



# SANTA CRUZ ECONOMIC DEVELOPMENT STRATEGY

CITY COUNCIL DRAFT

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City of Santa Cruz  
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SANTA CRUZ  
ECONOMIC  
DEVELOPMENT

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# I. EXECUTIVE SUMMARY

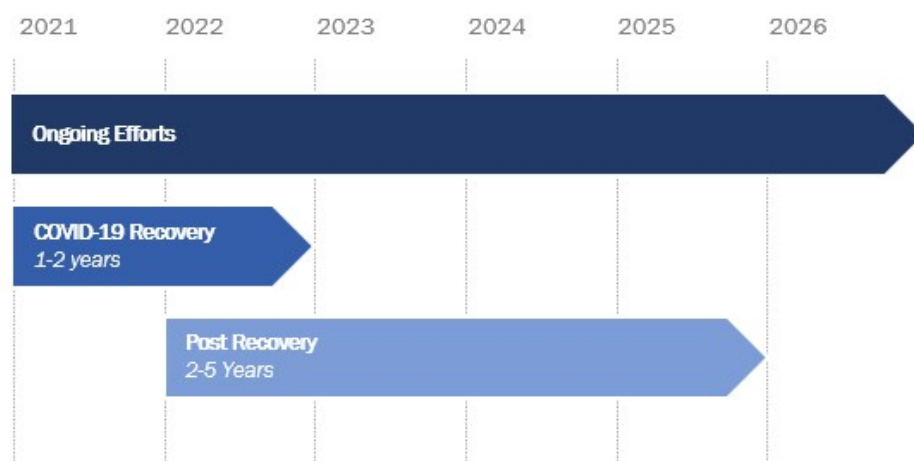
The *Santa Cruz Economic Development Strategy* (EDS) is a policy document that will guide the City's economic development activities over the next five years. The EDS focuses on the efforts of the Business Development team within the City's Economic Development Department, in conjunction with other City departments/divisions and outside partners. The EDS document's strategies and implementation actions support sustaining Santa Cruz's economic strengths, retaining and expanding existing businesses, and pursuing new opportunities to attract industries with a high potential for growth based on the City of Santa Cruz's competitive advantages.

Given the current economic crisis confronting the City of Santa Cruz as a result of the COVID-19 pandemic, the EDS also serves as a roadmap for short-term business support and recovery, followed by longer-term efforts to diversify and expand the City's economy. Over the next one to two years, implementation of the EDS will be focused on COVID-19 recovery efforts, while longer-term economic strategies will be implemented during the post-recovery phases of work (within 2-5 years) or as ongoing efforts (Figure 1). The timing of the strategies is based partly on whether the action requires additional funding, given that tax revenues are likely to be limited until the economy recovers from the impacts of efforts to slow the spread of the coronavirus that causes COVID-19.

The short-term COVID-19 business support and economic recovery strategies of the EDS function as a complementary supplement to the City of Santa Cruz *Interim Recovery Plan*. The *Interim Recovery Plan* focuses on three main goals and objectives:

1. Fiscal stability, both short-term and long-term
2. Investing in Downtown and other business sectors (including housing development)
3. Improving and maintaining infrastructure

FIGURE 1: ECONOMIC DEVELOPMENT STRATEGY IMPLEMENTATION SCHEDULE



Source: Strategic Economics, 2020.

The EDS was developed through a process that included data analyses, outreach to stakeholders, and input by City staff to identify significant opportunities and challenges to be addressed in the EDS. The goals and strategies are organized within seven topic areas based on challenges and opportunities identified through the outreach activities and data analyses. The EDS report also includes detailed implementation actions for each strategy, including schedule, relevant subareas of the City, parties required for implementation, and metrics for tracking progress.

The strategies are summarized by topic area below.

## **1. COVID-19 PANDEMIC BUSINESS SUPPORT AND RECOVERY STRATEGIES**

Due to the severity and immediacy of economic impacts associated with the COVID-19 pandemic, the following strategies are the top priorities for implementation during the next one to two years:

- Conducting regular business, broker, and business organization outreach to understand the specific impacts of the COVID-19 pandemic, and then identifying effective means of assisting businesses,
- Through funding and administrative partnerships, providing financial and technical assistance to sustain small businesses and reinvest in the Santa Cruz economy, including implementation of the countywide revolving loan program, Get Virtual program, and other regional recovery efforts,
- Proactively implementing temporary and permanent policy changes that enhance opportunities for businesses to safely resume operations, and
- Publicizing and directing businesses to available resources and guidance on how to safely resume, maintain, and expand operations.

## **2. TOURISM AND HOSPITALITY STRATEGIES**

As Santa Cruz recovers from the economic impacts of the COVID-19 pandemic, the City should begin to address broader opportunities and challenges confronting its tourism and hospitality industry; strategies include:

- Exploring opportunities to temporarily modify payment mechanisms for transient occupancy tax collections to provide flexibility for hotel and event operators during the economic recovery,
- Continuing to pursue the implementation of major development projects related to tourism and visitors (including a permanent arena facility, a renovated civic auditorium and City civic center, and the Santa Cruz Wharf Master Plan), and exploring opportunities to attract larger event spaces and expand the use of existing spaces,
- Enhancing wayfinding signage and gateways, especially to enhance the connections between the Municipal Wharf, the Santa Cruz Beach Boardwalk, and Downtown Santa Cruz,
- Collaborating with Visit Santa Cruz and area hotels and businesses to expand promotion of unique business niches within the City of Santa Cruz,
- Encouraging reinvestment or redevelopment of lower-performing hotel properties through outreach, land use regulation, analysis, and exploration of financial incentives,

- Partnering with Visit Santa Cruz, hotel operators, and visitor destinations as a longer-term strategy to establish a new working group focused solely on pursuing projects and opportunities to enhance visitation outside of the summer peak tourism season,
- Re-engaging with hospitality industry businesses regarding pursuing the passage of a transient occupancy tax (TOT) rate increase when appropriate, and
- Exploring grant funding opportunities to support reinvestment and mitigation projects undertaken by property owners in areas vulnerable to sea level rise.



### 3. SMALL BUSINESSES AND COMMERCIAL DISTRICTS STRATEGIES

The following strategies address the challenges noted by small businesses regarding confusion about accessing available technical and financial resources, and challenges in accessing commercial districts. However, the primary focus of the next one to two years will be to assist small businesses in recovering from the economic impacts of the COVID-19 pandemic. Strategies include:

- Updating and widely disseminating a description of resources and partnerships for assisting small businesses, including providing information to small businesses about technical assistance programs available through the City, Economic Development, the Santa Cruz County Small Business Development Center and other partners,
- Coordinating and collaborating with other City departments and regional transportation agencies to share business concerns about the need for expanded alternatives to automobile access to businesses,
- Developing or updating district-based parking strategies for areas that are undergoing intensification, including the Westside Industrial Area and Downtown,
- Developing and implementing a work program to target short-term and long-term streetscape and traffic calming measures in the Eastside/Midtown area, and
- Reducing barriers to use of the City's existing façade improvement program by trying to streamline the State Department of Industrial Relations requirements for prevailing wage payroll certification processes.



#### 4. RETAIL AND SHOPPING DISTRICTS STRATEGIES

The following strategies respond to long-term shifts in the retail industry overall, as well as several local challenges in different retail districts that were identified as part of the EDS analyses. Strategies include:

- Developing a pop-up program, with streamlined permitting requirements, to allow temporary retail and food uses in vacant storefronts,
- Exploring opportunities to reduce impacts of increased parking fees in Downtown on low wage workers,
- Enhancing the use of outdoor space by restaurants, stores, and personal services through continued implementation of the temporary outdoor expansion program and working on streamlining of permitting processes and reductions of fees for permanent sidewalk dining and parklet programs,
- Providing coordination and communication assistance and support for the formation of a new improvement district in Downtown Santa Cruz, as needed or requested by property and business owners,
- Expanding the diversity of entertainment, dining, nightlife, and retail uses in Downtown Santa Cruz, and exploring opportunities to attract non-retail ground floor storefront uses that would draw foot traffic to Downtown Santa Cruz, including gyms, entertainment, and games; also support inclusion of medical offices in Downtown except along Pacific Avenue and Cedar Street,
- Continuing to partner with the Downtown Association, Visit Santa Cruz, Santa Cruz Works, and others for shop local campaigns and efforts to encourage local spending,
- Collaborating with other City departments and the Downtown Santa Cruz improvement district(s) to enhance the effectiveness of ambassador, cleaning services, and homeless outreach to address safety and comfort concerns,
- Assisting the Eastside/Midtown area in assessing the support for and potentially creating an improvement district to enhance local marketing, maintenance, and collaboration efforts, and
- Targeting use of the façade improvement program in the Eastside/Midtown area.



#### 5. EDUCATION AND WORKFORCE STRATEGIES

The City of Santa Cruz attracts workers from throughout the surrounding region, but high housing costs are impacting the ability of companies to attract and retain employees. Strategies include:

- Enhancing coordination with education, workforce development, and business support partners through standing meetings and development and implementation of new



programs and initiatives for technical training, apprenticeships, and other career pathway opportunities,

- Developing a formalized system to track referrals to and outcomes from business engagement with the Santa Cruz County Small Business Development Center at Cabrillo College,
- Continuing to provide related Business Development staff support for public and public-private development projects that contribute workforce housing and/or provide amenities that enhance the quality of life for Santa Cruz residents, and
- Continuing to implement the Housing Element policy to work closely with the University of California Santa Cruz (UCSC) to provide more workforce housing opportunities for faculty and staff as part of the UCSC Long Range Development Plan, continuing implementation of workforce housing partnership with Santa Cruz City School District, and exploring similar opportunities to create workforce housing with other large employers in Santa Cruz.

## 6. SPECIALIZED INDUSTRY SECTORS STRATEGIES

Although the Tourism and Hospitality industry is by far Santa Cruz's largest economic driver, the City also has unique strengths in four other specialized industry sectors. These include biotechnology and life sciences, sports and outdoor recreation, technology and innovation, and artisanal production (such as small-scale food, beverage, or other manufacturing). Strategies addressing the needs of these sectors include:

- Convening a biotechnology and life sciences industry working group including representation from UCSC and Cabrillo College to collaboratively identify shared challenges and opportunities and develop and implement networking and informational events,
- Reviewing and pursuing updates to zoning and land use regulation in the Westside Industrial, Harvey West, and Seabright areas to ensure a mix of manufacturing, research and development, and limited retail/restaurant/dining and office uses are allowed,
- Encouraging development of additional flexible office space in Downtown Santa Cruz to be responsive to the market,
- Continuing networking events between venture capitalist funders and local businesses/entrepreneurs, especially those in the biotech and innovation industries,
- Promoting entrepreneurship through partnerships to continue referrals and disseminate the advantages of locating a business in Santa Cruz, and
- Exploring opportunities to promote Santa Cruz's cluster of sports and outdoor recreation businesses, as well as artisanal producers, to visitors.



## 7. CITY SERVICES AND PROCESSES STRATEGIES

Business owners interviewed for the EDS identified a number of challenges in understanding how to navigate City permitting and approvals processes, and in knowing how to access City services. Strategies for addressing these and other internal process challenges include:

- Continuing to review the City's permitting and approvals process to find areas for potential streamlining, and support the implementation of the recommendations from the Management Partners review of the permitting process,
- Continuing to enhance the partnership between the Business Development team, Planning, and other staff to better assist individual businesses in navigating permitting/approvals processes,
- Developing and disseminating brochures and guides for small businesses on how to access maintenance services, public safety services, and services to assist people experiencing homelessness,
- Facilitating gathering of business input for longer-term city projects such as the Climate Action Plan and potential changes to the Green Business Program, and
- Promoting Santa Cruz's economic assets and City services through maintenance and updating of the Choose Santa Cruz website, better integration of City websites, and regular digital outreach and mailings to businesses.



