

REPORT TO THE CITY COUNCIL

City of Salinas, California

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SUBJECT: **CITY OF SALINAS ECONOMIC DEVELOPMENT EFFORTS**

RECOMMENDATION:

It is recommended that the City Council receive this Report and provide direction to Staff as appropriate.

DISCUSSION:

The goal of Economic Development is the creation of wealth within a community. It is separate from, but related to, Community Development, which is a capacity building process for making a community a better place to live and work. From a public perspective, local economic development involves the allocation of limited resources – land, labor, capital, and entrepreneurship – in a way that has a positive effect on the level of business activity, employment, income distribution patterns, and fiscal solvency. Traditionally, Economic Development efforts fall under three categories: business attraction (bring in wealth from outside the community), business retention/expansion (maintain/grow existing wealth within the community), and entrepreneurial development (create new wealth within the community). Just like in building personal wealth, building community wealth does not simply happen all at once, but through the gradual accumulation of wealth over the medium-to-long term. Most successful economic development programs build on existing strengths, rather than starting completely new efforts.

The Salinas Valley is the premier global producer of fresh produce – based on this and the City geographic location in close proximity to Silicon Valley, the City Council has identified the development of an Agricultural Technology (AgTech) Innovation Ecosystem within the Salinas Valley as one of its top Economic Development priorities. The development of this ecosystem has involved a combination of many efforts, some of which are coordinated by City staff, but the majority of which involve creating partnerships with other organizations that have expertise in a particular area – this is an acknowledgement of the fact that no single entity, such as the City, can do everything, but by leveraging the resources of many organizations, programs that make a difference can be created and encouraged at much lower direct cost to the City.

The City has primarily focused its energies on developing partnerships in three areas as it works to nurture its growing AgTech Ecosystem: Entrepreneurial Development, Workforce Development, and Marketing/Outreach. Each of these is discussed in detail below.

AgTech Ecosystem:

1) Entrepreneurial Development

Entrepreneurial development was one of the first portions of the AgTech Innovation Ecosystem. Recognizing that businesses started in Salinas are more likely to remain in Salinas, the focus of entrepreneurial development is to create the tools whereby a young business is able to survive and thrive.

The most significant single development over the past year has been the opening (in December 2015) of the Western Growers Center for Innovation and Technology at the new Taylor Farms headquarters in Downtown Salinas. At its opening, it had six companies as members; it now has 27. Several of these companies have started hiring employees to work locally, either in sales or in a technology-related position (including some students graduating from the CS-in-3 program operated by Hartnell College and CSUMB). While originally projecting a total capacity of 30, the Center is now hoping to double the number of businesses over the next year.

A second program undertaken by the City of Salinas to promote entrepreneurial development is the Thrive Accelerator. Managed by the THRIVE Foundation, a local nonprofit, with significant advice from SVG Partners, a contractor with the City of Salinas, the Thrive Accelerator has continued to expand its global reach. Over the past two years, THRIVE has selected a total of 22 AgTech startups (10 in 2015, 12 in 2016) from around the world to receive mentorship from executives in our local firms. After these start-ups completed their mentorship, they were evaluated by a panel of expert judges, with winners announced at each of the past two Forbes AgTech Summits in Salinas. Furthermore, an additional 250+ businesses that were not selected have still been brought into the THRIVE network of companies, where they are building working relationships with businesses that are located here. In addition to making these businesses familiar with Salinas and its market, THRIVE is also creating a venture capital fund which will allow selected startups to receive venture capital funding as well.

2) Educational/Workforce Development

While ensuring that businesses are successful is a vital component of a thriving ecosystem, it is equally important that an adequate workforce with the necessary skills is available – this ensures that our local residents are able to benefit from the growth of our businesses by finding employment. This is particularly true for the higher-skill jobs that are likely to be created as the agricultural industry incorporates new technologies into its processes.

The first program developed under this effort is the Coder Dojo program, which teaches kids age 8-17 how to code. The ability to code is important for today's youth, as it establishes baseline skills and computer literacy that will be essential as their education progresses. The cost to establish the program was \$46,446, paid for out of the \$1 million contributed by Capital One upon the closure of their local facility. Initially, the program was operated by the Steinbeck Innovation Foundation (now the THRIVE Foundation) in partnership with Hartnell College; however, Hartnell College saw the value in the program, and now fully funds and operates this program several times per year. The program has continued to grow, most recently with 577 participants, and is now considering expansion into South Monterey County as well.

