



CITY OF SALINAS COUNCIL STAFF REPORT

DATE: MARCH 6, 2018

DEPARTMENT: OFFICE OF THE CITY MANAGER

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TITLE: UPDATE OF ECONOMIC DEVELOPMENT EFFORTS

RECOMMENDATION:

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

BACKGROUND:

The City Council has identified Economic Diversity and Prosperity as one of the City's five Strategic Goals. To that end, City staff has embarked on a number of projects designed to promote private sector growth and development, with the intent of creating and retaining jobs for the residents of Salinas and the surrounding region.

State of the Salinas Economy

The various efforts by the City to promote economic development have myriad direct and indirect impacts on the City's economy. In order to establish some general benchmarks, staff has conducted a simple review of publically available economic data to review changes to the city's economic health. Generally, the Salinas economy has been growing at a steady, consistent rate – the table below compares data from 2012 with 2016 (the most recently available data):

	2012	2016	Percent Change
Median Household Income	\$50,598	\$58,089	14.8%
Persons Employed	64,302	69,156	7.5%
Median Earnings – Full Time (M)	\$31,712	\$37,022	16.7%
Median Earnings – Full Time (F)	\$28,456	\$32,325	13.6%
Jobs in Information Industry	501	1,152	130.0%
Jobs in Prof/Scientific Industry	3,890	4,394	13.0%
Unemployment Rate	10%	3.6%	(64%)
Poverty Rate	21.1%	14.8%	(30.0%)

Source: American Community Survey 1-Year Estimates for 2012 and 2016

As noted in this chart, there have been significant increases to employee earnings among the population. Furthermore, these increases have led to an increase at the household level. The number of persons employed has increased 7.5%, while the unemployment rate and poverty rates

have both declined. An additional note is that the number of positions in the Information and Professional/Scientific Industries has increased by several hundred positions over the last couple of years – while it is impossible to know with the data available to staff, it is possible that these positions are being added as more and more technology is being incorporated into agricultural operations. Overall, the trends are positive and have been so for the past several years, although there is still room for a great deal of improvement.

Notwithstanding this, there are still significant challenges which could threaten the City’s medium-to-long-term economic growth. The cost of housing has been increasing at a dramatic rate over the previous few years. These dollars are ultimately either absorbed by residents (through reduced spending or saving) or by businesses (through higher employee costs and/or the construction of industry-specific housing), but regardless these costs make it more difficult for businesses operating in this area to remain competitive. A second constraint on growth relates to the availability of land: the inventory of available commercial and industrial sites (both vacant lots and existing buildings) is shrinking – this makes it more and more difficult for new or growing businesses to be able to find locations to operate within the City. Currently this has resulted in the loss of several prospective businesses looking for specific property types; if current trends continue the lack of available land could prove to be a significant constraint. In order to facilitate further economic growth, staff recommends that the Council continue to prioritize and expand initiatives, such as the Economic Development Element, Alisal Vibrancy Plan, and Farmworker Housing Study, that will help to address these issues.

Economic Development Initiatives

The Economic Development Division has been working on a number of economic development initiatives over the past year. A brief summary of some of these efforts is below.

AgTech Ecosystem

The City of Salinas first began developing its AgTech ecosystem in late 2011/early 2012, with early programs being the development of the Coder Dojo program, the creation of the THRIVE Accelerator, and the Forbes AgTech Summit. The Ecosystem was later expanded to include other partners, including Western Growers Association and Digital NEST, and other local partners such as Hartnell College and CSU Monterey Bay increased their levels of collaboration with other partners.

The Ecosystem has now developed to include support for AgTech startups in multiple areas. The attached Flowchart shows the four components of the AgTech Ecosystem. Marketing efforts from Development Councilors International (DCI) continue to provide exposure for the City. The City has developed a microsite (www.agtechsalinasca.com) that provides information about our AgTech ecosystem and helps identify potential partners to help in areas of entrepreneurial support or workforce. Three articles have been placed so far this year, including an article in the Los Angeles Times, and a lengthy article in the International Economic Development Council Journal, a professional publication for economic development practitioners.

