



SANTA CRUZ COUNTY COMPREHENSIVE ECONOMIC DEVELOPMENT STRATEGY (CEDs)

2010 ANNUAL UPDATE

MARCH 15, 2011

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

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EXECUTIVE SUMMARY

INTRODUCTION

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

ECONOMIC CONDITIONS

Santa Cruz County showed few signs of recovery in 2010. Employment overall continued to drop at the same rate as in 2009, although reports of major plant closures declined, indicating a more general reduction in job opportunities. The County unemployment rate continued upward, now reaching 12.8. As with last year, this is still higher than the state rate. Sales and transient occupancy taxes continued to decline for most of the jurisdictions. Slight increases over last year occurred in the locations hardest hit last year by retail closures. The housing crises continued to affect social services, such as child care providers, as facilities were lost to foreclosure. Despite these trends, the jurisdictions reported a number of infrastructure and business projects completed, which will help to support future economic development.

PERFORMANCE ON CEDS GOALS

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

GOAL 1: WORKFORCE DEVELOPMENT

Maximize human and business capital by promoting a well-trained workforce for Santa Cruz County employers, ensuring individual economic security and community vitality. Provide Santa Cruz County employers with a reliable pipeline of well-qualified workers. Provide Santa Cruz County residents with access to the education and job-training opportunities necessary to attain and succeed in jobs available through Santa Cruz County employers. Develop and maintain an adequate stock of affordable housing to ensure that all segments of the workforce have satisfactory housing options in Santa Cruz County.

Performance Measure #1: Unemployment rate

The County unemployment rate for 2010 is estimated at 12.8 percent, up from 11.3 percent in 2009, nearly mirroring the rate of California as a whole for the same period (12.5 percent unemployment in 2010).

GOAL 2: REGIONAL PROSPERITY

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

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

Jobs in the County had dropped by an estimated 3,400 jobs between 2009 and 2010. On a same-month-same month comparison, employment through the course of each month in 2010 was roughly four percentage points lower than the same month in the previous year, underscoring the deepening in 2010 of the historic downturn that began in late 2007.

Performance Measure #3: Jobs retained

Scotts Valley, Santa Cruz, Watsonville, and Santa Cruz County report specific activities to help retain jobs and foster business expansion.

Performance Measure #4: Number of plant closures

Despite the general downturn in the economy described above in terms of stark job losses countywide, the City of Capitola reports no significant plant closures in 2010. However, a number of plants closed in the City of Santa Cruz, including Good Earth Teas and handbag manufacturer Big Buddha, which moved production off-shore. In addition, Diversey Inc. downsized its manufacturing facilities and relocated within the City in 2010. Granite Construction reduced its Watsonville operations, resulting in a loss of 43 jobs. CEMEX, a cement plant in Davenport closed permanently in 2010 eliminating 125 jobs.

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

The update shows that commercial permit values increased slightly in the County between 2008 (\$13.7 million) and 2009 (\$17.4 million), but fell precipitously between 2009 and 2010, when aggregate values were an estimated \$5.5 million. Additions and alterations had helped the total values in 2010 somewhat, remaining stable at \$23.6 million for both 2009 and 2010. Industrial permits continued to show little activity. Since 2007, overall non-residential permit values have decreased 37.8 percent. It is expected that 2010 aggregate non-residential valuation will fall by \$23.7 million from 2007 levels, to \$38.9 million total in 2010.

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

The amount of transient occupancy taxes (TOT) collected by Capitola, Santa Cruz, and Watsonville in 2010 is estimated to be slightly lower than the revenues collected a year before in 2009. Santa Cruz County collected \$3,511,320 in 2010, a decrease of approximately 10 percent from 2009. An increase is projected for Scotts Valley, which will go from \$520,000 in 2009 to \$560,000 in 2010. It is important to note that Scotts Valley collected \$723,000 in 2008. For most areas except Capitola, taxable sales declined from 2009 levels.

GOAL 3: QUALITY OF LIFE

Increase the region's attractiveness to new business and improve quality of life by supporting the further development and improvement of affordable housing choices and community services, including public safety, lifelong learning, parks and recreation, visual and performing arts, and cultural heritage.

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

Data on visitors to Santa Cruz County showed a return to normal with one exception. The number of visitors to the Mountain Sector hit 1,751,300 in 2010, up from the previous 1,673,800. Visitors to the San Mateo Coastal Sector also increased, to 2,704,200 from 2,591,500 in 2009. However, visitors to the Pajaro Sector dropped precipitously, from 6,577,600 in FY 2008/2009 to 3,736,800 in FY 2009/2010, mainly due to decreases at New Brighton and Seacliff beaches.

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

County beaches experienced no days of closure but 142 days of postings in 2010, down from the year's previous posting of 220 beach closure days.

Performance Measure #9: Number of licensed child care slots

The County has experienced a 1.2 percent decline in total child care slots between 2009 and 2010.

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

In 2010, jurisdictions in the County for which data were readily available constructed or retained about 1,228 affordable housing units, including assisting first time homebuyers through affordable loan programs. Cumulatively, the County of Santa Cruz alone has assisted 2,000 affordable units over several years through its housing programs.

GOAL 4: INFRASTRUCTURE

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

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

Jurisdictions in the county proceeded with a significant amount of capital improvement projects in support of economic development.

GOAL 5: FISCAL HEALTH

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

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

Among other projects, the City of Santa Cruz completed a number of downtown design improvements and assisted a number of businesses with expansion projects.

The County of Santa Cruz saw the relocation, rehabilitation and/or location of a number of businesses throughout the year.

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

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

GOAL 6: BUILD COLLABORATION

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

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

Cities reported partnering with the Chambers of Commerce and other local organizations to pursue economic development efforts.

An economic development function has been established within the Santa Cruz County Redevelopment Agency with three full-time authorized positions. In October the Economic Development Manager position was filled with an experienced economic development professional. In late December an experienced economic development professional was selected to fill one of two Economic Development Project Manager positions.