Additionally, the City of Salinas in 2015 reached out to the National Resource Network (NRN) for guidance on ensuring our workforce would possess the skill sets required by the agriculture, AgTech, and healthcare industries. The NRN is affiliated with the Obama Administration's "Strong Cities, Strong Communities" program, and provides technical assistance to distressed communities. As a result of this engagement, the City of Salinas has entered into an agreement with the Cities of Gonzales, Soledad, Greenfield, and King City to partner with Hartnell College in an Employment Training Partnership. This will build on Hartnell's efforts in developing Career Pathways in these sectors to enhance collaboration between municipal government and education to coordinate our efforts on ensuring that our youth have access to the training necessary for them to be successful in an economy dominated by technology.

Finally, the City last year began working with Digital NEST to establish a site here in the City of Salinas. Digital NEST is a non-profit program in Watsonville that offers youth and young adults professional training using the latest technologies, with the intention of preparing them for work, higher education, or entrepreneurship. They have been very successful operating their program in Watsonville – the City has agreed to allow the NEST to use the BHC Room at the Cesar Chavez Library near Alisal High School to provide instruction. Opening of the new facility is tentatively scheduled for March 2017.

3) Marketing/Forbes Reinventing America Summit

In order to attract businesses to our area, it is essential that the community be marketed effectively. The City has contracted with Development Councilors International (DCI) to perform public relations and marketing for the City, including establishing relationships with national media representatives and site selection professionals. Over the past several years, Salinas has been featured in the *Financial Times*, *Fast Company*, *The Huffington Post*, *The Silicon Valley Business Journal*, *Forbes*, and many other publications; some of the highlights from 2016 include a front-page story on the Sunday Edition of the Los Angeles Times, the CNBC Nightly Business Report (also picked up by MSN Money), the Canadian Broadcasting Corporation (CBC), and CCTV (English-Language Chinese Media). The total estimated Advertising Equivalency for 2016 media coverage in AgTech is estimated at approximately \$3.2 million. This has allowed us to conduct outreach to a national audience without needing the large marketing budget needed by other organizations that focus on advertising for their outreach.

Also in 2016, the City of Salinas hosted the 2nd Annual Forbes AgTech Summit on Main Street in Salinas. Attendance increased from 407 last year to 620 this year, a 52.3% increase, with additional people on the wait list. The Summit included tours of fields, agricultural processing companies, and the Western Growers Innovation Center. The City of Salinas was a sponsor of the event along with several other organizations, including the Western Growers Association, DuPont, Land O'Lakes, Monsanto, Wells Fargo, Davis Wright Tremaine, Driscoll's, Hartnell College, Harvestmark, Novozymes, PG&E, the Produce Marketing Association, Taylor Farms, UC Davis, and the Monterey County Convention and Visitor's Bureau. Additionally, 38 AgTech startup companies participated in the Innovation Showcase event – this networking between these companies, our local firms (which serve as potential customers, suppliers, and partners), and our local representatives is critical to the development of an AgTech Ecosystem. Additionally, as a result of the conference, nine new startups joined the Western Growers Center for Innovation and Technology (increasing the number startups from 16 to 25), and the City of Salinas received news coverage with an estimated Editorial Impact of \$4.1 million. Forbes has announced that they will be hosting a 3rd Annual AgTech Summit in Salinas on June 28-29.

DeepWater Desal/ Internet Connections

High-speed internet is an essential service for any tech business, including AgTech startups. The City has continued working to develop its partnership with DeepWater Desal, which is seeking to construct a combination of Saltwater Desalination and a Data Center adjacent to the power plant in Moss Landing – in addition to providing additional water, the facility would enable the region to have a locally-based data center to increase efficiencies for internet traffic. The City is also exploring the possibility of forming a Municipal Utility so that it would have the ability to purchase power from the plant and sell it to customers in Salinas.

The City is also exploring ways that it can stimulate the develop of additional network access throughout the Salinas Valley. The City of Salinas has been analyzing the possibility of constructing a Dark Fiber network in order to provide essentially unlimited internet speeds in the area – currently the City’s consultants are reviewing other efforts being made, including some in the private sector, to determine the optimal scope and timing for a Dark Fiber project. Additionally, the City is beginning to look at the potential for wireless networks that would be focused on low-power devices such as wireless sensors that transmit smaller data packages. If a network of this type could be developed, it would dramatically alter the ability of growers to implement technology in their practices.

