

MEMORANDUM

Office of the City Manager



DATE: January 21, 2021

TO: Mayor and Council

THROUGH: Steve McHarris, City Manager *Steve McHarris*

FROM: Alex Andrade, Economic Development Director

SUBJECT: Economic Development Strategy and Implementation Actions Update

Executive Summary

The City Council approved the Economic Development Strategy and Implementation Actions report (EDS) on May 5, 2020 to serve as Milpitas' road map to grow and diversify the City's economy, support businesses and workers, and improve quality of life in the community. The purpose of this Informational Memorandum is to provide the City Council, as requested by the Council, with estimated costs of various EDS strategies and implementation actions since these costs were not identified in May. This memo is also intended to provide information about additional funding and resource needs related to the implementation of the EDS to assist the Council as it prioritizes City services and programs through the budget process.

The EDS was approved a few months into the COVID-19 pandemic and includes vital strategies and implementation actions to assist the business community in resiliency and recovery due to the current economic crisis. The City is poised to continue to implement the various strategies and implementation actions with the EDS over a 5-year timeframe. The short-term is defined as Fiscal Years 2020-2021 and 2021-2022, mid-term as Fiscal Year 2022-2023 and long-term as Fiscal Years 2023-2024 and 2024-2025.

With the long drawn out pandemic, the business community continues to suffer due to the pandemic-induced economic recession and City staff are prioritizing implementation actions to maximize assistance to the business community in the short term. It is important to note that there is very limited City funding for these efforts and a primary role for City staff is to provide timely communication and connect businesses to available funding programs at the federal, state, and regional levels.

Strategies and implementation actions based on the 5-year timeframe, aside from the day-to-day economic development and real estate activities, are included in Table 1. Some of the strategies and implementation actions will be executed with existing staff resources, while others will require additional funding and resources. Some strategies and implementation actions reflect one-time funding and others are multiyear efforts. The costs for those requiring additional funding resources are included in parenthesis under the Strategies and Implementation Actions Column on the table. Any additional funding and resource needs will be brought forward to the City Council during the annual budget process and in the context of all other funding needs. Strategies and actions needing a significant amount of additional funding, such as acquisition of real estate properties, will require a more detailed funding strategy.

Table 1: Summary of Estimated Costs for Strategies and Implementation Actions

Timeframe and Fiscal Year(s)	Strategies and Implementation Actions	Estimated Costs
Short-Term: FY2020-2021 FY2021-2022	<ul style="list-style-type: none"> • Small Business Assistance • Permit Process Improvements • Workforce Development - FlexFactor (\$10-\$20K) • International Trade and Commerce (\$10-\$20K) • Demonstration Project Policy (\$1,500-\$3K) • Marketing Site Locator (\$20-\$25K) • Assessment on Main Street Business Improvement District (BID) • VTA Development (\$10-20K) • Economic Development Branding (\$50-\$75K) • Website Improvements (\$50-\$75K) 	\$151,500 - \$238,000
Mid-Term: FY2022-2023	<ul style="list-style-type: none"> • Façade Improvements (\$60K) • Diversify Tech and Advanced Manufacturing Industries • Workforce Development (\$15-20K) • FlexFactor (\$5-\$10K) • Demonstration Project Policy (\$1,500-\$3K) • Marketing Site Locator (\$20-\$25K) • Shuttle (\$50-\$60K) • VTA Development (\$5-\$10K) • Main Street Business Improvement District (BID) (\$50-\$65K) • Identify Midtown Improvements (\$35-\$50K) • Midtown Rebranding (\$45-\$60K) • Innovation District/Real Estate Development Opportunities including SPAR (\$300-\$500K) 	\$586,500 - \$803,000
Long-Term: FY 2023-2024 FY 2024-2025	<ul style="list-style-type: none"> • Identify/Preserve Office/R&D Development Sites and Amenities • Façade Improvements (\$120K) • Workforce Development (\$30K-\$40K) • FlexFactor (\$10K-\$20K) • Shuttle (\$100K-\$120K) • VTA Development (\$10K-\$20K) • Main Street BID • Establish Business Incubator • Identify Midtown Development and Business Growth Opportunity Sites • Real Estate Development Opportunities including SPAR (\$600K-\$1M) 	\$870,000 - \$1,200,000