## II. INTRODUCTION

### About the Economic Development Strategy

The *Santa Cruz Economic Development Strategy* (EDS) is a policy document that will guide the City's economic development activities over the next five years. The EDS focuses on the efforts of the Business Development team within the City's Economic Development Department (which also includes the Housing Development and Preservation, Infrastructure and Property Development, and Arts and Culture Development teams), in conjunction with other City departments and outside partners. The EDS document's strategies and implementation actions support sustaining Santa Cruz's economic strengths, retaining and expanding existing businesses, and pursuing new opportunities to attract industries with a high potential for growth based on the City of Santa Cruz's competitive advantages.

Given the current economic crisis confronting the City of Santa Cruz as a result of the COVID-19 pandemic, the EDS also serves as a roadmap for short-term, one- to two-year business support and recovery efforts, followed by longer-term efforts to diversify and expand the City's economy. The short-term COVID-19 business support and economic recovery strategies of the EDS serve as a complementary supplement to the City of Santa Cruz *Interim Recovery Plan*. The *Interim Recovery Plan* focuses on three main goals and objectives:

1. Fiscal stability, both short-term and long-term
2. Investing in Downtown and other business sectors (including housing development)
3. Improving and maintaining infrastructure

The EDS complements and builds on other City policy and planning efforts. The Economic Development Department's recent projects and programs were guided by implementation of the department's *2017-2019 Strategic Workplan*. The EDS builds on the successes achieved through implementation of the department-wide workplan while providing a longer-term, data-driven strategy with a specific focus on business and workforce development. The EDS also supports implementation of the policies enacted by the *Santa Cruz 2030 General Plan*, which guides growth and development of the City.

The EDS was developed through a multi-step process that included data analyses, outreach to key stakeholders, and input by City staff to identify significant opportunities and challenges to be addressed in the EDS. The EDS itself was then developed through an iterative review and refinement process by staff of the Economic Development Department. Detailed steps included:

- **Data Analyses:** Strategic Economics completed a detailed economic and workforce analysis to better understand the dynamics of Santa Cruz's economy and to identify opportunities and challenges for future growth. The analyses examined employment trends by industry sector, commercial real estate market conditions, retail trends, and tourism. The findings and conclusions of the data analyses were summarized in the *Economic Conditions and Opportunities Report* dated March 31, 2020.
- **Outreach to Key Stakeholders:** Strategic Economics completed seven local stakeholder focus group interviews to gather insights into economic development issues and opportunities impacting specific industries, business types, and organizations in the City of Santa Cruz. The focus groups consisted of strategic partners, representatives of City departments, retail

businesses, arts and makers businesses/organizations, tourism and hospitality businesses, sports and outdoor recreation businesses, and technology and life sciences businesses. Strategic Economics also conducted numerous one-on-one interviews with business owners and with brokers familiar with the Santa Cruz market. The notes and findings of these interviews were presented in a December 10, 2019 memorandum and were subsequently incorporated in the *Economic Conditions and Opportunities Report*.

- **City Staff Input and Review:** Based on the findings of the data analysis and stakeholder interviews, Strategic Economics developed an initial set of recommended strategies for the EDS which were then shared with and refined by City staff in conjunction with Strategic Economics. The content of the EDS itself was then produced and underwent an iterative development and refinement process.

## Reference Geographies and Subareas

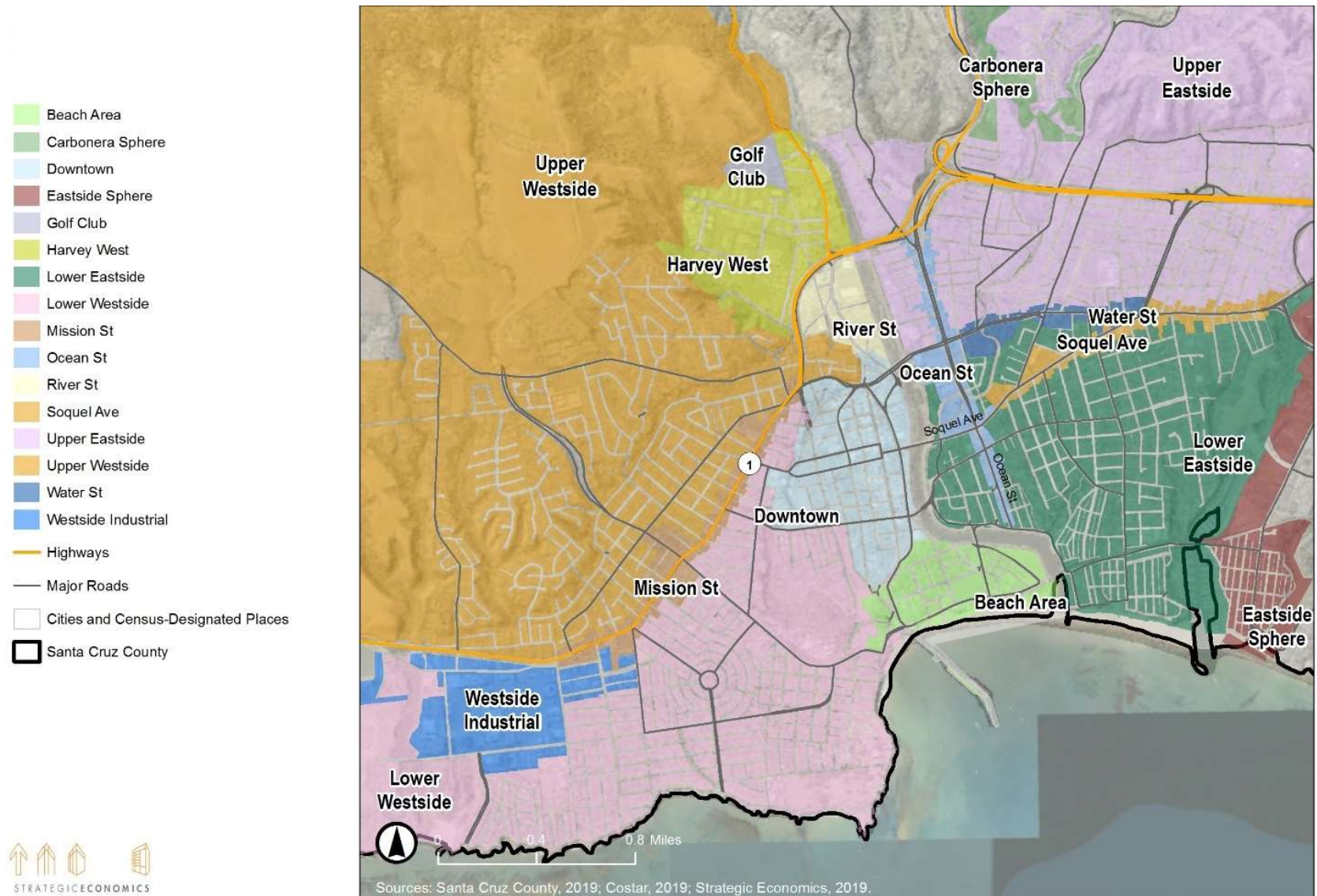
The EDS includes references to smaller geographies, or “subareas,” within the City, as shown in Figure 2. The boundaries of these subareas were created in consultation with City staff. The subareas represent modified Santa Cruz General Plan neighborhood boundaries, with adaptations to better capture locations of commercial and employment concentrations.

## Report Contents

The remainder of the EDS report includes two major sections consisting of the following content:

1. **Goals, Strategies, and Work Plan:** This section describes economic development goals and the strategies and actions that the City should implement to fulfill those goals. The strategies were directly informed by findings from the outreach and data analysis. Strategies are organized around the seven topic areas, and each strategy includes specific action items to guide the City’s efforts over the next five years. For each topic area, a summary table of implementation actions is provided, including schedule, relevant subareas of the City, parties required for implementation, and metrics for tracking progress.
2. **Economic Data Snapshot and Key Findings:** This section summarizes relevant economic context and key findings, including a snapshot of data describing existing conditions. The snapshot and key findings are organized in the same seven topic areas as the goals, strategies, and work plan.

FIGURE 2: REFERENCE MAP OF SUBAREAS IN THE CITY OF SANTA CRUZ, 2019



Source: City of Santa Cruz, 2019, Strategic Economics, 2020.

### III. GOALS, STRATEGIES, AND WORK PLAN

The following sections of this report describe the EDS goals, strategies, and implementation actions for each strategy. These actions will guide the City of Santa Cruz’s economic development activities over the next five years. The strategies are organized around the following seven topic areas (in no particular order) based on the types of challenges and opportunities identified through analyses and interviews, as noted in the Economic Data Snapshot of this report starting on page 41. The topic areas are:

1. COVID-19 Pandemic Impacts
2. Tourism and Hotels
3. Small Businesses and Commercial Districts
4. Retail and Shopping Districts (Downtown, Eastside/ Midtown)
5. Education, Workforce, and Commutes
6. Specialized Industry Sectors (Biotech and Life Sciences, Sports and Outdoor Recreation, Technology and Innovation, Artisanal Production)
7. City Services and Processes

At the end of each topic area, a table summarizes strategies and implementation actions including:

- **Schedule:** In the first one to two years, implementation will be focused on COVID-19 recovery—in conjunction with the citywide *Interim Recovery Strategy*—given the severity of the pandemic’s business impacts and resulting limitations on City staff resources and tax revenues. Other items are shown as occurring in post-recovery phases of work: within 2-3 years, within 3-5 years, or as ongoing efforts (although implementation of “ongoing” actions may be delayed while high-priority COVID-19 responses are implemented). The timing of the actions is based partly on whether the action requires additional funding, given that tax revenues are likely to be limited until the economy recovers from the impacts of efforts to slow the COVID-19 pandemic.
- **Subarea (if applicable):** Indicates whether the action item applies citywide or to specific subareas, as shown in Figure 2.
- **Parties Involved:** Indicates the City department/division or outside organization with primary responsibility for implementing the action and major partners for implementing the action.
- **Metrics for Measuring Progress:** Identifies potential metrics for tracking progress in implementing a given strategy or action.

The concluding “Tracking Success: Economic Development Indicators” section recommends indicators for tracking the performance of the Santa Cruz economy. These indicators do not directly represent whether the EDS itself is being successfully implemented since broader economic conditions are outside the control of City staff. Instead, the indicators will assist staff in identifying and responding to economic challenges and opportunities as they arise.



# 1. COVID-19 Pandemic Business Support and Recovery

The following strategies respond to the COVID-19 pandemic, including the impacts and challenges described on page 41 of this report. These challenges include addressing declining revenues and reduced staffing capacity within the City of Santa Cruz and many of its critical economic development partner organizations. Given these constraints, the economic development strategies and actions to be implemented during the next one to two years are highly targeted, yet flexible, to provide critical support for business during the pandemic and the subsequent economic recovery.

The City of Santa Cruz has already rapidly responded to the COVID-19 pandemic and has already instituted or set in motion a variety of policies, programs, and responses. Some of the strategies described below are a continuation and refinement of those efforts; the strategies and actions note the current status of ongoing programs and efforts, as appropriate. The strategies and actions also include new initiatives. The COVID-19 business support and recovery strategies serve as a detailed implementation guide for the Business Development team's work to fulfill the goals and actions of the citywide *Interim Recovery Plan*.

## GOALS:

- Assess the needs of local businesses impacted by the COVID-19 pandemic
- Develop and provide appropriate support and assistance resources to local businesses
- Position the Santa Cruz economy for rapid recovery and resumption of growth

## STRATEGIES:

**Strategy 1. Conduct regular business, broker, and business organization outreach to understand the specific impacts of the COVID-19 pandemic, and to identify effective means of assisting businesses.**

Action 1.1. Through coordination with other partners (such as the Santa Cruz Area Chamber of Commerce, Santa Cruz Business Council, and Downtown Association), conduct at least two to three more general or industry-specific business surveys and associated outreach (similar to the survey initiated in May 2020) to gauge business impacts and needs. Ensure that coordination prevents duplication of efforts or excessive survey requests for businesses.

Action 1.2. Conduct follow-up outreach to businesses that take advantage of new programs and policies to determine how the resources were used, and the resulting impacts of the programs and policies on employment/revenues.