The new County Economic Development team made outreach to a number of businesses, community leaders, organizations and municipalities to establish relationships and partnerships to enhance economic development delivery throughout the County.

The County of Santa Cruz established a Tourism Business Improvement District in conjunction with the cities of Scotts Valley, Capitola, Santa Cruz, and Watsonville. Funding secured through the District will be utilized to market the County as a tourism destination in support of the hospitality industry and the numerous local businesses reliant upon tourism spending.

REGIONAL COUNTYWIDE PARTICIPATION IN THE CEDS

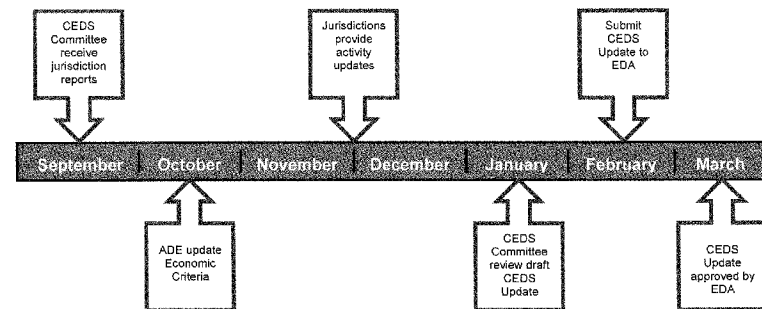
THE PLANNING PROCESS

The development of the Santa Cruz County CEDS involved participants from the private and public sectors. The County Board of Supervisors acted as the planning organization and authorized the Santa Cruz County Workforce Investment Board (WIB) to develop the CEDS and serve as the Strategy Committee. The WIB Board currently has 34 members, of which 18 are representatives from the private, for-profit sector. Members from the private sector included representatives from the following firms or organizations: Good Times; Martinelli and Co; The National Council on the Aging; Inc.; Easton-Bell Sports, Inc.; Watsonville Community Hospital; Seagate Technology; Driscoll Strawberry Associates; Inc.; First Alarm; Sutter Santa Cruz; Wells Fargo Bank; Monterey Bay Central Labor Council; Hutton Sherer Marketing; Santa Cruz Seaside Company; Graniterock; and Santa Cruz Area Chamber of Commerce.

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

The process of completing the 2010 Annual CEDS Update followed the seven-month timeline illustrated below. The CEDS Committee discussed the CEDS Update at both its September meeting in 2010 and its January meeting in 2011.

PROCESS



PLANNING ORGANIZATION

Santa Cruz County Board of Supervisors

John Leopold, First District Supervisor
Ellen Pirie, Second District Supervisor
Neal Coonerty, Third District Supervisor
Tony Campos, Fourth District Supervisor (thru 12/10)
Greg Caput, Fourth District Supervisor (1/11 – present)
Mark W. Stone, Fifth District Supervisor

STRATEGY COMMITTEE

WORKFORCE INVESTMENT BOARD MEMBERS

Private

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

Public

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

CEDS COMMITTEE

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

JURISDICTIONAL ALTERNATES

Hall, Joe, City of Santa Cruz
Kennedy, Heather, County of Santa Cruz
Koht, Peter, City of Santa Cruz
Tavantzsis, Marcela, City of Watsonville

WIB STAFF

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

CONSULTANT: APPLIED DEVELOPMENT ECONOMICS

Doug Svensson, AICP, President
Tony Daysog, Senior Associate

CEDS GOALS AND PERFORMANCE MEASURES

The Santa Cruz County CEDS plan sets forth six goals that articulate the County's broad, general expectations regarding economic development programs and activities. For each goal, the CEDS defines a set of performance measures. This part of the 2010 CEDS Update provides the most current data available to indicate how the County is progressing on these measures.

The six goal areas are:

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

GOAL 1: WORKFORCE DEVELOPMENT

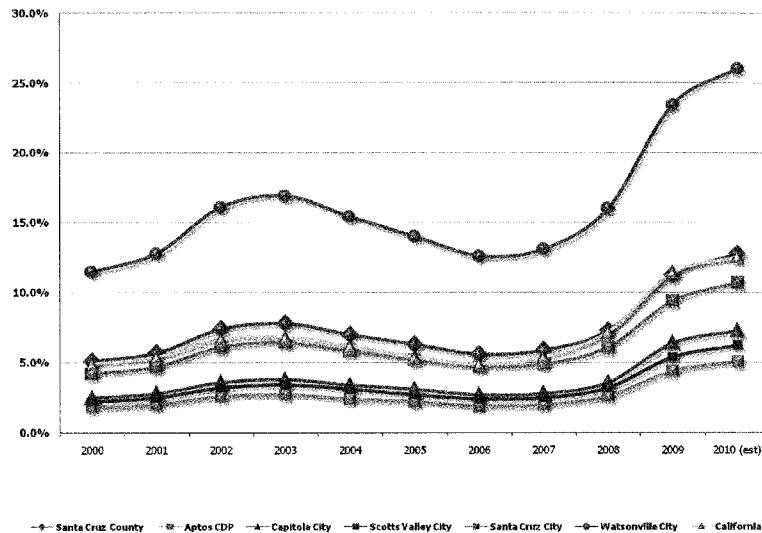
Maximize human and business capital by promoting a well-trained workforce for Santa Cruz County employers, ensuring individual economic security, and community vitality. Provide Santa Cruz County employers with a reliable pipeline of well-qualified workers. Provide Santa Cruz County residents with access to the education and job-training opportunities necessary to attain and succeed in jobs available through Santa Cruz County employers. Develop and maintain an adequate stock of affordable housing to ensure that all segments of the workforce have satisfactory housing options in Santa Cruz County.

