



**CITY OF VALLEJO
ECONOMIC VITALITY COMMISSION**

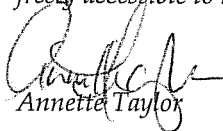
**CITY COUNCIL CHAMBERS
(555 SANTA CLARA STREET, SECOND FLOOR)**

5:30 P.M. – Wednesday, September 12, 2012

AGENDA

Requests for disability-related modifications or accommodations, aids or services may be made by a person with a disability to the Economic Development Division no later than 72 hours prior to the meeting as required by Section 202 of the Americans with Disabilities Act of 1990 and the federal rules and regulations and adopted in implementation thereof. The Economic Development Division may be contacted as follows: Phone: (707) 649-5452, FAX (707) 648-4499 or email Annette@ci.vallejo.ca.us

I, Annette Taylor, do hereby certify that I caused a true copy of the above notice and agenda to be delivered to each of the members of the Economic Vitality Commission at the time and manner prescribed by law and posted in an area freely accessible to members of the public on September 6, 2012.


Annette Taylor

1. Call to Order
2. Pledge of Allegiance
3. Oath of Office
3. Roll Call
4. Approval of Agenda
5. Presentations

6. Council Liaison's Report

City Councilmember Hermie Sunga, liaison to the Economic Vitality Commission, may provide a report during this item.

7. Communications

8. Community Forum

Anyone wishing to address the Commission on any matter not listed on the Agenda, but within the jurisdiction of the Commission to resolve, may state his/her name and address for the record. Individuals representing a group will be allocated 5 minutes for their presentation. Individuals representing themselves will be allocated 3 minutes for their presentation.

9. Consent Calendar

10. Administrative Items

A. Economic Development Strategic Plan and Strategic Marketing Plan
Recommendation: Review and provide input to staff

11. Policy Items

12. Projects Status Report

13. Report of the Chairperson and Members of the Commission

14. Adjournment

**MINUTES OF THE REGULAR MEETING OF
THE ECONOMIC VITALITY COMMISSION
City of Vallejo**

Wednesday, June 13, 2012

1. Call to Order

The meeting of the Economic Development Commission (EDC) was called to order at the City Council Chambers (555 Santa Clara Street) at 5:31 p.m. on Wednesday, June 13, 2012.

2. Pledge of Allegiance

The Pledge of Allegiance was recited.

3. Roll Call

Those Commissioners present and absent were as follows:

Present: Commissions Dion, Dowling, Jaeckel, Parker-Kittell, Torres, Walker

Absent: Hanson

Staff and elected officials in attendance were:

Annette Taylor, Senior Community Development Analyst
Ursula Luna-Reynosa, Economic Development Director
Dan Keen, City Manager

4. Approval of Agenda for June 13, 2012

The agenda was unanimously approved.

5. Presentations

The Today in America clip was shown and staff provided information on what market areas the clip will be viewed.

Dan Keen, City Manager, was introduced to the commissioners and he gave a brief overview of himself and why he chose to come to Vallejo.

6. City Council Liaison's Report

No report.

7. Communications

None

8. Community Forum

None

9. Consent Calendar

There were no items on the Consent Calendar.

10. Administrative Items

A. Update on the Workforce Cluster Findings

Staff presented the findings of the workforce cluster and responded to questions and comments from the Commissioners on such topics as how reliable are the stats since they are based on the 2000 Census; how will the data be used to attract target industries; will there be a major shift since the study was done in 2010; is the city looking at using a different online website besides the city's web page; based on the information provided regarding over-skilled technicians, this is an opportunity to work with the Vallejo City Unified School District.

Recommendation: Information item only.

B. Update on Industry Cluster Findings

Staff presented the findings of the industry cluster and responded to questions and comments from the Commissioners on such topics as the difference between full service and limited service; the maritime industry and the city's efforts to attract America's Cup activities; priority list for remediation on Mare Island; healthcare; and tourism.

Recommendation: Information item only.

C. Special Economic Vitality Commission Meeting

After surveying the commissioners, by motion, June 27, 2012 was selected as the date for the special EVC meeting to discuss the economic development strategy.

11. Policy Items

None

12. Project Status Report

Staff gave an update on projects in the City. Items discussed were the economic development strategy timeline and suggested that the commission look at areas of focus for subcommittees; the downtown community enhancement program; the Economic Development general fund budget update. Staff responded to questions from the commissioners on the covered projects.

13. Report of the Chairperson and Members of the Commission

Chairman Walker announced that the Vallejo Chamber of Commerce was hosting its Good Morning Vallejo on June 20, 2012, and thanked Commissioner Dowling for having the commissioner name badges.

14. Adjournment

The meeting was adjourned at 7:31 p.m.



Agenda Item No. 10A

ECONOMIC VITALITY COMMISSION

Date: September 12, 2012

TO: Chairperson and Members of the Economic Vitality Commission

FROM: Ursula Luna-Reynosa, Economic Development Director
Annette Taylor, Senior Community Development Analyst

SUBJECT: THE ECONOMIC DEVELOPMENT STRATEGIC PLAN AND STRATEGIC MARKETING PLAN

RECOMMENDATION

Review and provide input on the economic development strategic plan and strategic marketing plan.

REASONS FOR RECOMMENDATION

The City Council identified economic development as a high priority during their recent goal setting session held on May 10, 2012. A number of goals related to economic development were identified including preparing an economic development strategy. With Vallejo's limited resources, it is critical to be strategic with those resources to ensure the highest return on investment. The *Draft Vallejo Economic Development Strategic Plan and Strategic Marketing Plan* (the "Plan") identifies goals and actions focused on targeted industry clusters and identifies partner organizations and businesses to leverage resources. Staff would like to present the Plan to Council, respond to questions and receive input.

BACKGROUND & DISCUSSION:

Staff issued a Request for Proposals (RFP) for an Economic Base/ Industry Cluster Analysis and Economic Development Strategy on October 1, 2011. Eighteen proposals were received on October 21, 2011. RDA Global Inc. (the "Consultant") was selected to provide the requested services in an amount not to exceed \$46,343.

The Plan is attached to this staff report as Attachment A and was informed by the following analyses and input:

- An economic base analysis to identify industry clusters in Vallejo;



Date: September 12, 2012

Subject: THE ECONOMIC DEVELOPMENT STRATEGIC PLAN AND STRATEGIC MARKETING PLAN

- A study of Vallejo's workforce to identify opportunities related to Vallejo's commuter workforce;
- Interviews with 28 local businesses and other stakeholders to determine a local perspective of key strengths and weaknesses of Vallejo's business environment;
- Creation of and meetings with a stakeholder group comprised of employers, developers, small business and workforce development partners, city staff, and higher education representatives (Stakeholder Group list attached as Attachment B);
- An online survey of 46 professional site selectors who have been active in California in order to assess external perceptions of Vallejo's business environment; and
- A review of economic development best practices in cities with economic conditions and industry clusters that are similar to Vallejo.

Four targeted industry clusters were selected based on the analyses contained in the economic base analysis and workforce study as well as input received from the stakeholder group. Those industry clusters include; manufacturing, tourism, health sector, and higher education.

The Plan is broken down in the following sections:

- Executive Summary
- Background
- Vallejo's Current Economic Conditions and History
- Vallejo's Economic Base, Assets and Growth Opportunities
- Vallejo's Economic Development Problems and Challenges
- Economic Development Goals, Objectives and Implementation Steps
- Economic Development Marketing Strategy

The intent of the Plan is to capture city-wide opportunities that will encourage economic development and focuses on the processes and programs that can solve city-wide problems for economic growth. As part of the strategic assessment process, some issues and priorities are identified that will require further study and separate planning and action plans. The intent of the Plan was to identify the overarching goals, objective and action plans to support economic development.



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Subject: THE ECONOMIC DEVELOPMENT STRATEGIC PLAN AND STRATEGIC MARKETING PLAN

The following goals have been identified as part of the Plan with the first six falling under the category of 'Vallejo's Business Environment' and the last four falling under the category of Industry Cluster Strategies:

1. Retain and Expand Existing Businesses
2. Attract New Business Investment
3. A Business Friendly Environment
4. Vibrant Retail Shopping and Dining
5. Highly-Skilled Workforce
6. Land Development & Redevelopment
7. Manufacturing Strategies
8. Tourism Strategies
9. Health Sector Strategies
10. Higher Education

NEXT STEPS:

On September 18, 2012, there will be a City Council study session to receive input from the City Council. Staff will return at a future City Council meeting requesting formal adoption of the Plan.

CONTACT:

Ursula Luna-Reynosa, Economic Development Director (707) 648-4382
Annette Taylor, Senior Community Development Analyst (707) 649-3510

Attachments: Attachment A – Draft Vallejo Economic Development Strategic Plan and Strategic Marketing Plan

Attachment B – Stakeholder Group List



Economic Analysis
Market Assessment
Primary Market Research

DRAFT:

City of Vallejo

Economic Development Strategic Plan

and Strategic Marketing Plan

Prepared by:

RDA Global Inc.

In Partnership with

DCI – The Leader in Marketing Places

August 31, 2012

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Executive Summary

Industry Clusters

There are four industry clusters drive much of Vallejo's economy and they are together responsible for over 60% of all employment in Vallejo:

1. **A healthcare sector** which employed 6,658 workers in 2009, representing 27% of private sector employment.
2. **Industries that are linked to tourism**, including arts, entertainment, recreation, accommodation, and food services, which together employed 4,516 workers in 2009, representing 18% of private sector employment.
3. **A diversified manufacturing-related industrial sector** that employs approximately 3,050 workers in three industries: construction (1,922 workers in 2009 or 7.8% of private sector employment – mainly in heavy civil engineering construction), warehousing and transportation (603 workers or 2.5% of employment), and manufacturing (529 workers or 2.2% of employment).
4. **A cluster of higher education institutions** which include Touro University, Cal Maritime University, Solano Community College, and a new program offered by Sonoma State all of which together employ over 800 workers.

Assets

These sectors are supported by several economic development assets including three assets that give Vallejo a distinct comparative advantage:

- **Highly-Skilled and Available Workforce.** Corporate real estate professionals surveyed as part of this plan ranked the availability of a skilled labor force as the single most important factor in making a site selection decision and Vallejo benefits from a highly-skilled and available workforce, especially at the technician level.
 - Approximately 31% of workers in Vallejo have an associate's degree or some college education, compared to 22% of workers in the Bay Area.¹
 - Businesses that require workers with this skill level will benefit from locating in Vallejo and drawing from the pool of approximately 61% of Vallejo residents commute out of the city for work.
 - Commuters out of Vallejo have experience in many industry sectors but three industries employ the majority (53%) of all commuters:
 - Manufacturing, Transportation, Warehousing, and Logistics,
 - Healthcare, and
 - Professional, Insurance, and Financial Services
- **Low Costs of Doing Business.** KPMG's annual study of average costs of doing business in global cities ranks the San Francisco Area ahead of NYC, London, and other global centers as one of the world's most expensive places to do business. Vallejo, by contrast, is one of the Bay Area's most cost-competitive places for business.
 - Average labor costs in Vallejo are about half that of the average for the Bay Area.
 - Average office space lease rates in the Vallejo-Fairfield-Napa market in 2011 were 18% lower than San Francisco and 11% lower than Oakland and costs for land and real estate in Vallejo are among the lowest in the Bay Area.
 - Based on a comparison of 15 Bay Area cities, Vallejo's impact fees² for new industrial development are the second-lowest for a benchmark new 100,000 sq ft industrial development.³

¹ Source: American Community Survey 2010

² Impact fees are typically the largest component of development-related fees

³ Estimates are calculated using fee schedules available on city government websites, and may not be inclusive of all potential developer impact fees associated for a particular project. Some municipalities do not publish all fees online and some cities require a developer to submit a

- Among 35 cities reviewed in the Bay Area, Vallejo has the third-lowest business license fee structure for professional firms and the fourth lowest fee structure for manufacturing firms.⁴
- Vallejo’s utility tax rates are lower than other manufacturing-focused cities including Alameda, Oakland, Richmond and San Francisco.
- **Location & Transportation Infrastructure.** When asked about Vallejo’s strategic assets, the most commonly-mentioned advantage mentioned by business leaders in Vallejo is the city’s location and regional transportation connectivity.
 - As the hub of the North Bay, strategically located between San Francisco and Sacramento, Vallejo and is connected to the region via 6 highways, operational rail infrastructure connecting to the national Tier 1 rail system, and in close proximity to air transportation facilities.
 - International trade, transportation, and logistics are important drivers of the regional economy and Vallejo is located along channels connecting the Port of Oakland, the nation’s fifth-highest volume port for container traffic, with other inland ports.

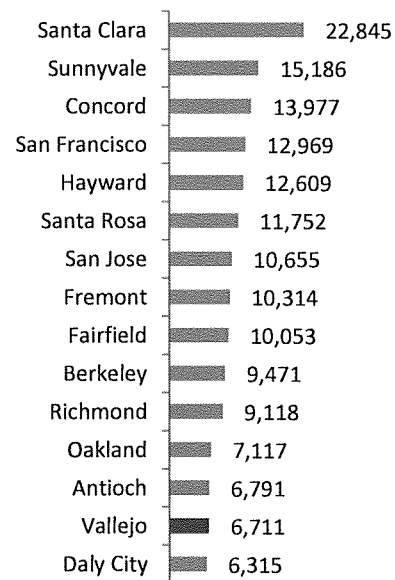
Economic Performance

Despite highly competitive assets, over the past decade, the Vallejo economy has experienced economic decline caused in part by the lingering effects of the closure of the Mare Island Naval Shipyard, the 2007-2008 economic crisis, the city’s historic bankruptcy and other factors.

- Vallejo’s population in 2010 was 115,942, down from 116,760 ten years earlier.
- Private sector employment in Vallejo was 24,564 in 2009, down nearly 900 workers from 25,446 employees in 2000.⁵
- Retail sales and use tax receipts in Vallejo in 2009 were \$7.78 million in 2010-11, down 30% from \$11.11 million in 2000-01,⁶ with Vallejo ranking as the second-lowest level of sales tax per capita of any city in the Bay Area with population over 100,000.
- The City’s property tax receipts (incl. property tax-In lieu (MVLf)) experienced a 29% decline between 2007/08 and 2011/12.

The city’s budget for 2013-2017 assumes that much of the city’s future revenue growth will be driven by annual increases in retail sales (averaging 4% increase per year) and increases in property tax (increases of 2% per year beginning in 2013-2014). Meeting these targets will require a strategic and coordinated effort to increase the Vallejo tax base and grow retail sales.

Figure A Retail Sales per Capita 2010, Bay Area Cities Over 100k Population



Source: California State Board of Equalization, 2010 Census.

project plan before the city will calculate an estimate of fees. Numerous complexities are involved in creating an accurate basis for total fee comparison and therefore these cost estimates are intended to serve as a general guide for comparative purposes between Bay Area cities, not an exact cost estimate. Permitting, application, design review, engineering and other taxes and fees are not included in this cost comparison, and vary significantly by municipality.

⁴ Business license fees are a small component of the cost of doing business, but progressive business license fees in some jurisdictions can result in high annual business license costs.

⁵ Source: Censtats Database

⁶ Source: State Board of Equalization

Challenges

An assessment of the economic base coupled with interviews with Vallejo business leaders and corporate real estate professionals identified several problems have adversely affected Vallejo's growth. Top problems include:

- **Negative views of Vallejo.** Vallejo business leaders identified negative perceptions of Vallejo as a top problem affecting growth. Indeed, the survey of corporate real estate professionals and site selectors revealed that Vallejo is not well known for its strengths, but investors are keenly aware of the city's weaknesses. Site selectors associate Vallejo with bankruptcy, crime, and a government that is not business-friendly and are unaware of Vallejo's cost competitiveness, strategic location, or attractive labor force.
- **Crime and public safety.** This concern affects the entire business environment. Healthcare providers mentioned that safety concerns affect the willingness of patients from outside Vallejo will come to Vallejo for care, manufacturers expressed concerns over copper theft, and perceptions of crime obviously adversely affect the city's ability to attract visitors.
- **Critiques of city government and of political leadership.** Business leaders complained that:
 - The City is not customer-service oriented and constrained by limited staff resources,
 - Staff leadership is inconsistent with a succession of city managers,
 - There is a lack of clearly communicated plan for growth and development. Investment is limited by a high level of uncertainty with regard to what types of projects and businesses are desired in Vallejo (Several mentions of missed growth opportunities and conflicting visions of Vallejo), and
 - Critiques that important issues go neglected or that the priorities of city leadership do not align with that of businesses.
- **Slow pace of remediation on Mare Island.** Interview participants were uncertain why it has not been completed.
- **Retail shopping, dining, and accommodation services are underdeveloped.** As a result, the City does not capture tourism-related spending and sales tax revenues linked to visitors to Six Flags and other attractions, which instead leak to neighboring jurisdictions. A lack of well-developed second-day attractions for tourists further reduces the potential for overnight stays. The lack of available dining and entertainment also adversely affects that ability of higher education entities to attract students, faculty and staff.
- **Manufacturers, developers and officials at Touro all expressed concern about the poor condition of the north end of Mare Island** and the lack of a clear plan (including timeline and costs) for redeveloping that section of the island.
- **Educational attainment is low for Bachelor's level and higher degrees, and Vallejo high school drop-out rates are among the highest in California.** Unaddressed, these risks will undermine long-term prosperity and quality of life.
- **Vallejo's competitiveness as a manufacturing location and ability to benefit from growth in international trade growth at the Port of Oakland is limited by a lack of transportation development for water-based shipping and would be strengthened by improved roads and rail.**
- **While land is available, there is a lack of investment-ready land and property in Vallejo.** Development is also limited by high costs of development on Mare Island due to geotechnical issues.

A comparatively small employment and industry base, comparatively low property values, limited retail base, and high level of retail leakage together culminate in low per-capita city tax revenues which constrain the city's ability to make improvements to city services and infrastructure.

Economic Development Goals, Objectives and Implementation Steps

To address Vallejo’s economic development problems, a set of 10 goals have been set that are designed to increase growth in the tax base, increase sales tax revenues at businesses and retail locations, and improve the overall economic vitality of the city.



Goals are divided into two categories: (1) goals to improve Vallejo’s business environment and (2) goals to strengthen and support growth in the four industry sectors driving much of Vallejo’s economy. Achieving these goals also requires the presence of enabling conditions for economic growth. These conditions require action and will not, by themselves, spur economic growth; however the absence of positive enabling conditions will undermine other economic growth strategies. The implementation timeline for the plan covers actions to be taken over a five-year period. A 12-month marketing communications and public relations plan has also been developed to help transform attitudes and perceptions of Vallejo and elevate the profile of the city among a regional, national and global business audience as a great choice for companies looking to expand, relocate or start up, especially in Vallejo’s target industries.

A high-level summary of goals and objectives of the economic development strategic plan is outlined below, followed by summary of 10 key marketing actions to be taken in the next year. Detailed implementation information is contained within the comprehensive economic development plan.

Goal	Objectives
1. Recognizing that the majority of new job creation comes from existing firms, this program will provide high-leverage resources to support expansion of Vallejo businesses and resolve issues that negatively affect business vitality.	<ol style="list-style-type: none"> 1. Establish a coordinated business visitation program to assess the needs of existing companies in Vallejo and connect business owners and managers with resources to grow their businesses including resources for access to capital, innovation, market development, cost reduction and sustainability through efficient use of raw materials, water, and energy and reduction in solid waste. 2. Establish a “Growing in Vallejo” Toolkit to provide businesses with resources that can help businesses to expand. The Business Visitation program and the “Growing in Vallejo” Toolkit work together by identifying the top problems that hamper growth for Vallejo businesses and providing tools and resources that can resolve top problems.
2. Attract new businesses and investment to Vallejo.	<ol style="list-style-type: none"> 1. Maintain a Vallejo marketing plan that actively manages public perception of Vallejo and promotes awareness of Vallejo’s strategic advantages. (See First-Year Marketing Plan for details). 2. Establish and aggressively promote advantages of doing business in Vallejo and position Vallejo as the Bay Area’s lowest cost place to do business. 3. Consider short-term incentives to attract new investment including deferral of impact fees for qualified new investments.
3. Operate city government in a way that prioritizes economic development.	<ol style="list-style-type: none"> 1. Ensure consistent, understandable and predictable regulatory framework. 2. Continuously improve the efficiency of city government services to businesses.
4. Increase retail sales, capture sales tax leakage in key	<ol style="list-style-type: none"> 1. Within the Vallejo General Plan update, establish well-defined locations for retail serving targeted consumer market segments including residents, visitors, and the people who

Goal	Objectives
sectors, and increase local employment at retail shopping and dining businesses.	<ul style="list-style-type: none"> work in Vallejo. 2. Improve underperforming retail centers. 3. Strategically recruit retailers and dining establishments. 4. Promote Vallejo as a shopping and dining destination.
5. Maintain the competitiveness of Vallejo’s labor force to support business growth and increase the skill levels of the workforce.	<ul style="list-style-type: none"> 1. In partnership with the Solano Workforce Investment Board and Solano Community College, promote and prioritize job training that results in professional credentials and certifications. 2. Partner with Solano Workforce Investment Board to aggressively pursue funding and technical assistance opportunities through state and federal economic development programs. 3. Encourage Vallejo residents to finish high school. 4. Make Vallejo attractive to talent from elsewhere.
6. Increase the availability and visibility of investment-ready land and attract new development	<ul style="list-style-type: none"> 1. Improve the visibility, understanding, and marketing of existing properties available for investment. 2. Support brownsfields redevelopment. 3. Establish a high-priority plan for development on North Mare Island.
7. Make Vallejo the Bay Area’s premier site for manufacturing.	<ul style="list-style-type: none"> 1. Support growth in international trade and export sales that increase city sales tax revenues. 2. Improve ability of manufacturers to ship from Mare Island across all transportation modes. 3. Update land use policy in the General Plan that supports manufacturing growth on Mare Island and in other industrially-zoned areas. 4. Attract new investment from businesses that are linked to regional manufacturing sectors promoted by Solano County EDC including food and beverage production, life science manufacturing, clean technology and other manufacturers creating high-wage jobs. 5. Establish and promote an Expedited Plan Review Service for qualified manufacturers investing in Vallejo.
8. Grow a family tourism sector in Vallejo by strengthening Six Flags Discovery Kingdom as a driver of demand, building Vallejo’s total tourism product, increasing overnight visitor stays, and increasing visitor spending.	<ul style="list-style-type: none"> 1. Establish a Vallejo Tourism Master Plan to guide development of Vallejo’s tourism economy. 2. Enhance Vallejo’s Naval Heritage Experience as a Driver of Tourism Demand 6. Regularly meet directly with Six Flags management to identify and take action on any issues that affect visitor experiences at the park. 3. Consider establishment of an entertainment district near the waterfront, in downtown, or near Six Flags to cluster hotel, dining, and entertainment venues in close proximity to one another. 4. Locally promote the importance of a strong, diverse tourism economy by communicating directly with key public and private officials, and garnering the support of the media. 5. Support the Vallejo Convention and Visitors Bureau to build visibility to improve awareness of Vallejo’s assets among the target market segments.
9. Increase investment in healthcare services and life-sciences manufacturing in Vallejo.	<ul style="list-style-type: none"> 1. Consider ways to strengthen relationships between with local research universities that support technology transfer and business start-ups in Vallejo including the potential for Vallejo to support a business incubator at a life science business park. 2. Further develop health and life science training opportunities in Vallejo and promote these resources in marketing materials on the economic development department website. 3. Partner with Solano EDC, brokers, and developers to market sites that are suitable for life-sciences manufacturing investment related the life sciences sector.
10. Support growth linked to higher education institutions in Vallejo.	<ul style="list-style-type: none"> 1. Each of the three higher education institutions in Vallejo may experience expansion in the future, however costs linked to redevelopment of existing structures poses a difficulty for expansion of research space at Touro University and could pose a problem for other institutions looking to expand their facilities. These challenges are addressed through the land development section of the plan which provides support for redevelopment of

Goal	Objectives
	<p>brownsfield sites.</p> <ol style="list-style-type: none"> Institutions noted the lack of high quality dining, entertainment and retail shopping in Vallejo as a limiting factor affecting the ability to recruit students, faculty and staff. These concerns are addressed through the retail development and tourism sector strategies. A review of growth strategies for university towns suggests that most economic development strategies linked to universities are designed to capitalize on discoveries and new technologies developed at research universities. Vallejo has one research university, Touro, and is in close proximity to UC Berkley and UC Davis. The Health Sector growth strategies includes an objective to evaluate the feasibility of a business incubator in connection with a life sciences business park in connection with Touro University.
Maintain an environment that is conducive to economic development.	<ol style="list-style-type: none"> Maintain public safety. Maintain a high quality built environment.

