



CITY OF MILPITAS AGENDA REPORT (AR)

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| Item Title: | Draft Economic Development Strategy Framework |
| Category: | Community Development |
| Meeting Date: | 2/18/2020 |
| Staff Contact: | Alex Andrade, Economic Development Director, 408-586-3046 Daniel Degu, Economic Development Coordinator, 408-586-3054 |
| Recommendation: | <ol style="list-style-type: none"> 1. Receive preview of the draft Economic Development Strategy Framework from the Office of Economic Development; and 2. Obtain City Council feedback regarding the draft Economic Development Strategy Framework. |

Background:

One of City Council's identified priorities is Economic Development and Job Growth, which is vital to the health of the local economy. The Office of Economic Development's mission is to provide services and resources to the business and development communities with the purpose of attracting, retaining and expanding business and employment opportunities for residents, stimulating the local economy and expanding local retail sales, transient occupancy and commercial property tax bases while maintaining a positive balance between growth, social equity and the economic vitality of Milpitas.

On June 18, 2019, the City selected Strategic Economics as the best qualified consultant to develop a new Economic Development Strategy since the current Strategic Plan is 15 years old and out of date. An Economic Development Strategy is a policy document intended to identify specific strategies and create a work-plan to stimulate economic and business development. A roadmap will be prepared to formulate and implement a program that creates opportunities to maximize economic growth (Attachment A).

On November 12, 2019, a City Council Study Session was held to receive an update on the draft Economic Development Strategy's stakeholder/community outreach, economic context, existing conditions and to provide staff feedback on the preliminary findings of the strategy (Attachment B). The consultant team and staff are in the process of incorporating Council's comments and direction from the Study Session into work that is currently underway. Issues discussed include, but are not limited to, the following:

- **Tech/Advanced Manufacturing** – Ensure that the two main economic drivers continue to thrive for a competitive local and regional economy;
- **Innovation District** – Be proactive in developing an Innovation District near the Milpitas Transit Center to attract new and emerging technology businesses and workforce;
- **Milpitas Transit Center** – Improve access for residents, employees and shoppers to help create economic development opportunities in and around the Milpitas Transit Center;
- **Small Business** – Assist and collaborate with the small business community for economic vitality; and
- **Miscellaneous** – Workforce development, sales tax decreases, revenues, business attraction, industrial uses, permitting processes, placemaking, first/last mile solutions for transit, welcome center at the Milpitas Transit Center, Chamber partnerships, marketing, utility rates and Midtown improvements.

Analysis:

The purpose of this presentation is to share the draft Economic Development Strategy Framework with Council, as a preview of the initial proposed strategies. This is another opportunity for Council to participate with staff in accepting, rejecting, refining or adding strategies. The draft strategies are categorized into eight categories and represent early ideas and concepts developed by the consultant and staff based on economic research and public feedback from stakeholders and the community. Below is an outline of the most essential strategies, which are subject to revision based on Council feedback and direction and further consultant evaluation. To view a list of entire draft strategies within the Economic Development Strategy Framework, see the attached Memorandum (Attachment C).

1. High Tech and Advanced Manufacturing Sector

- Pursue growth and retention of businesses engaged in Milpitas' highly concentrated and specialized advanced manufacturing and related research and development sector.
- Ensure land use policies and permitting processes encourage the growth and attraction of companies engaged in advanced manufacturing and research and development activities.
- Pursue opportunities to leverage existing strengths in electronics and materials science research and development, advanced manufacturing processes, and engineering to diversify the types of production and research and development activities and businesses in Milpitas. Explore creating a demonstration partnership policy for developing, testing and demonstrating innovative solutions.
- Assist in the marketing, promotion, and tenanting of available office and flex/research and development (R&D) spaces.

2. Light Industrial, Manufacturing and Warehouse Distribution

- Review policies to ensure light industrial/manufacturing uses are still allowed and supported through land use regulations and infrastructure investments. Consider creating districts in which only these uses are allowed.
- Support conversion or redevelopment of warehouse/distribution properties to office, production, and research and development uses.
- Monitor business to business sales tax collection in commercial and industrial subareas. Improve tracking of this data in recognition of the importance of this revenue source.

3. Retail and Restaurant

- Promote and support Milpitas' globally diverse mix of restaurants and retailers.
- Monitor performance of retail centers and proactively reach out to property owners and businesses if sales tax revenues decline.
- Continuously engage with Great Mall ownership to identify and address challenges and explore the property's potential to become a mixed retail, office, and/or residential anchor of the emerging transit-oriented district.
- Provide support for redevelopment/re-tenanting/upgrading of Serra Center as a mixed-use anchor for the Midtown area.