Action 1.3. Regularly communicate with brokers and business organizations to proactively identify businesses that may be closing or recently closed; reach out to owners of these businesses to understand key challenges, identify potential assistance to mitigate and avoid closure, and to offer direction to support services for winding down business operations (available via the Cabrillo College Small Business Development Center, Central Coast SCORE, and other organizations).

**Strategy 2. Through funding and administrative partnerships, provide financial and technical assistance to sustain small businesses and reinvest in the Santa Cruz economy.**

Action 2.1. Continue to pursue and establish funding assistance targeted to small, local, established businesses as well as newer businesses that are less able to access traditional sources of funding during the pandemic. As part of this process, collaborate with partner cities and organizations in Santa Cruz County as appropriate (including the National Development Council that administers the current Grow Santa Cruz loan fund) to administer \$2.5 million U.S. Economic Development Administration funding made available through the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act for a countywide revolving loan fund. As part of the design of the revolving loan fund, identify categories of businesses struggling to receive other aid such as the Paycheck Protection Program, and target the loan fund for use by those businesses (e.g., sole proprietorships, immigrant-owned, and minority-owned businesses).

Action 2.2. Through collaboration with and referrals to local partners, provide guidance and technical assistance to businesses for determining how to use Paycheck Protection Program funds and how to successfully apply for forgiveness of these loans.

Action 2.3. Explore opportunities to redirect City funding to create local grant or loan programs that support and sustain businesses and nonprofit organizations that are not well-served by outside programs (including the revolving loan fund described above), such as additional funding for the Santa Cruz Resilience Microloan Program via the Economic Development Trust Fund.

**Strategy 3. Proactively implement temporary and permanent policy changes that enhance opportunities for businesses to safely resume operations.**

Action 3.1. Based on findings from business outreach, modify or develop policies as necessary to enable businesses to operate effectively. This includes, for example, assessment and modification of guidelines for how different categories of businesses can safely operate.

Action 3.2. Continue to implement the Temporary Outdoor Expansion program through October 1, 2021, and explore modifications to existing sidewalk dining and parklet policies to streamline implementation of permanent outdoor dining expansions where appropriate when the temporary program expires.

**Strategy 4. Publicize and direct businesses to available resources and guidance on how to safely resume, maintain, and expand operations.**

Action 4.1. Continue to maintain and publicize available technical and financial resources to assist Santa Cruz businesses in sustaining and growing their operations during the pandemic.

Action 4.2. Collaborate with local partners to offer webinars, on at least a monthly basis over the next six months and a quarterly basis thereafter, to share information about available resources, the current status of allowable business activities, and strategies for recovery of business operations.

**Strategy 5. Support local businesses in “pivoting” to expand their e-commerce marketing and sales.**

Action 5.1. Continue to provide funding and coordination support for the “Get Virtual” program that pairs UCSC students with local businesses to enhance the businesses’ internet marketing and e-commerce sales through website development.



**FIGURE 3: COVID-19 PANDEMIC BUSINESS SUPPORT AND RECOVERY ACTIONS MATRIX**

<b>Action</b>	<b>Schedule</b>	<b>Subarea (if applicable)</b>	<b>Parties Involved</b>	<b>Metrics for Measuring Progress</b>
1.1. Conduct at least 2-3 additional business surveys in partnership with other business organizations	1-2 years	Citywide	Business Development Division (BDD), Chambers of commerce, Santa Cruz Business Council, Downtown Association	Number of surveys administered
1.2. Conduct follow-up outreach to businesses using new/modified programs and policies to determine outcomes	1-2 years	Citywide	BDD	Number of businesses contacted, Assessments of program/policy success
1.3. Communicate with brokers and business organizations identify businesses at risk of closure or recently closed; survey business owners and offer services or direction to resources	1-2 years	Citywide	BDD, Santa Cruz County Small Business Development Center (SBDC), Chambers of commerce	Number of at-risk or recently closed businesses identified and contacted
2.1. Establish revolving loan fund for small, local, established and new businesses that are not well served by other loan and grant programs	1-2 years	Citywide	BDD, Santa Cruz County, Other cities within Santa Cruz County, U.S. Economic Development Administration, SBDC, National Development Council (NDC)	Loans provided, Success/failure rate of businesses receiving loans
2.2. Provide assistance for use of PPP loan funds and forgiveness of the loans	1-2 years	Citywide	BDD, Cabrillo College Small Business Development Center	Development of resources, Referrals to partners
2.3. Explore opportunities to further fund local business and nonprofit organization grant and loan programs	1-2 years	Citywide	BDD, City Manager's Office, Finance Department, City Council, NDC	Review of budget to identify any funding opportunities, including the Economic Development Trust Fund

<b>Action</b>	<b>Schedule</b>	<b>Subarea (if applicable)</b>	<b>Parties Involved</b>	<b>Metrics for Measuring Progress</b>
3.1. Proactively identify and implement new/modified policies to assist businesses in maintaining and expanding operations	1-2 years	Citywide	BDD, Planning & Community Development, Santa Cruz County Public Health Department	Number of policy and program initiatives
3.2. Continue the Temporary Outdoor Expansion program through October 1, 2021, and explore modifications to existing sidewalk dining and parklet policies to streamline implementation of permanent outdoor dining expansions where appropriate when the temporary program expires	1-2 years	Citywide	BDD, Planning & Community Development, Public Works Department, Fire Department	Number of temporary and permanent outdoor dining permits issued
4.1. Maintain and publicize resources regarding safe resumption and expansion of business operations during the pandemic	1-2 years	Citywide	BDD	Weekly review and updates to website and any printed materials
4.2. Offer educational webinars to assist businesses in reopening and recovering	1-2 years	Citywide	BDD, Cabrillo College Small Business Development Center, Other partners as needed	Completion of a webinar on at least a quarterly basis
5.1. Continue to provide funding and coordination for the Get Virtual program	1-2 years	Citywide	BDD, UCSC	Number of businesses assisted

## 2. Tourism and Hospitality

As Santa Cruz emerges from the economic impacts of the COVID-19 pandemic, the City should begin to address broader opportunities and challenges confronting its tourism and hospitality industry. Challenges include the seasonality of tourism and hotel stays in Santa Cruz, the need to reinvest in some older hotel properties, and attracting a wider audience of visitors to Santa Cruz to expand the City's visitor base. The strategies therefore focus on repositioning underperforming hotels, diversifying the City's visitor attractions and marketing, modifying tourism-related tax revenue mechanisms, and enhancing the physical environment of Santa Cruz.

### GOALS:

- Support the continued opening and stabilization of hotels and visitor attractions
- Increase visitation and hotel stays in the “shoulder” and off-peak seasons
- Diversify the marketing of Santa Cruz's visitor destinations and assets
- Improve the quality of Santa Cruz's hotel stock, supporting new and renovated hotels 3-star and above
- Expand resources for promoting and enhancing tourism and visitation
- Revisioning of Civic center, including an activation of city-owned public spaces

### STRATEGIES:

**Strategy 6. Explore opportunities to temporarily modify payment mechanisms for transient occupancy tax and admission tax collections to provide flexibility for hotel and event operators during the economic recovery.**

Action 6.1. Continue and potentially expand/modify temporarily extended payment options for the transient occupancy tax (TOT) and the Admission Tax (similar to the recently adopted temporary quarterly payment system for TOT instead of previously-required monthly payments), and implement any revisions to payment options.

**Strategy 7. Encourage reinvestment or redevelopment of lower lower-performing hotel properties through outreach, land use regulation, analysis, and exploration of financial incentives.**

Action 7.1. Identify specific hotels as potential reinvestment or redevelopment opportunities based on regular review of establishment-level transient occupancy tax data.

Action 7.2. Review existing zoning and land use regulations for lower-performing hotel properties to determine potential adjustments that would create land use incentives for reinvestment/redevelopment (including for non-hospitality uses such as housing).

Action 7.3. Conduct outreach to owners of lower-performing hotel properties to gauge and explore interest in and needs for reinvestment or redevelopment of properties.

Action 7.4. Explore the creation of potential financial incentives for reinvestment or redevelopment of hotel properties, following review of any applicable legal barriers to such a program such as prevailing wage requirements or other impacts to the feasibility of implementation.

**Strategy 8. Partner with Visit Santa Cruz, hotel operators, and visitor destinations to establish a new working group focused solely on pursuing projects and opportunities to enhance visitation outside of the summer peak season.**

Action 8.1. Recruit members and establish working group; conduct meetings on at least a semi-annual basis.

Action 8.2. Implement recommendations of the working group in partnership with its members.

**Strategy 9. Continue to pursue the implementation of major development projects related to tourism and visitors, including a permanent arena facility, a renovated civic auditorium and City civic center, and the Santa Cruz Wharf Master Plan.**

Action 9.1. Provide Business Development team support for the Economic Development Department's implementation of these projects, including informational communication with affected businesses regarding the benefits of these projects and outreach to determine ways these benefits can be enhanced through changes to the projects and their implementation.

Action 9.2. As projects are constructed, provide Business Development team support for permitting, tenanting, and related needs.

**Strategy 10. Enhance wayfinding signage and gateways, especially to enhance the connections between the Municipal Wharf, the Santa Cruz Beach Boardwalk, and Downtown Santa Cruz.**

Action 10.1. Provide any necessary Business Development team support for implementation of signage and gateways, including business outreach/communication, gathering of business input, and any required permitting assistance.

Action 10.2. Provide similar support for second phase of implementing wayfinding signage with a focus on improving direction to and branding of different commercial districts in Santa Cruz.

**Strategy 11. Explore opportunities to attract larger event spaces and expand use of existing spaces.**

Action 11.1. Study and implement potential incentives—or development density bonuses—for hotels with conference spaces.

Action 11.2. Conduct regular outreach to operators of major existing event venues—such as Cocoanut Grove, Civic Auditorium, and Kaiser Permanente Arena—to identify opportunities to promote facilities and expand their use.

**Strategy 12. Collaborate with Visit Santa Cruz and area hotels and businesses to expand promotion of unique business niches, including outdoor recreation, artisanal food and beverages, and arts events.**

Action 12.1. Conduct meetings with Visit Santa Cruz, hotels, and businesses to develop and implement a plan for expanding marketing of these unique industries within Santa Cruz, similar to

marketing messages for these industries and businesses presented via the Choose Santa Cruz website.

**Strategy 13. Re-engage with hospitality industry businesses regarding pursuing the passage of the transient occupancy tax (TOT) rate increase when appropriate.**

Action 13.1. If appropriate, provide business outreach and survey support for further study of the TOT rate increase as hotel performance and economic conditions improve.

**Strategy 14. Explore grant funding opportunities to support reinvestment and mitigation projects undertaken by property owners in areas vulnerable to sea level rise.**

Action 14.1. Continuously monitor potential State and Federal funding opportunities that could be used to assist in mitigating the effects of sea level rise on visitor-oriented properties.