Performance Measures

Measure #1: Unemployment rate

Figure 1 shows the recent trends in unemployment rates for the jurisdictions in the County and the state average. The curves represent annual averages and show an upward trend beginning in 2007. 2008 rates for all cities, the County as a whole, and the State showed significant upward movement and estimates show this trend continues through 2010. As of November, the 2010 estimated County unemployment rate was 12.5 percent, compared to the 2009 rate of 11.6 percent. Statewide, the 2010 unemployment rate is estimated at 12.5 percent and the national rate was 9.7 percent.

**FIGURE 1
UNEMPLOYMENT RATE BY SANTA CRUZ COUNTY JURISDICTION & CALIFORNIA**



Source: California Employment Development Department, Labor Market Information Division

GOAL 2: REGIONAL PROSPERITY

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

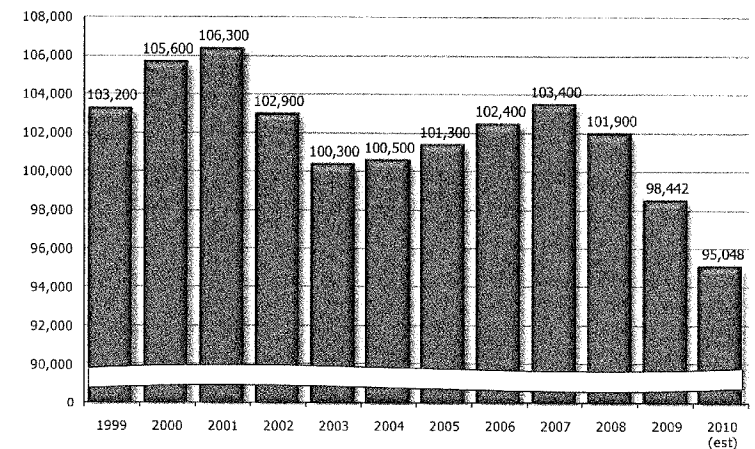
Performance Measures

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

Santa Cruz County had shown accelerating employment growth well into 2007, but then the downturn in the housing market and general economic conditions caused a dramatic slowing of growth in the County (Figure 2). Between 2007 and 2008, Santa Cruz County lost approximately 1,500 jobs, with even more jobs losses in the following two years. There were 98,442 jobs in the County in 2009, or 3,458 fewer jobs than the year before. In 2010, there were an estimated 95,048, or almost 3,400 fewer jobs

than the year before in 2009. The County is clearly affected by the worsening national economy reflected in additional job declines through the end of 2010.

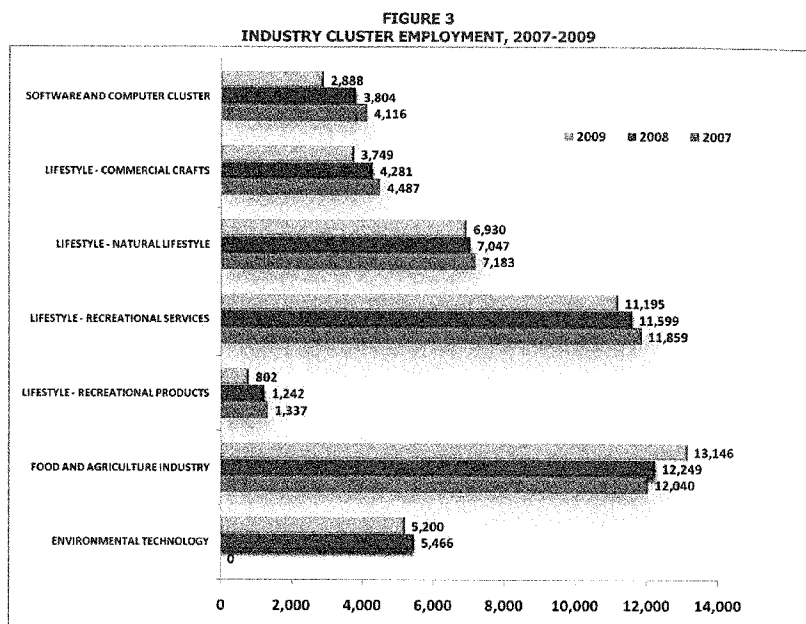
**FIGURE 2
TOTAL WAGE AND SALARY EMPLOYMENT, SANTA CRUZ COUNTY**



Source: California Employment Development Department, Labor Market Information Division

The more detailed industry data needed to show cluster-level employment changes are only available through 2009 at this time. As shown in Figure 3, almost all clusters declined somewhat between 2008 and 2009, with the exception of the Food and Agriculture cluster, which showed a significant increase between 2008 and 2009, going from 12,249 to 13,148 jobs. It should be noted also that in the Agricultural Cluster the dollar value of crop production has been showing solid increases for several years.

During this past program year, the CEDS Committee commissioned an analysis of the emerging Environmental Technology cluster. Initially estimated at more than 5,400 jobs in 2008, it appears this cluster experienced a small decline in 2009, mainly in green building businesses, although the energy efficiency and alternative energy sectors increased slightly.



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

Measure #3: Jobs retained

Scotts Valley: The City provided funding to Zero Motorcycles to assist them in keeping their headquarters and manufacturing in Scotts Valley. The firm is currently at 49 employees and expects to expand to 70 in the next couple years.

Santa Cruz:

- The City developed and implemented a Grow Santa Cruz Loan program for assisting existing small businesses in Santa Cruz grow and expand.
- The City facilitated two existing companies to secure Recovery Zone Facility Bonds and Industrial Development Bonds along both companies to expand in Santa Cruz.
- Provided a loan to the Nickelodeon Theatres in downtown Santa Cruz.
- Awarded construction contract over \$4 million for the Monterey Bay National Marine Sanctuary Exploration Center to local contractor, Bogard Construction.