BACKGROUND:

On May 5, 2020, the City Council approved and adopted the Economic Development Strategy (EDS.) At this meeting, the City Council directed the Office of Economic Development to (1) specifically assist small businesses through the pandemic; (2) delete any reference to cannabis businesses in the EDS; and (3) to provide estimated costs for implementation of the EDS over the next five years. The first City Council directive is ongoing, and the second directive has been completed. Therefore, the purpose of this Informational Memorandum is to provide the City Council with an update on the estimated costs of various EDS strategies and implementation actions because estimated funding was not identified upfront in the draft EDS.

This Informational Memorandum was intended to be shared with the City Council much earlier but was delayed due to the Office of Economic Development reprioritizing its mission to assist the business community with resiliency and recovery efforts during COVID-19. A variety of strategies and actions outlined in the EDS are already underway or have been implemented to support businesses and increase economic vitality.

ANALYSIS:

Economic Development and Job Growth is a key City Council priority, which is vital to the health of the local economy. The EDS is a policy [document](#) intended to guide the City of Milpitas' economic development activities over the next five years. The EDS serves as a road map to grow and diversify the City's economy, support businesses and workers, and improve quality of life in the community. The EDS is the first to be approved and adopted in 15 years. This period of unprecedented economic uncertainty is being met with strategies and implementation actions expected to stabilize and grow the Milpitas economy as the City and region recover from the current recession.

The EDS is organized into seven topic areas based on challenges and opportunities identified through comprehensive outreach activities and data analysis. The EDS also includes detailed implementation actions for each strategy, identifies the lead and supporting organization or department, potential partners, and the potential for additional funding needed in the future. The EDS includes 35 strategies and 64 implementation actions, of which will guide the City's economic development activities over the next five years.

A summary of the seven topic areas are outlined below.

1. Small Business, Entrepreneurship and Displacement Prevention Strategies
2. Retail and Restaurant Strategies
3. Workforce Development and Education Resources
4. High Tech and Advanced Manufacturing Sector Strategies
5. Light Industrial, Manufacturing and Warehouse Distribution Strategies
6. Innovation District and Real Estate Development Opportunities Strategies
7. City Marketing and Processes

The EDS identified specific implementation actions that may require funding beyond the Office of Economic Development's annual budget allocation. Of the 64 implementation actions, 18 will likely require some form of funding within the five-year timeline. The implementation actions are presented below with estimated costs based on research.

- 9.1. Implement Pilot Façade Improvement Grant Program
- 15.2. Identify and implement funding sources to expand City staff capacity for workforce development activities
- 17.1. Participate in FlexFactor and Manufacturing Day programs
- 19.4. Implement, market, and promote international trade program
- 21.1. Develop and implement "demonstration partnership policy"
- 22.1. Develop marketing materials for brokers and site locators
- 22.2. Update City's economic development website with property availability
- 26.5. Explore circulator shuttle or other mobility system at transit center
- 27.1. Pursue office and R&D development at VTA sites
- 27.2. Identify potential office and R&D sites in/near TASP and update TASP
- 31.3. Form a Property Based Improvement District (PBID) (Main Street, Serra Center, etc.)
- 31.4. Identify Midtown improvements and establish impact fee or other funding mechanism
- 31.5. Explore reducing parking and other requirements to facilitate establishing restaurant and retail uses in Midtown
- 31.6. Work with businesses in Midtown [including Main Street and the surrounding area] to explore and implement rebranding of the area
- 32.1. Identify funding options for SPAR fund, develop and adopt SPAR fund
- 33.1. Update branding/identity for economic development
- 33.2. Update marketing of City's brand and business assets
- 35.1. Update and improve economic development website integration and content

Retail and Restaurant Strategies

Implementation Action	Time Frame	Estimated Budget
9.1. Implement Pilot Façade Improvement Grant Program	3-5 years	\$60,000 per fiscal year

9.1. Implement Pilot Façade Improvement Grant Program.

The City Council approved a \$100,000 Pilot Façade Improvement Grant Program (Pilot) as part of the adopted Fiscal Year 2019-20 Budget on June 11, 2019, which was carried forward to FY 2020-2021. This Pilot provides financial assistance to businesses and property owners for the purpose of exterior improvements to enhance visual attractiveness and viability of commercial buildings located in Milpitas. The Pilot is part of a larger citywide vision to invest in Main Street improvements and other community beautification projects.