**FIGURE 4: TOURISM AND HOSPITALITY ACTIONS MATRIX**

<b>Action</b>	<b>Schedule</b>	<b>Subarea (if applicable)</b>	<b>Parties Involved</b>	<b>Metrics for Measuring Progress</b>
6.1. Continue and expand temporary TOT and Admission Tax modifications, including increased payment options	1-2 years	Citywide	Business Development Division (BDD), Economic Development Department, Finance Department	Completion of analysis of potential options, Implementation of temporary changes
7.1. Review TOT data to identify underperforming hotels	2-3 years, then ongoing	Citywide	BDD, Finance Department	Annual analysis of TOT data, Maintenance of list of underperforming hotels
7.2. Review zoning at underperforming hotels to identify current or potential future incentives for reinvestment/redevelopment	2-3 years	Citywide	BDD, Planning & Community Development	Completion of zoning and land use review
7.3. Conduct outreach to owners of underperforming hotel properties	2-3 years	Citywide	BDD, Hotel owners	Number of contacts with hotel owners
7.4. Explore the creation of financial/tax incentives to encourage reinvestment/redevelopment of underperforming hotels	3-5 years	Citywide	BDD, Economic Development Department, Finance Department	Adoption of incentives (or determination not to proceed)
8.1. Establish a working group focused on expanding visitation in off-peak seasons	2-3 years, then ongoing	Citywide	BDD, Visit Santa Cruz, Hotels and visitor destinations	Completion of semi-annual meetings
8.2. Implement the recommendations of the working group	3-5 years	Citywide	BDD	Semi-annual progress on implementation
9.1. Provide business outreach, communication, and gathering of input to support major publicly-led development projects related to tourism and visitors	2-3 years	Citywide	BDD, Economic Development Department, Santa Cruz Seaside Company, Santa Cruz Warriors	As-needed support provided for implementation of projects



<b>Action</b>	<b>Schedule</b>	<b>Subarea (if applicable)</b>	<b>Parties Involved</b>	<b>Metrics for Measuring Progress</b>
9.2. Provide support for permitting, tenanting, and related needs for major publicly-led development projects	3-5 years	Citywide	BDD Economic Development Department, Planning & Community Development, Arena development partners	Assistance to City departments and arena development partners
10.1. Provide outreach, input gathering, permitting assistance, or other support for implementation of wayfinding signage and gateways	1-2 years	Beach Area, Downtown	BDD, Economic Development Department, Public Works	Contacts or assistance related to wayfinding signage and gateways
10.2. Provide similar support for a second phase of implementing wayfinding signage and gateways focused on additional commercial districts in Santa Cruz	3-5 years	Ocean Street, Soquel Ave, Water Street, River Street, Westside Industrial	BDD, Economic Development Department, Public Works	Contacts or assistance related to wayfinding signage and gateways
11.1. Study and implement incentives to attract hotels with conference space	3-5 years	Citywide	BDD, Planning & Community Development, Finance Department	Quarterly progress on study & implementation efforts, Implementation of incentives
11.2. Conduct outreach to major event venues to identify opportunities to promote facilities and expand their use	2-3 years, then ongoing	Citywide	BDD, Cocoanut Grove, Kaiser Permanente Arena, Civic Auditorium, Other venues	Number of contacts with event venues
12.1. Conduct meetings with hospitality organizations and businesses to develop and implement a plan to promote unique niche industries in Santa Cruz	2-3 years, then ongoing	Citywide	BDD, Visit Santa Cruz, Hotels, Businesses in targeted industries, Chambers of commerce, Santa Cruz Business Council	Number of meetings, Development of a promotion strategy, Implementation of promotion

<b>Action</b>	<b>Schedule</b>	<b>Subarea (if applicable)</b>	<b>Parties Involved</b>	<b>Metrics for Measuring Progress</b>
13.1. As needed, study a TOT rate increase, including business outreach and surveys; pursue passage of a rate increase if appropriate	3-5 years	Citywide	Economic Development Department, City Manager	As-needed support to City Council
14.1. Monitor State and Federal grant funding opportunities to assist visitor-oriented properties in addressing sea level rise challenges	Ongoing	Beach Area, Lower Eastside, Lower Westside	Economic Development Department, City Manager (Climate Action Program), Affected property owners	Quarterly review of funding opportunities

### 3. Small Businesses and Commercial Districts

The following strategies address the challenges noted by small businesses regarding confusion about accessing available technical and financial resources, and challenges in accessing commercial districts. In the short term, Santa Cruz's small businesses and commercial districts are currently suffering from major declines in business activity as a result of the COVID-19 pandemic. Therefore, City efforts over the next one to two years should be focused on implementing the strategies and actions listed in the COVID-19 Pandemic Business Support and Recovery category. In the longer term, the City of Santa Cruz can help support and grow small businesses and commercial districts by connecting businesses to available resources, addressing specific transportation and parking needs, and generally investing in the public environment of commercial districts through infrastructure enhancement, focusing on pedestrian improvements, beautification, and activation of public spaces.

#### GOALS:

- Provide information to small businesses about technical assistance and financial assistance programs
- Improve the street environment in commercial districts to make them more accessible to pedestrians, bicycles, and other transportation modes
- Support regional planning efforts that address transportation challenges in Santa Cruz

#### STRATEGIES:

**Strategy 15. Update and widely disseminate a description of resources and partnerships for assisting small businesses.**

Action 15.1. Continue to update available resources for assisting small businesses.

Action 15.2. On a quarterly basis, review and revise the methods of disseminating these resources with a goal of reaching as many small businesses as possible.

**Strategy 16. Coordinate and collaborate with other City departments and regional transportation agencies to share business concerns about the need for expanded alternatives to automobile access to businesses, including improved bicycle and pedestrian infrastructure and support for regional public transportation improvements.**

Action 16.1. As part of regular business outreach, collaboration, and surveys, assemble data regarding business owner priorities for local and regional transportation improvement needs for each commercial district in Santa Cruz.

Action 16.2. Share the results of the above findings with Public Works, the Santa Cruz Regional Transportation Commission (SCCRTC), and other jurisdictions and City departments through scheduled meetings and as part of development of street improvement projects.

**Strategy 17. Develop or update district-based parking strategies for areas that are undergoing intensification, including the Westside Industrial Area and Downtown.**

Action 17.1. Study parking needs and work with other City departments to explore the potential need and design of a district-based parking strategy for the Westside Industrial area, including consideration of the intensification of uses occurring at industrial properties.

Action 17.2. Continue exploring parking technology improvements and rate modifications to introduce greater flexibility and lower costs for businesses.

Action 17.3. If supported by study findings above, pursue adoption of a district-based parking program for the Westside Industrial Area

**Strategy 18. Develop and implement a work program to target short-term and long-term streetscape and traffic calming measures in the Eastside/Midtown area.**

Action 18.1. Collaborate with local businesses, property owners, Public Works, and other City departments to identify potential lower-cost short-term improvements, long-term improvements, implementation costs, and funding sources.

Action 18.2. Pursue implementation of improvements through coordination with Public Works.

**Strategy 19. Provide information to small businesses about technical assistance programs available through the City, Economic Development, the Small Business Development Center and other partners.**

Action 19.1. Continue to introduce these resources as part of one-on-one outreach to new and growing businesses.

Action 19.2. Examine additional opportunities to broaden access to information about these resources, such as providing materials to all establishments receiving City business licenses.

**Strategy 20. Reduce barriers to use of the existing façade improvement program.**

Action 20.1. Work with other City departments to streamline and expedite review and approvals, and make efforts to streamline the State Department of Industrial Relations requirements for prevailing wage payroll certification processes.

FIGURE 5: SMALL BUSINESSES AND COMMERCIAL DISTRICTS ACTIONS MATRIX

Action	Schedule	Subarea (if applicable)	Parties Involved	Metrics for Measuring Progress
15.1. Continue to update listings of available small business resources	Ongoing	Citywide	Business Development Division (BDD)	Frequency of updating information
15.2. Review and revise methods of disseminating resources	Ongoing	Citywide	BDD	Completion of quarterly review
16.1. Gather information regarding district-specific local and regional transportation improvement needs	Ongoing	All commercial districts, with a focus on: Downtown, Westside Industrial, Eastside/Midtown	BDD	Number of business contacts that resulted in gathering of relevant information
16.2. Share findings regarding transportation improvement needs with partners	Ongoing	Citywide	BDD, Public Works, SCCRTC, Santa Cruz METRO, Other jurisdictions	Number of meetings/contacts in which findings are shared
17.1. Study parking needs and potential adoption of a district-based parking strategy in the Westside Industrial area	2-3 years	Westside Industrial	Economic Development Department, BDD, Public Works, Businesses & property owners	Completion of needs study
17.2. Explore parking technology improvements and rate changes to lower costs for Downtown businesses	2-3 years	Downtown	Economic Development Department, BDD, Public Works, Downtown Commission, DTSC improvement districts	Implementation of parking technology improvements and rate changes
17.3. Pursue adoption of a district-based parking program in the Westside Industrial Area, if supported by study	3-5 years	Westside Industrial	Economic Development Department, BDD, Public Works, Businesses & property owners	Adoption of district-based parking program

<b>Action</b>	<b>Schedule</b>	<b>Subarea (if applicable)</b>	<b>Parties Involved</b>	<b>Metrics for Measuring Progress</b>
18.1. Collaboratively identify short-term and long-term streetscape and traffic calming improvements in the Eastside/Midtown area	2-3 years	Soquel Ave, Water Street (Eastside/Midtown)	BDD, Public Works, Planning & Community Development, Businesses & property owners	Identification of short-term and long-term improvements
18.2. Pursue implementation of improvements through coordination with Public Works	3-5 years	Soquel Ave, Water Street (Eastside/Midtown)	BDD, Public Works, Planning & Community Development, Businesses & property owners	Progress in implementing improvements
19.1. Continue to share small business development resources as part of outreach to new/growing businesses	Ongoing	Citywide	BDD	Number of businesses receiving information
19.2. Pursue opportunities to better disseminate information about small/new business resources	1-2 years	Citywide	BDD, Finance Department, Planning & Community Development	Expanded methods of sharing information
20.1. Streamline and expedite review, approvals, and living wage payroll certification processes for the façade improvement program	2-3 years	Citywide	BDD, Finance Department, Planning & Community Development	Completion of modifications to processes



## 4. Retail and Shopping Districts

The following goals and strategies respond to long-term shifts in the retail industry overall, as well as several local, district-level challenges identified as part of the EDS analyses. The retail industry is undergoing an evolution that favors “experiential” businesses such as dining, drinking, and entertainment since these activities cannot be easily replicated through online sales. As a result, there is a need to allow greater flexibility and diversity of uses in storefronts within retail districts, and the types of “anchors” to attract foot traffic may also change since large retailers are less likely to fill these roles. Downtown Santa Cruz is also confronting challenges in parking costs and negative perceptions of street safety. The Eastside/Midtown area could also benefit from improvement of the physical environment for visitors.

The following goals and strategies seek to enhance the diversity of allowable uses in retail districts, reduce parking-related costs and challenges for Downtown businesses, diversify potential “anchors” for Downtown, and encourage investment in the Eastside/Midtown area.

### GOALS:

- Create a regionally attractive mix of businesses in Downtown Santa Cruz
- Enhance services, appearance, and access to Downtown Santa Cruz and Eastside/Midtown
- Diversify Santa Cruz’s mix of retail, dining, and entertainment businesses and spaces to meet modern demand

### STRATEGIES:

**Strategy 21. Develop a pop-up program, with streamlined permitting requirements, to allow temporary retail and food uses in vacant storefronts.**

Action 21.1. Review and partner with other City departments to modify existing permitting requirements to ensure pop-up uses can easily locate temporarily in vacant storefronts.

**Strategy 22. Explore opportunities to reduce impacts of increased parking fees in Downtown on low wage workers.**

Action 22.1. As part of the parking study and strategies development actions in Strategy 17 (developing or updating district-based parking strategies for areas that are undergoing intensification), explore and implement modifications to reduce the impacts of parking fees on low wage workers.

**Strategy 23. Enhance the use of outdoor space by restaurants, stores, and personal services through continued implementation of the temporary outdoor expansion program and working on streamlining of permitting processes and reductions of fees for permanent sidewalk dining and parklet programs.**

Action 23.1. Study the recent implementation of the Temporary Outdoor Expansion Area Program to identify successes, challenges, and opportunities applicable to the standard process for permitting use of outdoor space by restaurants, stores, and personal services businesses; also study these permitting times and fee costs in Santa Cruz versus nearby cities.

Action 23.2. Develop and implement recommendations, in conjunction with other City departments, to streamline permitting and reduce costs for use of public and private outdoor space.

**Strategy 24. Provide supportive services for the formation of a new improvement district in Downtown Santa Cruz, as needed and requested by local business and property owners.**

Action 24.1. Provide coordination and communication assistance to area businesses and property owners in completing the petition and ballot process to approve and enact a new single improvement district in Downtown Santa Cruz.

**Strategy 25. Expand the diversity of entertainment, dining, nightlife, and retail uses in Downtown Santa Cruz, and explore opportunities to attract non-retail ground floor storefront uses that would draw foot traffic to Downtown Santa Cruz, including gyms, entertainment, and games; also support inclusion of medical offices in Downtown except along Pacific Avenue and Cedar Street.**

Action 25.1. As opportunities arise, continue connecting business owners with brokers of available spaces.