- Partnered with SBDC to provide one-on-one business consulting with local business entities and provide business survival outreach.
- Partnered with Santa Cruz Chamber of Commerce to provide focused marketing and retail workshops.
- Entered into twenty-two contracts with local consultants and contractors for services rendered or construction work performed.

Santa Cruz County:

- Utilizing ARRA Rapid Response funds available through the Workforce Investment Board, in January 2010 the Small Business Development Center of Cabrillo College initiated a "Retain Your Employees" program to assist at-risk businesses in order to preserve existing jobs. In calendar 2010, this program assisted 77 businesses and preserved 62 jobs.

Watsonville:

- Developed and implemented a loan guarantee program focused on assisting "near bankable" businesses.
- Developed and implemented a commercial rehab loan program focused on downtown "upstairs" properties. One loan was made to rehab the 2nd floor of a building (build tenant improvements) and moved 40 jobs downtown and created 25 jobs in the space the business vacated.
- Implemented a business walk that allowed City Staff, Chamber of Commerce Volunteers and Elected Officials to visit approximately 130 businesses in one morning.
- Completed 43 one-on-one business visits with local businesses (in addition to those contacted through the business walk).
- SBDC Business Consulting – SBDC held one-on-one consulting meetings with 13 local business entities focused on small downtown retail businesses facing code enforcement issues.

Measure #4: Number of plant closures

Business closures overall for the county jurisdictions appear to be smaller than reported last year. In 2010, several businesses closed or downsized in the City of Santa Cruz, including Good Earth Teas and handbag manufacturer Big Buddha, which moved production off-shore. Diversey Inc. downsized its manufacturing facilities and relocated within the City in 2010. Granite Construction reduced its Watsonville operations in 2010, resulting in a loss of 43 jobs. In January, 2010 the CEMEX Cement Plant in Davenport shut down, permanently eliminating 125 jobs; the plant employees had been temporarily laid off in 2009 due to reduced nationwide demand for construction materials, prior to the decision to close permanently.

No new business closures or reductions are reported in Capitola or Scotts Valley. Both of these cities had experienced significant closures or reductions of retail and technology companies last year.

TABLE 2
ANNUAL TAXABLE SALES BY JURISDICTION,
SANTA CRUZ COUNTY (in '000s)

	FY 98/99	FY 07/08	FY 08/09	FY 09/10	% Change: 08/09 - 09/10	% Change: 98/99 - 09/10
Capitola	\$419,491	\$456,214	\$408,484	\$450,000	10.2%	7.3%
Santa Cruz	\$676,535	\$833,464	\$780,318	\$738,920	-5.3%	9.2%
Scotts Valley	\$164,876	\$191,052	\$197,421	\$154,188	-21.9%	-6.5%
Watsonville	\$340,271	\$577,639	\$551,512	\$513,807	-6.8%	51.0%
Unincorporated/Unallocated	\$829,264	\$1,080,310	\$750,553	\$672,450	-10.4%	-18.9%
Santa Cruz County	\$2,430,437	\$3,138,679	\$2,688,287	\$2,529,365	-5.9%	4.1%

Source: California State Board of Equalization: Report of Taxable Sales in California: 1998-2007; 2008-2010 from Local Jurisdictions.
For Capitola, data is from 10/09-9/10.

GOAL 3: QUALITY OF LIFE

Increase the region's attractiveness to new business and improve quality of life by supporting the further development and improvement of affordable housing choices and community services, including public safety, lifelong learning, parks and recreation, visual and performing arts, and cultural heritage.

Performance Measures

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

Based on limited data for two of the three areas of the County, Table 3 shows an increase in two out of the three visitor regions within the County. The number of visitors to the Mountain Sector hit 1,751,300 in 2010, up from the previous 1,673,800. Visitors to the San Mateo Coastal Sector also increased, to 2,704,200 from 2,591,500 in 2009. However, visitors to the Pajaro Sector dropped precipitously, from 6,577,600 in FY 2008/2009 to 3,736,800 in FY 2009/2010, due to reductions at New Brighton and Seacliff beaches. Sunset Beach maintained prior visitor levels.

TABLE 3
Visitor Attendance California State Parks,
Santa Cruz County: FY 06-07 Through FY 09-10

	FY 06-07	FY 07-08	FY 09-10
Mountain Sector	1,738,595	1,673,842	1,751,285
Pajaro Coast Sector	6,566,486	6,577,556	3,736,805
San Mateo Coast Sector	2,250,896	2,591,470	2,704,162
Total	10,555,977	10,842,868	8,192,252

Source: California State Parks Statistical Report

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

County beaches experienced no days of closure but 142 days of postings in 2010, down from the year's previous posting of 220 beach closure days.

TABLE 4
Number of Days of Beach Closures and Postings,
Santa Cruz County: 2008-2010

	2008	2009	2010
Days of Closure (due to sewage)	0	0	0
Days of Posting (due to bacteria levels)	117	220	142

Source: Santa Cruz County: Environmental Health Services

Measure #9: Number of licensed child care slots

The County has experienced a modest reduction in total child care slots in 2010, mostly due to fewer family care providers (Table 5). It is important to note that, according to the Santa Cruz County Child Development Resource Center ("SCCDDRC"), there have been some closures of family child care homes in 2010 due to the dramatic economic downturn. Some providers lost their homes which also affected their business. Also, the state government cut funding to providers, as well as reduced families' eligibility for subsidized programs. In some cases providers went months in 2010 without being paid. With many parents out of work, their ability to pay for child care has been affected and some opted for any type of free child care situation they could find.

TABLE 5
Licensed Child Care Slots in Santa Cruz County

Type of Facility	2008	2009	2010	Percent Change
Child Center Providers	4,529	4,518	4,578	1.33%
Family Care Providers	3,714	3,624	3,325	-8.25%
Total	8,243	8,142	7,903	-1.23%

Source: Santa Cruz County Child Development Resource Center

Measure #10: Number of affordable housing units constructed.