Marketing Plan – 10 Key Activities in the Year Ahead

- 1) Develop a New Brand, Logo and Tagline for the City
- 2) Produce Targeted Marketing Collateral to Effectively Communicate Key Assets
- 3) Implement Key Website Recommendations and Begin Planning for a New ED Microsite
- 4) Engage Local Stakeholders and Internal Audiences with an Ambassador Program
- 5) Educate Regional Economic Development and Business Partners About Vallejo’s Key Advantages and Assets
- 6) Launch an Aggressive Media Relations Campaign.
- 7) Start an Aggressive Lead Generation Program (Prospect Development and Qualification)
- 8) Build Relationships with Site Selectors
- 9) Network at Key Trade Shows in the Bay Area and Beyond
- 10) Strategic and Targeted Advertising

Background

Creating the Economic Development Plan

The City of Vallejo Economic Development Department has performed a 360-degree assessment of the Vallejo economy based on:

- Interviews with 28 local businesses and other stakeholders to determine key strengths and weaknesses of Vallejo's business environment,
- An online survey of 46 professional site selectors who have been active in California in order to assess perceptions of Vallejo's business environment,
- A study of Vallejo's workforce to identify opportunities related to Vallejo's commuter workforce,
- An economic base analysis to identify industry clusters in Vallejo.
- A review of economic development best practices in cities with economic conditions and industry clusters that are similar to Vallejo.

This plan is informed by these analyses, input from consultants, and input from a team of local stakeholders that includes employers, developers, small business and workforce development partners, city staff, and higher education representatives. The following priorities inform the goals of the plan:

- **Increase the City's tax revenues** and the capacity of the City to fund all city services,
- **Improve the level of economic opportunity** and prosperity enjoyed by Vallejo residents through local job creation,
- **Strengthen existing industry clusters** that are the engines of economic growth, and
- **Solve problems that discourage investment** and limit business growth.

Limitations of the Plan

The plan realizes that, following the City's emergence from bankruptcy, much must be accomplished with limited staff resources. It will take time to achieve all the action plans identified in this plan and the effects of implementing the plan will occur in phases, some of which will be long-term.

The intent of the plan is capture city-wide opportunities that will encourage economic development. This encompasses development on Mare Island, but the plan is not a specific plan for Mare Island or for any specific sites, investors, or particular projects. Rather, the plan focuses on the processes and programs that can solve city-wide problems for economic growth.

As part of the strategic assessment process, some issues and priorities are identified that will require further study and separate planning and action plans. The intent of this study was to identify the overarching goals, objectives and action plans to support economic development.

The plan recognizes that there are many challenges and problems that affect Vallejo's economic development. Some of these problems are largely outside the control of the City's economic development department (examples include California's complex regulatory environment, a slow-growth regional real estate market, etc.). It should be acknowledged that the plan cannot solve all economic development problems, but rather makes practical recommendations to improve the overall business environment in Vallejo with goals, objectives and implementation steps that are within the control of the City and their partners in economic development.

Vallejo's Current Economic Conditions and History

Much of Vallejo's long-term economic development has been linked to the city's naval history. For 142 years, Vallejo was home to the Mare Island Naval Shipyard, the first Navy shipyard on the West Coast, founded in 1854. Since its opening over 500 ships were built and over 2,000 ships were repaired or overhauled at the shipyard. World War II brought an unanticipated economic expansion for Vallejo as Mare Island grew into the largest ship construction and repair facility in the world. Within a five year period Vallejo experienced the largest population expansion in its history, growing from a population of 26,000 to nearly 100,000. Employment at the shipyard grew to 41,000 workers during the war, which later dropped to an average of 10,000 workers in the post-war period. Still today, many industries present in Vallejo - including manufacturing, construction, repair, and maintenance activities – are linked to the city's historical maritime industry and the infrastructure that historically supported Navy operations.

In 1993, President Clinton accepted the recommendation of the Defense Base Closure and Realignment Commission and Mare Island Naval Shipyard was scheduled for closure in spring, 1996. At the time of the closure about 9,000 employees worked on Mare Island; 5,400 workers were employed at the base and 4,500 employees worked in tenant commands located at the shipyard. This represented 35% of Vallejo's total employment base at the time.

A Reuse Plan was developed and adopted by the City of Vallejo in anticipation of the dramatic economic and social impacts that the base closure would have on the community. The city participated in an early transfer program authorized by congress in 1998 that was intended to accelerate cleanup of military bases so that property can be more quickly converted to civilian use. The cleanup responsibility remains with the Navy while the island's developers, Lennar Mare Island and Western Solutions, assumed responsibility for their individual parcels of land. Despite best efforts at the time and an allocation of over \$200 million, the extent and costs of remediation on Mare Island were underestimated. As a result, clean-up of the island has moved at a slow pace and much of the intended retail, commercial, residential and industrial development envisioned in the reuse plan has been hampered by land encumbrances linked to remediation.

Following the base closure, Vallejo entered a prolonged period of flat economic growth. Over a 15 year period, employment in Vallejo grew from 25,807⁷ in 1994 to 26,766 in 2009 (a compound annual growth rate of 0.2% per year).⁸ In the wake of the global economic recession that began in 2007, real estate values in Vallejo experienced the fifth greatest decline of any city in the United States, with property values decreasing by 59.7% between 2007 and 2011, thereby eroding a large portion of the city's tax base. At the same time, unemployment in the Vallejo Metro Area increased from 6 per cent in 2006 to over 14 per cent through most of 2011. In response to the economic crisis, the base closure, and other fiscal pressures, the City of Vallejo filed for Chapter 9 bankruptcy in 2008, at the time becoming the largest California city to do so.

⁷ Including public and private sector employment. See Zip Code Business Patterns, Census of Governments, 1993.

⁸ Ibid. Latest figures available.

In November 2011, the City was released from bankruptcy and embarked on a plan to improve the city's fiscal performance. As a result of reorganization, a new Economic Development Department was created at the city with a new position of Economic Development Director. The city's planning and building divisions were placed under the Economic Development Department.

One of the first actions of the department was to create this economic development plan that is intended to determine Vallejo's strategic assets for economic growth, identify industry clusters that drive the local economy, and identify growth opportunities that should be prioritized in order to accelerate economic growth and increase tax revenues for the city.

Table 1 Fiscal Revenue Snapshot: Sources of Revenue, Revenue Declines since 2007/08, and Five-Year Revenue Forecast Expectations in the Vallejo City Budget 2012/13, in \$ millions

General Fund Revenue Source	Source of Revenue		Historical Revenue Declines		Revenue Forecast Assumptions (Pct. Growth)				
	General Fund Revenue 11/12	% of General Fund Revenue	Total Decline 07/08 to 11/12	Percent Change 07/08 to 11/12	12/13	13/14	14/15	15/16	16/17
Property Tax (incl. Property Tax-In lieu (MVLFF))	\$20.62	29%	\$(7.81)	-29%	0%	2%	2%	2%	2%
Program Revenues	\$12.94	18%	\$(1.77)	-14%	-4%	-15%	-7%	0%	0%
Utility User Tax	\$12.48	18%	\$(0.93)	-7%	0%	0%	0%	1%	0%
Sales Tax	\$10.80	15%	\$(2.24)	-19%	2%	3%	4%	4%	4%
Other	\$9.80	14%	\$(4.86)	-34%	n.a.	n.a.	n.a.	n.a.	n.a.
Franchise Tax	\$4.41	6%	n.a.	n.a.	-1%	0%	0%	0%	0%
Measure B Sales Tax	\$0.24	0%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total Revenues	\$71.29	100%	\$(17.61)	-21%	9%*	-1%	1%	2%	2%

Source: City of Vallejo Budget FY2012-2013. *Note: Increase due to Measure B.

The city's sources of tax revenues are strongly influenced by property tax (29% of revenues), utility user tax (18% of revenues), and sales tax (15% of revenues), and program revenues (18% of revenues). Over the four period between FY 2007/08 and FY2011/12, the greatest decline in these revenue sources has been in property tax (declining by nearly \$8 million) and in sales tax (declining by \$2.2 million). Program revenues also represent a large (18%) portion of the city's resources and according to the 2012/13 City budget, these funds are expected to decline over the next few years. The city's 2012/13 budget's five year projection is built on assumptions that sales tax revenues will grow between 2% and 4% per year and property tax revenues after 2013 will increase by 2% per year. In order for the city to move toward a more prosperous and secure future, a coordinated and strategic economic development plan is required to increase tax receipts linked to retail sales and property value. Accordingly, the economic development plan must be based on a clear and detailed understanding of Vallejo's opportunities for economic growth that can drive increases in the value of the property tax base and bring about higher levels of retail sales.

Vallejo's Economic Base, Assets, and Growth Opportunities

Vallejo's Economic Base

By population, Vallejo is the largest city in Solano County with 115,942 residents in 2010⁹. Approximately 52,000 Vallejo residents were employed in 2010 and the majority of these Vallejo residents (61%) commute out of Vallejo for work.¹⁰

Relative to its population, Vallejo has a modest industrial, commercial, and retail base. The latest figures available on employment at businesses and organizations that are located within the City of Vallejo (2009) report that employers in Vallejo employed approximately 27,100 workers. This includes approximately 24,500 private sector employees and 2,600 public sector employees employed by federal, state, and local government, the Vallejo City Unified School District, and public higher education institutions located in Vallejo.¹¹ Vallejo ranks as Solano County's second-largest city by total employment, behind Fairfield, which had private sector employment of 52,848 workers in 2009.

The largest sector of employment in Vallejo is the healthcare sector which employed 6,658 workers in 2009, representing 27% of private sector employment. Relative to the regional economy, Vallejo has a high concentration of healthcare and social service industry employment, anchored by Sutter Health and Kaiser Permanente, two of the city's largest employers, as well as a large number of private healthcare service providers. Vallejo's location quotient for the healthcare industry, a measure of the city's competitive advantage in an industry, is 1.57 relative to Solano County and 2.45 relative to the Bay

About Industry Clusters

Exporting Industry Clusters are groups of inter-related industries that drive wealth creation in a local area, primarily through export of goods and services which results in inward flows of funds into a community. Industry clusters are geographically concentrated and inter-connected, representing the value chain within a broadly defined industry from suppliers to end products, including supporting services and specialized infrastructure. Exporting industry clusters may represent only a small share of local employment, but they produce a multiplier effect on the rest of the local economy. Therefore, most economic development strategic plans focus efforts on growth of exporting industry clusters.

About Location Quotients

Location Quotients (LQ) are used to identify the industries for which Vallejo has a high concentration of businesses compared to the Bay Area or other places. If an industry has a LQ that is greater than 1.0, then Vallejo has a high concentration of businesses in that industry. Vallejo plays an important role in the Bay Area economy in the industries with a high location quotient. Location quotients in this report compare Vallejo with the United States, with California, with the nine counties that comprise the Bay Area, and with Solano County.

⁹ Source: 2010 Census

¹⁰ Source: American Community Survey.

¹¹ Source: US Census Bureau, Zip Code Business Patterns, Census of Governments.

Figure 1 Vallejo Private Sector Employment by Broad Industry Category, 2009

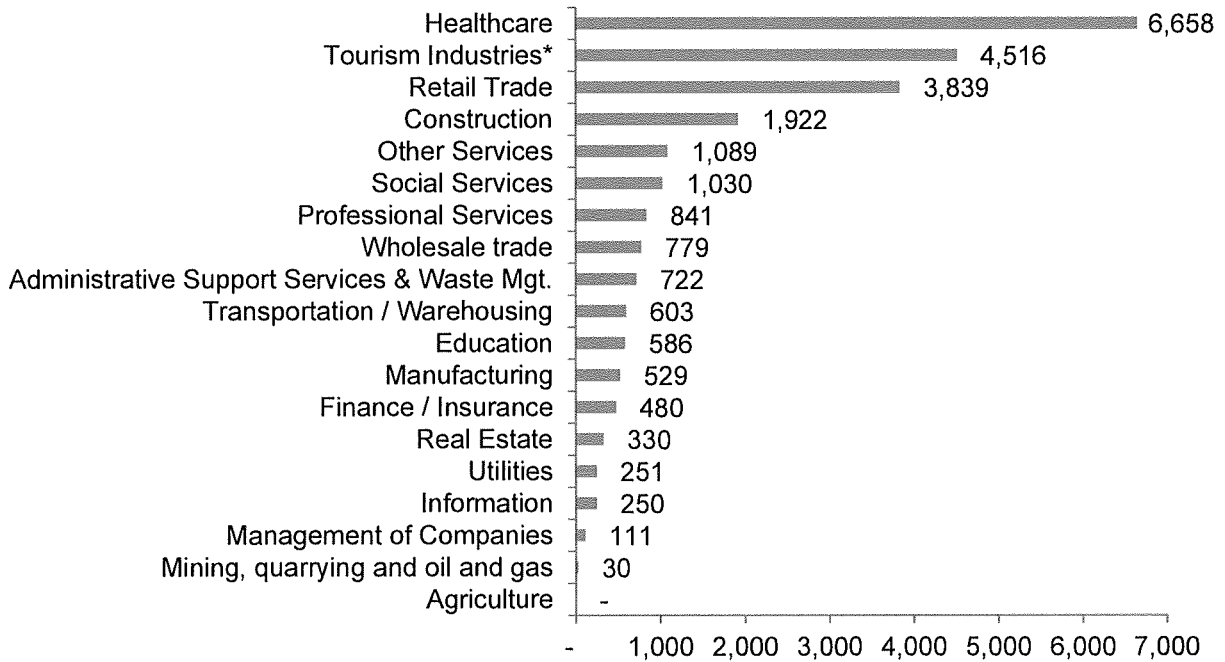


Table 2 Location Quotients of Vallejo Industries Compared to the US, California, the Bay Area and Solano County

Industry	Vallejo City Employment (2009)	Vallejo Location Quotient by Industry			
		US	California	Bay Area (9 Counties)	Solano County
Agriculture	-	-	-	-	-
Mining, quarrying and oil and gas	30	0.23	1.04	2.99	0.91
Utilities	251	2.33	2.88	4.18	3.13
Construction	1,922	1.49	1.48	1.45	0.92
Manufacturing	529	0.21	0.22	0.25	0.23
Wholesale trade	779	0.61	0.49	0.47	0.72
Retail Trade	3,839	1.20	1.27	1.45	0.92
Transportation / Warehousing	603	0.68	0.72	0.87	0.72
Information	250	0.35	0.24	0.18	0.65
Finance / Insurance	480	0.36	0.41	0.37	0.59
Real Estate	330	0.75	0.60	0.65	0.78
Professional Services	841	0.49	0.39	0.29	0.91
Management of Companies	111	0.18	0.22	0.14	0.28
Administrative Support Services & Waste Mgt.	722	0.38	0.44	0.49	0.55
Education	586	0.88	0.89	0.75	1.54
Healthcare and Social Services	7,688	2.04	2.35	2.45	1.57
Arts, Entertainment and Recreation	1,839	4.26	3.19	3.90	2.71
Accommodation and Food Services	2,677	1.09	1.03	1.14	0.98
Other Services	1,089	0.96	1.01	1.06	1.11
Total	24,564	1.00	1.00	1.00	1.00

Note: Vallejo has a location advantage in industries shaded in green. Source: Zip Code Business Patterns, Analysis by Author

Area, indicating that Vallejo has a comparative advantage in the healthcare sector.¹²

Industries that are linked to tourism, including arts, entertainment, recreation, accommodation, and food services together employed 4,516 workers in 2009, representing 18% of private sector employment. The sector is anchored by Six Flags Discovery Kingdom, which employed approximately 1,500 workers in 2009. Six Flags differentiates Vallejo in the regional economy, as northern California's largest amusement park. There are but a handful of major theme parks such as Six Flags Discovery Kingdom which have been built in the past 25 years and the presence of Six Flags in Vallejo firmly establishes the city as a tourism destination. As a result, the arts, entertainment, and recreation component of Vallejo's tourism-related sector has a high location quotient of 2.71 relative to Solano County and 3.90 relative to the Bay Area, employing a total of 1,839 workers in 2009 (inclusive of Six Flags). Hospitality industries, including dining and hotel establishments, together employed 2,677 workers in 2009, but despite the presence of Six Flags, Vallejo's hospitality sector is underdeveloped with location quotients that are on par with, or lower than, the region.

Other industries in Vallejo include, a diversified industrial sector that employs approximately 3,050 workers in three industries: construction (1,922 workers in 2009 or 7.8% of private sector employment – mainly in heavy civil engineering construction), warehousing and transportation (603 workers or 2.5% of employment), and manufacturing (529 workers or 2.2% of employment). Major employers in the sector include Transfield Services which employs over 500 Vallejo workers providing industrial maintenance services on five refineries in the region, cookware manufacturer, Meyer, Alstom (train car refurbishing), ALCO (recycling), Blu Homes, Earthquake Protection Systems, and other companies. The city's history also contributes to the continued existence of several maritime-related employers in ship deconstruction and maritime construction. These manufacturing-related companies contribute significantly to Vallejo's economic base through exports of goods and services that bring flows of funds into the Vallejo economy.

In addition to these employers, Vallejo is home to one additional smaller sector: a cluster of higher education institutions which include Touro University, Cal Maritime University, Solano Community College, and a new program offered by Sonoma State.

Industry Clusters

The four large industry clusters present in Vallejo together represent over 60 per cent of all employment in the city:

- (1) **Manufacturing and related industries** that include metal products manufacturing, maritime industries, construction-related manufacturing (such as earthquake systems), and goods transportation, logistics and distribution.
- (2) **Tourism**, which includes entertainment venues, hotels, and restaurants, and could potentially include tourism-related retail in the future.

¹² Any industry for which Vallejo has a location quotient greater than 1.00 indicates that Vallejo has a comparative advantage in that industry. See box, "About Location Quotients" for more information.

- (3) **Healthcare** and social assistance, which includes healthcare providers, residential care facilities, and some limited life-science related research.
- (4) **Higher Education.** Which includes the four university and college systems operating in Vallejo.

Growth or contraction of businesses in these four sectors will have the greatest impact on the economic growth of Vallejo and, by extension, the greatest fiscal impact on the city's tax revenues.

Table 3 Vallejo's Industry Clusters

Cluster	Employment At Vallejo Businesses 2009	Share of Employment at Vallejo Businesses	Vallejo's Share of Bay Area Employment	Examples
1. Manufacturing & Related Industries	3,300	12%	1.2%	
Construction-related manufacturing, Heavy civil engineering & industrial maintenance	1,900	8%	1.2%	Blu Homes, Transfield Services, Earthquake Systems, Yolano Engineers, civil engineering construction, contractors
Metal products manufacturing	200	1%	1.1%	Alstom, ALCO Iron and Metal, F&M Fabricators
Maritime industries*	At least 500	At least 2%	At least 0.5%	California Dry Dock Solutions, CS Marine Contractors, Cooper Crane & Rigging
Goods Transportation, logistics, & distribution	1,100	5%	0.5%	Trucking, logistics, and wholesale distributors
2. Tourism	4,600	18%	1.3%	Six Flags Discovery Kingdom, golf courses, museums, hotels and restaurants
3. Healthcare	6,700	27%	2.2%	Kaiser Permanente, Sutter, offices of physicians and other healthcare providers
4. Higher Education	At least 800	At least 3%	n.a.	Cal Maritime, Solano Community College, Touro University

At present, businesses operating in each of the four identified industry clusters are fragmented, participating in supply chains and value chains that are linked to the Bay Area region but are not centralized in Vallejo. For instance, the Bay Area is the world's leader in life science technology for better healthcare, it is a global tourist destination, and is known for having some of the most successful and respected higher education institutions in the world. Vallejo benefits from the existence of these regional industry clusters, but currently does not have a well-defined leadership position in any particular cluster.

Manufacturing and Related Industries Cluster

This industry cluster includes a diverse set of businesses that are engaged in the design, development, fabrication, assembly, refurbishing, logistics & distribution of a variety of products. The cluster also includes a number of clean technology and environmental services companies, companies engaged in maritime industries, metal and construction materials manufacturing, and heavy civil engineering construction.

Vallejo's manufacturing and related industries sector is likely to benefit from several current and anticipated future trends linked to growth in international trade. Higher labor costs in China, high energy prices for transporting goods, and risks of supply chain disruptions are pushing some manufacturing companies to relocate a portion of their operations that serve North American markets from Asia to the US. The Port of Oakland and other ports in the Bay Area play a pivotal role in the Nation's international trade, and increasing ties with high-growth markets in Asia will likely bring both inward foreign direct investment, as well as greater export opportunities for American firms. At the same time, congestion at the Port of Oakland threatens to adversely affect the Bay Area's advantage for international trade. As a result several coordinated efforts are under way to increase the shipping capacity and shorten wait times at the Port. Vallejo has an opportunity to benefit from trade-related investment and play a role in solving a portion of the congestion problems at the Port of Oakland, by providing water-based transportation access to the Port, which helps firms to avoid long wait times for trucks entering the port.

In addition, growing demand for manufacturing, construction, repair and maintenance services in the Bay Area is being met with limited supply of manufacturing-friendly jurisdictions, creating a niche opportunity for Vallejo to capture this growth. California's regulatory environment has pushed a large portion of manufacturing out of the state. There is a similar trend at the local level in which some Bay Area cities have enacted policies that discourage manufacturing. Because a portion of all manufacturing, construction, repair and maintenance activities serving Bay Area markets must be produced locally, Vallejo has an opportunity to meet this demand, attracting new investment.

International logistics is an important part of the goods movement value chain and Vallejo benefits from a steady supply of highly-skilled international trade professionals graduating from Cal Maritime's international business programs. Graduates from Cal Maritime are in high demand in global logistics and shipping industries and thus any logistics firm locating in Vallejo gains access to a world class supply of human capital.

Over the past decade, California has experienced high growth in clean technology and environment-related industries. There are several green tech and environmental companies that are located in Vallejo, operating in several sub-sectors including recycling, green energy, environmental remediation, clean water technologies, and green manufacturing.

The state’s green energy policy, the high level of clean technology R&D, and the critical mass of clean tech investment capital available in the Bay Area all support ongoing growth of this regional cluster.

Discussions with the Solano Workforce Investment Board and with several business leaders in Vallejo revealed that most

stakeholders view the opportunities for clean and green manufacturing businesses in Vallejo to be similar to that of all manufacturing businesses, and therefore clean tech businesses have been grouped with the larger group of Vallejo’s manufacturing-related businesses in this plan.

Vallejo’s manufacturing-related sector may also benefit from other regional manufacturing drivers including the expansion of the region’s food and wine product industry, the regions life sciences cluster (which includes life science manufacturers), and other clusters which have been identified as priority sectors for Solano County and the Bay Area.

Transportation, logistics, and distribution (TLD) services are linked to this cluster through derived demand for movement of goods. TLD businesses represent 5% of private sector employment in Vallejo and the city has high location quotients for businesses engaged in logistics, trucking, and wholesale trade, but does not currently have any business establishments engaged in operating general or specialized warehousing facilities. Currently, most shipping from Vallejo occurs by truck. Rail-based shipping is available through Mare Island Rail. Vallejo has a small amount of employment in water transportation, but no water-based shipping of goods currently occurs from Vallejo and the water channels serving Mare Island are not currently dredged (although these channels do exist along dredged channels connecting the Ports of Oakland, Stockton, and West Sacramento).

The assets left by the Navy on Mare Island, including highway access, heavy bridge capacity, rail access, industrial real estate, and deepwater access have proven attractive to a wide variety of companies in this cluster and the island has attracted employers engaged several manufacturing-related industries including:

- Concrete Production
- Metal Products Manufacturing
- Heavy Civil Engineering Construction
- Heavy Construction Contractors (structural steel, concrete, marine construction, building equipment, etc)
- Engineering Design Services

Vallejo’s manufacturing sector can increase its competitiveness through improvements to transportation infrastructure and capacity, including water-based transportation, rail transportation, and improved highway access.

