

ECONOMIC DEVELOPMENT ELEMENT

Vision: Redwood City has a diverse and healthy economy that blends traditional industries with today's high technology and emerging businesses in an entrepreneurial setting that supports its culturally diverse employees and residents. Redwood City's economic vitality is based on:

- Housing opportunities for a diverse population of all ages and incomes
- A regionally integrated transportation network
- Equal access to quality education, childcare and health care systems
- A workforce with appropriate education and skills to meet the changing needs of businesses
- A land use plan that ensures opportunities for economic growth while sustaining a quality of life for all
- An awareness that the City's geographic location on the Peninsula provides a competitive advantage in attracting businesses

Redwood City honors its past, is building a strong sense of community, and is reaching into the future. Contained within this document are goals and policies that support this vision.

INTRODUCTION

Over the past 20 years, Redwood City has evolved from a manufacturing and wholesale industrial economy to a service based economy with health, financial and high technology related industries comprising a significant amount of today's workforce. The City needs to evaluate its local economy to address how proactive it should be in economic development and continue to ensure that land is available at appropriate locations to achieve the vision. A healthy and vital economy enhances the quality of life for all.

The City, in collaboration with the Redwood City San Mateo County Chamber of Commerce, has prepared this Economic Development Element to establish goals and policies which will help create a healthy economy by focusing the City's resources to retain local businesses and attract new industries to support the general fund revenues, which enables the City to provide important municipal services for residents and businesses. The Element will ensure that the economic development implications of land use policies are considered as they play a significant role in the City's fiscal vitality and quality of life for its residents and businesses.

The Economic Development Element reflects two of the General Plan's Guiding Principles which state:

❖ ***Strengthen economic vitality to provide jobs, services, revenues, and opportunities***

❖ ***Plan for sustainability within our finite resources including but not limited to open space, water, energy, and air quality.***

This is an Optional Element under State Planning law, and is intended to serve as a policy guide for economic development. Staff has used this element as a foundation for the **Economic Development Strategy** which details actions needed to achieve the vision described in this document. Please refer to that document for more information.

This Economic Development Element is divided into several sections. It first provides a vision, a brief economic assessment of Redwood City, followed by goals and policies.

ECONOMIC PROFILE

Employment

Redwood City has the largest employment base of all communities in San Mateo County, accounting for more than 50,000 jobs or 15 percent of total jobs in 2006 according to the Association of Bay Area Government **Projections 2005**. Approximately 97 percent of businesses have fewer than 100 employees. While many of these businesses are start-ups involved with technology innovation or other entrepreneurial opportunities, the majority of new business formation is one to two person personal or professional service operations such as beauty salons and computer consulting. The largest employers by number of employees based in Redwood City are listed in **Table 1**.

Table 1
Largest Employers by Number of Employees in Redwood City:
(August 2006)

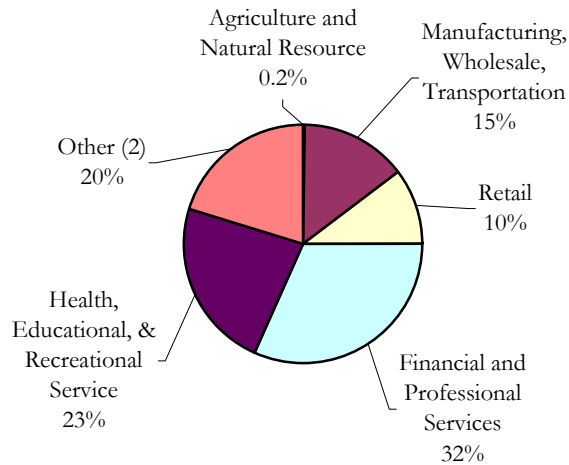
| Name | Type | Employees |
|------------------------------|--------------------------------------|-----------|
| Oracle | Enterprise software | 7,000 |
| County of San Mateo | Government | 3,146 |
| Kaiser Permanente | Hospital | 2,044 |
| Electronic Arts | Entertainment software | 1,700 |
| Sequoia Hospital | Hospital | 1,013 |
| Redwood City School District | Public education | 900 |
| City of Redwood City | Government | 554 |
| OpenWave | Communications software | 500 |
| Abbott Laboratories | Pharmaceuticals and medical products | 500 |

| | | |
|-------------------|-------------------------|-----|
| Visto Corporation | Communications software | 400 |
|-------------------|-------------------------|-----|

Source: City of Redwood City or respective businesses.