Action 25.2. Review and pursue modifications to existing land use, permitting, and zoning regulations that create challenges for diversifying uses in Downtown Santa Cruz.

**Strategy 26. Continue to partner with the Downtown Association, Visit Santa Cruz, Santa Cruz Works, and others for shop local campaigns and efforts to encourage local spending.**

Action 26.1. Through ongoing communications and engagement with the Downtown Association, Visit Santa Cruz, Santa Cruz Works, and other partners, assist in implementation of shop local campaigns via actions such as outreach to businesses, marketing, and financial support.

**Strategy 27. Collaborate with other City departments and the Downtown improvement district(s) to enhance the effectiveness of ambassador, cleaning services, and homeless outreach to improve safety and comfort concerns.**

Action 27.1. Assist in ongoing coordination between the Downtown Santa Cruz improvement districts, Public Works, Downtown Streets Team, and the Homelessness Response Manager and Downtown Outreach Workers.

**Strategy 28. Support and assist the Eastside/Midtown area in assessing the support for and potentially creating an improvement district to enhance local marketing, maintenance, and collaboration efforts.**

Action 28.1. Work with engaged business owners in the Eastside/Midtown area to conduct additional outreach and raise awareness of potential for an improvement district among other area businesses and property owners; pursue creation of a district when sufficient support exists.

**Strategy 29. Target use of the façade improvement program in the Eastside/Midtown area.**

Action 29.1. As funds are available, proactively reach out to businesses in the Eastside/Midtown area to explore opportunities to deploy façade improvement grants.

**FIGURE 6: RETAIL AND SHOPPING DISTRICTS ACTIONS MATRIX**

<b>Action</b>	<b>Schedule</b>	<b>Subarea (if applicable)</b>	<b>Parties Involved</b>	<b>Metrics for Measuring Progress</b>
21.1. Review and modify permitting requirements for pop-up storefront uses	1-2 years	Citywide	Business Development Division (BDD), Planning & Community Development	Progress in completing review and modifications
22.1. Reduce parking costs for lower income Downtown workers	2-3 years	Downtown	BDD, Economic Development Department, Public Works, Downtown Commission, DTSC PBID	Implementation of parking-related fee reductions
23.1. Study lessons learned from the Temporary Outdoor Expansion Area Program for allowing use of outdoor space by businesses, and study City fees and permitting times versus nearby cities	2-3 years	Citywide	BDD, Planning & Community Development, Public Works	Completion of study
23.2. Develop and implement recommendations to reduce barriers to use of outdoor space by businesses	3-5 years	Citywide	BDD, Economic Development Department, Planning & Community Development, Public Works	Adjustments to outdoor permitting processes and costs
24.1. If supported by property and business owners, provide support for completing the petition and ballot process to enact a new improvement district in Downtown	1-2 years	Downtown	BDD, Downtown Association, Downtown Management Corporation, DTSC PBID	Completion of petition and ballot process, Enactment of district
25.1. Continue connecting diverse businesses seeking space in Downtown with area brokers	Ongoing	Downtown	BDD, Commercial brokers	Number of businesses assisted
25.2. Review and modify regulations creating barriers to diversifying uses in Downtown	2-3 years	Downtown	BDD, Planning & Community Development	Progress in completing review and modifications

Action	Schedule	Subarea (if applicable)	Parties Involved	Metrics for Measuring Progress
26.1. Assist in implementation of shop local campaigns via actions such as outreach to businesses, marketing, and financial support.	Ongoing	Citywide	BDD, Downtown Association, Visit Santa Cruz, Santa Cruz Works	Number of shop local campaigns or related activities supported by City staff actions
27.1. Assist in ongoing coordination to enhance ambassador, cleaning services, and homeless outreach in Downtown	Ongoing	Downtown	BDD, Downtown improvement districts, Public Works, Homelessness Response Manager, Downtown Outreach Worker	Specific coordination issues addressed
28.1. If requested, support outreach, coordination, and provide other assistance to potentially implement an improvement district in the Eastside/Midtown area	2-3 years	Soquel Ave, Water Street (Eastside/Midtown)	BDD, Businesses & property owners	Number of contacts/meetings, Progress in completing formation study
29.1. Proactively reach out to businesses in the Eastside/Midtown area to deploy façade improvement grants (as funding is available)	Ongoing	Soquel Ave, Water Street (Eastside/Midtown)	BDD, Businesses	Number of contacts/meetings, Number of façade improvement grants

## 5. Education and Workforce

The City of Santa Cruz attracts workers from throughout the surrounding region, but high housing costs are impacting the ability of companies to attract and retain employees. The following goals and strategies focus on leveraging the region's robust network of workforce, education, and business partners to better connect workers with high-quality job opportunities and to promote the creation of housing affordable to lower-income workers who might otherwise be priced out of Santa Cruz.

### GOALS:

- Partner with workforce development organizations, labor organizations, and employers to connect the local workforce with jobs that offer economic opportunities for local residents.
- Collaborate with large employers and institutions to create more workforce housing opportunities in Santa Cruz

### STRATEGIES:

**Strategy 30. Enhance coordination with education, workforce development, and business support partners through standing meetings and development and implementation of new programs and initiatives for technical training, apprenticeships, and other career pathway opportunities.**

Action 30.1. Continue and expand participation in recent COVID-19-related standing meetings with business support partners; meet at least semi-annually to develop and implement new programs and initiatives; incorporate partners such as the Santa Cruz County Workforce Development Board, Santa Cruz Works, local banks, UCSC, Cabrillo College, and other selected organizations.

**Strategy 31. Develop a formalized system to track referrals to and outcomes from business engagement with the Santa Cruz County Small Business Development Center at Cabrillo College.**

Action 31.1. Implement a new referral outcome tracking system in partnership with the Cabrillo College Small Business Development Center to gauge the effectiveness of and potential modifications to the process, partnership, and services.

**Strategy 32. Continue to provide Business Development staff support for public and public-private development projects that contribute workforce housing and/or provide amenities that enhance the quality of life for Santa Cruz residents.**

Action 32.1. As needed, assist with business outreach, tenanting assistance for commercial spaces, permitting assistance, and other needs related to the Economic Development Department's development of housing, commercial, and institutional projects (such as the Mixed-Use Library Project and the Pacific Station mixed-use redesign of the existing Metro transit center site).

**Strategy 33. Continue to implement the Housing Element policy to work closely with UCSC to provide more workforce housing opportunities for faculty and staff. Continue implementation of**



**workforce housing partnership with Santa Cruz City School District, and explore similar opportunities to create workforce housing with other large employers in Santa Cruz.**

Action 33.1. Continue to partner with Santa Cruz City School District to complete development of a workforce housing development project targeted to teachers.

Action 33.2. Through collaboration with UCSC on its Long Range Development Plan, continue to encourage exploration of potential workforce housing opportunities and partnerships for faculty and staff.

Action 33.3. Monitor and pursue potential new opportunities to create workforce housing in partnership with large employers in Santa Cruz.

**FIGURE 7: EDUCATION AND WORKFORCE ACTIONS MATRIX**

<b>Action</b>	<b>Schedule</b>	<b>Subarea (if applicable)</b>	<b>Parties Involved</b>	<b>Metrics for Measuring Progress</b>
30.1. Continue and expand participation in standing meetings with business support and workforce development partners	Ongoing	Citywide	Business Development Division (BDD), SCC WDB, Santa Cruz Works, Local banks, UCSC, Cabrillo College, Other organizations	Completion of meetings on at least a semi-annual basis
31.1. Implement a new referral outcome tracking system in partnership with the Santa Cruz County Small Business Development Center at Cabrillo College	3-5 years	Citywide	BDD, Santa Cruz County Small Business Development Center at Cabrillo College	Progress in implementing a tracking system
32.1. Assist with business outreach, tenanting assistance for commercial spaces, permitting assistance, and other needs related to public and public-private development projects	Ongoing	Downtown, Citywide	BDD, Economic Development Department, Santa Cruz Public Library, Santa Cruz METRO	Actions taken to support specific public/public-private development projects
33.1. Continue partnership with the Santa Cruz City School District to develop a workforce housing project	Ongoing	Citywide	BDD, Economic Development Department, Santa Cruz City School District	Completion of steps toward completing housing development
33.2. Through collaboration with UCSC on its Long Range Development Plan, continue to encourage exploration of potential workforce housing opportunities and partnerships for faculty and staff.	Ongoing	Citywide	BDD, Economic Development Department, Planning & Community Development, UCSC	Meetings and contacts with UCSC related to housing opportunities
33.3. Monitor and pursue new opportunities to create workforce housing partnership with large employers	Ongoing	Citywide	BDD, Economic Development Department, Large businesses	Number of contacts with businesses regarding housing partnerships

## 6. Specialized Industry Sectors

Although the Tourism and Hospitality industry is Santa Cruz's most significant economic driver, the City also has unique strengths in four other specialized industry sectors: biotechnology and life sciences, sports and outdoor recreation, technology and innovation, and artisanal production (such as small-scale food, beverage, or other manufacturing). The following goals and strategies focus on supporting these industries by addressing their space needs (including the need for additional office and light industrial/flex space), coordinating with employers and organizations to create connections within the industries and address other industry-specific needs, and promoting the presence of sports and outdoor recreation and artisanal production industries to visitors.

### GOALS:

- Ensure availability and access to light industrial, flex, and R&D space that flexibly accommodates diverse business types and sizes (including manufacturing, research and development activities, small scale artisanal production, and other innovative and creative businesses)
- Expand the biotechnology and life sciences industry through closer partnerships with UCSC and businesses
- Explore opportunities to accommodate the growth of small innovation firms
- Retain and expand the local sports and outdoor recreation industry

### STRATEGIES:

**Strategy 34. Convene a biotechnology and life sciences industry working group to collaboratively identify shared challenges and opportunities and develop and implement networking and informational events. Participants could include Santa Cruz Works, Startup Sandbox, the UCSC Genomics Institute, and Cabrillo College, as well as local employers.**

Action 34.1. Convene group, initiate semi-annual meetings, develop and implement work plan.

**Strategy 35. Review and pursue updates to zoning and land use regulation in the Westside Industrial, Harvey West, and Seabright areas to ensure a mix of manufacturing, research and development, and limited retail/restaurant/dining and office uses are allowed in existing and new buildings.**

Action 35.1. Review existing zoning and land use regulation to identify barriers to allowing a diverse mix of the identified business types, and work with the Planning and Community Development Department to modify zoning and land use regulation.

**Strategy 36. Encourage development of additional flexible office space in Downtown Santa Cruz to be responsive to the market.**

Action 36.1. Conduct outreach to office developers to identify major barriers to developing additional office space in Downtown Santa Cruz.

Action 36.2. Based on developer feedback, pursue policy, program, and regulatory changes to reduce office development costs and incentivize development of additional flexible and mixed-use office space.

**Strategy 37. Continue networking events between venture capitalist funders and local businesses/entrepreneurs, especially those in the biotech and innovation industries.**

Action 37.1. Continue to convene and hold networking events on at least an annual basis, in partnership with businesses and venture capitalists focused on biotech and innovation industries.

**Strategy 38. Promote entrepreneurship through partnerships with organizations such as Santa Cruz Works and the SBDC Tech Futures Group to continue referrals, hold networking events, and disseminate the advantages of locating a business in Santa Cruz.**

Action 38.1. Continue to refer relevant businesses to the SBDC Tech Futures Group and Santa Cruz Works.

Action 38.2. Continue partnerships with the SBDC Tech Futures Group and other organizations to disseminate information about Santa Cruz for entrepreneurs in innovation-focused industries.

**Strategy 39. Explore opportunities to promote Santa Cruz's cluster of sports and outdoor recreation businesses, as well as artisanal producers, to visitors.**

Action 39.1. Include a focus on sports and outdoor businesses and artisanal producers as part of the actions described in Strategy 12 to promote Santa Cruz's unique business niches as part of marketing to visitors.