Green Tech Companies on Mare Island



Tourism Industry Cluster

Tourism is the second-largest economic sector in Vallejo. Solano County enjoys over \$500 million in travel, tourism and hospitality spending annually and across the county, the sector supports 6,800 jobs, produces \$25.3 million in state tax receipts and \$6.2 million in local tax receipts.¹³ Each 1% increase in tourism spending produces \$65,000 in local tax receipts across Solano County. Over \$1.4 million is generated annually for the City of Vallejo's General Fund through the Transient Occupancy Tax (TOT).¹⁴ Major assets that support growth of Vallejo's tourism sector include:

- Six Flags Discovery Kingdom, a major driver of demand and a unique resource that differentiates Vallejo as a family entertainment destination.
- Developments that are currently in planning including the Downtown Arts and Entertainment District, Solano 360 (a mixed use entertainment venue), and the Napa Valley Vine Trail, a proposed 44-mile scenic Class I paved bike trail, stretching from the Vallejo Ferry to Calistoga.
- Recent completion of construction along Mare Island Way offering scenic views, marina access, and waterfront recreation.
- Other family-related tourism assets such as Inventors Lab, Mare Island Shoreline Heritage Preserve, the Northern California Pirate Festival and other similar assets.
- Vallejo's rich naval heritage and history.
- Proximity to other tourism attractions including Napa, California's second-largest tourism destination and other culinary tourism attractions in the county.
- The Vallejo Convention and Visitor Bureau (VCVB), which promotes the city as a destination for overnight travel.
- Direct ferry access to Vallejo from San Francisco.

Vallejo's tourism sector benefits from high quality attractions; however, supporting services to address tourism demand are underdeveloped. Business owners and other stakeholders interviewed as part of the planning process reported that most of Vallejo's restaurant and specialty shopping options are not designed to serve visitor and tourism markets. The city has a comparatively low concentration of hotels, bars, and restaurants, and related hospitality industries. As a result, the City of Vallejo does not capture tourism-related spending and sales tax revenues, which instead go to neighboring jurisdictions. A lack of well-developed second-day attractions reduces the potential for overnight stays. Finally, public safety concerns and negative attributes of Vallejo's reputation discourage some people in the Bay Area and surrounding region from visiting Vallejo or staying overnight in Vallejo.

¹³ Source: California travel Association (2009); http://www.caltravel.org/cttc_stats/2010/Solano.pdf

¹⁴ Source: Vallejo Convention and Visitors Bureau

Healthcare Industry Cluster

The healthcare industry cluster is Vallejo's largest, employing over 6,600 workers. The presence of two large hospitals (Kaiser Permanente and Sutter) has supported the growth of a diversified healthcare sector, which has been a major driver of economic growth in Vallejo. Between 1999 and 2009, total employment in Solano County grew by 12%, while employment in the healthcare sector grew three times faster, increasing by 38%. Despite changes to Medicare, most forecasts expect employment in the healthcare sector to continue to grow in the long term. The State of California Economic Development Department expects healthcare employment in Solano County to grow by 17% between 2008 and 2018.

Vallejo's healthcare cluster serves both local and regional clients, and represents 2.2% of all healthcare employment in the Bay Area, which is a large percentage given that total private sector employment in Vallejo represents only 0.8% of Bay Area employment. Vallejo's commuter workforce includes a significant number of healthcare workers who can support additional expansion in the healthcare cluster in Vallejo. There are 6,400 Vallejo residents who commute out of Vallejo to work elsewhere in the regional healthcare industry.

Vallejo is home to Touro University's west coast campus which offers programs in osteopathic medicine, pharmacy, physician assistant studies, and public health to over 1,400 students. Touro owns a 44-acre campus on Mare Island and plans to expand, adding a nursing program in the future. The university has been awarded \$9 million in NIH research grants and plans to add research capacity in the future.

The healthcare sector is diversified with multiple healthcare specializations and good opportunities for new growth in laboratories, research, public health and residential care.

Table 4 Vallejo's Healthcare Sector Employment, 2009

Healthcare Industries	Private Sector Employment 2009			Vallejo Share of Bay Area	Vallejo LQ vs. Bay Area
	Vallejo	Solano County	Bay Area		
Total Employment	24,564	100,323	2,938,307	0.8%	1.0
Total Healthcare	6,658	17,431	305,073	2.2%	2.6
General medical and surgical hospitals	2,376	5,168	91,518	2.6%	3.1
Offices of physicians	1,934	3,515	64,386	3.0%	3.6
Offices of dentists	469	1,451	31,910	1.5%	1.8
Nursing care facilities	324	1,047	25,210	1.3%	1.5
Homes for the elderly	280	503	10,866	2.6%	3.1
Residential mental retardation facilities	254	417	4,057	6.3%	7.5
Residential mental health and substance abuse facilities	239	303	4,878	4.9%	5.9
Home health care services	177	546	12,792	1.4%	1.7
Psychiatric and substance abuse hospitals	171	1,675	4,454	3.8%	4.6
Ambulance services	158	184	3,177	5.0%	6.0
Kidney dialysis centers	56	212	2,356	2.4%	2.9

Healthcare Industries	Private Sector Employment 2009			Vallejo Share of Bay Area	Vallejo LQ vs. Bay Area
	Vallejo	Solano County	Bay Area		
Family planning centers	31	80	1,463	2.1%	2.5
HMO medical centers	31	69	1,056	2.9%	3.5
Offices of optometrists	21	100	3,264	0.6%	0.8
Physical, occupational & speech therapists, and audiologists	20	103	4,391	0.4%	0.5
Outpatient mental health and substance abuse centers	19	64	2,926	0.6%	0.8
Offices of mental health practitioners (except physicians)	19	83	1,951	1.0%	1.1
All other outpatient care centers	16	733	5,809	0.3%	0.3
All other healthcare	62	1,177	28,608	0.2%	0.2

Source: Current Employment Statistics Database, Censtats Database, Analysis by Author

Threats to future growth of Vallejo’s healthcare sector include:

- Public safety issues and high-crime in Vallejo, which may dissuade some clients outside the area from seeking care in Vallejo.
- Negative attitudes and perceptions of Vallejo.
- High remediation-related costs for the Touro campus expansion on Mare Island.

Higher Education Industry Cluster

Higher education institutions bring a positive economic benefit to Vallejo. Each of Vallejo’s three major higher education institutions have experienced expansions over the past decade and are likely to continue to do so in the future.

Cal Maritime University is the only public maritime academy on the West Coast and graduates are in high demand globally, earning some of the highest starting wages of any university in the United States. The university is part of the Cal State System and currently has 900 students enrolled, all of which live on campus. A 2010 study commissioned by the University found that it is responsible for over \$50 million in annual spending which translates to \$77 million in economic benefit in the Bay Area regional economy and more than \$88 million statewide. The economic impact of the university results in the generation of more than \$4.4 million in local tax revenues, a portion of which is captured in Vallejo. These impacts come from a combination of university spending and spending by students, faculty and visitors. Expansions of programs at the university could potentially lead to campus expansions and new investment and development in Vallejo. However, challenges related to financing expansion may deter investment or development.

Touro University currently has approximately 1,400 students and 300 full time faculty and staff, plus additional part-time faculty and faculty on rotation. The university offers programs in Osteopathic medicine, pharmacy, and public health. There are 23 buildings on the campus but only six are currently in use for instruction or research purposes. Expansion opportunities exist at Touro University to conduct more research, but are hampered by high remediation and construction costs to prepare buildings for

use as R&D space. The university has made application to add a nursing school in the future, which will significantly increase the size of the campus when the expansion occurs.

Solano Community College opened a new Vallejo center campus in 2007 and has nearly 2,500 full-time and part-time students enrolled, offering programs in high-demand disciplines such as community justice occupations, medical technicians and front-office occupations. The college does not have any planned expansions at this time, but the campus has added classes offered through Sonoma State University and has expansion capacity to accommodate 3,000 enrolled students at the current facility.

In interviews, senior officials at these three institutions reported that their main challenges for growth in Vallejo were related to:

- Lack of dining and entertainment amenities in Vallejo, which makes it difficult to attract and retain faculty and students.
- Challenges related to expansion (high costs).
- The potential for state-funded institutions to be affected by funding cuts.
- Concerns related to Vallejo's quality of life including concerns about crime and public safety.
- Concerns about the poor condition of North Mare Island, which is a particular concern for Touro because many students and faculty visiting the campus have a negative impression of the location of the University.

Workforce

Several characteristics distinguish Vallejo’s workforce as an untapped resource to support Vallejo’s economic growth. Vallejo’s workforce is highly diverse, highly-skilled at the technician (2-year degree) level, multi-lingual, and underutilized (about 60% of residents commute out of Vallejo for work). Long-term risks for the city include an aging workforce and an underperforming secondary education system. Educational attainment is low for Bachelor’s level and higher degrees, and Vallejo high school drop-out rates are among the highest in California. Unaddressed, these risks will undermine the long-term prosperity and quality of life.

Professional site selectors and corporate real estate professionals surveyed for this plan ranked the availability of a skilled labor force as the single most important factor in making a site selection decision. There is significant economic development potential associated with Vallejo’s resident labor force, especially for companies that want to gain access to a base of skilled workers who commute out of Vallejo for work. Historically, the advantages of Vallejo’s workforce have not been well-understood and therefore have not been promoted as an advantage for businesses locating in Vallejo.

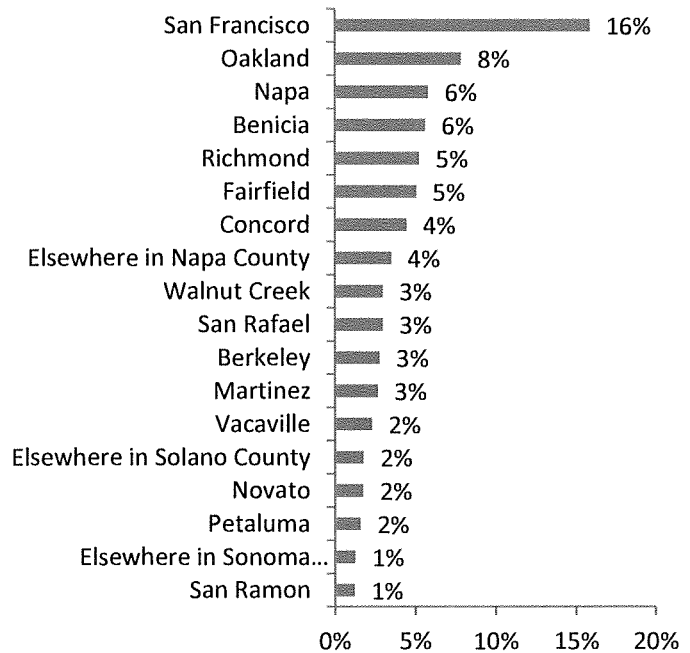
Vallejo has a highly-skilled workforce, especially at the technician level. Approximately 31% of workers in Vallejo have an associate’s degree or some college education, compared to 22% of workers in the Bay Area.¹⁵ Businesses that require workers with this skill level will benefit from locating in Vallejo.

The majority of Vallejo residents commute out of the city for work; this out-commuting workforce is experienced and well-suited to support growth in a variety of industries, in particular:

- Manufacturing, Transportation, Warehousing, and Logistics
- Healthcare
- Professional, Insurance, and Financial Services (back-office operations)

Approximately 53% of all Vallejo commuters work in one of these three sectors.

Figure 2 Place of Work for Vallejo Residents who Commute Out for Work (share of out-commuters)



Source: American Community Survey 2010

¹⁵ Source: American Community Survey 2010

Commuters from Vallejo

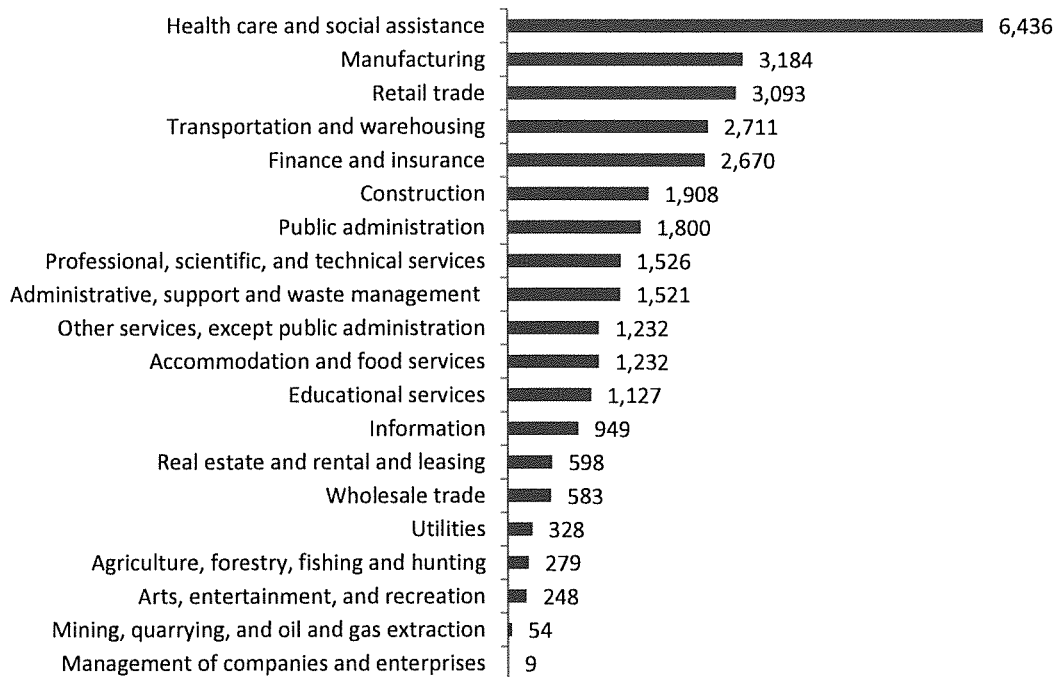
Vallejo’s large commuter workforce is a useful asset for attracting employers that typically encounter difficulty in recruiting qualified workers. Cities with a large commuter workforce are sometimes able to experience strong economic expansion by attracting employers who face difficulties recruiting the workers they need. Commuters with long commute times are then targeted for recruitment at jobs closer to their home without the long commute.

According to the American Community Survey (ACS), in 2010, approximately 31,500 workers, or about 61% of Vallejo’s employed residents, commuted out of the city for work. About a third of Vallejo commuters have commute times that are over 30 minutes. A third work regionally and have commute times that are between 21 and 30 minutes. Another third work relatively nearby and have commute times of 20 minutes or less.

Approximately 30% of Vallejo residents commute to work in San Francisco, Oakland, or Napa and 20% work in Benicia, Richmond, Fairfield or Concord (see Figure 3).

Vallejo’s Experienced Commuter Workforce

Figure 3 Vallejo Residents who Commute Out of Vallejo for Work: Workers by Industry of Employment, 2010



Source: American Community Survey (ACS) 2010, Analysis by RDA Global Note: ACS data shows that 61% of employed Vallejo residents work outside of the City of Vallejo. Census 2000 figures estimate 70% of Vallejo residents are commuters. Data from the 2010 Census is not yet available for commuters at the time of writing of this report.

The city’s commuting workforce is highly experienced in the industry clusters that drive much of Vallejo’s growth, and this supply of experienced workers could support expansion of these industries. While manufacturing-related businesses in Vallejo employ approximately 3,300 workers, manufacturing-related employers outside of Vallejo employ over 7,800 Vallejo residents. Approximately 20% of commuters from Vallejo, or 6,400 workers, are employed in the healthcare sector, the largest employer industry of Vallejo commuters. With approximately 6,700 healthcare jobs in Vallejo, commuters alone could support an extensive expansion of Vallejo’s health services industry. Over 40% of commuters work in one of the following six industries: Manufacturing (3,200 commuters), Transportation / Warehousing (2,700 commuters), Construction (1,900 commuters), Finance / Insurance (2,700 commuters), Professional, scientific and technical services (1,500 commuters) or Administrative Services (1,500 commuters).

Vallejo is a net supplier of skilled workers to the Bay Area for a variety of occupations. Vallejo has a high location quotient for healthcare support occupations, healthcare technologists and technicians, and health diagnosing and treating practitioners and related technical occupations. The city is home to over 1,200 law enforcement workers, firefighting workers, and protective service workers who are employed outside of Vallejo. Vallejo also has a surplus of workers in occupations that support the manufacturing and related industries cluster including materials moving occupations, transportation occupations, and construction occupations.

Table 5 Occupations that Vallejo Supplies to the Bay Area: Selected Categories for Which Vallejo Has a Location Quotient Greater than 1.00.

Occupation	Vallejo Employed Labor Force (Residents)	Vallejo Commuting Labor Force (Residents)	Share Commuting Out	Vallejo Location Quotient vs. Bay Area
Healthcare support occupations	2,244	1,356	60%	2.08
Law enforcement workers including supervisors	696	643	92%	1.78
Health technologists and technicians	1,035	925	89%	1.52
Fire fighting and prevention, and other protective service workers including supervisors	721	596	83%	1.52
Material moving occupations	1,330	200	15%	1.41
Transportation occupations	2,062	975	47%	1.36
Office and administrative support occupations	8,885	5,375	60%	1.28
Construction and extraction occupations	3,027	2,246	74%	1.25
Community and social service occupations	783	525	67%	1.21
Installation, maintenance, and repair occupations	1,753	1,023	58%	1.19
Building and grounds cleaning and maintenance occupations	2,573	1,723	67%	1.17
Health diagnosing and treating practitioners and other technical occupations	1,761	1,321	75%	1.07
Personal care and service occupations	2,081	802	39%	1.04

Workforce Supply for the Healthcare Industry Cluster

Vallejo healthcare employers employ 7,700 workers, of which 2,300 are Vallejo residents. There are 6,400 Vallejo residents who commute outside of Vallejo to work in the regional healthcare industry.

Vallejo's healthcare workforce is highly-educated; healthcare practitioners, including physicians, nurses, and other allied health professionals, represent 42% portion of Vallejo's healthcare commuter labor force. Over a quarter of Vallejo's healthcare workforce (27%) work in healthcare support occupations which include licensed practical nurses, physical therapy assistants, home health aides and other workers. Management, business & financial, and office & administrative support together represent 20% of the workforce with the remainder of workers employed in a diverse set of occupations.

Figure 4 Supply and Demand for Healthcare Workers in Vallejo 2010

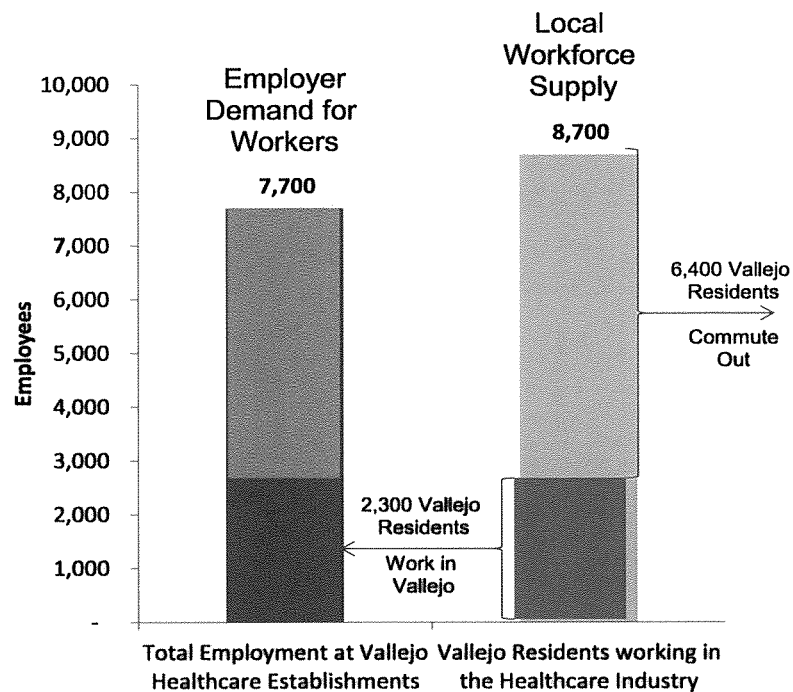


Figure 5 Share of Vallejo's Resident Labor Force by Occupation, 2010



Source: American Community Survey

Workforce Supply for the Manufacturing and Related Industries Cluster

Vallejo's has a sizable and unutilized resident workforce with manufacturing sector experience. Nearly 3,200 Vallejo residents commute outside the city to work in a manufacturing industry.

Vallejo residents commuting out have experience in many manufacturing sub-industries ranging from food products to aerospace, to medical equipment and pharmaceuticals to high-tech. About a third of these workers work in production occupations, nearly a fifth are in business or finance occupations, and a significant portion (12%) are highly-skilled workers employed in engineering and architectural occupations.

Vallejo also has a sizable resident workforce with logistics, transportation, and warehousing experience. About 2,700 Vallejo residents commute outside the city to work in for transportation or warehousing industry employers. Most of these workers (61%) are in materials moving occupations such as truck

Figure 6 Manufacturing industries where Vallejo Commuters Work (2010)

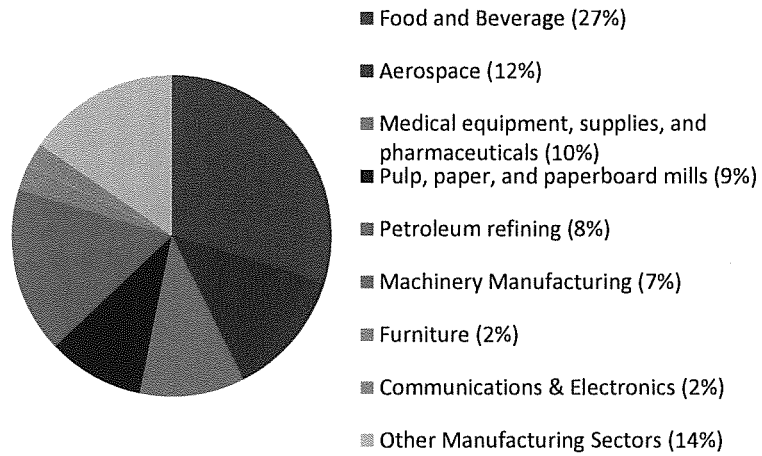


Figure 7 Occupations of 3,200 Vallejo Residents who Commute out to work in Manufacturing (2010)

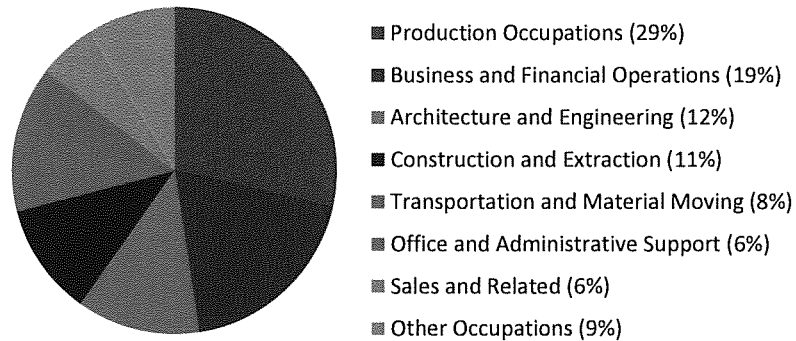
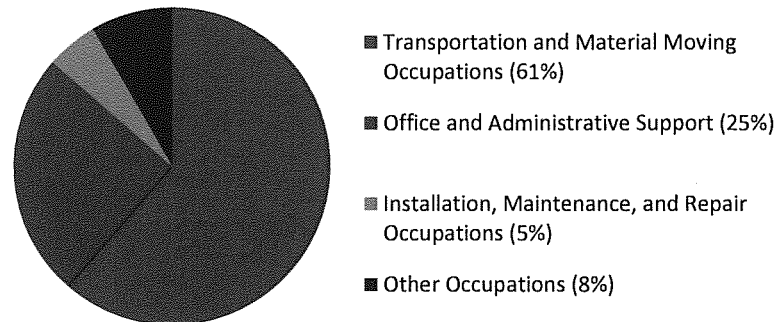


Figure 8 Occupations of 3,200 Vallejo Residents who Commute out to work in Manufacturing (2010)



Source: American Community Survey

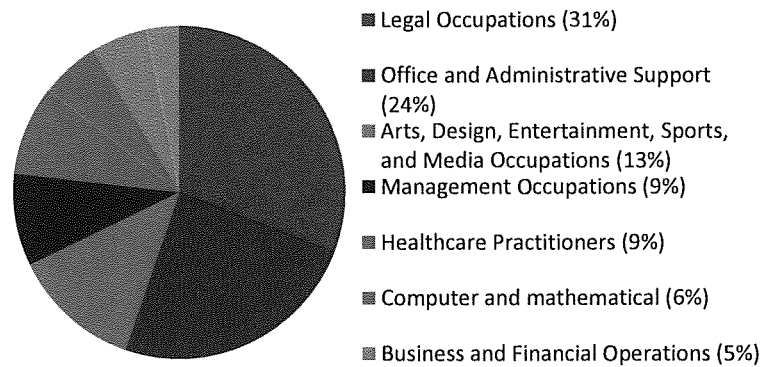
drivers, shippers, packers, and related occupations. A quarter are employed in office administration and support occupations which include tactical-level and operation-level logistics occupations. A small portion (5%) are workers in maintenance occupations (e.g. mechanics). Graduates from Cal Maritime’s international business programs could potentially add to the attractiveness of Vallejo’s transportation and logistics workforce, however, retention of graduates is currently low with nearly all graduates taking jobs outside of Vallejo.