Our partners in workforce development continue to see great successes. Hartnell College has continued to expand its ability to assist by hiring a Director of Workforce Development, who is collaborating with the City on several issues, including the Employment Training Partnership with the five cities of the Salinas Valley. Attendance at Coder Dojo and Digital NEST continue to increase. The City also assisted with a Young Innovators Program put on for high school and middle school aged children that were challenged to find innovative tech solutions to agricultural problems. The winning teams, including First Tee and Harden Middle School, were taken on a tour of Google headquarters.

The City's efforts in developing entrepreneurs are beginning to bear fruit. At this point, the Western Growers Center for Innovation and Technology continues its successes; opening in December 2016, the initial goal was to have 30 resident companies; upon reaching this goal, the Center then set a goal of reaching 50 companies. There are currently 53 companies registered at the Center. Furthermore, Western Growers has indicated that the companies that have been affiliated with the Center have created 140 positions, many of which are in Salinas. Several companies have also located out of the center as they outgrew the space, hiring employees and/or opening offices in the Salinas area. Some of these companies (some of which also were participants and/or winners in the THRIVE Accelerator) include Trace Genomics, Maggrow, Concentric Power, and Tailwater Systems. The 3rd Annual Forbes Summit also saw record-breaking attendance at 620 attendees, but also saw a record-breaking number of startups coming to Salinas – this event continues to expose these businesses to the Salinas area and its leaders, creating relationships which can develop into longstanding partnerships and, ultimately, jobs for Salinas residents.

The availability of funding for startup businesses and support structures is among the greatest challenges when creating an ecosystem. However, the City has seen some successes. Although the City does not contribute directly to businesses, SVG Partners has created a venture capital fund for THRIVE businesses. Also, some local companies, including agricultural firms, have made investments or have purchased startup companies so that they can make use of the technologies being developed. This allows for the provision of “patient money” that is not looking for a quick exit, which is an excellent complement for the venture capital funding, which is willing to endure high risk. The City is also continuing to work on developing institutional funding source, such as a university, which would provide an additional funding option. The goal is to provide multiple options for businesses that choose to operate here in Salinas.

Overall, the AgTech ecosystem is growing rapidly, and is now being regarded as a case study of how to build an innovation ecosystem centered around existing businesses. City staff continues to pursue opportunities to contribute to the development of this ecosystem and will update Council as appropriate.

Cannabis Industry

City staff has successfully developed a permitting regime for commercial cannabis businesses, and has processed all the applications submitted to-date. To date, the City has issued 22 permits to commercial cannabis facilities: 4 Cultivation, 3 Delivery, 5 Dispensary, 3 Distribution, 5 Manufacturing, and 2 Testing Laboratories. Three of these businesses are currently in operation,

which several others are preparing to open in the near future or are in the process of obtaining their land use entitlements. A more thorough report on the state of the City's cannabis industry is expected to be provided to the Council in May 2018.

Prospect Management/Project Development

Economic Development staff has been assisting a number of potential businesses as they seek to locate in the Salinas area. As stated earlier, the lack of a diversity of available sites is one of the biggest challenges – in some cases businesses have spent years trying to find an appropriate location in City Limits. Additionally, Economic Development staff has been coordinating with the staff of other Departments with the goal of facilitating developments that will provide a substantial benefit to the Salinas community. Some of these sites include the parcel in front of the Salinas Airport, the Intermodal Transit Center, and the Deepwater Desal project.

Telecommunications

Due to the critical importance of broadband internet service to the City's economic development efforts, economic development staff is now working with other City Departments to explore ways to enhance the City's networks. After meeting with representatives of the major telecommunications companies operating in the area, as well identifying other potential local partners to assist in the development of the physical infrastructure, staff is expecting to bring additional materials on this matter to Council in the near future.

Tourism

Staff has reached an agreement with the California Welcome Center to relocate their operation to the Freight Build at the Salinas Train Station. This will provide a state-recognized visitor's center near the Downtown area, improving the synergies between the two. The City also continues to work with the Monterey County Convention and Visitor's Bureau for national and international marketing exposure.

STRATEGIC PLAN INITIATIVE:

The items described in this Report relate to the Council's goal of Economic Diversity and Prosperity.

ATTACHMENTS:

Diagram of AgTech Ecosystem