



# Council Agenda Report

Item 7b

**Department:** Administration  
**Cost Center:** 1004  
**For Agenda of:** 10/1/2024  
**Placement:** Business  
**Estimated Time:** 20 minutes

**FROM:** Greg Hermann, Deputy City Manager  
**Prepared By:** Molly Cano, Economic Development & Tourism Manager; McKenzie Taffe, Economic Development Analyst

**SUBJECT:** UPDATE ON IMPLEMENTATION OF THE ECONOMIC DEVELOPMENT STRATEGIC PLAN

## RECOMMENDATION

Receive and file the annual update on the implementation status of the Economic Development Strategic Plan (EDSP).

## POLICY CONTEXT

The City's 2023-25 Financial Plan Major City Goal (MCG) for Economic Resiliency, Cultural Vitality and Fiscal Sustainability includes the direction to staff to implement initiatives that reinforce a thriving and sustainable local economy, support a diverse, inclusive, and vibrant community, preserve arts and culture, and ensure fiscally responsible and sustainable City operations. Based on the adoption of the [Economic Development Strategic Plan \(EDSP\)](#) by City Council on July 18, 2023, staff began work on MCG task 1.1.a. to implement relevant actions in the updated EDSP focusing on those relevant to Economic Resiliency, Cultural Vitality and Fiscal Sustainability.

Additionally, the City's [General Plan Land Use Element](#), *Chapter 1: Society and Economy*, outlines that "San Luis Obispo should be a well-balanced community. Environmental, social, and economic factors must be taken into account in important decisions about San Luis Obispo's future. A healthy economy depends on a healthy environment. The social fabric of the community for both residents and visitors must also be a part of that balance. Therefore, complementary to the goals and objectives of this element, the City shall maintain and bi-annually review goals and objectives that promote the economic well-being of the community."

## REPORT-IN-BRIEF

Since the development of the Economic Development program in the City of San Luis Obispo in 1996, a number of Economic Development strategic plans have been created and implemented based on the relevant needs of the community at that specific point in time. In July 2023, the City Council approved the update to the EDSP and since that time

staff has been implementing the work program in accordance with the corresponding implementation matrix (Attachment A). The EDSP is organized into three pillar areas: (1) Business and Entrepreneur Vitality; (2) Placemaking and Promotion; and (3) Talent Development and Attraction. The comprehensive EDSP implementation matrix is included as Attachment A to this report for reference to all completed work in alignment with the work progress of the EDSP. As reflected on the implementation matrix, all the initiatives outlined in the work plan for FY 24 are completed or in progress.

## DISCUSSION

### Background

The City's Economic Development Program was established in 1996. The original focus of the program was the generation of revenue, primarily through increasing sales tax and Transient Occupancy Tax (TOT). The economic challenges of 2008-2010 created additional focus on the City's role in economic development. As a result of this focus, the City Council approved the first EDSP in 2012. The primary objective of that plan was focusing on a system to create Head of Household (HOH) jobs, now referred to as Moderate Income Plus Jobs. Then in 2015, the original EDSP received a minor update to redirect the focus to property development in conjunction with the update of the Land Use and Circulation Element of the City's General Plan. After 2015, an update the EDSP was recommended every five years to ensure that the work of the newly titled "Economic Development and Tourism Program" remained relevant and consistent with the goals of the community. The next update was originally planned in the 2019-20 fiscal year, but due to the pandemic was delayed to fiscal year 2022-23 and was subsequently approved by the City Council in July 2023.

In the updated 2023 EDSP, the plan advanced into a framework designed to respond to the changes that occurred in the intervening years, both in terms of the City's internal efforts and the external economic development landscape. These changes include the effects of the economic and social changes resulting from the COVID-19 pandemic; the increasing economic threats posed by the climate crisis and the related economic opportunities created by the transition to a clean energy economy; and the growing attention and value being placed on diversity, equity, and inclusion (DEI) across the economic development community. The program also evolved into the Office of Economic Development & Tourism (Office of ED&T), bringing more alignment between the economic development and community promotion work for and in the City.

### Current Economic Development Strategic Plan

The EDSP framework contains three sections: the mission statement, guiding principles, and major pillars. The mission statement is the primary foundational element of the plan as it sets the tone, provides direction, and informs the development of the strategies in the sections that follow. The guiding principles reflect the impact of the changes outlined above. Guiding principles shape the direction of the plan and are interwoven throughout the strategies and actions. The guiding principles are:

## Item 7b

1. Economic Resilience. Maintaining a dynamic economic and business environment.
2. Equitable and Inclusive Economic Development. Expanding economic opportunities for all residents and businesses in San Luis Obispo.
3. Sustainable Economic Development. Ensuring economic vitality through climate- and system-focused sustainable growth.
4. Holistic Approach. Enhancing internal and external collaboration for effective execution and implementation.
5. Regional Collaboration. Expanding partnerships with organizations across the region.