**FIGURE 8: SPECIALIZED INDUSTRY SECTORS ACTIONS MATRIX**

<b>Action</b>	<b>Schedule</b>	<b>Subarea (if applicable)</b>	<b>Parties Involved</b>	<b>Metrics for Measuring Progress</b>
34.1. Create and regularly convene a biotech and life sciences working group to develop and implement a shared work plan	1-2 years, then Ongoing	Citywide	Business Development Division (BDD), Biotech and life sciences businesses, Santa Cruz Works, Startup Sandbox, UCSC Genomics Institute, Cabrillo College	Semi-annual meetings, Development and implementation of work plan
35.1. Review regulations to identify barriers to increasing business diversity in targeted areas, and collaboratively modify regulations	2-3 years	Westside Industrial, Harvey West, Lower Eastside (Seabright)	BDD, Planning & Community Development	Progress in completing review and modifications
36.1. Conduct outreach to office developers to identify barriers to building more space in Downtown	1-2 years	Downtown	BDD, Office developers	Completed contacts, Development of findings
36.2. Pursue policy, program, and regulatory changes to increase development potential for flexible and mixed-use office space	2-3 years	Downtown	BDD, Planning & Community Development	Progress in completing modifications
37.1. Continue to convene and hold biotech/innovation-focused industry networking events on at least an annual basis	Ongoing	Citywide	BDD, Business/entrepreneurs, Funders	Number of networking events per year (at least one)
38.1. Continue to refer business to the SBDC Tech Futures Group and Santa Cruz works	Ongoing	Citywide	BDD, SBDC Tech Futures Group, Santa Cruz Works	Number of referrals
38.2. Continue partnership with the SBDC Tech Futures Group and other organizations to disseminate information about Santa Cruz's advantages to entrepreneurs	Ongoing	Citywide	BDD, SBDC Tech Futures Group, Santa Cruz Works, Other organizations	Number of contacts/marketing initiatives

Action	Schedule	Subarea (if applicable)	Parties Involved	Metrics for Measuring Progress
39.1. Include a focus on sports and outdoor businesses and artisanal producers as part of new/expanded visitor marketing	2-3 years, then ongoing	Citywide	BDD, Visit Santa Cruz, Hotels, Businesses in targeted industries	Number of meetings, Development of a promotion strategy, Implementation of promotion

## 7. City Services and Processes

Business owners interviewed for the EDS identified a number of challenges in understanding how to navigate City permitting and approvals processes, and in knowing how to access City services. The following goals and strategies seek to clarify and streamline permitting and approvals processes and enhance the dissemination of information regarding how to access public services.

### GOALS:

- Improve the city's permitting and approvals process to cut back on delays and associated costs to businesses.
- Enhance communications so that businesses are aware of the services provided by the City, and can easily access those resources.

### STRATEGIES:

**Strategy 40. Continue to review the City's permitting and approvals process to find areas for potential streamlining, and support the implementation of the Management Partners review of the permitting process.**

Action 40.1. Continue to convene regular inter-departmental working groups focused on review and modification of permitting and approvals processes; continue to support implementation of recommendations from the Management Partners review of the Planning and Community Development Department, and incorporate ongoing input from businesses and developers that interact with the City.

**Strategy 41. Continue to enhance the partnership between Economic Development, Planning, and other staff to better assist individual businesses in navigating permitting/approvals processes.**

Action 41.1. As-needed, assist businesses in navigating the new online business license and zoning clearances system.

Action 41.2. As part of the interdepartmental working group, clarify and formalize the roles of the Business Liaison, Planning, and other staff to clarify when and how Economic Development staff should be engaged with specific applications.

**Strategy 42. Develop and disseminate brochures and guides for small businesses on how to access maintenance services, public safety services, and services to assist people experiencing homelessness.**

Action 42.1. Collaborate with the City's Homelessness Response Manager to develop, produce, and distribute updated informational materials.

**Strategy 43. Facilitate gathering of business input for longer-term city projects such as the Climate Action Plan and potential changes to the Green Business Program.**

Action 43.1. Coordinate with the Climate Action Program Manager to facilitate business input on an as-needed basis.

**Strategy 44. Promote Santa Cruz's economic assets and City services through maintenance and updating of the Choose Santa Cruz website, better integration of the website, and regular digital outreach and mailings to businesses.**

Action 44.1. Continue engagement with a branding and marketing consultant to maintain and promote the website and other new information.



**FIGURE 9: CITY SERVICES AND PROCESSES ACTIONS MATRIX**

<b>Action</b>	<b>Schedule</b>	<b>Subarea (if applicable)</b>	<b>Parties Involved</b>	<b>Metrics for Measuring Progress</b>
40.1. Continue inter-departmental working group focused on review and modification of permitting and approvals processes, based on business feedback and implementation of the recommendations from the Management Partners review of the City permit process	Ongoing	Citywide	Business Development Division (BDD), Planning & Community Development, Fire Department	Number of working group meetings held per year
41.1. As-needed, assist businesses in navigating the new business license and permitting portal	Ongoing	Citywide	BDD, Planning & Community Development	Number of businesses assisted in navigating the portal
41.2. Clarify and formalize the roles of staff/departments involved in planning applications	1-2 years	Citywide	BDD, Economic Development Department, Planning & Community Development, Fire Department, City Manager	Development and adoption of internal policies
42.1. Collaborate with the Homelessness Response Manager to develop, produce, and distribute updated informational materials for small businesses regarding public services	2-3 years	Citywide	BDD, Homelessness Response Manager	Development and distribution of updated guides/materials
43.1. Coordinate with the Climate Action Program Manager to facilitate business input as-needed	Ongoing	Citywide	BDD, City Manager (Climate Action Program)	Completion of assistance as-needed
44.1. Continue engagement with a branding and marketing consultant to maintain and promote the Economic Development website and other new information	Ongoing	Citywide	BDD, Economic Development Department, Branding and marketing services consultant	Progress on website updates and marketing

## Tracking Success: Economic Development Indicators

The following economic development indicators are recommended for use by the Economic Development Department to track market and economic conditions in the City of Santa Cruz. These indicators are a gauge of the overall health of the Santa Cruz economy, but are outside the direct control of the City of Santa Cruz since they are also heavily influenced by regional, national, and international economic and market conditions. In contrast, the “Metrics for Measuring Progress” listed for each of the EDS implementation actions track the City’s direct actions.

The first five economic indicators are already in use by the Economic Development Department, while measures six and seven are new.

1. **New Business Licenses** – Number of business licenses issued annually: overall, by location, by business size
2. **Sales Tax Revenue** – Amount of citywide sales tax collected annually
3. **Transient Occupancy Tax Revenue** – Amount of transient occupancy tax revenue collected annually
4. **Building Permits** – Number and value of commercial and industrial building permits issued by the City each quarter
5. **Employment and Unemployment Rate** – Total number of jobs and unemployment rate, updated quarterly based on data provided by the County of Santa Cruz Workforce Development Board
6. **Real Estate Market Data** – Quarterly summary of asking rents, vacancy rates, and absorption for all commercial and industrial product types in Santa Cruz, compared to neighboring cities and Santa Cruz County (obtained via the City’s CoStar data subscription)
7. **Discontinued Business Licenses** – Number of business licenses that are discontinued annually, with comparison to new business licenses in order to determine a “net new” number of licenses

## IV. ECONOMIC DATA SNAPSHOT

This section of the EDS provides a snapshot of economic data and related findings from the Economic Conditions and Opportunities Report, which informed the development of the goals, strategies and work plan shown in Section III. The majority of the data research and analysis was completed prior to the COVID-19 pandemic. Additionally, Strategic Economics collected and summarized available information about the known impacts of the pandemic on the Santa Cruz economy.

This section is organized into the following key topic areas, which correspond to the organization of Section III's categories.

1. COVID-19 Pandemic Economic Impacts
2. Tourism and Hotels
3. Small Businesses and Commercial Districts
4. Retail and Shopping Districts (Downtown, Eastside/ Midtown)
5. Education, Workforce, and Commutes
6. Specialized Industry Sectors (Biotech and Life Sciences, Sports and Outdoor Recreation, Technology and Innovation, Artisanal Production)
7. City Services and Processes

### 1. COVID-19 Pandemic Economic Impacts

The COVID-19 pandemic has imposed severe negative economic impacts on the economies of the City of Santa Cruz, the country, and the world. The “shelter-in-place” orders enacted to slow the spread of the coronavirus that causes COVID-19 resulted in the temporary closure of numerous retail, hospitality, and service businesses, the cancellation of events, and a shutdown of most travel. This reduction in revenues and economic activity has led to layoffs and furloughs in a variety of industry sectors and some permanent business closures.

The overall length and severity of the economic impacts due to the COVID-19 pandemic are still unknown, but will depend on several factors, including the duration of the pandemic and associated public health measures, and availability of relief programs offered by the federal, state, and local governments. The following findings describe examples of what is known about the local impacts of the COVID-19 pandemic, and provide insights into how the pandemic is likely to affect Santa Cruz given the City's specific industry mix.

**Examples of known local impacts of the COVID-19 pandemic include the following:**

- **Santa Cruz County Chamber of Commerce Business Survey Results:** The Santa Cruz County Chamber of Commerce surveyed businesses within the County between May 5<sup>th</sup> and May 11<sup>th</sup> of this year.<sup>1</sup> 111 businesses responded, with about half of these businesses located in the City of Santa Cruz. The results are not a scientific sampling of businesses, but do provide evidence of the pandemic's impacts. 30 percent of respondents noted that their businesses are closed, and 28 percent had reduced their hours of operation. 68 percent of respondents

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<sup>1</sup> The full survey results described in this report are available at [http://www.santacruzchamber.org/uploads/5/5/5/1/55516451/covid\\_-\\_19\\_survey\\_results\\_may\\_18%5Ej\\_2020\\_2.pdf](http://www.santacruzchamber.org/uploads/5/5/5/1/55516451/covid_-_19_survey_results_may_18%5Ej_2020_2.pdf), and a summary is available at <https://web.santacruzchamber.org/news/newsarticledisplay.aspx?ArticleID=1858>

expected that their business would still not be fully operational once the shelter in place order is lifted, and nearly half had already suffered losses of more than \$50,000. While over 60 percent of respondents received business assistance loans or grants, 44 percent noted that the amount received was inadequate to meet their needs, and respondents heavily prioritized the need to receive additional financial assistance.

- **City of Santa Cruz Business Survey Results:** The City of Santa Cruz received survey responses from 203 area businesses during late spring and early summer of this year. Over 38 percent of respondents are making permanent or temporary changes to their business models. One-third of businesses stated a need for direct financial assistance, and nearly a quarter noted a need for assistance in developing their online presence or e-commerce platform. Fortunately, 87 percent of businesses were able to access supplemental assistance through grants and loans, and business owners appeared more optimistic about the future than in a previous survey conducted early in the pandemic.
- **Layoff Notices:** The California Worker Adjustment and Retraining Notification (WARN) Act requires businesses with at least 75 employees to file a notification when they anticipate laying off or placing on temporarily furloughing 50 or more employees (although WARN Act notices may also be filed for smaller layoff events). Review of WARN Act notices filed by Santa Cruz employers in the second quarter of 2020 shows that the vast majority of notices are for unusual temporary furloughs of workers at hotels, retail stores, restaurants, and, to a lesser extent, medical and personal services.
- **Unemployment Data:** Preliminary data produced by the State of California Employment Development Department indicates that the Santa Cruz County unemployment rate was an exceptionally high 14.4 percent as of May 2020, versus 8.1 percent in March, and that the unemployment rate in the City of Santa Cruz was 12.7 percent in May. Actual unemployment rates are likely higher since the data does not capture workers who are experiencing delays in applying for Unemployment Insurance benefits or that have stopped searching for work. Data for Santa Cruz County indicates that employment declined most significantly for businesses in the hospitality, restaurant/food service, personal services, and arts, entertainment, and recreation industries.