Tourism Promotion Efforts:

The Salinas Valley is beginning to realize its potential as a tourist destination, either as a side-trip for those visiting the Monterey Peninsula or as a destination in its own right, particularly with regards to the wine industry, John Steinbeck, or any of the many events that occur in Salinas throughout the year. Historically, the City has provided funding for three entities to conduct activities to promote the Salinas area: the Monterey County Convention and Visitors Bureau (MCCVB); Destination Salinas (Salinas 411), and the Salinas Valley Tourism and Visitor’s Bureau (CA Welcome Center). Effective this year, the City has been working to coordinate efforts among the various parties. The City has contracted with the MCCVB to assist and coordinate with Destination Salinas. This will enable Destination Salinas to coordinate its efforts with those of the MCCVB, will enable the MCCVB to increase its exposure in the Salinas area through shared branding and messaging, and will enable Destination Salinas to leverage additional resources through the larger MCCVB in order to increase efficiencies.

Economic Development Element:

The City of Salinas has been developing a new comprehensive economic development strategy in order to provide a long-range vision for the community as well as to provide specific direction regarding the actions needed to be taken in order to achieve these goals. This second step is critical – rather than obtaining community input on the policies and then developing action items in-house, the community has been involved in the entire process from beginning to end. The end result of this effort is a comprehensive plan to identify strategies and goals that will promote economic development in the City of Salinas, and identify specific action plans for accomplishing each of these strategies and goals. The plan was adopted by the City Council in April 2015 as a strategic plan. Currently, required environmental reviews are being performed on the project in order to incorporate the Element into the General Plan; those reviews are expected to be completed in the first half of 2017.

Community Revitalization:

The City is also preparing plans and establishing partnerships to revitalize and/or develop several portions of the community. Some of the most significant projects include:

- The City has completed its Downtown Vibrancy Plan, which is designed to restore activity, commerce, and vitality to Downtown Salinas. Working with a team of Downtown stakeholders, the Vibrancy Plan focuses on four major themes: improving transportation routes to make it easier to access Downtown; make Downtown the “heart” of Salinas by creating gathering places and creating an arts hub; managing parking; and stimulating development activity through the use of catalyst sites. The Council has already adopted the Vibrancy Plan and staff has begun implementing several of its provisions.
- The City has also begun the process of preparing a Vibrancy Plan for the Alisal Area – like the Downtown Vibrancy Plan, this effort will include extensive community outreach to ensure that the plan reflects the desires of residents of the area. At the moment, the area being studied includes the entirety of the area covered by the Alisal Neighborhood Revitalization Plan – additionally staff is exploring potential links with the Alisal Marketplace project area. Staff has identified a consultant and has begun meeting with community stakeholders to develop strategies to ensure effective community outreach.
- Revitalization of the Chinatown Area remains a top City priority. The City has continued to work with Mid-Peninsula Housing (Mid-Pen) on the development of a 90-unit Mixed Use Development in the Chinatown Area. Mid-Pen has received a \$2.5 million grant from the Central California Alliance for Health, and will likely also be pursuing tax-credit financing for the project. The environmental review for the project is currently being finalized. Additionally, the City has begun preparing a Chinatown Revitalization Plan, which will seek to establish the strategic vision for the area. This review will focus on environmental justice, social equity, and the attraction of private investment. Staff is also working to find address the challenges related to the homeless community, with a goal of finding solutions that benefit all parties. Staff has retained the services of a consultant to assist in this matter. Initial site visits have been conducted and staff is currently developing models for community outreach.
- Processing of the Future Growth Area Specific Plans continues. A draft Specific Plan has been submitted for the West Area – staff is currently working with the application and project sponsors on refinements to the plan, and a draft EIR is expected to be released in Spring 2017. A draft Specific Plan has been submitted for the Central Area – staff has provided the application and project sponsors with comments on the document. An environmental consultant has been chosen by the City to prepare the EIR; this process is expected to commence at some point in the next couple of months.
- The City has continued to partner with the Transportation Agency of Monterey County (TAMC) to put together a plan to redevelop the area surrounding the existing passenger rail station into an Intermodal Transportation Center (ITC). While project specifics are still under development, the proposal would include an expansion of existing commuter rail service into Salinas, the extension of Lincoln Avenue to improve circulation, and the addition of housing and/or commercial uses. TAMC is currently in the process of acquiring properties so that the project can proceed.

FISCAL IMPACT:

This Report is for informational purposes only and has no fiscal impact.

TIME CONSIDERATIONS:

This Report is informational only and requires no action on the part of Council.

CITY COUNCIL GOALS:

These efforts all support the Council goal of Economic Development by creating the ecosystem necessary to support the next generation of agriculturally-related businesses, preparing our workforce to take advantage of these opportunities, updating our General Plan to remove structural impediments to success while maintaining the prosperity and health of the entire community, and attracting support by making others aware of our programs.

CONCLUSIONS:

The City of Salinas has made great strides in its multi-pronged approach to economic development. This approach is centered on partnerships between the public, private, and nonprofit sectors to enhance the long-term economy of the Salinas Valley.

Back Up Pages: None