Finally, the major pillars are the broad focus areas that underpin the overall strategy. The pillars are streamlined and refined to three areas:

1. Business and Entrepreneur Vitality: Improving the local business environment and helping entrepreneurs to thrive, adapt, innovate, and grow in the face of challenges and opportunities.
2. Placemaking and Promotion: Maintaining the City's quality of place while increasing awareness of local amenities and fostering a sense of inclusion among residents and visitors.
3. Talent Development and Attraction: Supporting initiatives that develop the skills needed to secure quality jobs as well as attract and retain a skilled and diverse workforce.

The EDSP then expands each of the three major pillars into robust action plan that outlines initiatives that make up the EDSP detailed work plan. Additionally, given the timing with the Major City Goal process for the 2023-25 Financial Plan, all strategies and actions related to the Economic Resiliency, Cultural Vitality and Fiscal Sustainability MCG work plan were integrated into the action plan. In total the EDSP outlines 121 priority initiatives for implementation.

With the plan established, the implementation of the EDSP is paramount in continuing to advance the economic vitality of the City. Successful implementation of the plan encourages job creation, support for infrastructure developments, public-private and public-public partnerships, and business retention and expansion. A five-year implementation matrix was created to guide City staff and community partners in realizing the outlined recommendations. The implementation matrix includes detailed strategies, staff roles and responsibilities, potential partnerships, a timeframe for implementation, and metrics for measuring success. The implementation matrix is similar in format to the Major City Goal work plans. The matrix is designed to be a flexible, ever-evolving tool for tracking progress toward realization of the plan. While it is intended to serve as a guide for implementation, the document is meant to be updated with changes to realized timelines, key accomplishments or as other aspects of the plan as it evolves.

Additionally, the Office of ED&T has operationalized many of the metrics that are used to track the impact of the work being implemented. These measurements are available on the City's website where applicable and maintained on a consistent basis. The Office of ED&T updates the implementation matrix quarterly and posts the updated version to the City's website. As described at the time of the EDSP adoption, staff will continue to update the City Council in the fall of each year in conjunction with the annual report from the Tourism Business Improvement District (TBID), for a comprehensive update from the Office of Economic Development & Tourism.

### **Implementation and Key Accomplishments**

Implementation of the EDSP is an ongoing process and staff continues to adapt to emerging needs, constraints, and opportunities to address economic development in the City. To address the 121 individual priority initiatives outlined between the three major pillars of the EDSP for the 5-year plan, in FY 23-24 staff has focused on the first-year priorities for implementation. These priorities are identified within the implementation matrix timeline column under the heading "FY24" along the corresponding quarter in which the work effort was underway by staff. Since fiscal year 2023-24 was the first year of the plan, all the initiatives identified within the time "Ongoing" column were also addressed in the first year as priorities as well, along with actions related to the Economic Resiliency, Cultural Vitality and Fiscal Sustainability MCG. In total 86 of the 121 individual priority initiatives were addressed within the first year of the plan's implementation, including 77 Ongoing tasks and 9 FY24 tasks.

When considering the implementation and key accomplishments of those priority initiatives in FY 23-24, the work is best described with the three pillar areas: (1) Business and Entrepreneur Vitality; (2) Placemaking and Promotion; and (3) Talent Development and Attraction. The comprehensive summary of the key accomplishments for each of the priority initiatives addressed in FY 23-24 are outlined on the EDSP implementation matrix included as Attachment A to this report. Select key accomplishments within each pillar, however, have been highlighted below to showcase focused areas of achievement for the EDSP this fiscal year.

#### Pillar 1. Business and Entrepreneur Vitality

Improving the local business environment and helping entrepreneurs to thrive, adapt, innovate, and grow in the face of challenges and opportunities.

##### *Key Accomplishments Include:*

- Implementation of business communication and outreach activities that proactively communicate with the business community on a regular basis as it relates to important economic development programs, opportunities, and activities. (1.1.2)
  - A total of 28 business emails were sent to approximately 8,000 local business owners during FY 23-24.