**Declines in economic activity have reduced local tax revenues significantly and will continue to affect the City's budget in the near future.** A large share of City of Santa Cruz General Fund revenues are associated with businesses and spending impacted by the COVID-19 pandemic. Based on estimates of actual revenues for the 2019-2020 fiscal year, Sales and Use Taxes constituted 22 percent of revenues, the Transient Occupancy (hotel) Tax constituted 15 percent of revenues, the Utility Users Tax constituted 14 percent of revenues, and Admission (event) Taxes constituted three percent of revenues. All of these revenue sources, which together make up over half of General Fund revenues, depend on business activity, consumer spending, and tourism.<sup>2</sup> As of January 26, 2021, the City of Santa Cruz Finance Department generated estimates of projected General Fund revenue losses and required spending cuts for the coming fiscal years. Under a “realistic scenario,” the City anticipated a total \$6 million reduction in revenues in fiscal years 2021 and 2022, accompanied by \$3.75 million in structural and onetime spending cuts in fiscal year 2022 and again in 2023. These numbers could

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<sup>2</sup> City of Santa Cruz, California: 2021 Annual Budget, <http://www.cityofsantacruz.com/home/showdocument?id=80120>.

differ if the City receives additional outside funding; under a scenario in which the City receives \$3 million in total federal and state aid in 2021, the City would instead need to implement structural and onetime spending cuts of \$3.75 million in fiscal year 2022 and \$3 million in fiscal year 2023.

**The pandemic is impacting the capacity of City staff and other partner organizations.** Declining City of Santa Cruz revenues are already reducing staff capacity, with the City implementing staff furloughs and a hiring freeze. Staff levels are likely to remain reduced for at least one to two years. Sources of revenue and/or staffing levels are also declining for critical partners such as the Santa Cruz Area Chamber of Commerce and the Santa Cruz County Small Business Development Center at Cabrillo College.

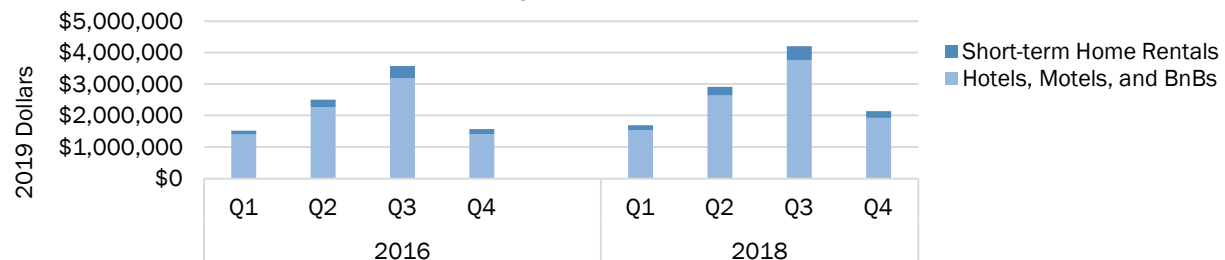
**In the short term, the City of Santa Cruz's economic development activities will be focused on assisting businesses to sustain operations and recover from the COVID-19 crisis.** The City has already implemented immediate actions to support businesses, including:

- business surveys to identify needs,
- creating a microloan program for immediate gap financing for businesses that are otherwise less able to access state and federal programs,
- creating business start-up kits to enable businesses to safely reopen with hard to source supplies and mandated safety protocols, procedures and supporting materials,
- creating/expanding forgivable business loan programs with regional partners,
- creating and implementing a temporary outdoor expansion program and streamlining of outdoor dining permitting processes,
- sponsoring shop local online programs to help sustain businesses during closure periods, and
- collaborating with UCSC and local tech entrepreneurs to support the creation of the "Get Virtual" program, helping businesses develop website and online e-commerce platforms.

## 2. Tourism and Hotels

- **Prior to the COVID-19 pandemic, the Santa Cruz tourism and hospitality industry experienced strong growth.** In 2018, jobs in the Accommodation and Food Services and Arts, Entertainment, and Recreation industries made up 23 percent of all jobs in Santa Cruz. These industries grew rapidly between 2009 and 2018, and support many other related businesses in retail and other sectors.
- **The Santa Cruz tourism and hospitality industry is heavily driven by Bay Area and California residents, as well as Bay Area companies holding events in the City.** San Francisco Bay Area residents accounted for nearly 37 percent of Santa Cruz visitors in 2016,<sup>33</sup> creating a strong link between Santa Cruz's tourism industry and the strength of the Bay Area economy.
- **Some older hotel properties require updates.** The City of Santa Cruz has approximately 1,950 rooms in its stock of hotels, motels, and bed and breakfasts. Some older underperforming hotels create opportunities for future redevelopment as new lodging or other uses.
- **The COVID-19 pandemic has created significant uncertainty and volatility in tourism and hotel demand, which will likely slow development of additional hotels.** Prior to the COVID-19 pandemic, City transient occupancy tax (TOT) revenues were growing, and developers were pursuing new hotel projects. City hotel performance declined significantly during travel and shelter-in-place restrictions, although performance has since improved due to travelers taking road-trip vacations. Despite this improvement, hotel investment is likely to remain limited while uncertainty exists about whether travel restrictions will need to be implemented again.
- **Santa Cruz has a highly seasonal, leisure-based tourism industry; diversification of the city's visitor attractions could draw more visitors outside the peak summer season.** The Santa Cruz Beach Boardwalk, Municipal Wharf, and a variety of natural recreation opportunities continue to be popular attractions that drive summertime visitation to the City. However, Figure 10 shows the decline in tourism activity during the winter off-season. An opportunity may exist to expand visitor segments in Santa Cruz by marketing other "niche" industries and assets, such as outdoor sports and artisanal foods and crafts, and by drawing business or event travelers.

FIGURE 10: TOTAL ANNUAL TOT REVENUES BY QUARTER, CITY OF SANTA CRUZ, 2016 AND 2018



Note: "BnBs" are bed and breakfasts. Q1: January, February, and March; Q2: April, May, and June; Q3: July, August, and September; Q4: October, November, and December.

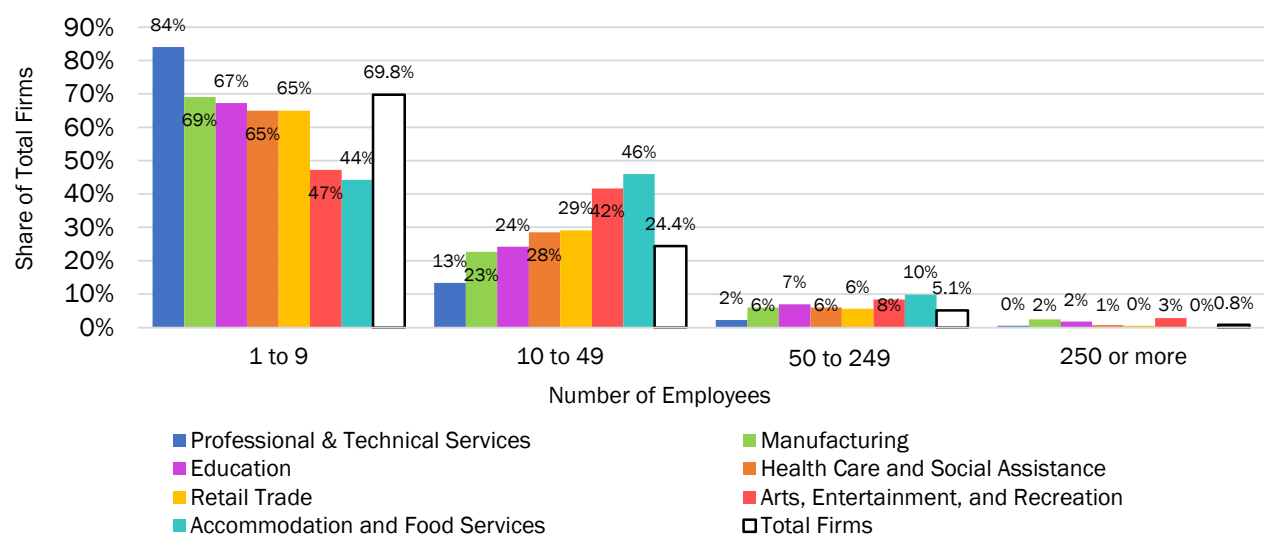
Source: City of Santa Cruz, 2019; Strategic Economics, 2020.

<sup>33</sup> "Profile of Santa Cruz Area Visitors For 2016", Lauren Schlau Consulting, 2016.

### 3. Small Businesses and Commercial Districts

- **Small businesses constitute a high share of businesses in the City of Santa Cruz,** with 70 percent of businesses including fewer than 10 employees (Figure 11).
- **Owners of small businesses reported challenges related to accessing city services.** Owners of small businesses interviewed for this study noted confusion about the availability of city services and how to access those services.
- **Owners of small businesses also reported challenges related to traffic congestion.** Traffic congestion is an additional challenge throughout Santa Cruz County, which makes it more difficult for workers to access jobs and for customers to access small, local businesses.
- **Transit, pedestrian, and bicycle infrastructure improvements are an opportunity to improve consumer access to businesses and enhance consumer quality of experience.** At the regional scale, efforts are underway to improve transit, expand bicycle and pedestrian infrastructure, and reduce traffic congestion. At the local level, Santa Cruz is making gradual improvements to its bicycle and pedestrian networks within and between employment districts. An opportunity exists to improve the pedestrian experience in the Eastside/Midtown area along Soquel Avenue. The area today is marked by high automobile traffic speeds, limited shade, and limited and uncomfortable or dangerous pedestrian crossings.
- **Parking is a challenge in light industrial districts that increasingly include customer-oriented uses such as breweries and rock-climbing walls, or more intensive employment uses such as additional office/flex space.** This is especially true of the Westside Industrial area.

FIGURE 11: SHARE OF FIRMS BY SIZE AND INDUSTRY SECTOR, CITY OF SANTA CRUZ, 2018



Note: The following industry sectors are not displayed in the figure above: Other Services, Ex. Public Admin; Construction; Administrative & Waste Services; Transportation & Warehousing; Wholesale Trade; Finance & Insurance; Real Estate & Rental & Leasing; Information; Utilities; Agriculture, Forestry, Fishing & Hunting; Management of Companies & Enterprises; Unclassified; and Mining.

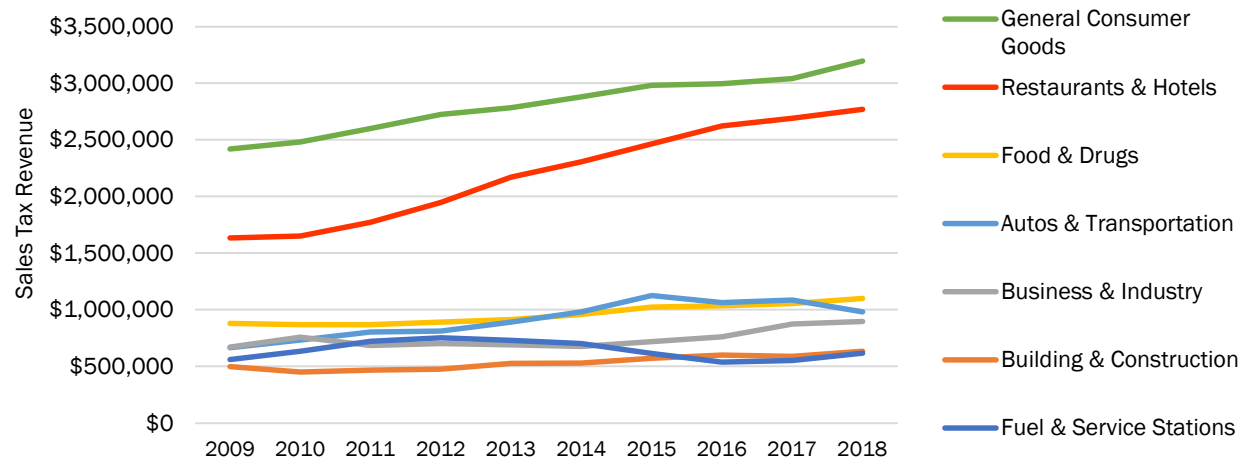
Source: California Employment Development Department, 2018; Strategic Economics, 2020.