Capitola: In 2010, the City of Capitola 93 affordable units as part of the Bay Avenue Senior apartment project.

City of Santa Cruz: The City of Santa Cruz's Redevelopment Agency has helped develop and/or preserve 463 low- and very low-income rental units, 63 medium- and moderate-income rental units, 27 emergency housing units, 47 replacement and 347 market rate rental and owner-occupied units. As of June 2010, the Redevelopment Agency had assisted in the construction and preservation of 947 units, most of which are for low- and very low-income households.

County of Santa Cruz: Over the years, County and RDA affordable housing initiatives have assisted in constructing, rehabilitating or preserving approximately 2,000 affordable units in the unincorporated County. These initiatives address a workforce housing needs and various efforts to address housing needs for families, farm workers and other special populations. Over the past five years, the RDA has initiated a new change out program to replace older dilapidated mobile homes with new manufactured homes, a more robust housing rehabilitation program, first time homebuyer programs, and continued

efforts to partner with non-profit affordable housing developers to create rental housing for very low income households.

Watsonville: In the past fiscal year, 2009/2010, including first time homebuyer loans which attach long-term affordability restrictions to the residence, 188 units were made accessible to low income families. Of the 188 units, 9 were loans to first-time home buyers, 1 was a newly constructed affordable housing unit, and 178 units were retained for lower-income households at the Sunny Meadows Apartment complex through a City-assisted non-profit purchase transaction.

GOAL 4: INFRASTRUCTURE

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

Performance Measures

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

Localities reported the following capital improvement projects in support of economic development in Fiscal Year 2009/2010.

City of Capitola

- Capitola Road Traffic Calming: \$425,000 (improves mobility)
- Clare Street Traffic Calming: \$420,000 (improves mobility)
- 38th Avenue overlay: \$590,000 (repairs to commercial corridor)
- Pacific Cove Parking Structure: \$40,000 (increase parking and provides parking capacity for Redevelopment in Village)

City of Santa Cruz

- The City of Santa Cruz funded the design of the Soquel Avenue Improvements to the Soquel/Hagemann and Parkway/Frederick intersections, and a storm drain on Pine Street between Soquel and Broadway Avenues.
- The City of Santa Cruz also continued to assist in the design of Beach Area Roundabout, as well as provided real estate services to various projects including the Eastside Soquel Avenue/Park Way intersection improvements.
- The City of Santa Cruz's Redevelopment Agency completed funding for the Highway 1/Pedestrian Underpass project (\$373,000), which links the Tannery Arts Center to the San Lorenzo River Levee path.

- Other key capital improvement projects that the City of Santa Cruz pursued in 2009/2010 included the Highway 1/9 intersection project, the Monterey Bay National Marine Sanctuary Exploration Center, and the Tannery Arts Center, for which the Redevelopment Agency was award \$4.8 million from the US Economic Development Administration (EDA) in 2010 and \$1.9 million from the California Cultural and Historical Endowment.

City of Watsonville

- CIP projects completed though December 2009 in Watsonville include the following: \$2 million water main, storage facility and pump station projects (2 wells); \$13.6 million wastewater treatment plant operations building upgrades; \$30 million water recycling project; and \$1 million fish habitat enhancement and filter plant upgrade. These projects totaled \$46,628,000; in addition:
 - Constructed a temporary public parking lot at the corner of Main and Fifth Streets to provide needed public parking and attractive landscaping; plans are being prepared for a similar project on the opposite corner.
 - Established two parks. To eliminate unattractive vacant lots, until such time as the properties are developed, the City developed two "temporary" parks on Main Street: Hansom Park and Romo Park. The owners of the properties have agreed to maintain the property. The Hanson Park has been used by Swing Time Café as the site for their annual Thanksgiving dinner, as well as for family movies presented by the City's Parks and Community Services Department.
 - Updated Downtown Revitalization Plan, and approved one aspect of the update - the replacement of downtown streetlights with more energy efficient fixtures and with facilities for hanging banners and flowerpots. The end result will both reduce energy use and make Main Street more attractive.

County of Santa Cruz

- The East Cliff Drive Bluff Stabilization Project was completed by the County Redevelopment Agency in December of 2010 which improved beach and surfing access in support of the regional surfing and tourism industries.
- RDA Overlay Project
- Boulder Creek Force Main Project
- Daubenbiss Avenue Improvements
- North Polo Sewer Extension
- Rodeo Pump Station Upgrade

GOAL 5: FISCAL HEALTH

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

Performance Measures

Measure #13: Projects completed with positive net fiscal impact

Capitola: In 2011 the Fairfield Inn and Suites was completed.

City of Santa Cruz:

<i>Programs</i>	<i>Activities</i>
▪ Downtown Directory Sign Program	▪ Design, fabricate and update directory signs
▪ Graffiti Abatement, with concentration on the Downtown	▪ Removing and preventing physical blight
▪ Façade Improvement Program	▪ Removing and preventing physical blight, encouraging economic activity
▪ Business Expansion and Retention	▪ Facilitating project entitlement ▪ Business recruitment and retention
▪ Publication of Space Available Listings	▪ Linking brokers, tenants, and property owners ▪ Generating market and demographic information
▪ Mural Matching Grant Program	▪ Removing and preventing physical blight
▪ Construction of Waste/Recycling Enclosures ▪ Alley Improvements	▪ Identifying potential projects where Agency assistance will contribute to the elimination of blight
▪ Social/Mental Health Outreach Worker	▪ Assisting persons needing treatment or other support
▪ Hope Services Job Training for persons with Developmental Disabilities	▪ Removing and preventing physical blight

Zero Motorcycles Matching Grant : With Agency assistance, Zero Motorcycles was recently awarded more than \$1.8 million in grants, fueling local economic development and green jobs. By combining a \$900,000 California Energy Commission (CEC) grant with some matching grant funds from the Agency, Zero Motorcycles will develop and produce its next generation powertrain engine and create between 15-20 local engineering positions and up to six dealership sales positions in the City of Santa Cruz.