Since City Council's adoption of the Pilot, the Office of Economic Development in collaboration with the City Manager's Office, completed several critical steps to commencing the program. To date, an application form, contract template, and framework outlining the implementation of the program have all been developed by City staff and approved to form by the City Attorney's Office and the Economic Development and Trade Commission.

Due to the COVID-19 pandemic, the Office of Economic Development was unable to launch the Pilot this past spring 2020 as originally planned due to re-prioritizing its mission to business resiliency and recovery during the pandemic. The Office of Economic Development currently has \$100,000 for implementation of the Pilot program available which was carried forward from Fiscal Year 2019-2020.

Any unused funds will be carried forward to Fiscal Year 2021-2022. The current available funding enables the City to hire an architect on retainer to assist grantees with plan design; marketing and outreach; and award grant funds including a match of overall project costs. It is anticipated that the Pilot program will move forward in 2021. Staff will monitor the Pilot program progress to determine the actual amount of funding necessary to extend the program in future years. The cost estimate is approximately \$60,000 annually commencing in Fiscal Year 2022-2023 to focus on promoting catalytic historic design on Main Street and increasing the number of pleasant commercial spaces throughout Milpitas.

Workforce Development and Education Resources Strategies

Implementation Action	Time Frame	Estimated Budget
15.2. Identify and implement funding sources to expand City staff capacity for workforce development activities	3-5 years	\$15,000 - \$20,000 per fiscal year
17.1. Participate in FlexFactor and Manufacturing Day programs	Ongoing	\$5,000 - \$10,000 per fiscal year

15.2. Identify and Implement Funding Sources to Expand City Staff Capacity for Workforce Development Activities

In 2016, the Office of Economic Development established the Milpitas Workforce Development Initiative to address the growing employment gap by connecting youth to local advanced manufacturing and quality jobs. The program has serviced several hundred participants including students, community leaders, and elected officials via strategic partnerships and collaborative initiatives related to workforce development. Partners have included the Milpitas Unified School District (MUSD), Milpitas Chamber of Commerce, Evergreen Valley College, and NextFlex, a federally funded manufacturing institute focused on advanced manufacturing technology and implementer of the FlexFactor program.

The estimated annual funding amount of \$15,000 to \$20,000 enables the Office of Economic Development to successfully form strategic public-private partnerships that create Milpitas-specific training and development programs, internships, and apprenticeship opportunities for residents seeking quality jobs. The projected funding allows staff and or a consultant to assess the current level of knowledge, define essential skills for the Fourth Industrial Revolution led by immersing technologies, data collection, train residents employing customized solutions, job placement, and track results. This includes evaluating and pursuing private, state, and federal grants to support or enhance future workforce development activities. This strategy is even more important during the current economic recession.

17.1. Participate in FlexFactor and Manufacturing Day Programs

Participation in FlexFactor and Manufacturing Day workforce development and education programs is estimated to cost \$5,000 to \$10,000 per fiscal year. To date, the City of Milpitas and NextFlex have collaborated four times to implement the FlexFactor program at Milpitas High School. Funding enables

staff to continue to implement both FlexFactor and Manufacturing Day with more students participating and an enhanced experience in both initiatives.