## Item 7b

- Expand business outreach efforts with a formal business retention and expansion program that assists new and existing businesses, monitors employer trends, and pinpoints enterprises and sectors that require support. (1.1.3)
  - Over 100 businesses were supported through retention and expansion efforts. Approximately 30 were new businesses and nearly 70 were existing businesses. Assistance provided to these businesses included business resource referrals, site selection, building and planning permit guidance, and assistance with other government agencies.
  - Staff established and documented standard operating procedures for monitoring employer and consumer trends utilizing data commissioned and prepared by a contractor on a quarterly and semi-annual basis which will be used to established guidelines for more formalized programs.
- Establish a business welcome program that provides support to new businesses. This can include everything from welcome materials, business visits and training, and support. The appropriate partners can be included in this process where relevant.
  - Proactive outreach to new businesses focused on business visits after openings and support through the City processes. Trainings were also provided by strategic partners (Cal Poly, SBDC, SCORE, etc.) through sponsorship funding by the City.
  - Staff has researched best practices for a business welcome program and is currently developing program materials including cross departmental resource checklists that will be made available online and for delivery during in-person business visits. Expected completion of the materials is in Q3 of FY25.
- Maintain and build on the efforts with the Cal Poly CIE (CIE), which includes the Hothouse and other activities, to help ensure its continued success and the success of the local entrepreneurs it supports. (1.2.2)
  - One specific accomplishment was the support provided for Angel Con where startup companies Mense and Nexstera Tech were the winners of the 7<sup>th</sup> annual AngelCon Pitch Competition, which raised a total of \$215,000 from 21 investors.
- Supported organizations like the SBDC, the Service Corps of Retired Executives (SCORE), and Softec to address the needs of both startup and existing businesses. (1.2.4)
  - According to the SBDC Consulting Services for the period June 1, 2023, to May 31, 2024, the Cal Poly CIE SBDC counseled 485 clients; totaling 3,797 hours of counseling (not including 4,450 Cal Poly student project counseling hours - nearly double compared to the last reporting period). Through the SBDC, 14 businesses started, 127 jobs were created, and \$1,708,494 of capital was secured regionally.

## Item 7b

- Execution of ongoing Support Local campaigns to support the small business community to sustain growth. (1.4.1)
  - Buy Local Bonus during the holiday season resulted in nearly 8,000 qualified receipts that were submitted by shoppers during the program totaling \$818,547 in local spending. When added with the City's investment, the total direct local spending was \$943,547.
  - Eat Local Bonus in January resulted in \$255,660 total local spending based on submitted receipts. While the results were significant, the real spotlight in January was the new program SLO Restaurant Week. The first-ever SLO Restaurant Week took place from January 12-21, 2024 and included 41 restaurants that signed up to take part and offer a "Perfect Pairing". More than 1,000 diners participated during the "10 Delicious Days" and participants in the program, both businesses and diners, have requested a more robust program in 2025.
- Inclusive business practices were encouraged and promoted Citywide this fiscal year by capturing and showcasing best practices discovered from the DEI Business Grant program. Staff from the Office of DEI and ED&T collaborated to support seven of the DEI SLO Business Grant recipients to discuss their experience with the grant and the community impact. To highlight the learnings, a symposium is in development to share best practices for diversity, equity, and inclusion in business. (1.4.4)

### Pillar 2. Placemaking and Promotion

Maintaining the City's quality of place while increasing awareness of local amenities and fostering a sense of inclusion among residents and visitors.

#### *Key Accomplishments Include:*

- Continued elevation of the unique identity of each business neighborhood to increase awareness of amenities beyond the Downtown core. (2.1.4) Develop and promote an identity for each business neighborhood that reflects its culture and history. (2.1.4.1)
  - This effort is in partnership with the City's Promotional Coordinating Committee (PCC). Along with the launch of the new VisitSLO.com, in FY 23-24 the "[Neighborhood](#)" section of the site was launched including interactive map, unique storytelling opportunities to highlight the unique businesses and commerce options across the nine business neighborhoods of SLO, and supported with creative assets like videos, logos and blogs that were created.
  - Additionally, a strategic consultant has been commissioned and a study is underway to evaluate best practices to guide the implementation of the business neighborhood identity project. The study is expected to be completed by Q3 of FY25 for PCC continued assessment and implementation.

## Item 7b

- A refresh to the conference center feasibility study was commissioned in FY 23-24 including the addition of new sites that were studied. The study is in the final review and is expected to be published on the City's website before the end of the calendar year. (2.3.3)
- In Q4 of FY24, Staff prepared a comprehensive review of the status of Downtown vibrancy including considerations for addressing vacancies and other economic opportunities. This effort resulted in Staff's support of business expansion, addressing two large downtown vacancies. (2.3.6)
- Together with community partners, the cultural vitality of the City was recognized and celebrated in a number of new programs including ARTober, Piano in the Plaza, and the Lunar New Year celebration and 150<sup>th</sup> anniversary of the Ah Louis Store in the historic Chinatown which welcomed thousands of residents and visitors. (2.4.6)

### Pillar 3. Talent Development and Attraction

Supporting initiatives that develop the skills needed to secure quality jobs as well as attract and retain a skilled and diverse workforce.