Professional Services, Finance, and Insurance

While Vallejo is not a major center for professional services, insurance, and financial services, 4,200 Vallejo residents commute out to work in these industries.

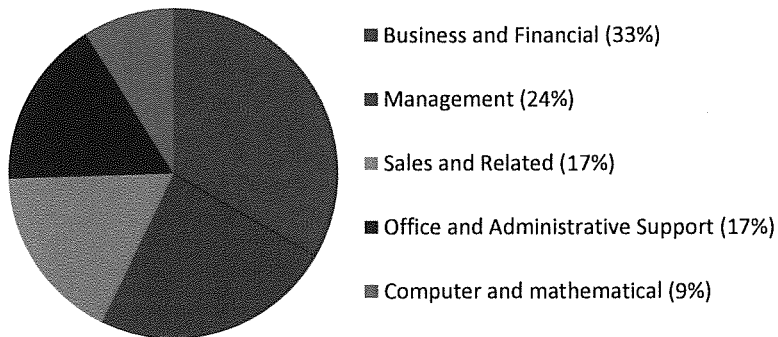
About 2,700 Vallejo residents commute outside the city to work in the financial services industry. This industry employs many white collar occupations. About a third of these workers are in business and finance occupations and a quarter work in management occupations. A small component of these workers (9%) is employed in information technology occupations. The remaining third of these workers are split between sales and office/administrative occupations.

Figure 9 Vallejo Residents who Commute out to work in Professional Services



Note: Healthcare practitioners are employed outside the healthcare industry (e.g. research).

Figure 10 Vallejo Residents who Commute out to work in the Financial Services Sector



Source: American Community Survey

About 1,500 Vallejo residents commute outside the city to work in a professional services industry, which includes business services, IT services, legal services and related sectors. Nearly a third (31%) of these workers are attorneys or workers in other legal occupations. A quarter of these workers are employed in office and administrative support occupations. Nearly a fifth are specialists in IT, healthcare, or engineering-related occupations.

Tourism & Higher Education Work Force

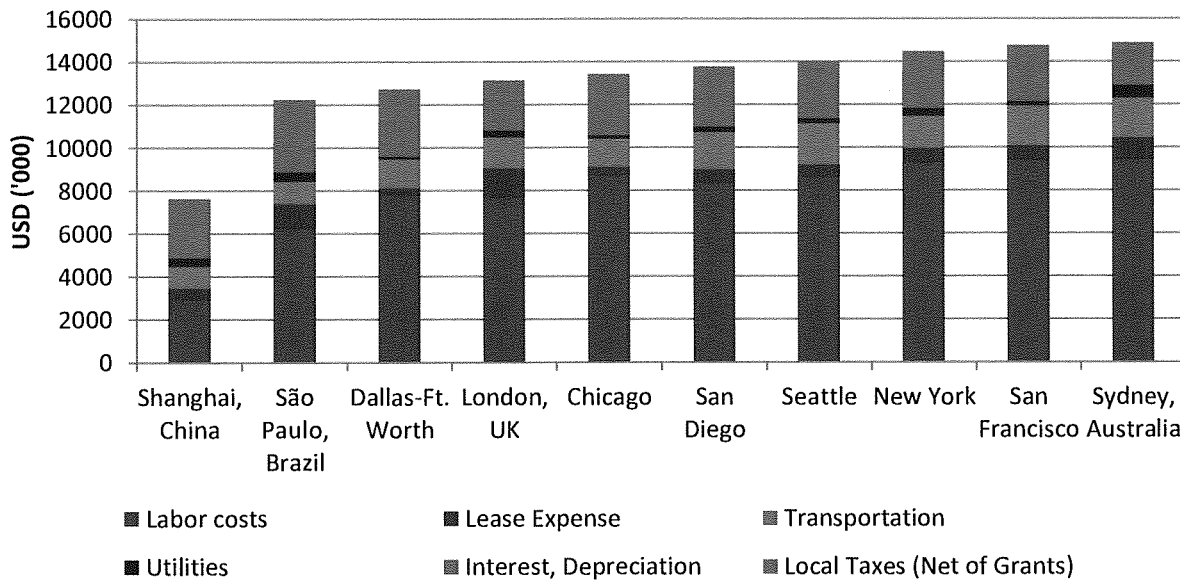
The tourism sector, anchored by Six Flags, employs approximately 4,500 workers in Vallejo. Discussions with Six Flags management revealed that the organization was able to find adequate workforce to support their operations, although a portion of the workforce comes from workers outside of Vallejo. There is an adequately large portion of the out-commuting workforce that is employed in hospitality, retail, and entertainment industries and Vallejo's unemployed population can further support expansion of tourism industries in Vallejo.

Vallejo's workforce is well-suited to support the business, maintenance, and operational functions for universities. The local workforce is not as critical a consideration for growth in the higher education sector because professors, instructors and research staff are typically recruited on a national basis.

Low Costs of Doing Business

The San Francisco Bay Area is well known as a comparatively expensive place to do business. KPMG’s annual study of average costs of doing business in global cities ranks the San Francisco Area as one of the most expensive cities in the world, ahead of NYC, London, and several other global centers.

Figure 11 Ten Year Average of Annual Operational Costs in Selected Metro Areas



Source: KPMG Competitive Alternatives 2012. www.competitivealternatives.com

For companies that locate in the San Francisco Bay Area, Vallejo is one of the most cost-competitive cities from which to do business.

For many businesses, wage and salary expenses are the largest cost category. Depending on a company’s workforce requirements, locating in Vallejo may offer access to a cost-effective workforce.¹⁶ Average wages per job in the Vallejo-Fairfield MSA were \$37,935 in 2010, 30% lower than the average for California (\$54,399) and about half of the average wage for workers in all Bay Area counties (\$71,595).

Costs for land and real estate in Vallejo are among the lowest in the Bay Area. There are 34 cities in the Bay Area that have a population exceeding 50,000, and out of these cities, Vallejo ranks as having the second-lowest assessed property value per capita in 2008/09.¹⁷ Vallejo and North Bay have historically offered competitive office and retail lease rates. Average office space lease rates in the Vallejo-Fairfield-Napa market in 2011 were 18% lower than San Francisco and 11% lower than Oakland. Retail lease

¹⁶ This advantage will vary based on the workforce requirements of any business and the radius from which a business attracts workers.

¹⁷ Source: California State Controller and Dept of Finance. Calculations by California City Finance: <http://www.californiacityfinance.com/#PROPTAX>

rates for Vallejo-Fairfield-Napa are 40% lower than San Francisco and 31% lower than Oakland. For warehouse space, rents in Oakland in 2011 were only slightly lower than the average paid in the Vallejo-Fairfield-Napa area.

New development triggers a variety of development-related fees including entitlement fees, construction fees, development taxes, and impact/capacity fees. For any project, impact and capacity fees are typically the largest component of development-related fees. A comparison of published impact fee schedules in 15 Bay Area cities reveals that Vallejo's impact fees for new industrial development are highly competitive. Out of 15 Bay Area cities, Vallejo ranked as having the second-lowest estimated impact fees for a benchmark new 100,000 sq ft industrial development.¹⁸ Estimates of impact fees were lower only in San Jose, which recently introduced a short term reduction in impact fees until June 31, 2014.

For most businesses, business license fees are a small component of the cost of doing business, but progressive business license fees in some jurisdictions can result in high annual business license costs. Among 35 cities reviewed in the Bay Area, Vallejo has the third-lowest business license fee structure for professional firms and the fourth lowest fee structure for manufacturing firms. Vallejo allows both professional and manufacturing businesses the option to pay a flat fee of \$150 or alternatively calculate its business license fee based on gross receipts, regardless of firm size. Most cities do not place caps on their business license fees and no other cities offer an *alternative* flat fee option for business license fees.

For businesses with a large utility usage expense, Vallejo is less competitive than some Bay Area cities. Vallejo's utility tax rates, at 7.4%, are higher than the average rate of 5.7% for 17 selected Bay Area cities with a population over 50,000. Utility tax rates are lower in Fairfield (average utility rate of 2.0%), Sunnyvale (2.0%), Cupertino (2.4%), Mountain View (3.0%), Redwood City (4.3%), Gilroy (4.6%), San Jose (4.7%), Daly City (5.0%), Palo Alto (5.0%), Hayward (5.5%), and San Leandro (5.8%). Rates in Alameda, Berkeley, Oakland, and San Francisco are higher than Vallejo at 7.5%.

¹⁸ Estimates are calculated using fee schedules available on city government websites, and may not be inclusive of all potential developer impact fees associated for a particular project. Some municipalities do not publish all fees online and some cities require a developer to submit a project plan before the city will calculate an estimate of fees. Numerous complexities are involved in creating an accurate basis for total fee comparison and therefore these cost estimates are intended to serve as a general guide for comparative purposes between Bay Area cities, not an exact cost estimate. Permitting, application, design review, engineering and other taxes and fees are not included in this cost comparison, and vary significantly by municipality.

Labor Costs

Table 6 Average Wages per Job, Selected Geographies, 2010

Area	Average Wage per Job
Santa Clara	\$ 90,208
San Francisco	\$ 78,228
San Mateo	\$ 75,174
Bay Area Average	\$ 71,595
Alameda	\$ 62,357
Contra Costa	\$ 59,317
Marin	\$ 56,801
California	\$ 54,399
Solano	\$ 48,125
Napa	\$ 46,987
Sonoma	\$ 45,676
Vallejo-Fairfield MSA	\$ 37,935

Source: Bureau of Economic Analysis

Real Estate and Rents

Table 7 Assessed Real Estate Value Per Capita for 34 Bay Area Cities with Population over 50,000, 2008/09

City		Assessed Value Per Capita	City		Assessed Value Per Capita	City		Assessed Value Per Capita
1	Palo Alto	\$ 341,678	13	Livermore	\$ 162,868	24	San Leandro	\$ 116,712
2	Pleasanton	\$ 244,051	14	Sunnyvale	\$ 159,151	25	Concord	\$ 108,620
3	San Ramon	\$ 235,226	15	Milpitas	\$ 156,227	26	Union City	\$ 108,578
4	Cupertino	\$ 228,120	16	Fremont	\$ 152,962	27	Hayward	\$ 104,753
5	Walnut Creek	\$ 201,578	17	Petaluma	\$ 133,747	28	Fairfield	\$ 104,551
6	South San Francisco	\$ 195,044	18	Gilroy	\$ 130,326	29	Vacaville	\$ 101,248
7	Santa Clara	\$ 194,269	19	Richmond	\$ 129,022	30	Antioch	\$ 100,490
8	Mountain View	\$ 193,016	20	San Jose	\$ 119,351	31	Oakland	\$ 97,904
9	Redwood City	\$ 189,300	21	Alameda	\$ 118,830	32	Pittsburg	\$ 95,693
10	San Mateo	\$ 173,751	22	Berkeley	\$ 118,823	33	Vallejo	\$ 85,925
11	Novato	\$ 171,708	23	Napa	\$ 117,098	34	Daly City	\$ 84,659
12	San Francisco	\$ 168,037						

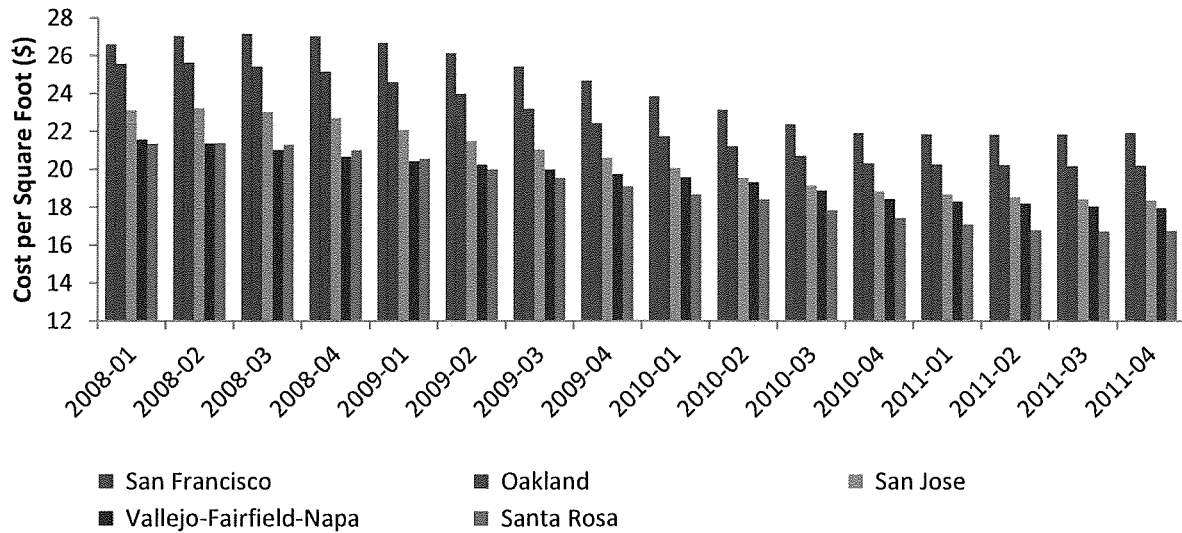
Source: Computations by CaliforniaCityFinance.com from State Controller and Dept of Finance data.

Table 8 Average Lease Rates by Market, 2011

Market	Office	Retail	Warehouse
Oakland	\$ 20.22	\$ 22.23	\$ 7.93
San Francisco	\$ 21.93	\$ 25.35	\$ 10.75
San Jose	\$ 18.37	\$ 26.53	\$ 9.88
Santa Rosa	\$ 16.76	\$ 16.48	\$ 7.73
Vallejo-Fairfield-Napa	\$ 17.97	\$ 15.29	\$ 8.12

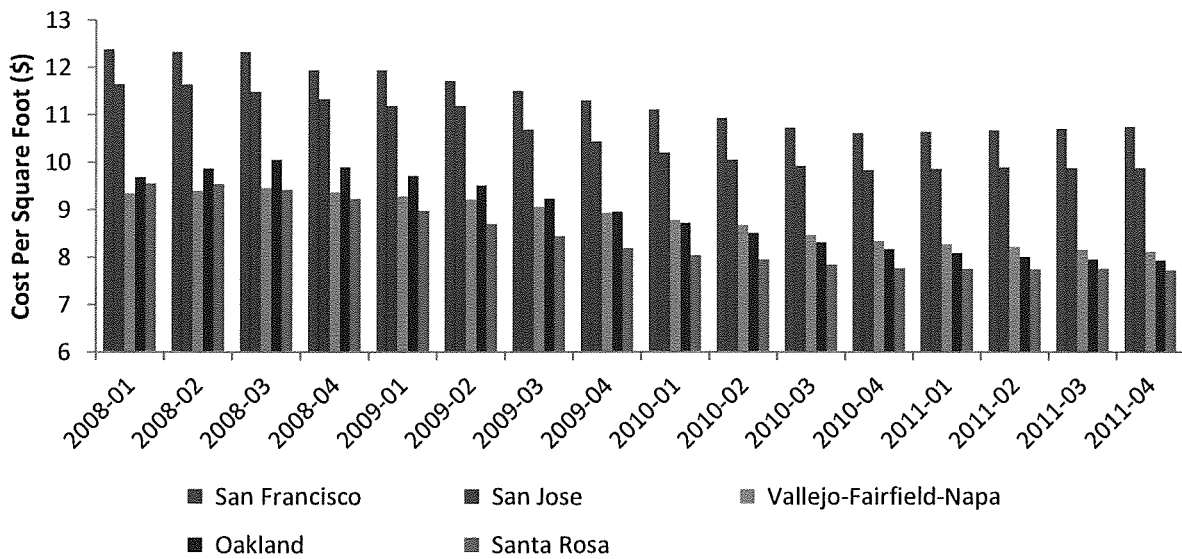
Source: Boxwood Means, Lease Rate Database

Figure 12 Average Rent per Square Foot for Office Space, Selected Markets



Source: Boxwood Means

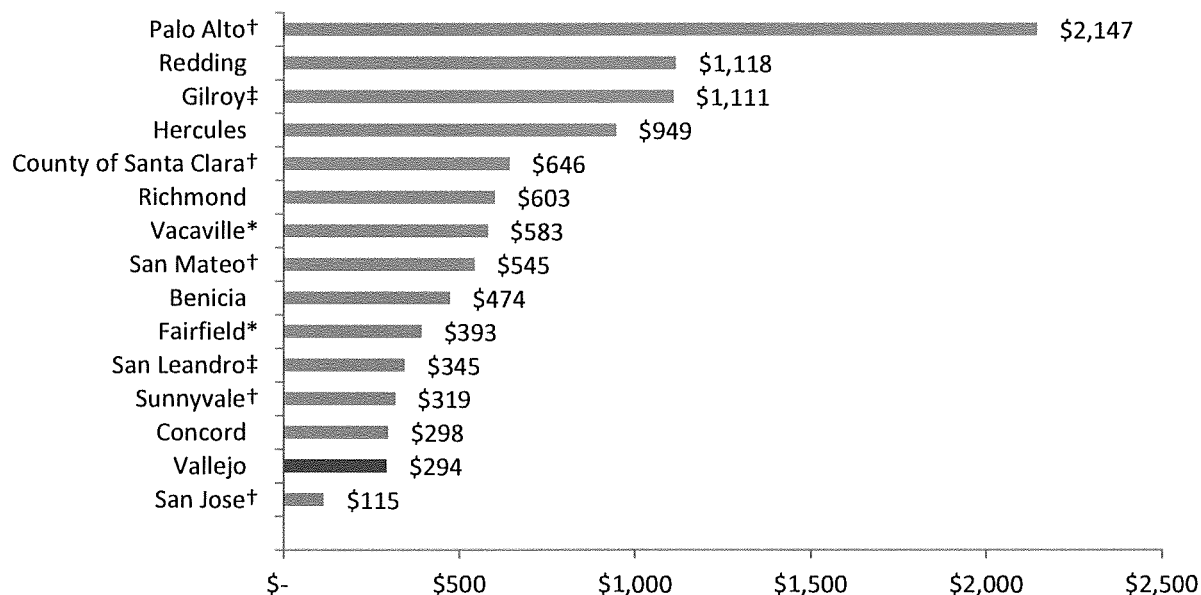
Figure 13 Average Lease Rate per Square Foot for Warehouse Space, Selected Markets



Source: Boxwood Means

Development Impact Fees

Figure 14 Development Impact Fees for 100,000 Sq Ft New Industrial Development –Selected Markets 2011-2012 (\$ '000)



Source: Calculations are based on published development fee schedules unless otherwise noted. Comparisons based on a new 100,000 sq ft industrial or light industrial development. Vallejo: fees include Solano County Public Facilities Fees, Vallejo City Unified School District Fees, City Transportation Impact Mitigation Fee, Area Special District Fees, City excise tax, Overpass Fund #211 Excise Tax, Overpass Fund #211 Surcharge, and General Fund #001 Excise Tax. Redding: includes fire facilities impact fee, Dana Drive traffic impact fee, North Redding Traffic Benefit District fee, city-wide traffic impact fees, water connection fee, sewer system and storm drain impact fees. Hercules: Development impact fee schedule includes per 1,000 square foot rates for: General public facilities, police, fire, traffic and sewer facilities fees, and a West county Sub-regional Transportation Mitigation fee. Richmond: includes sewer, traffic, storm drainage, library, police and fire facilities impact fees as well as a Sub-regional Transportation Mitigation Program (STMP) fee. Benicia: includes traffic impact fee, capital license industrial use fee, water and sewer connection fees, water meter fee, school impact fee and the Solano County Public Facilities fee. Concord: the fee calculation includes an off-site street improvement program impact fee of \$2.98/1,000 square feet of building space (the only “impact fee” imposed by the City of Concord). Development costs could be significantly higher than this estimate, however most development-related fees published by the City of Concord are either flat fees or hourly rate fees for city Planning or Engineering personnel to review documents submitted by the developer.

†Source: City of San Jose, 2010-11 Bay Area Cost of Development Survey, Analysis includes entitlement fees, construction fees, impact/capacity fees and development taxes for 100,000 sq ft. industrial property situated on 4.5 acres. Morgan Hill, which was included in the survey, was excluded from this comparison because the Redevelopment Authority program, which has historically paid impact fees for developers, has been discontinued.

*Source: City of Fairfield, Development Impact Fee Program Review, March, 2012

‡ Additional assumptions on water and sewer capacity are used for Gilroy and San Leandro. Gilroy: fees include storm development impact fee, traffic impact fee and public facilities impact fee. Sewer and water development impact fees (\$3,966/CGPD and \$8,208/KGPD, respectively for commercial/industrial development) are based on volume. Assumed volume of 10,000 gpd capacity for water and sewer. Actual development fees in Gilroy could be higher than estimated, based on the intended water and sewage use of the development. San Leandro: includes street improvement development fees, school district fee assessments, and a long range planning fee. Sewer connection fees are volume or use-based, and are calculated with an assumption of 10,000 gpd water capacity. Actual fees will vary based on factors unique to each development project.

Business license costs

Business license costs are calculated differently in each city, based on factors such as gross receipts, employment, payroll, value added in manufactured goods, or other criteria.

Table 9 Basis for Calculating Business License Fees for Bay Area Cities with Population over 50,000 – Professional Businesses

Revenues or Gross Receipts	Employees	Payroll	Other
<ul style="list-style-type: none"> • Antioch • Berkeley • Brentwood • Concord • Daly City • Fairfield • Fremont • Gilroy • Hayward • Livermore • Napa • Oakland • Petaluma • Pittsburg • Pleasanton • San Mateo 	<ul style="list-style-type: none"> • Milpitas • Novato • Redwood City • Richmond • San Jose • San Leandro • San Ramon • Santa Clara • South San Francisco • Sunnyvale • Vacaville 	<ul style="list-style-type: none"> • Alameda • San Francisco • Union City 	<ul style="list-style-type: none"> • Cupertino (Square Feet) • Mountain View (Flat Rate - \$30) • Palo Alto (No Business License Requirement) • Vallejo (Option of Flat Fee or Gross Receipts based fee)

Table 10 Basis for Calculating Business License Fees for Bay Area Cities with Population over 50,000 – Manufacturing Businesses

Revenues or Gross Receipts	Employees	Payroll	Value Added	Other
<ul style="list-style-type: none"> • Antioch • Brentwood • Daly City • Fairfield • Gilroy • Livermore • Napa • Petaluma • Pittsburg • Pleasanton • San Mateo • Walnut Creek 	<ul style="list-style-type: none"> • Concord • Hayward • Milpitas • Mountain View • Novato • Redwood City • Richmond • San Jose • San Leandro • San Ramon • Santa Clara • South San Francisco • Sunnyvale • Vacaville 	<ul style="list-style-type: none"> • Fremont • San Francisco • Union City 	<ul style="list-style-type: none"> • Alameda • Berkeley • Oakland 	<ul style="list-style-type: none"> • Cupertino (Square Feet) • Palo Alto (No Business License Requirement) • Vallejo (Option of Flat Fee or Gross Receipts based fee)

Out of the cities reviewed, Vallejo has the third-lowest business license fees for professional firms and the fourth lowest fees for manufacturing firms. Most jurisdictions have progressive business license fees that can become more costly as a business grows. For some jurisdictions, license fees can exceed \$100k per year for larger businesses.