High Tech and Advanced Manufacturing Strategies

Implementation Action	Time Frame	Estimated Budget
19.4. Implement, market, and promote international trade program	1-2 years	\$5,000 - \$10,000 <i>one-time funding</i>
21.1. Develop and implement “demonstration partnership policy”	2-3 years	\$1,500 - \$3,000 per fiscal year
22.1. Develop marketing materials for brokers and site locators	2-3 years	\$20,000 - \$25,000 per fiscal year
22.2. Update City’s economic development website with property availability	2-3 years	Consolidate with Strategy 22.1

19.4 Implement, Market and Promote International Trade Program

The Office of Economic Development received direction from the City Council at the February 18, 2020 meeting to proceed with the international trade program implementation. Due to the pandemic, implementation of the program was paused but staff is now prepared to formally launch the program in early 2021. Funding will be needed to develop marketing materials for interested global investors that highlights the benefits of collaborating with Milpitas businesses. The United States Department of Commerce (San Jose Office) has communicated to staff that attending investment missions and trade shows hosted by their organization will enhance relationships with Milpitas businesses that have a global presence for trade and commerce, business-to-business opportunities and workforce development. It is estimated that trade show registration fees, signs and banner for booth promoting the City and marketing collateral may cost between \$5,000-\$10,000. Estimated costs were researched through the U.S. Department of Commerce website and printing costs through Bay Central Printing, Inc.

21.1. Develop and Implement “Demonstration Partnership Policy”

This implementation action explores creating a demonstration partnership policy for developing, testing, and demonstrating innovative solutions to City needs that involve public-private partnerships with innovative businesses in Milpitas and use of City land, data, or facilities. To implement a demonstration partnership policy, an estimated budget of \$1,500 to \$3,000 may be required. Such a policy enables the City to consider partnerships that temporarily utilize City owned land, facilities, equipment, rights-of-way, data, financial assistance marketing and/or absorb costs for project implementation.

22.1 Develop Marketing Materials for Brokers and Site Locators and 22.2 Update the City’s Economic Development website with Property Availability

The Office of Economic Development intends to begin aggressive business attraction efforts in 2021 to diversify the tax base and increase employment opportunities for Milpitas residents. As such there is an opportunity to communicate regional strengths and opportunities, market unique local assets, and site selection tools on the Economic Development website. In order to assist the corporate community, there is a need for business resources with the latest economic data, statistics and maps, streamline service delivery and promote economic development through a Software-as-a-Service portal. Open

Counter is one example of a digital tool that helps with intelligent land use search, intuitive zoning maps, automatic permit scoping, and real-time fee calculations. Staff has been in conversations with representatives from the City of Morgan Hill and learned that the cost to produce marketing materials and use the online data platform through Open Counter is approximately \$22,000 a year. Strategies 21.1 and 22.2 have been consolidated since they are related to business attraction and may cost between \$20,000 and \$25,000.

Innovation District and Real Estate Development Opportunities Strategies

Implementation Action	Time Frame	Estimated Budget
26.5. Explore circulator shuttle or other mobility system at transit center	3-5 years	\$50,000 - \$60,000 one-time funding
27.1. Pursue office and R&D development at VTA sites	Ongoing	\$5,000 - \$10,000 per fiscal year
27.2. Identify potential office and R&D sites in/near TASP and update TASP	Ongoing	Consolidate with Strategy 27.1
31.3. Form a PBID at Main Street, Serra Center, and surrounding properties	3-5 years	\$50,000 - \$65,000 one-time funding
31.4. Identify Midtown improvements and establish impact fee or other funding mechanism	3-5 years	\$35,000 - \$50,000 one-time funding
31.5. Explore reducing parking and other requirements to facilitate establishing restaurant and retail uses in Midtown	3-5 years	Consolidate with Strategy 31.4
31.6. Work with businesses in Midtown to explore and implement rebranding of the area	3-5 years	\$45,000 - \$60,000 one-time funding
32.1. Identify funding options for SPAR fund, develop and adopt SPAR fund	3-5 years	\$300,000 to \$500,000 per fiscal year

26.5. Explore Circulator Shuttle or Other Mobility System at Transit Center

In 2019, the City of Milpitas received \$200,000 from Embarcadero Capital Partners and Bridge Development Partners, as a result of the sale of the Campus Center by Hudson Pacific Properties, to fund a Transportation Management Association (TMA) sponsored shuttle program. TMAs are generally public-private partnerships that allow area businesses to pool their resources to support commuter transportation services and strategies. This implementation action enables staff to collaborate with a consultant to study a circulator shuttle or other mobility systems that connects the Milpitas Transit Center with the corporate community through a TMA, cost-sharing prospects, and grant opportunities at an estimated budget of \$50,000 to \$60,000 of one-time funding.