More than half of the jobs in Redwood City are in the service industry - Financial and Professional Services followed by Health, Recreation and Recreational Services, at approximately 32 percent and 23 percent respectively in 2006 as shown in **Table 2**.

Table 2
Percent Distribution of Jobs by Industry in
Redwood City: 2006 (1)



(1) Includes the City's sphere of influence - North Fair Oaks and Emerald Hills. ABAG does not provide detailed data for the City's jurisdictional boundary. Figures are rounded.
 (2) Includes construction, information, and public administration

Source: Association of Bay Area Government, Projections 2005

Manufacturing sector jobs are decreasing reflecting a regional, state and national trend. From 1997 to 2002, these jobs decreased by 37 percent in the City according to the Bureau of Census 2002. In 2002, seven percent of payroll jobs were in manufacturing compared to 20 percent in 1997.

Redwood City is currently competitive with respect to percentage of managerial/professional workers and its share of high tech jobs is slightly lower than the Bay Area average but higher than the state and the National averages. However, global competition is gaining and the outlook for a continued supply of talent for local companies remains challenging given

the high cost of living in the Bay Area and the constraints U.S. firms face in importing talent from abroad.¹

It is widely recognized that changes in technology and competition have diminished many of the traditional ways that business and industry locate. Yet clusters or geographic concentrations of interconnected companies have enabled Redwood City to retain not only traditional industries, such as auto and port related functions, but also high technology businesses.²

The presence of some of Silicon Valley's leading edge technology companies and a number of small businesses that includes emerging growth industry clusters, such as telecommunications, biotechnology, medical device, and software development provide an opportunity for the City to more aggressively support business growth and retain business development. Half of the ten largest employers by number of employees are technology firms. These five firms employ approximately one out of five employees in Redwood City.

The key draws to the City include the presence of nearby world class universities, venture capital funding, a dynamic labor pool, an entrepreneurial environment, existing infrastructure, port facility, and cultural amenities.

While there have been recent job gains and new business development in the state, they have primarily been in professional and personal services that meet local demand.³ Health care, hospitality, and retail, which do not offer a significant number of high wage jobs, consistently appear as emerging

¹ Leslie Parks Consulting. Draft Economic Development Assessment, April 2006.
² An industry cluster is a geographically bounded concentration of similar, related or complementary businesses, with active channels for business transactions, communications and dialogue that share specialized infrastructure, labor markets and services, and that are faced with common opportunities and threats. Source: Rosenfeld, Stuart. Bringing Business Clusters into the Mainstream of Economic Development, 1997, p.10

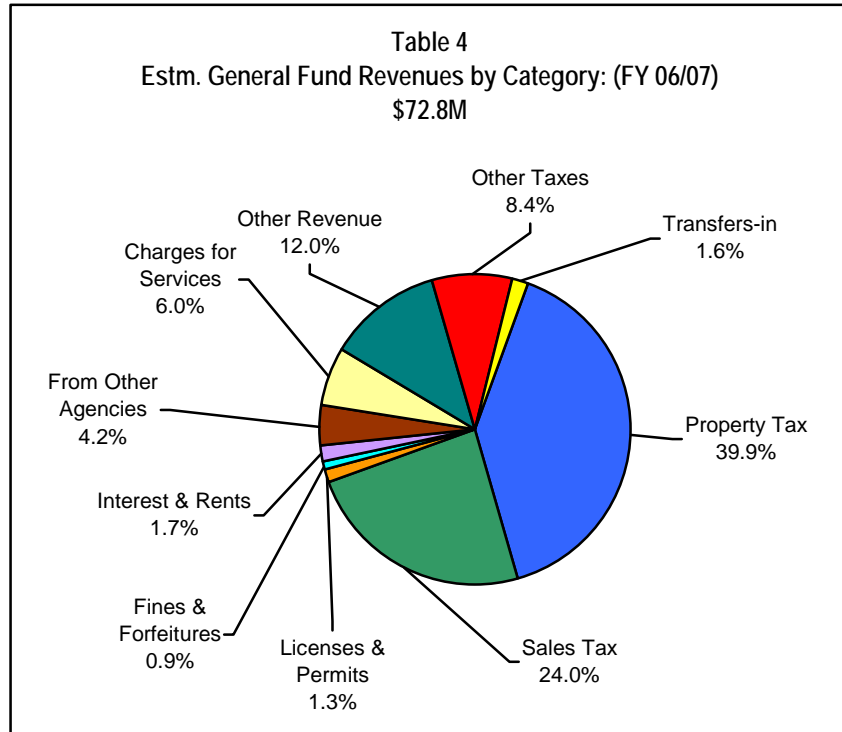
³ Leslie Parks Consulting. Draft Economic Development Assessment, April 2006. Note: Only in the last year has Silicon Valley seen the creation of new technology jobs.