Figure 15 Average Business License Cost for Manufacturers, All Business Sizes

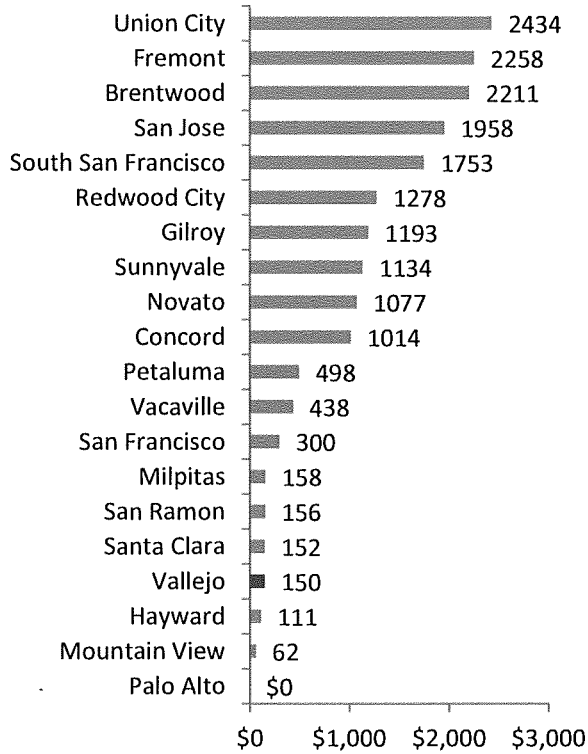
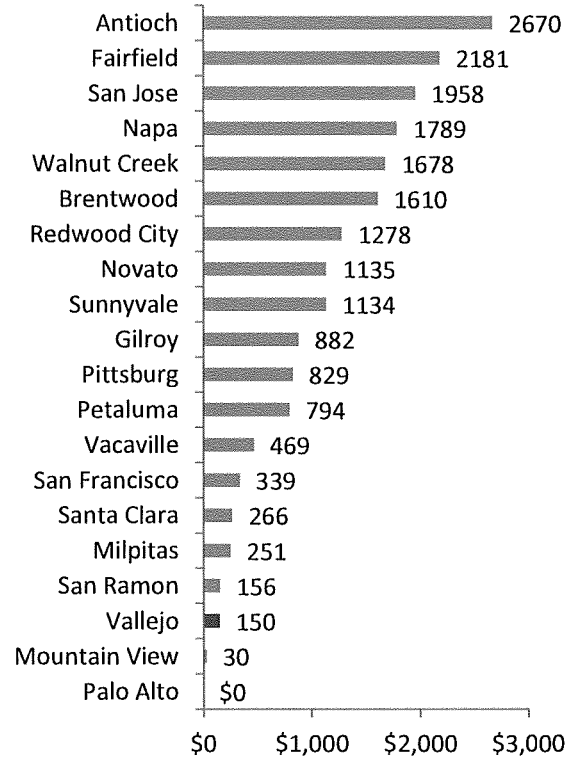


Figure 16 Average Business License Cost for Professional Firms, All Business Sizes



Source: Published Business License Schedules, analysis by RDA Global, May, 2012. Average is based on actual installed business base reported in the 2007 Economic Census.

Table 11 Professional Business - Annual Business License Fee Estimates by City and Number of Employees, in Dollars

City	Basis	Number of Employees						
		1	5	10	30	100	250	500
Alameda	P	149	180	359	1,077	3,590	8,975	17,951
Antioch	R	106	528	1,056	1,557	2,739	5,272	9,494
Berkeley	R	618	3,088	6,176	18,527	61,756	154,390	308,780
Brentwood	R	100	139	257	543	1,519	3,611	7,097
Concord	R	139	601	1,122	3,053	6,937	14,003	25,779
Cupertino	O	162	423	854	1,818	2,415	820	820
Daly City	R	100	477	955	2,864	9,547	23,866	47,733
Fairfield	R	120	406	886	1,172	2,189	4,369	8,002
Fremont	R	198	992	1,984	5,952	19,839	49,598	99,197
Gilroy	R	80	240	340	580	1,420	2,000	2,000
Hayward	R	150	884	1,802	5,472	18,316	45,839	91,712
Livermore	R	374	1,870	3,740	11,220	37,401	93,502	187,005
Milpitas	E	40	60	85	115	245	485	975
Mountain View	O	30	30	30	30	30	30	30
Napa	R	75	165	258	574	1,679	4,048	7,996
Novato	E	155	233	310	545	1,168	2,330	4,268
Oakland	R	504	2,519	5,037	15,112	50,373	125,932	251,865
Palo Alto		-	-	-	-	-	-	-
Petaluma	R	45	45	74	221	735	1,838	3,677
Pittsburg	R	100	312	374	474	823	1,569	2,813
Pleasanton	R	75	270	539	1,617	5,391	13,478	26,955
Redwood City	E	61	157	277	757	2,437	3,030	3,030
Richmond	E	281	468	702	1,605	4,412	10,427	20,452
San Francisco	P	150	150	250	250	500	500	500
San Jose	E	150	150	186	546	1,806	4,506	9,006
San Leandro	E	198	538	962	2,660	8,603	21,338	42,563
San Mateo	R	233	877	1,683	4,907	16,188	40,364	80,656
San Ramon	E	35	35	70	70	350	350	350
Santa Clara	E	15	70	90	225	500	500	500
South San Francisco	E	156	780	1,560	4,680	15,600	39,000	78,000
Sunnyvale	E	32	53	105	316	1,054	2,636	5,271
Union City	P	28	138	276	827	2,757	6,893	13,787
Vacaville	E	90	160	215	405	625	900	1,100
Vallejo	O	150	150	150	150	150	150	150
Walnut Creek	R	254	423	691	1,540	2,233	2,854	3,889

Basis Codes: R=gross receipts, P=payroll units, E=number of employees, O=other; For jurisdictions with license fees based on gross receipts, average employment per revenue, as measured in the 2007 Economic Census, was used to estimate the number of workers required at different revenue levels.

Table 12 Manufacturing Business - Annual Business License Fees by City and Number of Employees, in Dollars

City	Basis	Number of Employees						
		1	5	10	30	100	250	500
Alameda	A	117	310	619	1,858	6,194	15,484	30,968
Antioch	R	173	865	1,327	1,880	3,818	7,971	14,891
Berkeley	A	186	929	1,858	5,574	18,581	46,451	92,903
Brentwood	R	100	188	320	710	2,076	5,004	9,882
Concord	E	121	121	1,206	265	1,068	1,973	3,483
Cupertino*	O	162	423	854	1,818	2,415	820	820
Daly City	R	141	704	1,408	4,224	14,079	35,197	70,395
Fairfield	R	142	401	658	1,687	5,286	12,999	25,854
Fremont	P	21	105	210	631	2,104	5,260	10,519
Gilroy	R	160	360	520	1,140	2,000	2,000	2,000
Hayward	E	33	33	67	133	133	200	200
Livermore	R	276	1,382	2,764	8,292	27,639	69,097	138,193
Milpitas	E	40	60	85	115	245	283	345
Mountain View	E	30	50	50	50	75	100	100
Napa	R	110	272	444	1,132	3,540	8,701	17,302
Novato	E	97	175	252	487	1,110	2,272	4,210
Oakland	A	128	642	1,284	3,852	12,841	32,102	64,204
Palo Alto		-	-	-	-	-	-	-
Petaluma	R	45	45	46	137	457	1,143	2,286
Pittsburg	R	340	506	686	1,409	3,939	9,359	18,394
Pleasanton	R	75	339	679	2,037	6,789	16,971	33,943
Redwood City	E	61	157	277	757	2,437	3,030	3,030
Richmond	E	281	468	702	1,605	4,412	10,427	20,452
San Francisco	P	150	150	150	250	500	500	500
San Jose	E	150	150	186	546	1,806	4,506	9,006
San Leandro	E	147	283	452	1,130	3,503	8,588	17,063
San Mateo	R	172	576	1,081	3,099	10,162	25,297	50,523
San Ramon	E	35	35	70	70	350	350	350
Santa Clara	E	15	45	45	65	175	380	500
South San Francisco	E	78	141	220	535	1,638	4,000	7,938
Sunnyvale	E	32	53	105	316	1,054	2,636	5,271
Union City	P	23	113	227	680	2,268	5,669	11,339
Vacaville	E	65	135	190	355	575	900	1,100
Vallejo	O	150	150	150	150	150	150	150
Walnut Creek	R	293	754	1,274	2,098	2,749	4,144	6,469

Basis Codes: R=gross receipts, P=payroll units, E=number of employees, A=value added (manufacturers only), O=other; For jurisdictions with license fees based on gross receipts or value added, average employment per revenue and average output per revenue (measured in the 2007 Economic Census) was used to estimate the number of workers required at different revenue levels and levels of value added in manufacturing.

Utility Tax Rates

Table 13 Utility User Tax Information Summary Listing

City	Intra-state	Inter-state	Int'l	Wireless	Private Com.*	CATV	Electric	Gas	Water	Average UUT Rate
Fairfield	2.0%	2.0%	2.0%	2.0%		2.0%	2.0%	2.0%		2.0%
Sunnyvale	2.0%						2.0%	2.0%		2.0%
Cupertino	2.4%	2.4%	2.4%	2.4%			2.4%	2.4%		2.4%
Mountain View	3.0%			3.0%			3.0%	3.0%		3.0%
Redwood City	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	5.0%	5.0%		4.3%
Gilroy	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	5.0%	5.0%		4.6%
San Jose	4.5%	4.5%	4.5%	4.5%	4.5%		5.0%	5.0%	5.0%	4.7%
Daly City	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%		5.0%
Palo Alto	5.0%			5.0%			5.0%	5.0%	5.0%	5.0%
Hayward	5.5%	5.5%	5.5%	5.5%		5.5%	5.5%	5.5%		5.5%
San Leandro	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	6.0%	6.0%		5.8%
Vallejo	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.5%	7.5%		7.4%
Alameda	7.5%	7.5%	7.5%	7.5%		7.5%	7.5%	7.5%		7.5%
Berkeley	7.5%	7.5%	7.5%	7.5%		7.5%	7.5%	7.5%		7.5%
Oakland	7.5%	7.5%	7.5%	7.5%		7.5%	7.5%	7.5%		7.5%
San Francisco*	7.5%	7.5%	7.5%	7.5%	7.5%		7.5%	7.5%	7.5%	7.5%
Richmond	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	10.0%	10.0%		9.6%

*Non-residential rates. Source: UUTInfo.org.

Transportation Infrastructure

When asked about Vallejo’s strategic assets, the most commonly-mentioned advantage mentioned by business leaders in Vallejo was Vallejo’s location and regional transportation connectivity (15 out of 22 participants mentioned this asset). Vallejo is the hub of the North Bay, located in the northeastern edge of San Francisco Bay Region, in Solano County. The city is strategically located between San Francisco and Sacramento and is connected to the region via 6 highways, operational rail infrastructure connecting to the national Tier 1 rail system, and in close proximity to air transportation facilities.

International trade, transportation, logistics are important drivers of the regional economy and Vallejo is located along channels connecting the Port of Oakland, the nation’s fifth-highest volume port for container traffic, with other inland ports.

Road Transportation

Strategically located between San Francisco and Sacramento, the City is well connected to the region via State Highways 29 and 37 and Interstate Highways 80 and 780. SolTrans provides bus connections to nearby Bay Area Rapid Transit (BART) stations and across-town service.

Rail Transportation

Vallejo is served by Mare Island Rail, a short line rail with connections to the Tier 1 rail system serving North America. Rail sidings are available for some buildings on Mare Island. A heavy-load bridge supports movement of heavy goods onto Mare Island.

Water Transportation

The Vallejo Bay Link Ferry provides high-speed catamaran service to San Francisco for approximately 2,000 commuters each day, making the trip in less than one hour.

Currently, there is no water-based shipping from Vallejo, but assets exist that could support redevelopment of water-based transportation of goods. The waterway navigation channel leading to Mare Island and the actual Mare Island Channel are both formerly Naval Navigation channels. Both channels are still authorized Federal Navigation Channels and therefore eligible to receive funding for dredging. Although federal funding for dredging is limited and other channels with higher cargo tonnage will be given higher priority, the channels serving Mare Island are located along the channels connecting the Port of West Sacramento, the Port of Stockton and the Port of Oakland. These three ports have recently received grant funding to increase cooperation and better utilization of channels to increase import and export capacity.

The channels serving Mare Island have not been maintained to project depth since the Navy left in 1994 but data on the soundings suggest that the Mare Island Channel and Turning Basin have held their depth fairly well. Based on preliminary review of soundings, there is a minimum 35 foot of depth, which is adequate for some vessels. There is potential for shipping or a private port to operate from Mare Island, however, feasibility of this type of development will require further investigation.

Water and Electric Utility Capacity

Water Utility Capacity

Vallejo's current water service capacity is 42 million gallons per day (mgpd). According to the City's engineering department, Winter peak use has averaged 13 mgpd and Summer peak use has averaged between 22 and 26 mgpd. This leaves an excess capacity of 16 mgpd which is adequate to support new business expansion. The average historical water usage for a manufacturing facility in California is 150,000 gallons per day, or 0.15 mgpd.¹⁹ From a total water supply capacity perspective, Vallejo could potentially support approximately 100 additional manufacturing plants with these water requirements.

The capacity to serve new water clients is also dependent on multiple other variables including the location of the plant and the current infrastructure available serving the location. City water service is limited by multiple water zones that are defined by the elevated storage tanks that serve each zone. New development in zones that are at capacity will require a customer to build a storage tank.

Mare Island is served by two pipeline; high capacity water customers investing in a manufacturing or warehousing facility on Mare Island are subject to similar limitations of pipeline capacity. New water customers may be required to construct a holding tank if adequate capacity is not available.

Electric Power Capacity

Vallejo is served by two electric utilities: PG&E which serves most Vallejo customers and Island Energy, which serves Mare Island. According to officials at Island Energy, the current load on Mare Island is approximately 1/10th of the capacity that was needed 20 years ago when the naval base was operational. Island Energy officials report that the utility could immediately supply the North Island with 2 to 3 times what is currently used by the whole island. Officials also indicated that Island Energy could supply the South Island with between 2 and 3 times the current use.

PG&E declined to comment on the exact capacity available to serve additional load demand in Vallejo, but officials indicated that they did not anticipate and problems supplying as much power as any customer requires.

¹⁹ Census Bureau, Water Use per Day, by Manufacturing Establishments, By State
http://www.census.gov/prod/2002pubs/00ccdb/cc00_tabA9.pdf

Private Sector Access to Capital

Venture Capital (VC)

California enjoys the best market in the US for venture capital (VC) and was responsible for 51% of all VC deal value in the United States in 2011.²⁰ Businesses in Vallejo benefit from access to VC capital through multiple Bay Area investor networks, although the majority (69%) of venture capital flows to companies in Silicon Valley; Northern California and Sacramento Regions receive a comparatively small (0.3%) share of all California VC Capital. Northern California's total VC flows in 2011 came to \$68 million.²¹

Solano Small Business Development Center (SBDC) assists businesses that are seeking access to capital. This includes gaining access to funds through private investor and through federal programs such as SBIR grants for new technology development and commercialization.

Regional organizations such as the North Bay Innovation Hub in Sonoma County (www.sonomamountainbusinesscluster.com), North Bay Angels (www.northbayangels.com), and the Keiretsu Forum (www.keiretsuforum.com) help link entrepreneurs with venture capital; however Vallejo does not currently have a VC forum or program to increase access to capital. In interviews with business leaders, access to capital did not arise as a current constraint to business growth in Vallejo, however it has long-since been identified as a critical cause of failures for business start-ups.

Lending and Commercial Banking

One lending entity is unique to Vallejo: the Grow Vallejo Fund a \$1.2 million loan fund at 4:1 leverage. This fund is administered by the National Development Council (NDC), which also operates the Grow America fund, a national small business lending facility, and is one of 14 lenders that offer SBA guaranteed loans. In addition to managing the Grow Vallejo Fund, NDC offers technical assistance to businesses and governments and can assist with gaining access to federal funds such as new market tax credits and other tax credits to fund projects with a public benefit.

Several commercial lenders and credit unions serve businesses in Vallejo, including Bank of America, Wells Fargo, Chase, U.S. Bank, Westamerica, Bank of the West, Tri Counties, Union Bank, Travis CU, and others.

²⁰ Source: National Venture Capital Association.

²¹ VC investment in Northern California reached a high in 2000 at \$350M and the market has not exceeded \$70M between 2002 and 2011.

Vallejo's Economic Development Problems and Challenges

Despite strong population growth in the Bay Area of 5.4% between 2000 and 2010, Vallejo's population growth has been flat, despite strong growth in several nearby cities. Private sector employment in Vallejo was 24,564 in 2009, down by nearly 900 workers from 25,446 employees in 2000.²² Interviews with 22 local business leaders uncovered several inter-related factors that have contributed to the city's lackluster economic performance, including both external market issues over which the city has little control and problems that are within the city's sphere of influence.

To identify the scope of challenges Vallejo faces, the following research tasks were completed:

- Interviews with local businesses and organizations (22 interviews)
- Interviews with Bay Area regional economic development organizations including the Bay Area Council of Governments and the Bay Area Council.
- Interviews with professional site-selectors and corporate real estate professionals outside of Vallejo to determine external investor perceptions of Vallejo (46 respondents to an online survey)
- Input from city staff and a stakeholder team comprised of business leaders in Vallejo.

Over a 15 year period, employment in Vallejo grew from 25,807²³ in 1994 to 26,766 in 2009 (a compound annual growth rate of 0.2% per year).²⁴

Perspective of Local Vallejo Business Leaders

Local business leaders in Vallejo were asked to identify the most difficult challenges, problems or threats that have adversely affected the city's economic growth. The most commonly-mentioned problem mentioned is a negative public perception of Vallejo among Bay Area residents and the business community. This problem was mentioned as a top concern by 17 of the 22 business leaders interviewed.

Other serious challenges mentioned by local business leaders are related to

- Public safety,
- Critiques of inefficiency and poor performance of city government and political leadership,
- Concerns over slow remediation progress on Mare Island, and
- A poorly-performing public secondary education system that discourages families and businesses from locating in Vallejo.

These concerns, as well as several others expressed by local business leaders were grouped into 14 related categories and were analyzed in terms of the potential level of difficulty involved in solving each

²² Censtats Database

²³ Including public and private sector employment. See Zip Code Business Patterns, Census of Governments, 1993.

²⁴ Ibid. Latest figures available.

problem. Difficulty ratings were assigned based on both the likelihood of successfully solving the particular challenge, as well as the possible time horizon to execute corrective strategies. Difficulty ratings were assigned as follows:

1. Change possible in a matter of months
2. Change possible in approximately a year
3. Change possible within several years
4. Change is difficult, may be unsuccessful
5. Change is very difficult; high risk of failure.

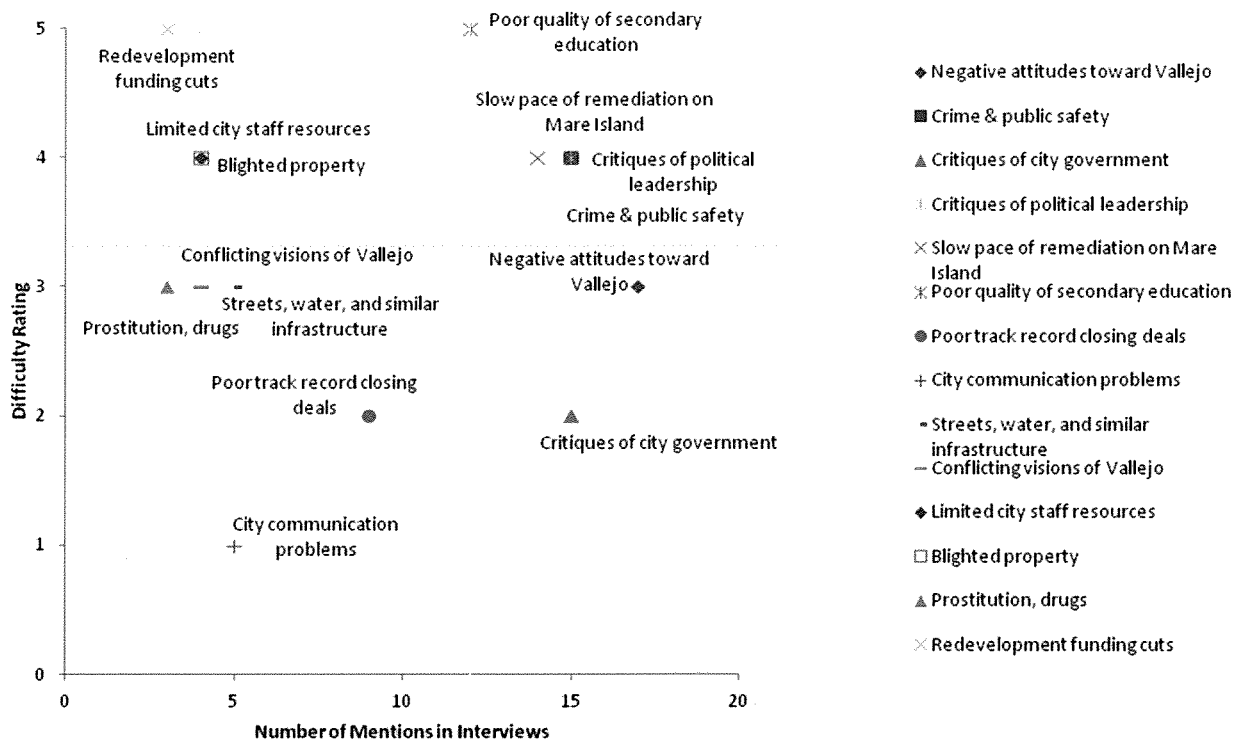
Problems with a challenge with a rating of “1” are likely to be easily solved by city leaders within a relatively short amount of time, while a challenge rated “5” may be difficult to solve because of factors outside the city’s control, general lack of proven methods to solve the problem or the existence of external barriers that may limit or prohibit corrective strategies.

Table 14 Overview of Challenges Facing Vallejo from the Perspective of Local Business Leaders

# of Respondents Making Mention	Description of the Challenge, Problem or Threat	Difficulty of Problem
17	Negative attitudes and perceptions toward Vallejo (bankruptcy, drugs, prostitution, crime, and perceptions that the city is not business-friendly); Ineffective public relations management (mainly negative news);	3
15	Crime & Public Safety: Concern for safety of employees, customers, and business property, Concern over police staff cuts.	4
15	Critiques of City Government: City is not customer-service oriented; inconsistent staff leadership; lack of clear plan; difficulties and disputes with planning/building permit; lack of focus for economic development	2
15	Critiques of political leadership: Lack of stability in policy and vision for Vallejo. Conflicting visions of Vallejo. Critiques that important issues go neglected or that the priorities of city leadership do not align with that of businesses.	4
14	Slow pace of remediation on Mare Island; Uncertainty as to why it has not been completed; Critiques of City, Navy, Lennar, and critiques of past decisions to build homes on Mare Island.	4
12	Poor quality of secondary education and high drop-out rate discourages families from moving to Vallejo and undermines future prosperity.	5
9	Poor track record closing deals on business investment opportunities	2
5	City communication problems: Lack of information on the city website, poor communication on opportunities, difficulties obtaining information from the city and city staff	1
4	Conflicting visions of Vallejo as a working class or high-end city (Wal-Mart vs. Trader Joes)	3
4	Limited city staff and city resources	4
4	Blighted property, land use problems	4
4	Underutilized workforce, high unemployment	3
3	Prostitution, drugs	3
3	Redevelopment funding has been cut	5

A demand/difficulty representation of Vallejo’s challenges is presented below. The challenges are arranged by the number of business leader mentions and the level of difficulty in solving that challenge. Challenges in the lower right quadrant are those that are prominent in the minds of Vallejo businesses, and may be relatively less difficult to solve. Challenges in the lower left quadrant are those that have good prospects for successful correction, but may not be as pressing in the minds of Vallejo businesses. Challenges presented in the upper right quadrant are high priority challenges that will require difficult solutions, while challenges in the upper left quadrant are similarly difficult, but may not be as much of a priority for business owners in Vallejo to solve.