4. Small Business, Entrepreneurship and Displacement Protection

- Identify areas planned for/or undergoing major reinvestment and redevelopment activity, and prioritize outreach, education about resources, and targeting of available resources to those businesses to support continued operation, prevent displacement, or assist in relocation.
- Require that new development projects provide space and/or relocation funding for local retail/restaurant businesses displaced as a result of the project.
- Leverage the Chamber of Commerce to conduct outreach to small businesses.
- Expedite and reduce the cost of permits for new and existing small businesses.

5. Innovation District and Transit-Oriented Development Strategies

- Maximize the economic benefits of BART's introduction for Milpitas' businesses through improvements to "last-mile" mobility options such as an employee shuttle, bicycle and scooter infrastructure, and pedestrian infrastructure and local transit.
- Identify and preserve high-priority office/R&D development sites in and near the Transit Area Specific Plan (TASP), including changes to land use policy.
- Pursue the creation of a Strategic Property Acquisition Revenue (SPAR) Fund to incentivize development of properties in Midtown and TASP that will help to achieve the City's economic development goals.
- Explore development partnership opportunities to add employment uses at the existing Santa Clara Valley Transportation Authority (VTA) Great Mall Transit Center and Great Mall.
- Reach out to existing business incubators, property owners and other partners to explore potential siting of incubators and co-working spaces in the TASP (potentially as an interim temporary use).

6. Amenities and Public Realm

- Modernize Milpitas' public realm by pursuing the creation of modern mixed-use district amenities targeted to pedestrians around TASP and Midtown, including strong non-automobile connections to surrounding areas.
- Allow flexible uses in business park areas to encourage placement of retail, restaurant, and recreational amenities like daycare and wellness centers for area workforce near office space.

7. City Marketing and Processes

- Develop consistent, modern branding based on City goals for business attraction and retention. This effort will align with the City's overall branding work plan.
- Address delays and challenges in City permitting processes and permitting requirements, especially regarding Certificate of Occupancy requirements for changes of business ownership.
- Continue implementation of Matrix Study recommendations through interdepartmental coordination.
- Update the City's Economic Development webpage and integrate with City's main website. Post updated marketing materials that present the City's brand once developed and assets for potential employers and businesses.

8. Workforce Development and Education Resources

- Establish regular meetings with workforce development organizations (i.e., NOVA and NextFlex) the Milpitas Unified School District and community colleges to coordinate activities around training and educational programs to prepare youth and adults for employment in growing target industries, including advanced manufacturing/high tech sectors.
- Collaborate with MUSD Board and staff leadership to develop a shared work program that clarifies Milpitas City staff roles in connecting school district programs and students with training and exposure opportunities at businesses in the city.
- Explore collaborations with regional educational resources, such as apprenticeships via the Advanced Manufacturing Bay Area Community Colleges office.
- Continue to provide support for the FlexFactor program and Manufacturing Day to expose youth to potential opportunities and to connect job-seekers with employers.

Next Steps

The Economic Development Strategy framework does not include detailed implementation actions for the strategies because it is currently in draft form. Strategic Economics will develop this content after the initial strategies are refined based on Council feedback. Subsequently, staff will present the most up-to-date Economic Development Strategy Framework to the Economic Development and Trade Commission for additional feedback. Staff anticipates returning to Council for consideration of the Economic Development Strategy and Implementation Strategy adoption in spring 2020.

Policy Alternative:

Alternative 1: Do not provide staff feedback on the draft Economic Development Strategy Framework at this time and return at a future date for adoption of the Economic Development Strategy and Implementation Matrix.

Pros: This alternative would mean that staff will return to Council in spring 2020 for adoption of the Economic Development Strategy and Implementation Matrix.

Cons: This alternative may delay the adoption of the Economic Development Strategy and Implementation Matrix and missed opportunity for City Council feedback.

Reason not recommended: It is critical for staff to obtain City Council feedback on the Economic Development Strategy Framework to ensure that Council's responses and recommendations are captured and incorporated into the draft strategies. For these reasons, Alternative 1 is not recommended.

Fiscal Impact:

The draft Economic Development Strategy is an approved Council Priority, and the project is currently underway and within budget. There is no fiscal impact in obtaining City Council's feedback regarding the draft Economic Development Strategy Framework.

California Environmental Quality Act:

By the definition provided in the California Environmental Quality Act (CEQA) Guidelines Section 15378, this action does not qualify as a "project" for the purpose of CEQA as this action has no potential to result in either

a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment.

Recommendation:

1. Receive preview of the draft Economic Development Strategy Framework from the Office of Economic Development; and
2. Obtain City Council feedback regarding the draft Economic Development Strategy Framework.

Attachments:

- A. 06-18-2019 Council Agenda Report and Meeting Minutes
- B. 11-12-2019 Council Study Session Agenda Report on Economic Development Strategy
- C. Strategic Economics – Economic Development Strategy Framework Memorandum