business clusters for many communities. Although these sectors provide some well paying jobs, most of the jobs do not require advanced skills and pay low wages.

Revenue

Redwood City's capacity to provide services and programs for its community such as police, fire, public spaces, libraries, and parks is primarily derived through the City's general fund, which is determined largely by the dollars generated by the City's economic base and revenue structure. Property tax and sales tax provide a significant amount of city revenue. In FY 2006/07, an estimated two-thirds of general fund revenue will be generated by property and sales tax as shown in **Table 4**.

General fund revenues are expected to be \$72.8 million in FY 2006/07, a slight decrease of .09 percent (\$73.5 million) from prior year. This decrease occurs even as development fees and real estate assessed valuations increase.



Source: City of Redwood City Budget 2006-2008, Budget Summary, p. 10.

Real Estate

Ensuring an adequate supply of developable commercial and residential real estate, while also improving existing educational, recreational, and other facilities and infrastructure not only improves Redwood City as a place to live and work, but also attracts and retains businesses. This section briefly describes real estate trends in Redwood City.

Commercial Real Estate

Since the economic decline in 2000, most cities in the Bay Area have a significant vacancy rate in existing commercial buildings as companies continue to opt for less square footage in response to lower head count and low job creation. It is still important for Redwood City to have a range of building space available to meet the needs of smaller start-ups, medium size and large size companies as businesses expand and contract.

Redwood City's supply (including the Redwood Shores area) of commercial real estate is approximately 15.2 million square feet of office, R&D, industrial and warehouse space.⁴ Redwood City has the largest inventory of office space in San Mateo County. Additionally, the retail supply consists of 1.6 million square feet within the five mile radius of downtown.⁵

It should be noted that almost 8,000 jobs were eliminated or moved outside the City between 2000 and 2005. This resulted in a glut of commercial real estate vacancies from the effects of the dot.com crash, the fallout of a speculative bubble during the late 1990s in which stock markets saw their value increase rapidly from growth in the new Internet sector and related fields.⁶ The overall office vacancy rate reached 33 percent in second quarter 2003 - Redwood City had 46 percent vacancy and Redwood Shores had 22 percent according to NAI BT Commercial.

Since early 2005, the City's commercial real estate market has been slowly recovering. As highlighted in Table 5, the second quarter of 2006 saw a significant dip in market vacancies since the dot.com crash with an overall vacancy rate of 13 percent. The absorption is largely attributed to a biopharmaceutical company which leased 415,000 square feet at Pacific Shores and Stanford Hospital's acquisition at Midpoint Technology campus during the past year.

⁴ San Mateo County Office, R&D, and Industrial & Warehouse Reports, Q2-2006, NAI BT Commercial

⁵ Only includes community and convenient retailers, 2001.

⁶ Wikipedia, http://en.wikipedia.org/wiki/Dot_com_bust, August 17, 2006

Table 5
Commercial Real Estate Supply in RC: (2 Qtr 2006)

| Type (1) | Available Square Feet | Vacancy | % Vacant |
|------------------------|-----------------------|------------------|------------|
| Office | 9,935,0000 | 1,440,000 | 14% |
| R&D (2) | 2,052,000 | 407,000 | 20% |
| Industrial / Warehouse | 3,234,000 | 194,000 | 6% |
| Total | 15,213,000 | 2,041,000 | 13% |

(1) Numbers are rounded.

(2) Does not include R&D in Redwood Shores; Redwood Shores and Foster City square footage are aggregated at 1.8 million square feet.