Figure 17 Assessment of Challenges Facing Vallejo



Perspective of Site Selectors and External Business Investors

To identify economic development problems from the perspective of investors, a set of 46 professional site selectors and corporate real estate professionals were asked to complete an online survey in order to understand perceptions of Vallejo among the business investment community.

Respondents to the survey were asked to give their opinions about Vallejo’s level of business-friendliness, the city’s Vallejo’s strengths and weaknesses, and other factors that might affect the interest of corporate real estate professionals to invest in Vallejo. Respondents were also asked to rate the value they place on investment decision criteria, such as the level of business-friendliness of city officials, presence of a skilled labor force, cost of doing business and other such criteria. Understanding the priority that potential investors place on various decision criteria was then used to help prioritize strategic actions and a marketing plan that will help the city to position itself as a high value location for new investment.

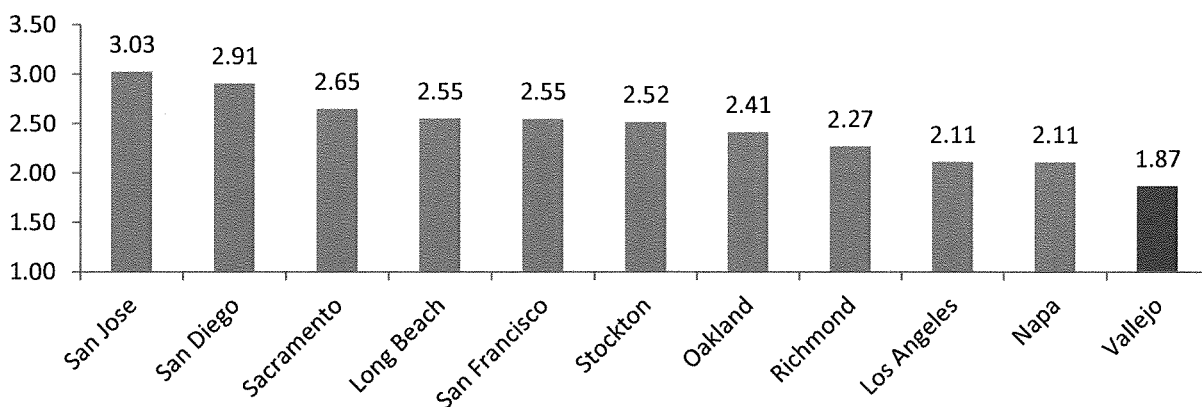
Among the professional site selection consultants that completed the online survey, the level of familiarity with Vallejo was mixed:

- 20.9% of respondents have visited or lived in Vallejo
- 60.5% of respondents have heard of Vallejo but not very familiar
- 18.6% of respondents have never heard of Vallejo

About three quarters (76%) of respondents said they had worked on site selection projects that considered sites in California in the last three years.

Key Findings from the Survey

Figure 18 Rating the Perceived Business Climate of Vallejo and Competitor Cities



- Respondents ranked the business climate of Vallejo vs. other cities across the state. On a 5-point scale of 1 (“poor”) to 5 (“excellent”), Vallejo received an average score of 1.87, the lowest of all cities listed.

- Top words or phrases associated with Vallejo included:
 - 26.1% Bay Area
 - 15.2% Bankruptcy
 - 13.0% Expensive
 - 6.5% Crime/Dangerous
 - 6.5% Wine

Other common words or phrases mentioned by respondents included terms such as agriculture, attractive, BART, California, colleges and universities, lower income, Napa, naval base, port and small.

- The most prevalent recent news recalled by respondents involved the city declaring bankruptcy.
- Nearly half of respondents (49%) indicated that they either didn't know or were unfamiliar with Vallejo's business climate. Given the low level of awareness of Vallejo among the community of location advisors, an opportunity exists for the Vallejo to actively shape or redefine its positioning as a place for businesses to consider for investment.

From these perceptions of Vallejo, we can conclude that while Vallejo is known for its location in the Bay Area, but are several negative perceptions that linger in the minds of investors.

Location Selection Criteria and City Assets

When considering locations for potential investment, site selectors evaluate a number of factors. The specific criteria under consideration vary based on the specific needs of the business or investor, but there are several criteria that are common to most, if not all, investment decisions. Site selectors were asked to rank the importance of various factors impacting the selection of a location for investment on a scale of 1 ("not important") to 5 ("very important"). Availability of a skilled labor force was the highest-rated decision factor, followed by business friendliness of governmental agencies. Other notable factors that were rated highly were competitive incentives or tax exemptions, lower cost of labor and availability of transportation infrastructure. Proximity to funding sources or financial markets was rated as the least important factor in selecting a location.

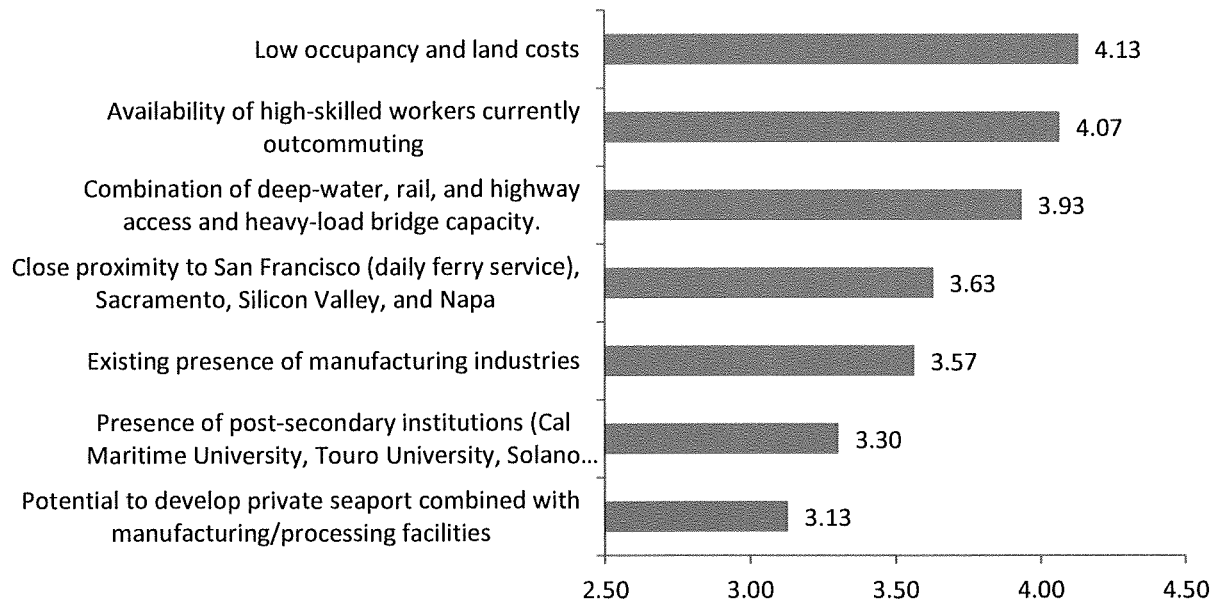
Table 15 Importance of Factors in Selecting a Location

Rank	Factor	Average Score
1	Availability of skilled labor	4.61
2	Business-friendly government	4.52
3	Overall operating costs	4.41
4	Favorable state & local tax policy/rates	4.35
5	Competitive incentives/tax exemptions	4.28
6	Competitive labor costs	4.26
7	Availability of transportation infrastructure for goods movement/shipping	4.11

Rank	Factor	Average Score
8	Financial health of city, county or state	3.93
9	Cost-effective and efficient transportation systems	3.74
10	Occupancy and/or construction costs	3.63
11	Proximity to customers	3.51
12	Proximity to suppliers	3.51
13	Quality of post-secondary educational systems	3.33
14	Availability of worker training programs	3.22
15	Quality of K-12 educational systems	3.15
16	Crime rate/public safety	3.13
17	Presence of research universities	3.07
18	Proximity to funding sources/financial markets	2.78

Respondents were also asked to rate the importance of several factors known to be strengths currently existing in Vallejo. Again, respondents were asked to rank each of Vallejo’s strengths on a scale of 1 (“not important”) to 5 (“important”). On average, Vallejo’s low occupancy and land costs were seen as the most important strength that may influence business investment in the city, followed closely by the city’s pool of high-skilled workforce that currently commutes out of the city to work. The potential for private port development was viewed as the least important of Vallejo’s assets influencing investment decisions.

Figure 19 Ranking Vallejo's Business Assets



Top factors affecting location selection were compared with Vallejo’s strengths and weaknesses to determine if the perception of site selectors is aligned with the Vallejo’s reality of Vallejo. This analysis reveals that **Vallejo is not well known for its strengths, but investors are aware of the city’s weaknesses**. Site selectors and corporate real estate professionals are unaware of Vallejo’s key strengths including the city’s large pool of available and highly-skilled workers, low overall costs of doing business, competitive labor costs, and transportation infrastructure. However they think of Vallejo as a city that is not business-friendly, without competitive incentives.

Misalignment of the reality of Vallejo’s strengths and weaknesses vis-a-vis the perceptions of investors may cause the city to miss out on new business investment.

Table 16 Vallejo's Strategic Positioning for Top Investment Criteria

Criteria	Is it a strength or weakness for Vallejo?	Are perceptions aligned with reality?
Availability of skilled labor	Strength	No
Business friendliness of government	Weakness	Yes
Overall operating costs	Strength	No
Competitive incentives/ tax exemptions	Weakness	Yes
Labor costs	Strength	No
Availability of transportation infrastructure for goods movement/shipping	Strength	No

Several conclusions can be made about the perceptions of Vallejo among site selection professionals based on the survey responses, including:

- Vallejo’s identity within the business community is mixed:
 - Nearly 80% of respondents have either never heard of Vallejo or are not very familiar with the city.
 - About half of the site selectors surveyed was unfamiliar with Vallejo’s business climate.
 - Positive Bay Area location associated with city, but negative effects of media coverage of bankruptcy still linger.
 - More than 25% associate Bay Area location with Vallejo.
- The city faces strong competition from other California cities. Vallejo is not rated as highly as other locations across the state.
- Because Vallejo does not have a strong identity, site selectors are likely influenced by overall, sometimes negative, perceptions of California.
 - High cost of doing business
 - Negative overall business climate and burdensome regulatory environment
 - High taxes

- Vallejo's strengths include two of the top three highest rated factors influencing site selection decisions, i.e. the availability of skilled labor and low occupancy and operating costs.
- For companies targeting California, an opportunity exists for Vallejo to be a strong competitor.
- Opportunities exist to elevate Vallejo's profile and alter negative perceptions of the city among location advisors.

Economic Development Goals, Objectives and Implementation Steps



The Vallejo Economic Development Strategic Plan is divided into two sections: (1) goals to improve Vallejo’s business environment and (2) goals to strengthen and support growth in the four industry sectors driving much of Vallejo’s economy. Achieving these goals also requires the presence of enabling conditions for economic growth. These conditions require action and will not, by themselves, spur economic growth; however the absence of positive enabling conditions will undermine other economic growth strategies.

Retention and Expansion of Vallejo Businesses

Goal: Recognizing that the majority of new job creation comes from existing firms, this program will provide high-leverage resources to support expansion of Vallejo businesses and resolve issues that negatively affect business vitality.

Objectives and Implementation Steps:

1. **Establish a coordinated business visitation program to assess the needs of existing companies in Vallejo and connect business owners and managers with resources to grow their businesses including resources for access to capital, innovation, market development, cost reduction and sustainability through efficient use of raw materials, water, and energy and reduction in solid waste.** The program will:
 - Identify issues that impede business growth,
 - Assist existing businesses with resolving issues,
 - Connect business owners and managers with resources to expand their business,
 - Gather information on the satisfaction of businesses with current city services and services offered by other economic development organizations involved in the program.

- Identify changes in needs of Vallejo businesses including needs linked to the current business cycle (i.e. access to capital, availability of skilled workers, etc.) and structural problems (such as highway infrastructure needs).
- Increase the credibility of the City of Vallejo and other stakeholders with the business community.

There are two opportunities to maximize the effectiveness use of limited resources on the business visitation program: first by prioritizing the businesses that are targeted for visitation and second by leveraging the resources of the multiple economic development stakeholders in the business visitation program.

Partnership for the Visitation Program: Who to Involve

There are several organizations that play a role in strengthening businesses in Vallejo including the Solano EDC, the Solano Small Business Development Center (SBDC), and the four chambers of commerce that are active in Vallejo. These entities provide a mix of services to businesses including business planning, business networking, assistance gaining access to capital, financial analysis, market research, mentoring, technical assistance, training and other services and many of these organizations have performed business visitation programs in the past. These organizations should collaborate through a joint partnership business visitation program. The benefits of the collaboration include:

- Maximizing the time of each stakeholder and increasing the number of businesses visited,
- Collecting and sharing information on top business problems,
- Sharing information on growth opportunities and planned expansions (while maintaining appropriate company confidentiality),
- Identifying follow-up activities for each organization/stakeholder.

It is recognized that the many organizations that are involved in economic development can themselves benefit from stronger relationships with businesses and some organizations may have interest in gaining members or sponsors through the visitation program. The program should therefore use a standardized visitation protocol to make businesses owners aware of the benefits of membership/sponsorship in all of the organizations participating in the visitation program. This approach has the added benefit of communicating the scope of services offered by each of the organizations and their respective roles in helping businesses to flourish.

Businesses to Target for Visitation

According to the Census’ Censtats Database, there are approximately 1,500 private sector business establishments in the City of Vallejo. In order to maximize resources, it is recommended that the business visitation program target businesses with the following profile:

- (1) High growth businesses (identified through sales tax figures), and

- (2) Businesses that exist within one of the four industry sectors that drive Vallejo’s economic vitality (manufacturing, tourism, healthcare, and higher education).

In addition, visitation is recommended for large employers with over 250 employees, although these businesses require different types of assistance than do smaller businesses.

Types of Visits

The visitation program should have well-defined objectives according to the type of visit. Three types of visits are recommended:

- **Relationship Establishment** – This may be a meeting with new local company executive, introduction of a newly elected mayor or another elected official or introduction of economic development staff. These visits help the economic development team to learn more about the business, collect some information on the challenges that the business is facing, establish credibility of the economic development resources and team, and introduce the business manager/owner to the scope of resources available. The meeting should update businesses on what is being done to address local problems common to all businesses (crime, efficiency of city government, etc.) and inform businesses on how they can help.
- **Familiarization tours** – The familiarization tour of company facilities is designed to help the economic development team get in-depth understanding of what the business does and establish deeper rapport with the business owner.
- **Retention visits** – These visits include one on one interviews with a company executive or business owner as to current and future company decisions and involves a business survey that collects data to be summarized and reported while protecting the confidentiality of individual companies.

Resources for the Visit

Resources for a visit can be created jointly by the stakeholders involved in order to allow each stakeholder to give input. Some resources that are recommended include:

- A one-page resource reference sheet that lists the top common problems for businesses in Vallejo (regulatory issues, access to capital, support for marketing/access to new markets, crime related problems, etc.) and identifies the resources that businesses can access for each type of problem, along with website information and people who are contacts at each organization.
- A one-page document that highlights new policies, events, and other changes that will affect their business (both opportunities and threats) along with guidance on what the business owner can do to capture opportunities or mitigate threats.
- A discussion guide used by the person making the visit which identifies key messages to share with businesses and questions that guide the meeting. This supports consistent messaging and a standardization of efficient and useful visits.

- A brief but detailed survey that collects information on the most pressing problems businesses are facing and measures how helpful certain resources and services are for helping businesses to grow. Information can also be collected on the satisfaction of businesses with services offered by economic development partners and the City.

The above-mentioned resources should be co-branded with logos that indicate the involvement of each of the partners in the program.

Reporting and Follow-Up

Following meetings, the information learned in the visit should be reported including information on any follow-up action items to be taken by any of the stakeholders involved in the visitation program. An annual report should be created that communicates the activities of the program and the findings from surveys.

The **ExecutivePulse** platform is one of the economic development industry standards for business retention programs that involve several partners. The platform is a digital filing cabinet for keeping track of business retention clients and visits and can be customized for the exact needs of the visitation program. This platform or a similar one is recommended as a central repository of information shared by partners in the program.

- 2. Establish a “Growing in Vallejo” Toolkit to provide businesses with resources that can help businesses to expand. The Business Visitation program and the “Growing in Vallejo” Toolkit work together by identifying the top problems that hamper growth for Vallejo businesses and providing tools and resources that can resolve top problems.**

The Toolkit is an online resource that is organized to offer services and resources that can resolve business problems and help businesses to grow. It is intended to be a dynamic resource that is at the heart of the economic development program. On an annual basis, the data collected in business visits should be summarized to identify the top-ranked problems businesses face and rank the usefulness of resources currently in the Toolkit. As a starting point, the Toolkit should include:

- Information on the mix of local, regional, state, and national resources and services available to help businesses grow, and
- Step-by-step guides describing how to obtain permits, requirements for permits, costs and fees, and setting expectations on the time required for the process. To the extent possible online forms should be created to allow businesses to conduct business anytime 24/7 with the city (complete required forms, make payments, etc.).

Some of the critical resources to include in the Toolkit include:

Financial Resources. This section will provide information on financial tools available to businesses and information on how to take advantage of the tools. The section should reference the Grow Vallejo Fund, the Statewide Community Infrastructure Program (SCIP), the

Small Business Administration (SBA) 504 Loan Program, the Opportunity Fund, the Industrial Development Bond Program²⁵, the North Bay Angels (NBA), the Keiretsu Forum (national angel investor network), and other resources for microloans, loan guarantees, tax credits and other resources.

Small Business Development Resources. This section will provide information on services available through local organizations including the Solano Small Business Development Center, East Bay SCORE, Solano EDC, and other organizations.

Workforce Development Resources. This segment will provide information on services offered by the Solano County Workforce Investment Board, Solano Community College and any other resources for workforce training and skills development.

Resources for Navigating Regulations. For businesses that expand, the processes for doing so can be complex. The process of navigating the complex regulatory environment is more difficult for business relocating to Vallejo from other states or internationally. This resource should help businesses to be aware of the regulations that would affect expansion of their business.

²⁵ For small manufacturing and processing businesses, the program offers access to capital at rates that are 20-30% lower than market rates, up to \$10 million, for the expansion or redevelopment of manufacturing facilities and equipment.

Investment Attraction Program

Goal: Attract new businesses and investment in Vallejo.

Objectives and Implementation Steps:

- 1. Maintain a Vallejo Marketing plan that actively manages public perception of Vallejo and promotes awareness of Vallejo’s strategic advantages. (See First-Year Marketing Plan for details).**

- 2. Establish and aggressively promote advantages of doing business in Vallejo**
 - a. In marketing materials (print and online), differentiate Vallejo based on its highly-skilled technician-level labor force, strategic location, transportation infrastructure, low operating costs, and business-friendly government. Promote stories of successful manufacturers such as Blu Homes and Earthquake Protection Systems.
 - b. Elevate awareness of Vallejo and position Vallejo as the Bay Area’s lowest cost place to do business.
 - i. Promote LAMBRA benefits²⁶ for manufacturers on Mare Island and other state and federal tax credit incentives.
 - ii. Note Vallejo has the second-lowest business taxes in the Bay Area for manufacturers with over 500 employees (after Mountain View) which are a flat fee of \$150.
 - iii. Vallejo has among the lowest impact fees on new development of any large city in the Bay Area and any the lowest of any city in Solano County.²⁷
 - iv. Vallejo’s utility tax rates are lower than other manufacturing-friendly locations including Alameda, Oakland, San Francisco or Richmond.

- 3. Consider short-term incentives to attract new investment.**
 - a. For businesses that operate in one of the four target sectors (healthcare, higher education, manufacturing, and tourism) consider offering an impact fee deferral program on new development that offers no payments on impact fees for three years with interest waved for companies creating 20 or more new jobs over those three years.²⁸

²⁶ Up to 100% Net Operating Loss (NOL) carry-forward. NOL may be carried forward 15 years. Firms can earn \$31,544 or more in state tax credits for each qualified employee hired up to \$2 million per year with a few provisions. Corporations can earn sales tax credits on purchases of \$20 million per year of qualified machinery and machinery parts. Up-front expensing of certain depreciable property, up to \$40,000 annually. Unused tax credits can be applied to future tax years, stretching out the benefit of the initial investment.

²⁷ Comparisons based on a new 100,000 sq. ft. industrial or light industrial development (comparisons include San Jose, Concord, Sunnyvale, San Leandro, Fairfield, Benicia, San Mateo, Vacaville, Richmond, Santa Clara, Hercules, Gilroy, Redding, and Palo Alto)

²⁸ This deferral plan is modeled based on Oak Grove’s successful impact fee deferral program that has attracted significant healthcare investment.

Business-Friendly Government

Goal: Operate city government in a way that prioritizes economic development.

- 1. Ensure consistent, understandable and predictable regulatory framework.**
 - a. Within the Growing in Vallejo Toolkit, provide a simple step-by-step guide to starting a business or expanding a business in Vallejo, explaining all steps a business must take.
 - b. Make critical information available online including zoning information, a schedule of all development impact fees, permitting costs, other costs for doing business in Vallejo, explanation of regulations, application forms, and other information.
- 2. Continuously improve the efficiency of city government services to businesses.**
 - a. Investigate and implement technology approaches that improve local government efficiency and service quality.
 - b. Cross-train core staff the range of city services to businesses in order to raise awareness of all points and processes where the city interacts with businesses to support development.
 - c. Regularly gather information from all city departments to assess the range and type of city services to businesses and problems that businesses are encountering with city services.
 - d. Obtain feedback on service delivery from business customers and business partner representatives about what the city is doing well and where it can improve through a survey conducted through the business visitation program. Share findings of the survey with staff from all departments to determine areas for improvement and next steps in response to this feedback.
 - e. Recognize city employees who suggest ways to streamline and simplify regulations.
 - f. Announce and celebrate the changes that are being made to improve business-friendliness through a press release that communicates how the City of Vallejo is becoming more business-friendly. Select 3-4 high-profile changes to announce per year.

Develop a Vibrant Retail and Dining Sector

Goal: Increase retail sales, capture sales tax leakage in key sectors, and increase local employment at retail shopping and dining businesses.

Objectives and Implementation Steps:

- 6. Within the Vallejo General Plan update, establish well-defined locations for retail serving targeted consumer market segments:**
 - a. Ensure the city's land use designations and zoning allow for a hierarchy of retail types that serve regional markets, tourism/visitor markets, and local shopping areas.
 - b. Concentrate mixed use development opportunities in strategic locations including the site for Solano 360, waterfront area along Mare Island Way, and other areas targeted for retail shopping and dining.
 - c. Adjust commercial zoning and design standards to reflect preferences of different consumer markets identified in the retail market analysis. Establish public place-making for geographic areas and shopping centers through appropriately scaled architecture and streets to improve urban form.
- 7. Improve underperforming retail centers.**
 - a. Periodically analyze the performance and condition of Vallejo's retail centers and make recommendations regarding measures likely to improve retail performance. Evaluate space used by non-retail businesses within retail centers to identify the impacts on tenant mix and center viability.
 - b. Conduct outreach efforts with owners and brokers of underperforming retail centers to discuss options for rehabilitation of the center(s), potential changes in retail mix, or conversion to non-retail use.
 - c. Where rehabilitation is likely to help make underperforming centers economically viable, incentivize property owners to invest by leveraging commercial lending available through the Grow Vallejo fund or other sources of funds.
 - d. Consider converting low-performing retail centers to other compatible uses when evidence justifying such conversion is provided including high vacancy rates, poor center sales, and lack of reinvestment.
 - e. Consider the creation of a matching grant program for façade improvements to retail and service businesses.
- 8. Strategically recruit retailers and dining establishments.**
 - a. Perform a retail market analysis to determine the types of retail shopping and dining opportunities typically associated with three markets: (1) Residents of Vallejo and the regional catchment area, (2) Visitors to Vallejo, and (3) Workers who are employed at Vallejo businesses, universities and other organizations. Assess the availability of shopping and dining opportunities that are associated with demographics, spending and shopping preferences of each of these three markets and identify the gaps between retail needs and available shopping and dining options (retail leakage).