## 4. Retail and Shopping Districts (Downtown, Eastside/Midtown)

- **Matching national trends, the retail sector in Santa Cruz is shifting away from traditional hard and soft goods retailers and towards “experiential” businesses such as dining and drinking establishments (Figure 12).** As e-commerce continues to erode brick-and-mortar sales, tenants seeking storefront space will diversify; examples include greater demand from gyms/fitness businesses, restaurants/cafes, entertainment and activities, and retail stores that also include elements of small-scale production (e.g. breweries) or online sales.
- **Downtown Santa Cruz may struggle to attract large traditional retail stores as “anchors” that drive foot traffic. Instead, an opportunity exists to attract other generators of foot traffic.** Examples include, gyms and fitness uses, unique art or interactive attractions, civic uses, entertainment and nightlife, and stores or restaurants focused on unique locally-produced goods. Increased office employment and residential development would also increase demand for stores and restaurants.
- **Historically high occupancy rates of office space in Downtown suggest a need to encourage additional office development to meet future needs.** Demand for office space in Santa Cruz may decline in the near future due to the economic impacts of the COVID-19 pandemic and businesses’ reassessments of their space needs as employees work remotely. However, office-based industry sectors in the City have undergone rapid growth in recent years and vacancy rates were recently at historic lows. Achievable rents are still not high enough for developers to build additional office space in Downtown. However, additional space will be needed to accommodate long-term growth in office demand. This demand is driven partly by employers seeking to locate near Santa Cruz’s concentration of skilled workers drawn to the City’s high quality of life. Adding flexible office or coworking spaces can also help meet some future office demand and accommodate residents working remotely who are seeking local professional space.
- **The Eastside/Midtown area—which includes the Water Street and Soquel Avenue subareas—could potentially become a better-known local shopping and dining destination if the area functioned as a more cohesive district.** The current street design along Soquel Avenue discourages walking between businesses. Eastside/Midtown businesses also lack a shared voice and capacity for developing and marketing the district as a whole.
- **Parking-related challenges exist in different areas of the city.** Within Downtown, multiple businesses interviewed for this study experienced difficulties in obtaining employee parking or in paying extra costs associated with parking deficiency fees.



**FIGURE 12: SALES TAX REVENUES BY CATEGORY, CITY OF SANTA CRUZ, 2009 TO 2018**



Source: City of Santa Cruz, 2019; Strategic Economics 2020.

## 5. Education, Workforce, and Commutes

- **Santa Cruz is a major employment destination within the county, though many residents also commute to jobs in the Bay Area.** Approximately three-quarters of Santa Cruz’s workforce commutes from outside the City (Figure 13), while more than a quarter of the City’s working residents commute to jobs in the Bay Area (Figure 14). Santa Cruz residents that work in the Bay Area are generally attracted by the Bay Area’s larger number of job opportunities and higher salaries.
- **High housing costs are a top concern for workforce attraction and retention.** As housing costs and rents increase, Santa Cruz businesses are having difficulty recruiting and retaining workers at all skill levels and occupations. This is particularly challenging for industries that employ large numbers of workers in lower-wage occupations, such as tourist-driven service industries (hotels, restaurants, and retail).
- **A robust network of workforce development organizations, services, initiatives, and small business support services exist in Santa Cruz County.** The City of Santa Cruz’s communication and coordination with these organizations is generally strong, although opportunities exist to formalize tracking of coordination outcomes.

FIGURE 13: COMMUTE PATTERNS OF EMPLOYED RESIDENTS AND WORKERS IN THE CITY OF SANTA CRUZ, 2017

	Number	Share
<b>Workers Employed in the City of Santa Cruz</b>	<b>28,097</b>	<b>100%</b>
Employed and living in the city	7,427	26%
Employed in the city but living elsewhere	20,670	74%
<b>City of Santa Cruz Residents</b>	<b>22,528</b>	<b>100%</b>
Employed and living in Santa Cruz	7,427	33%
Living in Santa Cruz, but working elsewhere	15,101	67%

Source: U.S. Census Bureau, LEHD, 2017; Strategic Economics, 2020.

FIGURE 14: WORK LOCATIONS OF CITY OF SANTA CRUZ RESIDENTS, 2017

	Number	Share
Santa Cruz County	12,959	58%
Santa Clara County	3,717	16%
Monterey County	875	4%
Alameda County	834	4%
San Mateo County	626	3%
San Francisco County	566	3%
All Other Locations	2,951	13%
<b>Total Santa Cruz Residents</b>	<b>22,528</b>	<b>100%</b>

Source: U.S. Census Bureau, LEHD, 2017; Strategic Economics, 2020.

## 6. Specialized Industry Sectors

The following four specialized industry sectors represent unique sets of businesses within the City of Santa Cruz economy. The specialized industries were identified and defined based on the results of employment data analyses, consideration of local economic assets, review of the City's Economic Development 2017-2019 Strategic Workplan, and interviews with City staff and local businesses.

### BIOTECH AND LIFE SCIENCES

- **The biotechnology and life sciences industry has a unique presence within Santa Cruz, though the industry represents a small share of jobs in the City overall and constitutes a modest concentration of jobs compared to Santa Clara County (Figure 15).** Business owners and other local stakeholders in the industry identified challenges to local growth, including distance from the Bay Area's biotech hubs in South San Francisco and Emeryville, the lack of nearby venture capital, and a relatively small pool of local talent compared to the Bay Area.
- **Santa Cruz has many assets to support the biotechnology and life sciences industry,** UCSC has a productive relationship in driving investment and growth of local private biotechnology and life sciences businesses. UCSC is known for its biotech and life science research, particularly in the field of genomics. The university has successfully helped launch several local biotech startups and provides a pipeline of industry talent. UCSC is also exploring the potential for on-campus incubator space and is affiliated with a local incubator, Startup Sandbox, which has launched several companies.<sup>4</sup>

### SPORTS AND OUTDOOR RECREATION

- **The Outdoor Sports and Recreation industry is highly concentrated in Santa Cruz, and industry employment has grown rapidly since 2009 (Figure 15).** Santa Cruz features a unique niche of businesses in this industry, forming a global reputation for surfing, skateboarding, mountain biking, and general outdoor sports and recreation. The businesses in this industry attract consumer spending from throughout the world, and manufacturers attract corporate buyers and high net worth individual buyers to their facilities.
- **The limited availability of light industrial space is a potential challenge for attracting new and emerging businesses in the sports and recreation industry—as well as other manufacturers requiring light industrial space.** Outdoor Sports and Recreation businesses typically require light industrial space in a variety of sizes. Business owners interviewed for this study noted that light industrial space is increasingly hard to find in Santa Cruz, which is indicated by low industrial vacancy rates. The limited availability of light industrial space is a potential challenge for attracting new and emerging businesses in the industry. Because of high construction costs and relatively low rents, industrial buildings are not currently financially feasible to construct. However, mixed-use projects that incorporate a combination of industrial condos and residential units—such as Delaware Addition—can help to expand Santa Cruz's industrial inventory, especially if City fees and zoning are designed to reduce barriers to building these projects.

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<sup>4</sup> <https://qb3.soe.ucsc.edu/entrepreneurship-programs/>

## TECHNOLOGY AND INNOVATION

- **Employment in the Information, Computer Technology, Communications, and Social Media industries in Santa Cruz grew rapidly from 2009 to 2018 (Figure 15).** While the City of Santa Cruz includes the county's largest concentration of these types of jobs, the industry is relatively small compared to neighboring Santa Clara County. However, given that many Santa Cruz residents are employed in this sector and currently commute to jobs in Santa Clara County, opportunities may exist to capture more of this sector's business and entrepreneurial activity in Santa Cruz.
- **Like biotech, the knowledge/innovation industries are less competitive in Santa Cruz compared to other locations in the Bay Area that provide better access to technology workers and venture capital.** The large Silicon Valley market has a noticeable influence on Santa Cruz. The City of Santa Cruz is located just 30 miles from San Jose and a significant number of Santa Cruz residents commute to the Silicon Valley region for work. Additionally, Santa Cruz has attracted Amazon and Google offices and increasing levels of venture capital.<sup>5</sup> However, investors still perceive funding Santa Cruz businesses as risky due to the area's smaller pool of workers. Funders also often prefer companies to be located nearby within the Silicon Valley region where business leaders can more easily meet in person and access specialized business services.
- **Businesses in knowledge/innovation industries require office or flex space.** Santa Cruz has a very limited inventory of office space, and occupancy rates are very high for light industrial space. These factors could constrain growth of emerging companies unless the city can provide sufficient office/R&D spaces for them.

## ARTISANAL PRODUCTION

- **A variety of creative artisanal production companies exist in the City of Santa Cruz,** including a notable concentration of specialty food and beverage companies such as coffee roasters, breweries, and wineries.
- **Artisanal producers require smaller, flexible industrial spaces that accommodate a combination of production activities, administrative office space, shipping/receiving, and often customer-facing spaces for dining, drinking, or retail sales.** As such, artisanal producers create demand for light industrial spaces in Santa Cruz. Artisanal producers could also potentially create a variety of opportunities to fill retail spaces in Santa Cruz, such as storefronts for locally produced goods that also include limited production and shipping activity.

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<sup>5</sup> <https://www.sccvitality.org/Portals/23/pdfs/2018-County-of-Santa-Cruz-Tech-Sector-and-Ecosystem.pdf?ver=2019-12-31-143843-187>

**FIGURE 15: SPECIALIZED INDUSTRIES IN THE CITY OF SANTA CRUZ, 2018**

<b>Specialized Industry Group</b>	<b>Number of Jobs</b>	<b>% Total Jobs</b>	<b>% Growth 2009-2018</b>	<b>Santa Cruz County LQ</b>	<b>2-County Region LQ*</b>
Tourism & Hospitality	2,419	7%	43%	2.0	5.2
Technology & Information	1,428	4%	38%	1.4	0.2
Specialty Food & Beverage Mfg.	894	3%	204%	1.3	4.6
Sports & Outdoor Rec	562	2%	33%	2.0	4.6
Biotech & Life Sciences	558	2%	8%	1.3	0.6

\*The two-county region includes Santa Cruz County and Santa Clara County.

Note: A location quotient (LQ) is used to measure the concentration of an industry relative to a larger geography. An LQ of greater than 1.2 indicates a generally high concentration relative to the reference geography, while an LQ of less than 0.8 indicates a relatively low concentration relative to the reference geography.

Source: California Employment Development Department, 2018; Strategic Economics, 2020.

## 7. City Services and Processes

- **Many Santa Cruz business owners were unsure of how to access City resources.** During interviews conducted for this report, business representatives reported not knowing how to access day to day services, especially regarding cleaning and maintenance of public streets and sidewalks. Business owners were especially concerned about accessing services related to addressing the impacts of homelessness on their operations. Additionally, while the “Choose Santa Cruz” website is well-designed and information-rich, business and property owners rarely mentioned the website during interviews for this study.
- **The City’s approvals, permitting, and development requirements were identified as a major obstacle for stakeholders.** Key challenges that business representatives said they faced when interfacing with City services and processes included the following:
  - Lengthy and unpredictable project approvals, which add costs for businesses
  - Inadequate communications from City staff
  - Inconsistency in determinations made by inspectors and planning staff
  - Stringent and costly requirements
  - Opportunities for extensive interventions by neighbors
  - Inadequate zoning code definitions
  - Lack of assistance from City staff to take project sponsors through the process
- **Businesses are facing challenges in the City’s permitting process for a wide range of projects.** Specific types of projects noted by business operators included the following:
  - Tenant improvements
  - Parking modifications
  - Signage
  - Temporary structures
  - Outdoor seating and lighting

During the COVID-19 crisis, the City has streamlined permitting across project types—including parking modifications, signage, temporary structures, and outdoor seating and dining—to quickly respond as businesses adapt to changing regulations and consumer preferences. As the City moves forward from the COVID-19 crisis, it has expressed its commitment to making permanent improvements to its permitting processes.

- **Upcoming sustainability projects initiated by other City departments may present creating opportunities for interdepartmental coordination and business outreach.** Notable projects include the Climate Action Plan, implementation of “reach” building codes that exceed state requirements, and potential changes to the Green Business Program.