Source: NAI BT Commercial

Residential Real Estate

Housing is consistently ranked as one of the top issues in the Bay Area in polls of both business leaders and residents.⁷ The Bay Area is the most expensive region to live in the U.S. Like other Bay Area Cities, Redwood City has the challenge of trying to keep and develop a sufficient workforce, especially highly skilled workers even when housing may not be affordable. Median home prices of new and existing condominiums and single-family homes in Redwood City increased 4.0 percent to \$835,000 in June 2006 up from \$802,500 in 2005, according to the California Association of Realtors.

With a renewed focus on downtown Redwood City, new housing development becomes increasingly important to retain and attract top talent. The downtown contains a number of amenities attractive to businesses and employees: entertainment, an existing employment center, public services, retail, public transportation network, nearby universities, business financial resources, and entrepreneurial environment.

⁷ Bay Area Housing Profile 2006, 3rd Edition, Bay Area Council p. 1

Conclusion

Redwood City faces the challenge of creating and sustaining higher wage jobs in the face of increased national and global competition for jobs. Like most of the Bay Area, the City also has a handicap of a much higher than average cost of living and higher business operating costs. These location constraints limit the ability of Redwood City to recruit new businesses from outside of the state. Moreover, as more companies move their sales to electronic commerce and shift physical locations on a continual basis, the decline in sales and office jobs and sales tax revenues for Redwood City is expected to continue. Without an effective economic development program, Redwood City may forfeit critical opportunities that, ultimately, may constrain efforts for future economic vitality.⁸

GOALS AND POLICIES

The following goals and policies are broadly written to present a frame work for subsequent implementation actions that help achieve the vision and the City's pursuit of economic vitality and enhanced quality of life. Those specific actions are described in a separate document, the Economic Development Strategic Plan, that can be updated periodically to respond to the City's changing economy.

Goal E-1 Business Development - Citywide

Economic growth can bring many benefits to the city, including jobs, housing, and new revenue. New growth will lead to increased revenue, thus benefiting residents and the community. For these reasons, Redwood City needs to promote and enhance business development citywide. This reflects the vision of Redwood City as an entrepreneurial city with a diverse and healthy economy.

⁸ Leslie Parks Consulting. Draft Economic Development Assessment, April 2006.

Policies:

E-P1.1 Promote programs that facilitate business retention, expansion, and attraction

E-P1.2 Strive for a diversified economic base.

E-P1.3 Review and process development applications in a timely, consistent, and predictable manner.

E-P1.4 Encourage emerging industries and industry clusters

E-P1.5 Provide flexibility in land uses and transportation policies to achieve long-term economic development.

E-P1.6 Be responsive to small business development.

E-P1.7 Consider small-scale strategic plans through such programs as incubators and Main Street U.S.A.

Goal E-2: Business Development - Downtown

The City's downtown has been the center of commerce and government but has declined over the years from numerous retail and office vacancies. Since the early 2000, the City and its Redevelopment Agency has focused its priority to revitalize the downtown by investing in public improvements to attract private investments. Moreover, through the **Downtown Precise Plan**, the City now desires the downtown to be a place not only to work but also to live and shop.⁹ This reflects the vision of having housing opportunities for a diverse population of all ages and income.

⁹ The Downtown Precise Plan describes goals, guiding principles, urban design and regulatory criteria.

Businesses, especially those who employ knowledge-based workers¹⁰, value the diverse amenities of unique areas. These areas promote interaction, accessibility, and creativity on which these workers depend.¹¹ Creativity is encouraged by working and living environments that allow for lots of interaction among people. For instance, chance encounters in restaurants and in public spaces can stimulate conversations that lead to new partnerships and solutions.



Construction of Downtown “On Broadway” Retail/Cinema Project

Policies:

E-P2.1 Position downtown as a center for employment, housing, retail and entertainment on the Peninsula.

E-P2.2 Continue to investigate and apply for funding sources to revitalize the downtown through design improvements, development of good public spaces, special events and activities, and strategic marketing and promotion.

E-P2.3 Pursue “mixed use” housing and commercial development in the downtown with a range of affordability options.