#### *Key Accomplishments Include:*

- Updates continued to be made on the employment scorecard and the economic activity scorecard published on the [City's website](#) on a frequent and consistent basis. These important data sources educate and inform the City, community and prospective businesses and workforce. (3.1.1)
- The City continued to support new and expanded private childcare options through the use of grant funding and other programs. As of July 2024, the grant has created 11 newly licensed businesses and 116 slots for children, with 8 applicants pending licensure with potential to create an additional 92 slots. (3.1.7)
- Ongoing collaboration continued with the Chamber on initiatives like the SLO Onboarding Assistance Resource (SOAR) program that help to attract and retain talent. The SOAR program has aided more than 440 relocating employees since October 2022 when the pilot program launched. The top three areas of assistance have been social connections, housing search assistance, and partner employment opportunities. As the program evolves from the pilot into an evergreen program, staff will continue to elevate collaboration. (3.2.3)

### **Next Steps**

Over the first year of the EDSP implementation, significant progress has been made on the work program and initiatives within the action plan. Many of the priority initiatives, including those that were started in FY24, will continue to be further developed in subsequent years. Elevated programs, expanded partnerships, and proactive business and workforce activities will continue to be enhanced as the plan progresses through implementation in the second year and beyond. Some of the expected initiatives of focus in FY25 include, but are not limited to:

## Item 7b

- Formalizing business retention and expansion efforts including development of the Business Welcome program. (1.1.3)
- Supporting innovative and alternative funding methods and service models to address the needs of the Downtown area. (2.3.4)
- Supporting the creation of coworking, shared resource facilities, maker spaces, and other innovative ways to lower the barriers to entry and provide additional resources. (1.2.1)
- Continuing to elevate the unique identity of each business neighborhood to increase awareness of amenities beyond the Downtown core through the business neighborhood identity study currently underway in partnership with the Promotional Coordinating Committee. (2.1.4)
- Supporting community-based neighborhood planning efforts with the Community Development Department and the Community Services Group. (2.5.2)
- Initiate an update to the zoning regulations to further incentivize and streamline the review and permitting of day care centers, including consideration of relaxed property development standards. (3.1.8.)
- Develop relationships with the coworking facilities to promote opportunities to engage with and contribute to the community. (3.2.2.)

### **Previous Council or Advisory Body Action**

The City Council approved the EDSP on [July 18, 2023](#).

### **Public Engagement**

Staff consistently engages with strategic partner organizations, stakeholder groups, the business community and residents and visitors. Information and data are made available on the City's website for the public to access. A form for business support is available through the website as well, as a means for the public and business community to connect directly with Economic Development staff.

### **ENVIRONMENTAL REVIEW**

The California Environmental Quality Act does not apply to the recommended action in this report, because the action does not constitute a "Project" under CEQA Guidelines Sec. 15378.

### **FISCAL IMPACT**

Budgeted: Yes  
Funding Identified: Yes

Budget Year: 2024-25



**Fiscal Analysis:**

<b>Funding Sources</b>	<b>Total Budget Available</b>	<b>Current Funding Request</b>	<b>Remaining Balance</b>	<b>Annual Ongoing Cost</b>
General Fund	\$0	\$0	\$0	\$0
State				
Federal				
Fees				
Other:				
<b>Total</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

The current FY 2024-25 program budget for Economic Development includes sufficient funding for resources, partnerships and services to implement the workplan as programmed. The work efforts to implement the key tasks outlined in the EDSP for FY 2024-25 have been budgeted for, however, those are primarily one-time funds and those programs will require additional funding to be continued in the future. Staff will evaluate all programs and funding through the development of the 2025-27 Financial along with any funding recommendations to the Council.

**ALTERNATIVES**

1. ***Council could decide not to receive the status report on the Economic Development Strategic Plan.*** This action is not recommended by staff because the plan is a key component of managing the City’s economic development efforts and would result in delayed implementation.
2. ***Council could choose to direct changes to the Economic Development Strategic Plan implementation.*** This is not recommended as changes could cause delays in accomplishing goals and derail timelines that are based on extensive work with stakeholders.

**ATTACHMENTS**

A - EDSP Implementation Matrix updated July 1,2024