. There is no question that effective marketing tools must now attain a higher and more professional level. Printed marketing materials—brochures, profiles, maps, newsletter, trade show signage, folders, and other promotional materials—must be part of a broader effort that includes a linked web presence. These materials must both convey a community’s image and address the audience’s needs for focused, up-to-date information. Websites are often the first impression in the site selection process. Particular attention should be given to ensuring that all relevant information, including sites and buildings if possible, is available online.

2. **Develop Media Strategy.** Regular contact with local and regional media can generate interest in the community and raise its overall profile. One well-written, informative article in a reputable publication in your target market is worth as much as the visibility that can be bought by the largest advertising budget. The inclusion of smaller communities in various “best of” lists is often the result of this kind of marketing.
 - a) *Prepare a press kit.* As part of this strategy, the City should develop a press kit focused on economic development. A press kit is one of a community’s most important media relations tools. It is a set of materials available to initiate interest or respond to information requests from journalists and other writers. Among the materials to be included in the press kit are:
 - Cover letter to answer specific questions or address specific topics the writer is covering, as well as offering to put the writer in touch with potential interviewees.
 - Fact sheet about Watsonville.
 - List of major employers.
 - Unique features of the area.
 - Copies of other articles that have been published about Watsonville.
 - New expansions and locations in the area.
 - Photographs of the area, if available.
 - b) *Provide press releases on a regular basis.* The City should develop a list of reporters with key publications and contact them to determine what economic development-related stories they are interested in. Based on these conversations and input from other economic development groups, the City should prepare a schedule of press releases for distribution to local newspapers, as well as regional publications. Press releases should be focused on a particular event or the release of a new report or key indicator about the area. Press releases and stories can be used to improve communication about events or issues of interest to current residents.

3. **Conduct Regional Advertising Campaign.** The City should design and initiate an advertising campaign in partnership with local economic development organizations and other appropriate parties. Using an agreed upon marketing theme, design and place advertisements in regional publications touting both the Pajaro Valley and specific

opportunities from the partner entities. Advertisements would include a unified logo and highlight the specific projects of the partners. For print advertisement to be effective, however, repeated exposures in the same market over sustained periods are required. In addition to print advertisement, the City should consider participating in existing regional promotions, such as the Central Coast Marketing Team; however, such efforts should be evaluated carefully to determine their effectiveness in generating leads or additional publicity for the City.

- 4. Establish Ambassador Program.** Executives, managers, and others in local firms often travel to meetings with professionals from other firms. These individuals can serve as your best marketing channel. TIP proposes the establishment of a Watsonville/Pajaro Valley Ambassadors program, with representatives chosen by the City and other economic development organizations in the region. The program would have a two-fold purpose: 1) build an awareness of the region's strengths among area business executives, and 2) provide information for allowing them to spread a more positive image of the region in their business relationships. This informal or "viral" marketing approach is intended to supplement, not replace other formal campaigns.

 - a) *Identify participants.* The City should work with key stakeholders to identify business leaders most likely to influence decision makers and invite them to establish an Ambassadors program.
 - b) *Produce materials.* Create a brief profile touting the region's positive aspects to be used by area business leaders.
 - c) *Open communication.* Meet regularly with the Ambassadors keeping them up to date on current initiatives, progress, and honing the City's marketing message. As part of this step, the City should create a mechanism for the Ambassadors to refer prospect leads to the appropriate group.
- 5. Develop Public Relations Strategy.** A comprehensive public relations strategy must include more than the traditional tools, such as press releases and marketing materials. Public relations must also include developing relationships with the people who are in a position to disseminate information about Watsonville or give firsthand testimonials about the City as a place to live and work. These people can include reporters (who are always looking for a good story), state and regional economic development officials, elected officials, developers, and local business and community leaders who can be the City's best advocates if they have the right stories to tell. The City should begin by identifying people both in and outside the region that fit this category.
- 6. Engage Development Community.** The City should make a concerted effort to engage the development community and create awareness about what Watsonville has to offer. One way to accomplish this goal is to conduct a site location visit. This involves inviting site location specialists, commercial real estate brokers, and land developers to tour the community. Subsequent to the tour, the developer can be asked to speak to the City officials and other groups regarding his/her impressions of the City and its facilities. In exchange for compensating developers for their time and efforts, the community would gain valuable insight as to how it is perceived by outsiders, as well as establishing a new relationship with the development community.