27.1. Pursue Office and R&D Development at VTA sites and 27.2. Identify Potential Office and R&D Sites in/near TASP and Update TASP

A focused and targeted approach is needed to identify and generate potential business investment leads and development opportunities in Milpitas and on Santa Clara Valley Transportation Authority property. Expand on the previous evaluation of the development readiness assessment to attract suitable opportunities within the General Plan Update Opportunity Areas. Strategies 27.1 and 27.2 have been consolidated to utilize funding for marketing materials to promote development and explore

potential non-City funding sources such as regional grants or private sources for various parts of Milpitas such as Main Street for mixed-use development and office and research and development in the TASP (future Milpitas Metro). Staff has estimated approximately \$5,000 - \$10,000 for these combined marketing and research efforts.

31.3. Form a PBID at Main Street, Serra Center, and Surrounding Properties

This implementation action enables the Office of Economic Development to hire a consultant to conduct a feasibility analysis on the creation of either a property-based business improvement district (PBID) or a business-based business improvement district (BID) for portions of North and South Main Street. A BID is a geographic area in which businesses are required to pay an additional tax (or levy) to fund projects within the district's boundaries. BIDs are employed as an economic development tool to fund services such as cleaning streets, providing security, making capital improvements, construction of pedestrian and streetscape enhancements, and marketing the area. The services provided by BIDs are supplemental to those already provided by the City of Milpitas. BID revenue comes from a tax assessment on commercial property owners or the business owners. Funding will be used for a BID feasibility analysis and technical support for property owners and business owners on Main Street to assist with the formation of a BID. Based on conversations with representatives from the San Jose Downtown Association on developing a BID, a feasibility and analysis study may range between \$50,000-\$65,000 and would be one-time funding.

31.4. Identify Midtown Improvements and Establish Impact Fee or Other Funding Mechanism, and 31.5. Explore Reducing Parking and Other Requirements to Facilitate Establishing Restaurant and Retail Uses in Midtown

These implementation actions enable the Office of Economic Development and the Planning Department to partner and hire a consultant to conduct a variety of parking and impact fee studies on Midtown. These studies will aim to strike a balance between the need for parking to accommodate both existing uses and intensifications/expansions of new development along Midtown. After seeking advice from industry professionals, it was suggested that an estimated budget of \$35,000 to \$50,000 for both strategies is appropriate as one-time future funding.

31.6 Work with Businesses in Midtown [including Main Street and the surrounding area] to Explore and Implement Rebranding of the Area

A brand image may generate a unique set of ideas, feelings and attitudes of Midtown. Rebranding activities may include holding workshops and focus groups with the local Midtown businesses, residential community, developing a cohesive message and collateral to attract new investment. To implement the rebranding of the Midtown area, a marketing and brand consultant may be needed.

Staff sought advice on cost estimates from the City of Morgan Hill and City of Hayward. A branding study including website improvements cost the City of Morgan Hill \$102,000. The City of Hayward's brand and marketing study cost \$103,000. And, the City of Milpitas' Branding and Community Identity Study cost \$60,000 for Phase 1 completion. Based on these examples, it is believed that a geographic branding effort may cost between \$45,000 - \$60,000.

32.1. Identify Funding Options for SPAR Fund, Develop and Adopt SPAR Fund

The Strategic Property Acquisition Revenue (SPAR) Fund will enable the City of Milpitas to strategically acquire and assemble land in Midtown and/or TASP (future Milpitas Metro) to leverage ongoing and long-term revenues. The SPAR Fund is a unique account set up by the City to specifically move on available real estate opportunities quickly. The acquisition of properties in key locations within priority areas will play a critical role in the early operation of the SPAR Fund. To implement the SPAR Fund and acquire valuable land, an estimated budget of \$300,000 to \$500,000 per year would allow the City to purchase land in a few years. Pursuing the creation of the SPAR Fund will help incentivize development of properties to achieve the City's economic development goals, investment, and growth opportunities.