Grow Santa Cruz Loan Program: The Agency began a partnership in early 2010 with the National Development Council to administer and underwrite a small business loan program and to provide technical assistance related to financing and economic development. More than 80 inquiries have been

received. Seventeen companies have been interviewed resulting in three funded loans totaling more than \$700,000. One other loan was referred to a local financial institution and funded as well.

Recovery Zone Facilities Bonds: Agency staff assisted Cruzio, a local Internet Service Provider (ISP) in a submission for ARRA Recovery Zone Bonds to fund the development of their new facility at 877 Cedar, providing new fiber optic infrastructure and a data center. A separate application was also successfully processed in fall of 2010 for the nonprofit Ecology Action.

The Central Coast Broadband Consortium: This project (spread over three counties) will build out broadband infrastructure at a number of anchor sites that include schools, county offices and other industrial areas in the region where available broadband on a large scale could attract high paying jobs to the region. CCBC has secured \$6 million in California Public Utilities Commission monies as well as real estate and services match funding from municipalities and special districts across the Central Coast.

The Project for Innovation and Entrepreneurship: The PIE program was created in FY 2009 with the University of California, Santa Cruz (UCSC). Accomplishments in FY 2010 include the development of successful Internship/Membership Program, which included a weekly lecture series, and the development and implementation of a successful business plan competition. Thirty-six internships occurred in FY 2010 out of 136 applicants. More than 100 students have been served in the last two years by this project and several business start-ups in Santa Cruz have been created. In Fall of 2010, 13 additional interns went through the program.

UCSC Center for Entrepreneurship: In June 2010, Economic Development and UCSC completed an application for the Economic Development Administration's i6 challenge. The application sought funding for the establishment of UCSC's new Center for Entrepreneurship, also known as the C4E, an academic program and business incubator run by an independent 501(c)(3) that will have a physical presence in the City of Santa Cruz and will work with the Agency to codify these programs into a more holistic approach to technology and talent transfer.

What's Next Lecture Series: The What's Next Lecture Series is a five-part Innovation program in collaboration amongst UCSC, NextSpace Coworking + Innovation, and the City of Santa Cruz. Topics covered in FY 2010 included Sustainability and Social Innovation, Innovations in Energy, and The Revolution of Work. In FY 2011, Reed Hastings, CEO and founder of the Fortune 500 company Netflix, discussed Research and Development at the Del Mar Theatre, an Agency owned property.

City of Watsonville: All Capital Improvement Programs referenced under Measure #11, above, have a positive fiscal impact. In addition, the following activities and programs support the ongoing fiscal health of the community:

Central Coast Broadband Consortium (CCBC): Watsonville has been a lead entity in this project, which will provide broadband infrastructure at a number of anchor sites over a three-county area. Sites will include schools, county offices and other industrial areas in the region where available broadband on a large scale could attract high paying jobs to the region. The effort has secured \$6 million in California Public Utilities Commission monies as well as real estate and services match funding from municipalities and special districts across the Central Coast.

Small Business Training/Entrepreneurship: In conjunction with the El Pajaro Community Development Corporation and the Cabrillo College Small Business Development Center, provide workshops and one-one training with new or expanding small businesses.

Business Recruitment and Retention: Staff attends appropriate trade shows, and undertakes a number of efforts for local recruitment and retention, including frequent contact with local business entities, acting as “ombudsman” to facilitate project entitlements, generating demographic and market information, and providing information on available real estate listings.

Public Art Program: Staff has developed, and Council has approved a public art program, to be implemented in early 2011.

Façade Improvement Program: Staff redesigned the Commercial Façade Improvement Program to make the grant amounts more consistent with current construction costs, and undertook new marketing efforts. Applications are being processed and design is underway on four buildings with at least 13 store fronts.

County of Santa Cruz: The County saw the relocation, rehabilitation and/or location of a number of businesses throughout the year, including:

- The Tool Shed, a local equipment rental business relocated their operations to a new facility on Soquel Avenue.
- WorkSpace Office Furniture Showroom and Inventory Warehouse was rehabilitated and reopened at their 41st Street location after suffering extensive fire damage in early 2009.
- Marshall’s, a brand name and fashion design retailer opened a new store, occupying the former Circuit City location at 1664 Commercial Way.
- Betty’s Burgers opened a new restaurant facility on 41st Street.

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

Capitola: The City of Capitola completed a Business Retention and Attraction Survey. And, it participated in the Chamber of Commerce Economic Development Committee.

City of Santa Cruz:

- Collaborated with City Planning Department in the process of designing a new plan for the River Front/Lower Pacific corridor.
- The Draft Ocean Street Area Plan was also developed this year. It is the result of an extensive planning process to revitalize the Ocean Street corridor and create a vibrant gateway to Santa Cruz that reflects the city’s unique character. The Area Plan describes and illustrates a community-driven 20 year vision for the area, through the year 2030, and provides a framework for creating a more welcoming environment along the corridor. It also includes additional policy guidance and implementation steps for the City, along with design standards and guidelines that will ensure the high quality of new buildings on Ocean Street.
- In FY 2010, the Agency launched Phase One of a ‘Citywide Wayfinding’ effort to evaluate and improve upon the experience of navigating around Santa Cruz.

Watsonville: Completion of the Business Walk resulted in gathering information on businesses and how they are faring in this economy, which will be presented in report form in early 2011.

County of Santa Cruz:

- The Aptos Village Plan was finalized and approved, paving the way for the revitalization of the area.
- In 2010 the County was awarded a Proposition 84 Sustainable Communities Planning Grant (by the State Strategic Growth Council). This grant will fund the Santa Cruz County Sustainable Community and Transit Corridors Plan project (“Prop. 84 Project”), which will explore the potential for targeted infill and land use intensification (i.e., more density and mixed-uses) along transit corridors, so as to enhance economic development and use of alternative transportation modes in unincorporated Santa Cruz County.