- a) *Host Developers Forum.* Make plans to design and hold “developer’s day” event in Watsonville for regional industrial and commercial brokers and developers. Site selection consultants (see 4.3.3) should also be invited to this event.

C. Target Industry Campaign

The City and its partners should develop and implement a target industry campaign that allows available resources (time, money, and people) to be focused on industries that provide the greatest opportunities for success. The breadth and depth of the marketing efforts outlined below will be driven by the availability of property and the financial feasibility of a specific activity. For example, if the City has limited vacant land available, it is not cost effective to expend staff time and City funds marketing to users of large parcels of property. The specific activity undertaken will be determined in large part by the timing of the development of the Manabe-Ow site, and for that specific property, it is likely that efforts will be undertaken jointly by the City and the property owners/developers.

Action items:

- 1. Identify “Core” Industry Targets.** The City should work with key stakeholders to identify target industry for the region, as well as for specific developments within the community (e.g., Manabe-Ow). This effort should begin by focusing on core industries. These core industries typically represent economic opportunities for which a community already has the necessary components (including economic base, workforce, and infrastructure) in place to begin effective targeting and marketing efforts. For the Pajaro Valley, its strength in agriculture, food processing, and related products (Driscoll’s Strawberry, Martinelli’s, Wildwood Organics, Santa Cruz Coffee Roasting), and manufacturing (Smith & Vandiver, Fox Factory, Spectra-Mat, Photoflex, Inc., Annie Glass) should form the basis of any target marketing program. Related targets could include logistics, packaging, or suppliers or services required by existing companies, although land availability may be a limiting factor.
- 2. Identify “Niche” Targets.** Watsonville’s lack of greenfield (undeveloped) sites – other than the Manabe-Ow property, which is likely several years away from “readiness” – limits the City’s industry targets. Therefore, until the Manabe-Ow site is available, the City should focus on positioning Watsonville to attract less land-intensive uses or those that are suited to redevelopment situations. This would include office-using industries (which typically consume less land per worker than manufacturing or warehousing uses) or small, entrepreneurial ventures. Examples of industry targets fitting this category would include business services (see 4.3.3), small research and development facilities, or web-based high technology (software-only) firms, or specialty design-based manufacturers.
- 3. Consider Non-Traditional Targets.** Because of global trends, the future of a community or a region also lies in its ability to retain and attract workers and their families. As a result, the City should also target non-traditional opportunities that will make the region more competitive at retaining and attracting skilled workers. Some will lead directly to new job creation in service-related activities. Others are focused on fostering a more

attractive climate for tourists and potential residents and businesses, leading to further opportunities for economic growth.

- b) *Tourism and recreation* should be an essential component for Watsonville, given the assets available in the immediate area. The region offers abundant natural resources that already draw visitors from outside the area. Tourism is important, because it represents a unique opportunity to expand consumer spending, create new residents, and cement the area's reputation as a region with a strong sense of place. Involving multiple organizations in this effort will ensure that this opportunity is viewed from all perspectives.
- c) *Business services* are dramatically underrepresented in the area. This sector includes those firms that provide high-end support services—such as computer programming, legal services, accounting, and marketing—to a variety of companies. In addition to providing a source of relatively high-wage employment, the presence of a well-rounded business services sector is key to the retention of existing businesses and the recruitment of new industries of all types.
- d) A *healthy retail sector* is another key element in the attraction and retention of workers. Recommendations specific to the development of a retail strategy are provided under Goal 1. It is listed here only to reiterate its importance in terms of Watsonville's competitiveness with other areas.

4. Build Awareness Among Corporate Site Selectors. Many businesses (medium to large market) hire site consultants to assist in their evaluation of potential expansion sites. The City should create a database of these consultants, target them through direct marketing and a visitation program, and invite them to Watsonville to see specific projects.

- a) *Identify contacts.* The City should compile and maintain a site consultants database.
- b) *Assemble information.* The City should compile and maintain a site consultant information request database. The International Economic Development Council has prepared a comprehensive set of data standards for communities to use when presenting themselves to site selectors or prospective businesses.
 - The IEDC data standards matrix and related information is available at: http://www.iedconline.org/?p=Data_Standards
 - Guidelines for using the matrix are available at: http://www.developmentalliance.com/pdf/whitepaper_0206.pdf
- a) *Conduct letter campaign.* The City should initiate a monthly site consultant letter campaign. Design site consultant letter and package. Letter should highlight a different opportunity each month.
- b) *Establish visitation program.* The City should establish a site consultant visitation program. Call on consultants in major cities each quarter (Chicago, Dallas, Atlanta, Los Angeles) or in conjunction with attendance at trade shows or other events.