City Marketing and Processes Strategies

Implementation Action	Time Frame	Estimated Budget
33.1. Update branding and identity for economic development	2-3 years	\$50,000 - \$75,000 one-time funding
33.2. Update marketing of City's brand and business assets	3-5 years	Consolidate with Strategy 33.1
35.1. Update and improve economic development website integration and content	2-3 years	\$50,000 - \$75,000 one-time funding

33.1 Update Branding/Identity for Economic Development and 33.2 Update Marketing of City's Brand and Business Assets

The City has recently completed Phase I of the Branding and Community Identification Study. The Study is helping to identify the essence of the community and language being created by the residents, employees and visitors alike. The EDS calls for the Office of Economic Development to develop consistent, modern branding based on City goals for business attraction and retention. Strengthening Milpitas' unique value proposition and sharing our current local assets will result in future investment within the community. Based on the previous research conducted with the Cities of Morgan Hill and Hayward and learning that the City of Santa Cruz invested \$97,000 for a brand study/strategy in early 2020 (including a redesign of their Economic Development website), it is estimated that future budget appropriation of \$50,000-\$75,000 of one-time funds may be required. There is an opportunity to partner with the City's current Branding and Community Identification Study consultant, Articulate Solutions, by incorporating economic development into Phase II of the study to defray costs associated with these strategies and the one below.

35.1 Update and Improve Economic Development Website Integration and Content

The EDS recommends updating and improving the Office of Economic Development's Milpitas Innovates website and integrate it with City's main website. Updating and improving the website may involve updating marketing materials, data, local, regional and state incentives, demographics, searchable database of available sites and buildings, workforce statistics, major employers list and quality of life information. The City of Santa Cruz invested \$99,000 for a complete redesign of their economic development website (www.choosesantacruz.com), which included producing three videos and development of an editorial calendar and brand guidelines. A new website will result in user experience enhancement, which showcases the character of the Milpitas community and strength of

Silicon Valley overall. It is estimated that one-time funding of \$50,000 - \$75,000 may be needed for this action.

Potential Funding Sources

In order to proceed with these strategies and implementation actions, various potential funding sources and support mechanisms will be considered and analyzed. Funding sources may include, but are not limited to the following:

- General Fund
- Public and Private Partnerships
- Grants (e.g., Main Street/Midtown – historic district)
- Philanthropic Partnerships (community and private foundations)
- Community Development Financial Institutions (CDFI's)
- Chamber of Commerce
- NOVA Workforce Investment Board
- ABAG/MTC for Priority Production Areas (PPAs)
- Development Impact Fees

Another future funding mechanism may be re-establishing the former City of Milpitas Economic Development Corporation (EDC). EDCs are charitable organizations. They are generally established to assist disenfranchised residents and businesses in blighted communities. EDCs may offer financial aid to businesses (i.e., grants/loans), business retention efforts, assistance with business attraction through site selection, and workforce development and job training. If Midtown (focused on Main Street) qualifies, positioning this geographic area as a historic community destination for local retail, restaurants and mom and pop businesses with public infrastructure improvements (through development impacts fees) and the creation of a PBID will help invigorate the area with needed funding. Staff from the Office of Economic Development will collaborate with the City Attorney's Office to explore the EDC's purpose, constraints and implications, and desired outcomes to re-establishing the EDC.

CONCLUSION:

The EDS final report was adopted by the City Council during an unprecedented period of economic uncertainty resulting from efforts to slow the spread of the coronavirus responsible for COVID-19. The Office of Economic Development will continue vital efforts to assist businesses harmed by the legally mandated restrictions on travel and business operations. Since the EDS is a five-year plan, the strategies and implementation actions in the EDS provide a roadmap for stabilizing and growing the Milpitas economy as we attempt to recover from the current economic crisis. The EDS is slated to prepare Milpitas for a new economy focused on supporting local business, improving access to quality jobs and strengthening the economy by growing new and emerging industries.

This Informational Memo was meant to provide the City Council with potential cost estimates related to various EDS strategies and implementation actions. Staff will seek modes to defray future costs through City-departmental collaborations, grants and public and private partnerships. There are no fiscal impacts to the General Fund related to this Informational Memorandum.