- b. Establish a priority list of types of retailers to be targeted for attraction to Vallejo based on assessment of retail leakage.
 - c. Establish a retail business attraction program that includes marketing, regional trade shows, and broker / developer events, and direct communication with targeted retailers that eliminate gaps in retail categories.
 - i. Attend regional and national trade events sponsored by trade groups to promote Vallejo, available sites in Vallejo, and opportunities.
 - ii. Attract quality and specialty retail goods retailers to act as catalysts to stimulate economic development and attraction of retail enterprise to Vallejo that serves Vallejo's ethnic and diverse markets as well as visitor markets.
 - iii. Sponsor regular (annual) events that include property owners, developers, real estate brokers, business owners, and retailers to ensure parties are familiar with Vallejo's programs, opportunities and sites.
 - d. Consider recruitment incentives to attract targeted desired retailers and restaurants to key locations. Options should include rental assistance and fee deferrals that are attractive to the priority retailers that are identified. Incentive structures should be based on a fiscal cost-benefit analysis that results in a net increase in sales tax revenues.
- 9. Promote Vallejo as a shopping and dining destination.**
- a. Align efforts with the marketing and promotion partners that market Vallejo as an entertainment, shopping, and dining location (Vallejo Visitor Bureau, Six Flags, Vallejo Chambers, and other partners).

Workforce Development

Goal: Maintain the competitiveness of Vallejo’s labor force to support business growth and increase the skill levels of the workforce.

- **In partnership with the Solano Workforce Investment Board and Solano Community College, promote and prioritize job training that results in professional credentials and certifications.**

Professional credentials and certifications increase transferability of skills across jobs and result in better professional recognition, higher wages, and a more highly-skilled labor force, all of which contribute to a more vibrant economy for Vallejo.

- **Partner with Solano Workforce Investment Board to aggressively pursue funding and technical assistance opportunities through state and federal economic development programs.**
- **Encourage Vallejo residents to finish high school.**
 - a. Leverage Community Development Block Grants (CDBG) and other funding sources to support community organizations that offer youth workplace readiness, training, career planning guidance for career-track jobs, and work experiences for teenagers, especially in areas with high unemployment. Require funded community organizations to exhibit best practices and alignment with the needs of local Vallejo employers.
 - b. Support or expand collaborative initiatives that promote vitality of Vallejo’s economy by preparing young people to become life-long learners, productive workers, and self-sufficient citizens.
 - c. Encourage growth in internship partnerships between Vallejo employers, area high schools, and Solano College.
 - d. Encourage and support K-12 schools to build highly desirable and successful programs including STEM initiatives and vocational programs that increase graduate rates.
- **Make Vallejo attractive to talent from elsewhere.**
 - Invest in quality of life measures that make neighborhoods more attractive including increased access to public transportation for commuters throughout the Bay Area
 - On the City’s website, position Vallejo as a charming and affordable community offering high quality of life, excellent weather, easy access to the Bay Area, and other amenities.

Promote Land Development and Redevelopment

Goal: Increase the visibility of investment-ready land and attract new development

4. Improve the visibility, understanding, and marketing of existing properties available for investment.

- a. Create a site inventory of available property that includes detailed information on all sites available for investment and informs strategic site marketing prioritization. It is recommended that the inventory include multiple information layers including:
 - i. An inventory of all vacant and industrial land and basic characteristics.
 - ii. A layer for brownfield sites that indicates the type of contamination and whether it is a designated federal contaminated site.
 - iii. A layer that assigns sites to contaminated site categories with remediation cost ranges and available resources (Is the clean-up in the \$5k range or the \$5M range? Can the site take advantage of federal programs?)
 - iv. A layer that rates the site for potential to increase value relative to adjacent property (By cleaning up this site, can we expect property values in the area to rise? This may help investors seeking financing).
 - v. A layer that identifies compatible use and zoning restrictions for the site.
 - vi. Other information identified by brokers as critical for decision-making.
- b. Generate a quarterly report of available sites based on information layers in the Vallejo site inventory, published on the economic development website.
- c. Convene a quarterly meeting for Bay Area regional industrial brokers and developers that highlights the current inventory and its applicability for different types of development. The report should highlight new properties available and their strengths and weaknesses. Promote sites for development that are aligned with Vallejo's growth industry clusters (sites for manufacturing, sites appropriate for healthcare providers, etc.).

5. Support brownfields redevelopment.

- a. For qualified sites identified in the site inventory, promote Federal Tax Incentives for brownfield sites,²⁹ DTSC Revolving Loan Fund (RLF) Program, Cleanup Loans and Environmental Assistance to Neighborhoods (CLEAN) Loan Program,³⁰ Brownfields Tax Incentives, the U.S. Environmental Protection Agency (EPA) brownfields grant and loan programs and technical assistance, and other resource that can be leveraged to lower the costs of brownfields redevelopment.

²⁹ Clean-up costs are fully deductible in the year incurred rather than capitalized over time.

³⁰ This is a state-funded loan program that provides low-interest loans of up to \$100,000 to conduct preliminary endangerment assessments and low-interest loans of up to \$2.5 million for the cleanup or removal of hazardous materials where redevelopment is likely to have a beneficial impact on the property values, economic viability and quality of life of a community.

- b. Where appropriate, allow adaptive reuse of properties that does not result in a reduction of available industrially-zoned property.
- c. Promote Vallejo brownfields redevelopment success stories on the Economic Development Department website.

6. Establish a high-priority plan for development on North Mare Island.

The north end of Mare Island is the gateway to the island and this portion of the island is in poor condition. Three parcels on North Mare Island are nearing the completion of remediation, which will eventually clear the way for this land to be developed. In addition, the city has recently allocated funds for demolition of vacant buildings on Mare Island.

- a. Work aggressively with the Navy and regulatory agencies to complete the environmental clean-up and complete the land transfer from the Navy.
- b. Formulate a definitive plan to address (1) building demolition, and (2) investment in infrastructure. The plan should address both the costs and timeline for taking action. Any potential development, regardless of the use, will need to have cost and timing certainty.³¹

³¹ The City has taken a positive step by allocating \$500k in the 2012 budget to start this process.

Grow Vallejo's Manufacturing Sector

Goal: Make Vallejo the Bay Area's premier site for manufacturing.

Objectives and Implementation Steps:

- 7. Support growth in international trade and export sales that increase city sales tax revenues.**
 - a. Maximize opportunities to increase international trade among Vallejo businesses and promote Vallejo as an ideal location for manufacturers active in international trade by participating in the regional trade development efforts of other organizations, including, but not limited to the Bay Area World Trade Center (Oakland), Bay Area Center for International Trade Development, Bay Area Council Economic Institute, the U.S. Export Assistance Center (Sacramento), and other professional or business organizations.
 - b. Explore opportunities to partner with Cal Maritime, Solano Small Business Development Center, and Solano College to provide international trade training for Vallejo manufacturing businesses and entrepreneurs. Training should target business markets in Vallejo and those throughout the Bay Area, offering highly-competitive in-depth international trade training and leveraging Cal Maritime's status as a the West Coast's premier provider of international trade education.
 - c. Provide business assistance to local and international firms to determine if they could benefit from establishing a Foreign Trade Zone or other programs.
- 2. Improve ability of manufacturers to ship from Mare Island across all transportation modes.**
 - a. Capitalize on Mare Island's proximity to the Port of Oakland and channels serving the Ports of West Sacramento and Stockton by undertaking a formal cost-benefit and feasibility assessment for adding water-based shipping capacity on Mare Island. The assessment should explore the economic feasibility of maintaining the navigation channel, market potential, potential to obtain federal allocation for channel dredging, scope of development challenges and costs, compatible land use considerations, and financing options associated investments in port-based development.
 - b. Fund a reasonable street repair and replacement cycle.
 - c. Consider rail development easement for improved rail access on Mare Island which would support cost-competitive rail-based shipping from Mare Island with connectivity to the Class 1 Rail System through Mare Island Rail.
- 3. Update land use policy in the General Plan that supports manufacturing growth on Mare Island and in other industrially-zoned areas.**
 - a. Adopt an industrial protection policy that (1) maintains adequate industrially-zoned land, (2) clarifies the adaptive uses appropriate for industrial areas, (3) prevents uses that are incompatible with industrial uses, and (4) establishes zoning barriers to avoid adverse environmental impacts on residential land on Mare Island resulting from new industrial development on Mare Island.
 - b. Ensure that land use policy will support some mixed use commercial and retail development that can provide positive amenities to businesses on Mare Island.

4. **Attract new investment from businesses that are linked to regional manufacturing sectors promoted by Solano County EDC including food and beverage production, life science manufacturing, clean technology and other manufacturers creating high-wage jobs.**
 - a. Maintain a stable political environment that sends a clear message to manufacturers that Vallejo desires growth in manufacturing.
 - b. Aggressively promote incentives for manufacturers locating in Vallejo (see investment attraction program for details).
5. **Establish and promote an Expedited Plan Review Service for qualified manufacturers investing in Vallejo.**³²
 - a. The expedited service should include formation of a review team assembled from different city departments to review issues in a single expedited review process. Employers will interact with the team through a single point of contact who monitors progress of the project to assure the avoidance of any project delays caused by city processes. The point of contact will organize preliminary review meetings for design consultants during the design phase to resolve difficult code interpretations and provide a guaranteed next-day inspection service (with expediting fee) available on request.
 - b. In order to qualify for Expedited Plan Review, the manufacturer must employ at least 50 full-time employees in Vallejo (or total Vallejo payroll in excess of \$2.5 million), the project must be for an industrial or R&D use, and the improvement must be located within a vacant building, a vacant portion of a building, or a site that is designated by the City as a high-priority site for redevelopment, and must pay a fee to offset costs of the expedited plan review.

³² The service is modeled based on San Jose's successful expedited review service:
www.sanjoseca.gov/building/Other/Extension_STI_Brochure_03.pdf

Grow Vallejo's Tourism Sector

Goal: Grow a family tourism sector in Vallejo by strengthening Six Flags Discovery Kingdom as a driver of demand, building Vallejo's total tourism product, increasing overnight visitor stays, and increasing visitor spending.

Objectives and Implementation Steps:

6. Establish a Vallejo Tourism Master Plan to guide development of Vallejo's tourism economy.

The economic base assessment revealed that tourism is an important component of Vallejo's economy. Vallejo's tourism product is anchored by Six Flags and benefits from assets such as the city's naval history, its strategic location between San Francisco and Sacramento, its waterfront, festivals, excellent weather, and other assets. However the attractions that drive demand are comparatively underdeveloped (e.g. Vallejo's naval heritage is not reaching its potential in terms of generating tourist visits) and the supporting industries that serve tourists are likewise under-developed (e.g. visitors to Six Flags go to Benicia for dinner and stay in American Canyon hotels). This results in significant loss of sales tax revenues for the city as market spending leaks to other jurisdictions. The Vallejo Tourism Master Plan should address these two shortfalls in Vallejo's tourism product: (1) overall quality and appeal of attractions and (2) availability of dining, hotel accommodations, shopping, and other tourism-related services.

- a. Form a strategic leadership team of stakeholders to guide the expansion of Vallejo's tourism economy, comprised of representatives from the Vallejo Convention and Visitors Bureau, Six Flags, local tourist hotels, Vallejo Economic Development Department, and representatives from other tourism-related businesses.** The goals for this team should be to:
 - i. Focus on product and venue development that will result in year-round attractions, second-day attractions, family, veteran, and retiree-oriented attractions that likely drive much of Vallejo's tourism revenues.
 - ii. Reduce leakage of Vallejo visitor spending at hotel, dining, shopping and entertainment businesses outside of Vallejo by increasing the mix and quality of these businesses in Vallejo.
- b. Create a visitor survey or similar mechanism to collect data on demographics and spending statistics of visitors to Vallejo to identify market segments of visitors and profiles of their preferences for tourism attractions and experiences.** Based on survey findings:
 - i. Identify and strategically assess the activities, experience, and attractions that would entice current visitors to Vallejo to extend visits.
 - ii. Determine gaps in tourism-related services that should be targeted for growth in Vallejo.
- c. Based on the survey research and input from local stakeholders, identify a set of high-priority attractions that may be targeted for development and appropriate plans for development of these assets.**

7. Enhance Vallejo's Naval Heritage Experience as a Driver of Tourism Demand

Vallejo's rich and distinctive naval history is one of the city's unique advantages for tourism development, both because of its value for the cultural tourist market, but also to address tourism markets linked to navy veterans, many of whom passed through Vallejo during their career. In partnership with Mare Island Heritage Park Foundation, the Vallejo Visitors Bureau, developers, and other interested parties, the visitor experience at the Mare Island Heritage Park should be enhanced as a attraction to generate new visits to Vallejo.

- a. **Increase drivers of visitor demand with experiences that appeal to naval veterans and other visitor markets.** This may include recruitment of docked retired naval ships to support tours of the vessel or other high-value attractions that appeal to heritage travelers.
 - b. **Establish themed heritage trails to connect heritage landmarks that visitors can explore to discover Vallejo's rich naval history.** Connect similarly-themed walking and driving tours of Vallejo's Naval history, using maps, historical markers, way-finding signs, and web-based versions of the same. Promote Vallejo's heritage assets to visitors of other Vallejo attractions including Six Flags, Inventors Lab, the Napa Valley Vine Trail (a 44-mile scenic Class I paved bike trail stretching from the Vallejo Ferry to Calistoga), and planned attractions including Solano 360 and the Downtown Arts and Entertainment District as well as visitors to regional attractions including visitors to Napa Valley.
 - c. **Aggressively pursue development funding for projects from both private sources and public sources** including the National Trust for Historic Preservation, the Advisory Council on Historic Preservation, use of federal historic preservation tax incentives, the Save America's Treasures Grant Program (NPS), Preserve America and other sources.
8. **Regularly meet directly with Six Flags management to identify and take action on any issues that affect visitor experiences at the park.** This includes resolving issues linked to a long-term lease on parking for Six Flags visitors, public safety in the vicinity of the park, and development planning at Solano 360.
 9. **Consider establishment of an entertainment district near the waterfront, in downtown, or near Six Flags to cluster hotel, dining, and entertainment venues in close proximity to one another.**
 - a. Consider enhanced incentives for development within the district.
 - b. Establish design standards to encourage the creation of a sense of place within districts, based on design visioning completed for Solano 360.
 10. **Locally promote the importance of a strong, diverse tourism economy** by communicating directly with key public and private officials, and garnering the support of the media.

11. Support the Vallejo Convention and Visitors Bureau to build visibility to improve awareness of Vallejo’s assets among the target market segments.

- a. Consider alternatives to increase resources available for marketing and promotion of Vallejo through the use of special assessment on hotel stays or other tourism services.³³

³³ This approach is being used successfully in San Francisco, Napa, and other cities.

Grow Vallejo's Health Sector

Goal: Increase investment in healthcare services and life-sciences manufacturing in Vallejo.

Objectives and Implementation Plans:

4. **Consider ways to strengthen relationships between with local research universities that support technology transfer and business start-ups in Vallejo.** Touro currently has partnerships with UC Berkley and UC Davis however no start-ups linked to research at the university could be identified.
 - a. **Consider the market potential for Vallejo to establish a life sciences business park that includes R&D and manufacturing space and business incubator in connection/ partnership with Touro University.**
 - i. New business starts in life sciences industries has been an important driver of growth in the Bay Area over the past 20 years. Currently, market realities are likely a near term limiting factor for demand of life science real estate (According to SF EDC, more than 80 percent new and under construction life-science real estate inventory in the Bay Area is located in San Francisco and San Mateo counties (2011)). However there is potential for demand for life science real estate which offers manufacturing capacity.
 - ii. Determine the feasibility of establishing a life sciences business park. Evaluate the potential demand for a business incubator as part of the life sciences park that would host and support new start-up businesses in connection with technology transfer from research at UC Davis, UC Berkley, and Touro as well as other high-tech and manufacturing-related start-ups.
5. **Further develop health and life science training opportunities in Vallejo and promote these resources in marketing materials on the economic development department website.**
 - a. Pattern programs after Solano College's Biotechnology Production Technician Training Program which provides training for technical-level workers in the life sciences/biotechnology sector, especially as related to biotech manufacturing.
 - b. Raise the profile of Touro's healthcare professional programs as a resource for healthcare providers locating in Vallejo.
6. **Partner with Solano EDC, brokers, and developers to market sites that are suitable for life-sciences manufacturing investment related the life sciences sector.**

Growth Strategies Linked to the Higher Education Sector

There are three growth problems linked to the higher education sector which are addressed by other components of the economic development plan.

4. Each of the three higher education institutions in Vallejo may experience expansion in the future, however costs linked to redevelopment of existing structures poses a difficulty for expansion of research space at Touro University and could pose a problem for other institutions looking to expand their facilities. These challenges are addressed through the land development section of the plan which provides support for redevelopment of brownfield sites.
5. Institutions noted the lack of high quality dining, entertainment and retail shopping in Vallejo as a limiting factor affecting the ability to recruit students, faculty and staff. These concerns are addressed through the retail development and tourism sector strategies.
6. A review of growth strategies for university towns suggests that most economic development strategies linked to universities are designed to capitalize on discoveries and new technologies developed at research universities. Vallejo has one research university, Touro, and is in close proximity to UC Berkley and UC Davis. The Health Sector growth strategy includes an objective to evaluate the feasibility of a business incubator in connection with a life sciences business park in connection with Touro University.

Enabling Conditions for Economic Development

Goal: Maintain an environment that is conducive to economic development.

In addition to actions and goals that directly address economic development, there are several enabling conditions that, if not present, may adversely affect business growth and investment in Vallejo, the ability of the city to attract tourist visits, or the willingness of regional consumers to shop in Vallejo.

Objectives and Implementation Plans:

3. Maintain public safety

- Maintain a strong, effective police force.
- Support community-based activities that reduce crime including after-school and youth diversion programs, block watches, and graffiti removal.

4. Maintain a high quality built environment

- Fund a reasonable street repair replacement cycle.
- Support the growth of pedestrian traffic in commercial districts.
- Encourage high-quality design in public realm including the use of design standards and placement of public art appropriate to commercial districts and neighborhoods.

Economic Development Marketing Strategy

Overview

The goal of this marketing strategy is to provide the city of Vallejo with a detailed communications and public relations plan to help transform attitudes and perceptions of Vallejo in the Bay Area and beyond, including across California and the U.S. This marketing plan also aims to elevate the profile of the city among a regional, national and global business audience as a great choice for companies looking to expand, relocate or start up, especially in Vallejo’s target industries, such as manufacturing, transportation and distribution, and hotel and hospitality services. The marketing plan is based on three main pieces of background research: RDA Global’s findings and recommendations, DCI’s media audit and the results of a site selection consultant survey conducted on behalf of Vallejo in May 2012.

a. Media Audit

The media can serve as a credible third-party endorsement for your key messages and also drive decision makers’ and skilled professionals’ perceptions of your city. Tellingly, in DCI’s sixth installment of “Winning Strategies in Economic Development Marketing,” a survey of corporate executives with site selection responsibilities, “articles in newspapers and magazines” was the second leading source influencing executives’ perceptions of a community’s business climate, ranking only behind “dialogue with industry peers.” With this in mind, DCI reviewed articles written in the past year that mentioned Vallejo prominently in key national and regional news outlets, to uncover the major themes being written about the city, along with the tone of the coverage, given that this is such a critical factor driving decision makers’ perceptions.

At the national and regional level, Vallejo’s bankruptcy has been – and continues to be – the major focus of coverage, including a story in the world’s most influential business newspaper, *The Wall Street Journal*. Most of the coverage to date has been negative or neutral in tone, and focused on the city’s bankruptcy, but recently, Vallejo was featured in two quite positive pieces surrounding its bankruptcy – an article and a blog - in *The Washington Post*. Given this and the fact that the SSC survey revealed that “bankruptcy” was the second most frequently-cited word associated with Vallejo, we strongly believe that the city needs to address this topic head on and focus on the positive messages surrounding its emergence from the city’s financial woes.

In regional news, Blu Homes’ locating in Vallejo received very positive coverage by Bay Area outlets, driving home several key messages for the city, including its excellent location, skilled workforce and presence of world-class manufacturing companies in new industries, such as green technology. The city should continue to concentrate its efforts on sharing positive announcements and stories, such as these, since they reflect so well on the community as an excellent place to do business.

Bankruptcy:

- 1) "In Vallejo, Bankruptcy Scars Still Visible," *Wall Street Journal*, January 19, 2012, Bobby White (negative)
- 2) "America's Most Miserable Cities," (Vallejo ranked #18), *Forbes*, February 2, 2012, Kurt Badenhausen (negative)
- 3) "Vallejo, Calif., once bankrupt, is now a model for cities in an age of austerity," *The Washington Post*, May 23, 2012, Ariana Eunjung Cha (neutral)
- 4) "Vallejo's innovation push: A city reinvents itself," *The Washington Post Blog Ideas@Innovations*, May 24, 2012, Emi Kolawole (positive)
- 5) "Vallejo, scarred by bankruptcy, slowly emerges," *The San Francisco Chronicle*, March 4, 2012, Carolyn Jones (neutral)
- 6) "After 3 years, Vallejo emerging from bankruptcy," *Associated Press*, August 22, 2011, Terry Collins (neutral)

Manufacturing, Blu Homes:

- 1) "Blu Homes leases Vallejo manufacturing facility from Lennar Mare Island," *San Francisco Business Times*, September 22, 2011, Blanca Torres (positive)
- 2) "New home for home builder; Prefab houses to be built on Vallejo's Mare Island," *The San Francisco Chronicle*, December 1, 2011, David R. Baker (positive)
- 3) "Blue Homes is counting on green demand for homes," *San Jose Mercury News/Contra Costa Times*, September 29, 2011, Eve Mitchell (positive)

b. SSC Survey

Site selection consultants are a key audience for any location looking to market itself to a business audience, especially to large companies and Fortune 500 firms, since major corporations are more likely to hire advisors for these critical decisions. It is said by many in the economic development industry that these consultants make more than 40% of all site location decisions, and in DCI's "Winning Strategies" survey, 47% of corporate respondents said they planned to outsource at least a portion of their next location search to site location professionals, such as SSCs and corporate real estate brokers.

To better understand this influential audience's current perceptions of Vallejo, DCI conducted a survey of 46 site selection consultants on behalf of the city, including what they believe to be Vallejo's biggest strengths, as well as its biggest weaknesses. More than three-quarters of these site consultants (76.3%) have worked on projects that considered sites in California in the last three years. With so many of these consultants looking at the Golden State as a location for their clients, Vallejo needs to be on this group's short list for the right kinds of projects.

It is important to note that these results represent perceptions, not necessarily realities, but the results can be useful as a benchmark against which to measure future marketing efforts to this influential group. For example, if Vallejo conducted a similar survey in two to three years, we

would expect to see a greater awareness of the city, its key messages and an increase in its ranking among its competitor cities. In addition, many of the site selectors have done projects in the city's key industries in the past several years, including manufacturing, shipping and logistics, machinery manufacturing and food, wine and other beverages. Vallejo has a lot to offer in these sectors, so the city's advantages need to be clearly communicated to this key group of decision makers.

Right now, Vallejo is most strongly associated with the phrase "Bay Area," but not strongly enough in our opinion, with just over 25% of SSCs reporting that this word or phrase is associated with the city. Given all of the generally positive connotations that arise from this desirable geographic position – other than cost, Vallejo should place a strong emphasis on tying its name to its Bay Area location. Beyond that, the city is most associated with bankruptcy, but almost equally the word expensive. Again, based on this perception and the media's coverage of this issue, Vallejo needs to quickly address its emergence from bankruptcy in talking with the media, site selectors and corporate executives, play up the positives of its Bay Area location and change the perception that the region is expensive, instead showcasing that the city is a relatively cost effective location in California with low overall operating costs.