5. Build Awareness Among Decision-makers in Target Industries. Specific recommendations include: producing one-page marketing summaries for each target industry, conducting a direct marketing campaign (direct mail and phone calls followed by visitation), and participation in key industry trade events.

- a) *Initiate direct marketing campaign.* The City should compile and maintain databases of companies in each target industry. These databases would be used to initiate a

- direct mail program to companies in each target sector. The mailings would consist of a one-page marketing letter designed specifically for each target industry which highlights the advantages of a Watsonville location. Mailings should occur monthly and continue for at least six months.
- b) *Follow with appointment setting campaign.* One method for increasing the effectiveness of a direct mail campaign is to follow up with a telephone campaign. The purpose of these calls is to 1) identify companies with expansion plans, and 2) assess their interest in Watsonville as a location for expansion. This telephone campaign can be conducted by staff. However, given the volume of calls required, use of a telemarketing firm with economic development appointment-setting experience may be preferable.
 - c) *Conduct call trips.* Based on the results of the direct mail and telephone campaigns, the City should conduct four call trips per year (one each quarter) to regions where industry concentration is highest. These trips would consist of meeting with company executives that are looking to expand and have expressed an interest in Watsonville. They can be conducted separately or in conjunction with trade shows or other events.
 - d) *Create corporate intelligence program.* The City should compile and maintain resource information for each target industry sector. This would include identifying key associations for each industry sector as well as following industry trends. This can be accomplished by monitoring trade publications or purchasing private industry reports. Participation in industry trade events (trade shows) should be part of this effort, as it provides a means for increasing Watsonville's exposure as well as staying current on industry needs.
 - e) *Measure effectiveness.* The City should track the success of the target industry campaign using a contact management system. This system should be flexible enough to allow staff to evaluate the effectiveness of each marketing channel (mail-outs, telemarketing, trade events) and adjust marketing activities accordingly.

IMPLEMENTATION PLAN TIMELINE

Actions	Led by	High Priority	Timeframe	Addtl. Budget
I. QUALITY OF PLACE				
A. New Growth Areas				
3. <i>Prepare Specific Plan</i>	CDD/RAHD/ consultant		6-12 months	\$250,000 (if consultant used)
4. <i>Develop Marketing and Recruitment Strategy for Manabe-Ow</i>	RAHD		3-5 years	
B. Redevelopment Areas				
1. <i>Document Vacant and Underutilized Property</i>	CDD		Next 6 months	
2. <i>Assemble Parcels</i>	CDD/ RAHD		1-2 years	
3. <i>Conduct Market Demand Analysis</i>	RAHD /consultant	✓	6-12 months	\$50,000 (if consultant used)
4. <i>Hold Public Forums</i>	RAHD		On-going	
5. <i>Review Permitting Process as it Relates to Redevelopment/Infill Projects</i>	CDD/RAHD		On-going	
6. <i>Assess Impact of Zoning and Land Use Regulations</i>	CDD/RAHD		6-12 months	
7. <i>Explore Non-Traditional Financing Options</i>	RAHD/Finan ce		6-12 months	
8. <i>Establish Design Infill/Redevelopment Guidelines</i>	CDD/RAHD		6-12 months	
9. <i>Develop Infill/Redevelopment Incentives Policy</i>	CDD/RAHD		6-12 months	
10. <i>Identify Specific Projects for Redevelopment Funds</i>	RAHD		1-2 years	
11. <i>Align Efforts of Local Organizations with General Plan</i>	All		On-going	