GOAL 6: BUILD COLLABORATION

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

Performance Measures

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

Capitola: The City initiated its General Plan Update and continued to participate on the Chamber of Commerce Economic Development Committee.

City of Santa Cruz:

- Furthered development of technology promotion and economic development activities especially in partnership with the University of California, Santa Cruz (see details above).
- Provided a variety of acquisition and advisory services to the Santa Cruz Metropolitan Transit District for the Pacific Station Project. In FY 2010, the Agency facilitated the approval of a Remedial Action Plan and property acquisition by METRO to assist with the redevelopment of the downtown Metro Center through an Memorandum of Understanding.
- Agency staff served on the Chamber of Commerce’s Economic Development Council, the County of Santa Cruz’s Comprehensive Economic Development Strategy Board, the Workforce Investment Board, and other non-profit cultural and business organizations.

City of Watsonville:

Staff serves on boards of both economic development organizations and other community oriented organizations. Staff serves on the Chamber of Commerce, the County’s Comprehensive Economic Development Strategy Committee, Workforce Investment Board, Advisory Board of the Small Business Development Center, Board of the El Pajaro Community Development Corporation, and on the boards

of directors of a wide variety of organizations serving the community, e.g. Salud Para la Gente, Loaves and Fishes, Pajaro Valley Shelter Services, etc.

County of Santa Cruz:

An economic development function has been established within the Santa Cruz County Redevelopment Agency with three full-time authorized positions. In October the Economic Development Manager position was filled with an experienced economic development professional. In late December an experienced economic development professional was selected to fill one of two Economic Development Project Manager positions.

The new County Economic Development team made outreach to a number of businesses, community leaders, organizations and municipalities to establish relationships and partnerships to enhance economic development delivery throughout the County.

The County of Santa Cruz established a Tourism Business Improvement District in conjunction with the cities of Scotts Valley, Capitola, Santa Cruz, and Watsonville. Funding secured through the District will be utilized to market the County as a tourism destination in support of the hospitality industry and the numerous local businesses reliant upon tourism spending.

CEDS REGIONAL PRIORITIES AND PROJECTS

REGIONAL PROJECT PRIORITIES

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

- **Aptos Village Plan (County of Santa Cruz):** The Plan has been adopted by the County Board of Supervisors and funding is needed to complete capital improvement projects to implement the plan.
- **Business/Technology Incubator (City of Santa Cruz):** This project has gained increased prominence in the City's economic development efforts and replaces the downtown parking structure as a top priority project for the City. The City continues to hold discussions about the configuration and design of the parking structure, but has determined that the incubator project will have a more timely and substantial effect on meeting the CEDS goals.
- **Downtown Watsonville Revitalization (City of Watsonville):** The City continues to make improvements to the downtown area, including completing a number of Sign and Façade improvement projects and installing sidewalk improvements as funding has become available. As of December 31, 2010, design for streetlight replacement on has been completed, and construction on the initial phase (Riverside to Beach Street) will be initiated in early 2011.
- **Manabe-Ow Industrial Park Infrastructure Improvements (City of Watsonville):** This project is the City's priority for potential EDA funding. The Environmental Impact Report and Specific Plan were approved by the City Council in October 2010.
- **Pajaro River Levee Reconstruction (County of Santa Cruz):** Planning studies have been proceeding with a continuing resolution appropriation of approximately \$300,000 in 2011. An additional \$5 million is required to complete the studies and environmental documentation. This level of funding is now available to the project under State Proposition 1E funds and an agreement with the State was approved by the Zone 7 Board of Directors on January 25, 2011. Under the current schedule, a public draft General Review and Reevaluation Report and an EIS would be released in May 2012. This would permit construction to begin in federal fiscal year 2014.
- **Road Improvements on 41st Avenue in from Capitola City limit to Capitola Road and 46th Avenue from Capitola Road to Clares Street (City of Capitola):** The City of Capitola has completed a planning study to identify potential land use changes that would help to shape, and possibly fund, road improvements in the area.
- **Capitola Village Parking Facility (City of Capitola):** The City of Capitola has recently been awarded EDA funds to conduct a planning study to increase Village parking and facilitate commercial/retail growth.

- **Scotts Valley Town Center (City of Scotts Valley):** The Town Center Specific Plan was expanded to encompass undeveloped portions of the previously adopted Skypark Specific Plan area. The Environmental Impact Report for the Town Center Specific Plan has been approved by the City Council and cleared all appeal periods. The first project in the Specific Plan Area, the residential high density Town Center homes project, was approved by the City Council. The City Redevelopment Agency purchased an existing building and is remodeling 13,150 sq.ft. to be the Scotts Valley branch library. Conversion is estimated to begin in summer of 2010 and finish in Spring 2011.
- **Skypark Specific Plan (City of Scotts Valley):** Now incorporated in the Town Center Specific Plan.
- **Tannery Arts Center (City of Santa Cruz):** 100 BMR units were completed and are now occupied. The project's next phases consist of Artist's Working Studios/Digital Media Center, a Performing Arts Theater and a Community Education Building.

FULL LIST OF CEDS PROJECTS BY JURISDICTION

The Santa Cruz County CEDS was approved by EDA in April 2008, covering the 2007 program year. The County has subsequently submitted two annual updates, both of which have been approved by EDA. The two annual updates, for program years 2008 and 2009, included changes to the list of Regional Project Priorities, but did not include revisions to the complete project list included in the original 2007 CEDS. At the current time, several of the jurisdictions have completed some of the economic development projects listed in the CEDS and are interested in adding new projects that have become local priorities in the intervening time. These requested changes are reflected in the tables below.