E-P2.4 Create transit-oriented/pedestrian focus for future development

Goal E-3: Employment Development

Workforce development programs and educational institutions are increasingly challenged to provide more training resources for driving industries and workers that must continually train and re-train in order to have competitive skills. Stronger partnerships between education, workforce development and economic development are critical in order to meet the changing skill needs of local employers. This reflects the vision of having a workforce with appropriate education and skills to meet the changing needs of businesses.

Policies:

E-P3.1 Ensure the availability of support services that will help employees succeed.

E-P3.2 Promote job opportunities by: 1) linking job training, education, and apprenticeship programs to residents; and 2) exploring opportunities for starting new businesses.

¹⁰ One who works primarily with information or one who develops and uses knowledge in the workplace.

¹¹ Linking the New Economy to the Livable Community. April 1998, Collaborative Economics, p. 16.

Goal E-4: Building Community

Communication and outreach that encourage broad-based participation and understanding of the City's economy help to promote cooperation with stakeholders including residents, investors, non-profits, and government decision makers. A community with a shared economic development vision enables the city to formulate and implement programs to improve business and industries' ability to create and retain higher income jobs and diversify the economy. This reflects the vision for awareness that the City's geographic location on the Peninsula provides a competitive advantage in attracting businesses.

Policies:

E-P4.1 Encourage long-term partnerships between local government, businesses, business and labor organizations and the educational, arts, and environmental communities.

E-P4.2 Foster regional collaboration on housing, transportation, and infrastructure.

Goal E-5: Livable City

The shift to the new economy¹² that emphasizes knowledge workers, quality, speed to market, flexibility, and networking opportunities necessitates that the City continue improving the livability of the city.¹³ The

¹² A term describing the evolution of the U.S. and other developed countries from an industrial/manufacturing-based economy into a knowledge based economy, arising partly from new developments in technology and partly from globalization. Source: Wikipedia, http://en.wikipedia.org/wiki/New_economy, September 6, 2007

¹³ Linking the New Economy to the Livable Community. April 1998, Collaborative Economics, p. 4.

new economy values skilled workers and entrepreneurs who seek to live in cities that offer lively amenities and opportunities for interaction. A livable city has the characteristics and principles that support smart growth such as the integration of mixed land uses, compact development, a mixture of housing types and affordability, walkable neighborhoods, public transportation options, and a sense of place. This also reflects the vision of a land use plan that ensures opportunities for economic growth while sustaining a quality of life for all, a regionally integrated transportation network, and equal access to quality education, childcare and health care systems.

Policies:

E-P5.1 Create a sense of place by enhancing educational, cultural and environmental resources to attract employers.

E-P5.2 Provide public facilities and advanced infrastructure to support economic growth.

E-P5.3 Encourage development of diverse housing for all income levels.

E-P5.4 Encourage adequate child care capacity to support the City's local workforce.

E-P5.5 Promote a healthy work force by supporting health care providers, programs, and services.

Goal E-6: Fiscal Stability

Redwood City needs to ensure its short- and long-term fiscal capacity to cover City programs and services. Citizens and businesses must acknowledge that local fees, taxes and charges for services are necessary, with no individual or business benefiting at the expense of others. The policies below direct the City to explore ways to achieve fiscal stability to provide quality municipal services that meet the needs of the residents

Policies:

E-P6.1 Explore equitable methods to recover costs of new public facilities and infrastructure.

E-P6.2 Strive toward a balanced budget through a diversified and stable, long-term economic base.

E-P6.3 Aggressively pursue grants from state, federal, and other sources.

Goal E-7: Sustainability

Sustainability is a very broad term which refers to innovative and holistic approach to energy conservation, urban design, waste treatment, transportation, urban forestry and many other disciplines. Essentially, sustainable development attempts to meet the needs of the present without compromising the ability of future generations to meet their own needs¹⁴. It also recognizes that there is inter-dependence between the environment and economic development. Redwood City recognizes the value of sustainable development and will consider the impact of economic growth on environmental resources. It will seek ways to protect the quality of natural resources (such as the use of recycle water) and will promote healthy and responsible living. The following policy reflects this goal:

Policy:

E-P7.1 Achieve sustainable development by planning for the impact of economic growth on environmental resources and service infrastructure and mitigating adverse, negative impacts.

¹⁴ United Nations World Commission and Environment Development, 1987