Actions	Led by	High Priority	Timeframe	Addtl. Budget
C. Housing Affordability				
1. <i>Continue Current Programs</i>	RAHD		On-going	
2. <i>Involve Key Stakeholders in Best Practices Research</i>	RAHD		6-12 months	
D. Downtown/Retail Strategy				
1. <i>Conduct Trade Area Research/Retail Leakage Study</i>	RAHD/ consultant		6-12 months	
2. <i>Prepare Retail Strategy</i>	RAHD/ consultant	✓	6-12 months	\$65,000 (if consultants used)
3. <i>Revitalize Downtown.</i>	RAHD/ task force		1-2 years	
4. <i>Prepare Retail Strategy for Freedom Boulevard</i>	RAHD		6-12 months	
5. <i>Link Retail and Tourism</i>	RAHD/SCC CVC		On-going	
E. Fiscal Analysis Tools				
1. <i>Conduct/Update Cost-Benefit Analyses</i>	Finance		On-going	
2. <i>Conduct/Update Cost of Services Study</i>	Finance		Next 6 months	
II. INDUSTRY				
A. Business Retention, Expansion, and Recruitment				
1. <i>Develop Target Industry Program</i>	RAHD	✓	6-12 months	
2. <i>Form Business Council</i>	RAHD		Next 6 months	
3. <i>Coordinate Economic Development Initiatives</i>	RAHD		On-going	
4. <i>Emphasize Business Retention and Expansion Program</i>	RAHD		On-going	
B. Small Business & Entrepreneurial Development				

Actions	Led by	High Priority	Timeframe	Addtl. Budget
1. <i>Review Existing Regulations</i>	RAHD/CCD		6-12 months	
2. <i>Create Small Business Ombudsman</i>	RAHD		1-2 years	
3. <i>Promote Existing Small Business Programs and Services</i>	RAHD		On-going	
4. <i>Involve School District</i>	RAHD		On-going	
5. <i>Leverage State and Federal Funds</i>	RAHD		On-going	
6. <i>Develop Innovative Programs to Foster Entrepreneurship</i>	RAHD	✓	6-12 months	
7. <i>Provide Technical Support</i>	RAHD		1-2 years	
8. <i>Ensure Adequate Networking Opportunities</i>	RAHD		6-12 months	
III. TALENT				
C. Education and Workforce				
1. <i>Identify Education and Workforce Partners</i>	RAHD/ task force		Next 6 months	
2. <i>Develop Work Program</i>	RAHD/ task force		6-12 months	
3. <i>Work with School District</i>	RAHD/ task force		On-going	
4. <i>Pursue Innovative Workforce Programs</i>	RAHD/ task force		6-12 months	
5. <i>Market Value of Higher Education to Residents</i>	RAHD/ task force	✓	On-going	
IV. MARKETING				
A. Positive Image				
1. <i>Develop Internal Marketing Campaign</i>	Council		6-12 months	
B. Economic Development Marketing				
1. <i>Develop Consistent Marketing Materials</i>	RAHD	✓	6-12 months	

Actions	Led by	High Priority	Timeframe	Addtl. Budget
2. <i>Develop Media Strategy</i>	RAHD		6-12 months	
3. <i>Conduct Regional Advertising Campaign (Six ad placements at \$1,250 each; \$2,000 annual fee for Central Coast Marketing Team)</i>	RAHD		6-12 months	\$9,500
4. <i>Establish Ambassador Program</i>	RAHD		6-12 months	
5. <i>Develop Public Relations Strategy (assumes \$1,000/month for 6 months of assistance)</i>	RAHD		6-12 months	\$6,000
6. <i>Engage Development Community</i>	RAHD	✓	On-going	
C. Target Industry Campaign				
1. <i>Identify "Core" Industry Targets</i>	RAHD	✓	6-12 months	
2. <i>Identify "Niche" Targets</i>	RAHD	✓	6-12 months	
3. <i>Consider Non-Traditional Targets</i>	RAHD	✓	6-12 months	
4. <i>Build Awareness Among Corporate Site Selectors (assumes 100 letters every other month for 12 months at \$1/letter; 4 visits at an average of \$750 each; \$500 for developers day event publicity and arrangements)</i>	RAHD		6-12 months	\$4,100
5. <i>Build Awareness Among Decision-makers in Target Industries (assumes 3 letters per year to 1,000 companies at \$1/letter; 2 appointment-setting phone campaigns at \$2,500 each; 2 call trips/year at \$1,500 each; 2 trade shows per year, assuming \$2,500 fee with state, plus \$2,500 for expenses)</i>	RAHD		6-12 months	\$22,500

APPENDIX A

WATSONVILLE VISTA 2030 GENERAL PLAN ECONOMIC ELEMENT

[we will insert printed copy & scan in b/c it is in pdf]