CITY OF CAPITOLA	
Public Sector	Private Sector
<ul style="list-style-type: none"> ■ Road improvements on 41st Avenue from city limit to Capitola Road, and 46th Avenue from Capitola Road to Clares Street ■ Sidewalk installation along Park Avenue, Monterey Avenue, and Jade Street ■ Capitola Village circulation improvements ■ Capitola Village parking structure ■ Library and Civic Center improvements ■ Mixed-use opportunities on 41st Ave. ■ Transportation improvements on 41st Ave. ■ Resignalization of 41st Avenue and Capitola Road ■ Bay Ave/Capitola Ave Roundabout Construction ■ Park construction 	<ul style="list-style-type: none"> ■ Rispin Mansion development ■ Hotel project in Capitola Village on theater site ■ McGregor site development ■ Capitola Inn renovation/reuse ■ Redtree Properties site development ■ Capitola Mall Renovation ■ Village Hotel and Meeting Rooms

CITY OF WATSONVILLE	
Public Sector	Private Sector
<ul style="list-style-type: none"> ■ Manabe-Ow Industrial Park infrastructure improvements ■ Downtown area plan & revitalization ■ Development of economic gardening program ■ Freedom Boulevard road reconstruction ■ Manabe-Ow area City wetlands improvements/restoration ■ Stoesser Promenade improvements ■ Completion of public improvements for Auto Center Drive/Main Street ■ Atkinson Lane Specific Plan ■ Downtown sign and façade improvement loan program ■ Third fire station ■ Brownfields assessment and cleanup ■ Hotel/convention center development ■ Transitional housing facility ■ Green Valley Road reconstruction ■ Traffic signal synchronization project ■ Water main, storage facilities, and pumping stations upgrades ■ Sewer main and pump station upgrades ■ Freeway interchange ■ Access Road development/improvements for airport ■ Airport area master plan/develop ■ Corralitos Creek fish habitat enhancement and filter plant upgrade project ■ Pajaro River levee improvements ■ Wetlands restoration ■ Implement park accessibility program and improvements ■ Implement citywide park masterplan. ■ Completion of additional phases of Wetlands Trail master plan ■ Implementation of Public Art Program 	<ul style="list-style-type: none"> ■ Manabe-Ow Industrial Park ■ Downtown revitalization projects ■ Auto Center Drive improvements ■ Airport area commercial/industrial development ■ Sakata Lane light manufacturing property development ■ Residential developments: Atkinson Lane, Loma Prieta Terrace, Riverside Marchant Townhomes, and Longview Apartments ■ Industrial development on Airport Blvd. ■ Rehabilitation of Fox Theatre ■ Downtown mixed use development (Main Street) ■ Freedom Blvd mixed use development ■ Commercial Kitchen and Food Processing Incubator

COUNTY OF SANTA CRUZ	
Public Sector	Private Sector
<ul style="list-style-type: none"> ■ Pajaro River levee reconstruction – Watsonville ■ Davenport Water Treatment Plant and water distribution system ■ Davenport Water Main Rehabilitation ■ Felton Branch Library ■ Public Safety Firearms Range/Training facility ■ Solar Energy Project – Ben Lomond ■ Santa Cruz County Psychiatric Health Facility ■ Veterans Memorial Building Remodel ■ Zero Waste Eco Park ■ Porter St. improvements ■ Twin lakes Beach Front Improvements ■ East Cliff Drive Pedestrian Pathway Improvements 9th to 32nd Avenues ■ Glenwood Dr. ■ Aptos Transmission Main Relocation ■ 2010 Cap Seal and Overlay, Redwood Lodge Rd. ■ Eureka Canyon Rd. Culvert Replacement ■ Green Valley Rd./Airport Blvd./Holohan Rd. Traffic Signal Improvement Project ■ Aptos Village Plan Implementation ■ Rio Del Mar Esplanade drainage improvements ■ State Park Drive streetscape improvement project ■ Bear Creek Road bridge reconstruction ■ Graham Hill road safety improvements (near Roaring Camp) ■ 7th Avenue & Brommer Street hotel site ■ Capitola Road at 17th Ave. neighborhood retail site ■ Implement Soquel Village plan parking lot and flood control ■ Bonny Doon Road rehab project 	<ul style="list-style-type: none"> ■ Aptos Village Plan Implementation ■ Aptos Village Road, traffic signal and sidewalk improvements (primary funding by land owner/developer) ■ West side of upper 41st Avenue retail ■ Soquel Drive medical district – Dominican and Sutter Hospitals ■ Dominican Hospital and Medical Office Complex Parking Garage ■ Live Oak Business Park, Phase 2 ■ Implementation of Soquel Village plan ■ East Cliff Shopping Center redevelopment ■ 17th / Capitola Road retail site

COUNTY OF SANTA CRUZ	
Public Sector	Private Sector
<ul style="list-style-type: none"> ■ Calabasas Road sidewalks ■ Center Street sidewalks ■ Traffic signals on Corralitos Road at Varni Rd. and at Freedom Blvd. ■ Disability access facility (sidewalk ramps) improvements (various locations) ■ Traffic signal on Graham Hill Rd. at Lockewood Lane ■ Holohan Rd. at State Hwy 152 intersection improvements ■ Various integrated watershed restoration projects throughout County road system ■ Mt. Hermon Road rehab project ■ Quail Hollow Road bridge replacement project ■ San Andreas Road rehab project ■ Sims Road pedestrian path and bike lane project ■ Traffic signals on Soquel Drive at Willowbrook Lane, and Cabrillo College, and T. Hopkins Rd. ■ Storm damage repairs (various locations in San Lorenzo Valley, Summit Area and Aptos) ■ Wilder Ranch bicycle path extension – phase 2 project ■ Replace/reline portions of sewer collection lines and trunk lines serving Live Oak, Capitola and Aptos ■ Sheriff-Coroner Administration Facility 	

POLICY DIRECTION FOR NEXT YEAR

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

APPLIED
DEVELOPMENT
ECONOMICS