With 50% of the SSCs surveyed saying they don't know or are unfamiliar with Vallejo's business climate, negative perceptions of the state of California's business climate, along with the city's recent bankruptcy, are likely contributing to a low ranking among competitor cities in California. Opportunity lies in elevating the city's profile and altering the negative perceptions of the city associated with the state of California.

Vallejo has two of the top three highest rated factors influencing site location decisions, including skilled labor availability and low occupancy and land costs, which contribute to low overall operating costs. Vallejo should focus on sharing these key assets, along with the city's location, and some of the strengths that are associated with California as a site location, including a highly skilled workforce and quality labor supply, location and accessibility, climate and weather, ports and the nearby technology cluster and base with Silicon Valley.

Key Messages (5 primary key messages)

Based on the findings above, DCI believes that Vallejo needs to do the following five things:

- Address its bankruptcy head on, emphasizing its emergence from bankruptcy;
- More strongly associate the city with its Bay Area location;
- Dispel the misperception that it is an expensive location to do business;
- Showcase that Vallejo will be among one of the best cities to do business in California, since it's already addressed its challenges;
- Share some of the steps that the city is taking to address its safety and crime issues, since these words are also associated with Vallejo, and when possible, show statistics that these initiatives are working

- 1) **Vallejo is an innovative and tech-savvy city willing to try new things to address its challenges and remain an excellent location for business and people.** Vallejo’s bankruptcy forced the city to tackle its challenges head on, and its fiscal situation is now in better shape than many cities across California and the U.S. as a result. The city can serve as a model for other communities facing budget woes or emerging from bankruptcy, because it is using innovative solutions and technology to solve problems. The people and leaders of Vallejo are willing to try new things, including the first participatory budgeting session ever to take place in any North American city, something other major cities in the U.S. are considering doing, but have not yet tried. Although the city still faces some hurdles, like many cities in the U.S., it is moving forward and witnessing success in attracting companies that are creating high-quality jobs, such as Blu Homes.
- 2) **Vallejo is uniquely positioned to do well among Californian cities.** Vallejo is not alone among cities across the U.S. and California that have faced – and will continue to face – budget challenges. But because Vallejo has emerged on the other side of bankruptcy already, it is recovering and ahead of many other places across the U.S., including 100 of California’s 482 cities that might also face bankruptcy by the end of this year. As the *Washington Post* article notes, the city is “in much better financial shape than many other cities around the country.” With this, Vallejo has more time and resources at its disposal to focus on making its community business-friendly, rather than worrying about its fiscal situation.
- 3) **Vallejo has some of the lowest overall operating costs in the Bay Area.** The combination of relatively low occupancy and land costs make Vallejo an attractive choice for companies looking to locate in California – and specifically the Bay Area. This is one of the most important assets that Vallejo can tout, because it was among the top three most important factors in selecting a site among the advisors we surveyed. Vallejo should pull together very specific data surrounding this competitive advantage and measure itself against competitor cities across California, revealing how the city ranks.
- 4) **Vallejo has a highly skilled manufacturing workforce next to the most world-renowned high-tech hotbed.** As manufacturing returns to the U.S. – and in an age when manufacturing companies across the U.S. and around the world cannot find enough skilled labor - this asset is critical for Vallejo and constitutes a one-two punch that we believe arguably does not exist anywhere else in the country quite to this extent. Site selectors already see California’s skilled workforce as one of the state’s major advantages, so Vallejo should tie itself to this positive association and build on this perception with its technical skills. In addition, this was the number one factor for site selectors in choosing a location in the SSC survey, so the more Vallejo can do to share this message, the better. With this in mind, Vallejo should conduct a labor study and have data available for specific skill sets and job positions to demonstrate in great detail the type of talent that is available in the area and that labor costs are competitive. Then, it should very clearly communicate its labor advantages.
- 5) **Vallejo has an ideal geographic location as a hub of the North Bay, with its proximity to San Francisco and Sacramento, along with excellent transportation and distribution assets.** In the Bay

Area's backyard and as the gateway to Napa, Vallejo's physical location could not be better. The city's geographic position also has implications for quality of life and quality of place, including a temperate climate, access to world-class amenities in San Francisco, a relatively affordable housing market, and proximity to one of the most well-known tourist destinations in California and the world. These advantages not only appeal to companies, but also to C-level executives and skilled professionals. Vallejo's location – being adjacent to major markets and population centers in Northern California – along with its transportation and distribution assets are also critical, including the combination of deep water access, rail and highway access and one of the heaviest-load capacity bridges in California.

Key Storylines (3-4 key storylines and suggested spokespeople)

- 1. Manufacturing is alive and well in Vallejo on the city's Lennar Mare Island, including companies in heavy manufacturing and green technology.** Companies that need highly skilled manufacturing labor, but also need to be close to the Bay Area market, including its high-tech industry, are thriving in Vallejo, including Blu Homes, Alstom and Alco Iron & Metal. The city is an example of a countertrend with plentiful manufacturing talent near a high-tech hub, in contrast to the rest of the country, which is facing a skills shortage. Currently, the regional and national media is heavily focused on manufacturing coming back to the U.S., along with the talent mismatch and shortage. Most of that focus is on the Rust Belt, but reporters would also likely be very interested to hear that manufacturing companies are doing well in California – news that is very counterintuitive and not what the media is currently generally reporting.

Spokespeople:

- City of Vallejo Economic Development Director Ursula Luna-Reynosa
 - Blue Homes President, Bill Haney
 - Alstom Plant Manager
- 2. One year after emerging from bankruptcy, the City of Vallejo's outlook is bright and its financial situation is better than many other cities across California and the United States.** Although Vallejo was the largest city in the country to declare bankruptcy, many other cities across the U.S. and in California are faced with similar predicaments right now, so we think this story will be of great interest to the regional and national media, especially as Vallejo reaches its one-year mark in emerging from bankruptcy in November 2012. Essentially, we think the timing is perfect for Vallejo to tell the story of what's changed in the year since the city came out of bankruptcy. It has had major successes in attracting companies like Blu Homes; it is experimenting with some of the best governing practices from around the world, including being the first North American city to use participatory budgeting; and it is using technology to solve several of its challenges. The city, of course, still faces some obstacles, but the government and residents have come together and the city has emerged as a stronger community because of its bankruptcy. The city's use of technology and innovative governing initiatives would also be of strong interest to outlets focused on technology and government, such as *Wired*, *Fast Company*, *The Atlantic Cities*, and *Governing*.

Spokespeople:

- City of Vallejo Economic Development Director Ursula Luna-Reynosa
- City of Vallejo Mayor Osby Davis
- Blue Homes President, Bill Haney

3. **With Solano 360, along with land available on Lennar’s Mare Island and opportunities for hotel, restaurant and retail development in Vallejo, there are numerous real estate investment opportunities for the right kind of developer.** DCI works with numerous national and regional real estate reporters, and if there are any major news announcements of real estate development opportunities, such as moving forward with Solano 360, we think there could be a strong story to pitch these journalists. Given that Solano 360 is one of the largest pieces of publicly-owned property in the Bay Area at 149 acres, there could be an opportunity to help tell the story of this development and get it in front of the right business audience.

- Solano 360 Spokesperson
- City of Vallejo Economic Development Director Ursula Luna-Reynosa
- Additional Development Opportunity Representative

4. **With the worldwide supply chains increasing in importance in a global economy, Vallejo’s maritime industry is booming thanks to its proximity to Asia, Northern and Southern California and other major marketplaces.** As the first U.S. Naval shipyard in the country on the West Coast and the city with the only public maritime academy on the West Coast, Vallejo’s unique history is also helping drive its future, with many maritime companies operating successfully out of the region. Cal Maritime’s international business graduates are in high demand in global logistics and shipping industries and offer access to highly-skilled human resources for any international logistics firm that locates in Vallejo. Potential storylines could focus on all of the maritime companies operating from the city, especially if they are working on major projects on the West and East Coast, such as the Panama Canal expansion and other major dredging projects. International trade and port operations are of great interest currently in the national media given the Panama Canal expansion. If these companies are seeing growing demand for their services, this could make for a great trend story.

- City of Vallejo Economic Development Director Ursula Luna-Reynosa
- Cal Maritime spokesperson
- Company spokesperson, such as CS Marine Constructors

Marketing Plan – 10 Key Activities in the Year Ahead

11) Develop a New Brand, Logo and Tagline for the City

A brand, logo and tagline are a small, but critical, piece of any city's marketing campaign. And although they are a key part of building the perception and image of a location, too often, communities spend too much time, money and effort on developing these assets. DCI is a firm believer that these components of marketing your city can be created in a cost-effective and timely way that helps rally your community around your key messages and communicate your assets in a clear, concise and visual manner.

The City of Vallejo's current logo and tagline, "City of Opportunity," and "Pride in Service," don't clearly reflect the city's key selling points or what sets it apart from all other cities across the U.S. Vallejo's logo, with its image of a sailboat, tree and water, while beautiful, also looks somewhat dated. DCI recommends engaging in a rebranding effort to develop an updated, fresh, modern logo and tagline that also includes the word, "California," to show where the city is located.

A new brand, logo and tagline should clearly showcase the city's key strengths, assets and excellent geographic location, because so many positive things are associated with Vallejo's Bay Area proximity. Below are some initial ideas surrounding a potential tagline that might be associated solely with the city's economic development department – but could potentially be adapted for use by the entire city by switching out one or two words:

- City of Vallejo: The Best of the Valleys Meets Here
- City of Vallejo: Where All Valleys Meet
- City of Vallejo: Business in the Bay Area's Backyard
- Business in Silicon Valley's Backyard
- Silicon Valley's Manufacturing Headquarters
- City of Vallejo: Napa's Doorstep in the Bay Area's Backyard

12) Produce Targeted Marketing Collateral to Effectively Communicate Key Assets

Once the City of Vallejo has finalized the key messages it would like to share, the top industries it will be targeting for business attraction and any statistics or additional background analysis that has been conducted, the city should consider producing 2-3 targeted print and digital marketing pieces, such as a general brochure aimed at site selectors and corporate executives, and perhaps industry-specific brochures that detail more information about each of the industries the city is targeting for attraction. These brochures could be printed, or simply PDF'd and made available on the city's website and downloaded or printed on an as needed basis. In addition, DCI also recommends that Vallejo consider developing an eNewsletter template for business attraction, communicating with decision makers with site selection responsibilities 3-5 times a year, along with a separate eNewsletter template for updating existing businesses and partners in Vallejo, sharing good news and announcements as they happen, likely also about 2-3 times a year.

13) Implement Key Website Recommendations and Begin Planning for a New ED Microsite

According to DCI's 2011 report, "A View from Corporate America: Winning Strategies in Economic Development Marketing," after personal visits, a location's web site is the top marketing tool or technique that decision makers use and 47 percent of the surveyed corporate executives indicated that they would likely visit an economic development organization's website during their next site location search.

An economic development organization's website is often the first exposure a corporate executive or site selection consultant will have to an area. Tellingly, a majority of these decision makers won't even contact a location until their list has been narrowed to a few finalists, a short list – or their selection has already been made. In short, the importance of your website can't be underestimated; it is critical to have a well-organized, easily navigable, attractive and relevant digital presence.

With this in mind, in the year ahead Vallejo should conduct a thorough review of the economic development information available on its website and focus on making this portion of the city's site as robust and easily navigable as possible, ensuring that the information that is most important for site selectors is readily available (see DCI's "Winning Strategies" report for a ranking of the factors site selectors say are most critical on a website). Currently, Vallejo does a good job of including some of the data that site selectors need, such as workforce statistics and demographics information, but this information is also not easy to find, because it is several "clicks" into the website and once you get to this information, you must scroll down a page to uncover the required data. Making this information downloadable via a PDF is one way to overcome this challenge.

Vallejo should also consider showcasing its key messages, which are outlined above, along with some of its recent success stories, such as Blu Homes, via case studies, specifically demonstrating how the City of Vallejo assisted companies in making a move to the community. Quotes from company CEOs, along with the company's needs for specific workforce skills, demographics and other factors that set Vallejo apart as the location of choice should be included. For Blu Homes, much of this information is available in the news articles surrounding the company's move to the location, but DCI would recommend interviewing the company in greater detail to communicate how this project came about.

Over the course of next year, Vallejo should also begin planning to implement a separate economic development website that is more robust and offers greater functionality for site selectors.

14) Engage Local Stakeholders and Internal Audiences with an Ambassador Program

Most Vallejo residents, community organizations and business leaders seem to be very passionate about seeing the city succeed and are proud of the place they call home. Due in some part to the city's recent bankruptcy, many citizens are already involved in government, through community watch groups and by being a part of the first participatory budgeting process to ever take place in North America with the one-penny sales tax increase that they'll get to vote on how to spend.

Because the city has very active residents, many of whom are already using email and social media (such as the Facebook page Better Vallejo) to communicate about and with the city, DCI

recommends that Vallejo begin a concerted effort to educate, engage and share good news about the city in the Bay Area and beyond via the social networks of the city's champions by launching a digital ambassador program aimed at Vallejo's citizens, community and government representatives and business leaders.

Using Facebook and Twitter, Vallejo's digital ambassadors could sign up to receive updates, including positive news and information about the city, such as a link to the recent positive *Washington Post* article, to re-post and share with their networks of friends, family, colleagues and acquaintances in the Bay Area and across the U.S. Vallejo might also consider naming the campaign something like "Vallejo Rising," which indicates that the city is coming out of its bankruptcy – and emerging from the valley of the recession, encouraging people to Tweet positive news about the city using the hashtag #VallejoRising.

15) Educate Regional Economic Development and Business Partners About Vallejo's Key Advantages and Assets

Regional economic development organizations, such as the Bay Area Economic Council, San Francisco Center for Economic Development, Silicon Valley Economic Development Alliance, and Californians for Clean Energy and Jobs (www.cabrightspot.org) are approaching companies across the U.S. and around the world about expanding, relocating or starting up in the region on a daily basis. Although these economic developers may know about some of Vallejo's assets and opportunities, they may not be well-versed or familiar enough with the city's advantages to sell them to companies that might be looking at the Bay Area for their next site location decision, such as a manufacturing facility, for example, for which the great San Francisco area isn't a match, but Vallejo might be.

Bringing business into the larger metropolitan Bay Area is a win-win for both Vallejo and cities such as San Francisco and San Jose, so Vallejo should leverage key regional relationships and potential partnerships by collaborating more directly with regional economic development organizations. In the year ahead, Vallejo should explore building these relationships by developing and offering detailed presentations to Bay Area economic development groups, almost as if they were prospects themselves, and conducting familiarization tours of Vallejo to ensure that the city's Bay Area colleagues are up-to-date on the city's assets and strengths as they market the region to the world.

16) Launch an Aggressive Media Relations Campaign:

Vallejo has numerous positive stories to tell in the regional, national, international and trade media, from the city's emergence from bankruptcy and subsequent innovative approach to dealing with its limited budget, to the success stories of several innovative companies operating in the region, such as Blu Homes. These themes can help serve as a platform and news peg from which the city can transition into talking about its other assets, advantages and key messages.

In the year ahead, DCI suggests implementing three key media relations tactics designed to help tell the “Vallejo Rising” story:

Pursue Proactive Pitching

Vallejo should develop the storylines outlined above in more depth, and then communicate these ideas on a regular basis directly to specific reporters on with a demonstrated interest in these angles via a mix of email, phone and face-to-face contact. The city should work directly with journalists who indicate interest in pursuing the ideas to provide them with sources, help to arrange interviews and send any other background reports and materials.

Specifically, Vallejo should target some of the national reporters who have previously covered the city’s bankruptcy, such as Bobby White with the *Wall Street Journal*, and Kurt Badenhausen with *Forbes*, who covered the city as being among the top 20 most miserable places. Vallejo could approach these reporters with an update about where the city stands now and the idea of a “one year later” angle. The city should also hone in on reporters from trade publications covering their key target industries, along with regional reporters in the Bay Area who have demonstrated an interest in the community’s news in the past, such as those who covered the Blu Homes announcement.

Conduct a Media Tour to the Bay Area and/or NYC/DC in November 2012: “One Year After the Nation’s Largest City to Declare Bankruptcy Emerges from its Proceedings, the City Finds Itself on Solid Footing”

In the year ahead, DCI suggests that Vallejo take its messages and stories “on the road,” by conducting a media tour in November 2012 in the Bay Area or New York City and Washington, D.C., to coincide with the one-year anniversary of the city’s emergence from bankruptcy, meeting with top national and regional publications in at desk-side appointments at their offices.

DCI believes this storyline will be of great interest and that this tactic is critical to counteract some of the negative publicity generated during the city’s bankruptcy. The bankruptcy anniversary story can also act as a great news peg to talk about many of the positive things taking place in the city. Likely spokespeople would include Vallejo’s mayor, the city’s director of economic development and Blu Homes’ CEO, since the one-year bankruptcy anniversary also coincides with Blu Homes one-year anniversary of operating in the region. The city would need to be prepared to address the challenges that still remain, but also many of the positive assets and things happening in the community.

Arrange for Press Trips to Vallejo

For business journalists, there is nothing like seeing a place and its stories firsthand. DCI recommends arranging for at least one inbound press trip with a group of 3-5 journalists, during which the city hosts these reporters to showcase either a specific industry to trade reporters,

such as manufacturing or maritime industries, or approaches international journalists from foreign countries that Vallejo is targeting for foreign direct investment to showcase the opportunities for development and business. In Vallejo's case, the city should likely concentrate on Asian and European foreign media outlets.

17) Start an Aggressive Lead Generation Program (Prospect Development and Qualification)

Cities must proactively market their assets and investment propositions to stay ahead of the curve. Based on the SSC survey conducted on Vallejo's behalf, although more than 75% of site selectors say they have worked on projects in the past three years considering a California location, Vallejo's value proposition and business advantages remain relatively unknown, with 50% of the SSCs surveyed saying they don't know or are unfamiliar with Vallejo's business climate.

In order to identify and uncover the right kinds of opportunities and market the city directly to business executives in charge of site location decisions for qualified projects, Vallejo should start an aggressive lead generation program. In the year ahead, Vallejo should aim to develop a list of 150-250 "best bet" prospects, identifying companies in the city's target industry sectors that are a match for Vallejo's assets, such as a need to be in the Bay Area and demand for both hi-tech workers and manufacturing labor.

To do this, Vallejo should look for companies exhibiting one of seven factors that are a predictive of a change and are often correlated with an upcoming investment decision, including a: 1) change in company leadership, such as a new CEO or president, 2) strong increase in revenue, 3) strong increase in the number of employees, 4) launch of a new product or service, 5) change in the regulatory environment where a company is currently operating, 6) recent addition of new facilities, or 7) recent expansion of existing facilities. Vallejo might also strongly consider targeting companies that already have a Bay-Area presence – such as sales offices or other operations - and approach them about expanding in the region. To do this, the city could partner with the Bay Area Economic Council surrounding their business retention and expansion program, encouraging existing companies in the area to think about bringing manufacturing operations to the region, if they don't have them there already.

Once these companies have been identified, the aim would be to have a meaningful conversation and dialogue with a senior executive to get roughly 75 "decisions," regarding their interest in Vallejo as a potential location, and then arranging for a handful to a dozen face-to-face meetings or conference calls with those leads that are promising or "qualified." Given Vallejo's need to develop real estate, hotels, restaurants, retail and other hospitality businesses, the city could also target this key audience to uncover the "right" developers and prospects, who might potentially be interested in expanding or opening a location in Vallejo. The city should also consider targeting manufacturing companies with consumers in California, Western States and Western Canada, and go after companies that are making green products made in the U.S., which have a high demand in California.

18) Build Relationships with Site Selectors

Site selectors are a critical audience for Vallejo's messages, so the city should aim to advance its relationships with this key group of influencers in the year ahead, especially given some of their misperceptions and lack of familiarity with Vallejo. To do this, DCI recommends inviting 4-6 of these advisors to the city for a 2- to 3-day familiarization tour of Vallejo's industries and assets, making sure that the site selectors walk away from their visit not only with a strong understanding of the city's advantages, but also its unique quality of life assets that appeal to C-level executives or skilled professionals, such as its proximity to Napa and Sonoma. In addition to – or in place of – the familiarization tour, Vallejo should also consider hosting at least one site selection consultant luncheon or other event, inviting 6-8 consultants to participate in a special event in a key marketplace, such as San Francisco, L.A., Chicago or New York. During the event, they would network with Vallejo's business and economic development leaders and learn more specific information about what the city has to offer to companies.

19) Network at Key Trade Shows in the Bay Area and Beyond

Trade shows are an excellent way to network with target industry executives, get face time with potential investors, meet with trade media and market Vallejo. Given this, the city should consider attending – and truly “owning or standing out at - one to two key trade shows or conferences in the Bay Area and beyond in Vallejo's target industries. This might mean hosting a booth, arranging interviews with trade industry journalists and possibly arranging company appointments in conjunction with the show. The California Manufacturers & Technology Association, for example, will be hosting its 2012 Manufacturers Summit in Sacramento on June 28. This event could provide a great opportunity to network with top manufacturers already located in California, assess Vallejo's perceptions, strengths and weaknesses from attendees' perspectives and learn more about manufacturing business trends and these companies' plans and challenges in California for the year ahead.

20) Strategic and Targeted Advertising

With a limited budget, DCI recommends limited advertising, because its cost can be high and its return on investment incredibly low. However, with a targeted and strategic approach, advertising directed toward a well-defined audience in an extremely visible place can be effective. Because the *Wall Street Journal* is one of the most well-respected, well-read publications in the business world – and it has a Bay Area edition – Vallejo might consider moving forward with a targeted regional advertising campaign in this outlet. More than 80% of the executives DCI surveyed in its “Winning Strategies” report indicated the *Journal* is one of the publications they most frequently read. Vallejo's advertising messages could be directed at companies already with a presence in the Bay Area, indicating the city is a good place to expand, especially for companies looking to manufacture in California.

Timeline

Months 1-3 (Possible Dates: September 2012 – November 2012)

- DCI conducts immersion tour in Vallejo
- Potentially begin work with Northstar Branding on developing a new brand, logo and tagline that work for both the City of Vallejo and the CVB
- Start development of marketing collateral pieces
- Depending on timing, plan for and conduct media tour to Bay Area or NYC, ideally coinciding with one year anniversary of city emerging from bankruptcy (November 2012)
- Plan for and conduct site selection consultant event, such as a luncheon, or meetings in conjunction with media tour
- Launch aggressive lead generation program

Months 4-6 (Possible Dates: December 2012 – February 2013)

- Finalize marketing collateral pieces, including brochures and eNewsletter template; send out first eNewsletter
- Conduct website analysis and review; make recommendations for immediate changes and longer term ED microsite
- Lay groundwork for formal ambassador program and launch campaign
- Kick off campaign to educate regional economic development and business partners about Vallejo's advantages and assets
- Begin proactive pitching
- Start planning for inbound press trip to Vallejo with trade journalists
- Conduct 2-3 meetings with corporate executives and decision makers through lead generation program

Months 7-9 (Possible Dates: March 2013 – May 2013)

- Conduct inbound press trip with trade journalists coming to Vallejo
- Begin planning for site selection consultant familiarization tour to Vallejo
- Continue proactive pitching
- Conduct 2-3 meetings with corporate executives and decision makers through lead generation program
- Design and buy targeted advertising to run in Bay Area edition of *Wall Street Journal*

Months 10-12 (Possible Dates: June 2013 – August 2013)

- Attend key trade show in Bay Area related to manufacturing or other target industry; pursue in-person meetings with company executives and trade media attending show
- Conduct site selection consultant familiarization tour to Vallejo
- Continue proactive pitching

- Conduct 2-3 meetings with corporate executives and decision makers through lead generation program

Table 1 Progress Update on Stakeholder Group

Sector		Organization		Name		Title	
Agreed to serve on stakeholder group:							
1	Higher Education	Touro University	Marilyn Hopkins, Ph.D.	Provost and Chief Operating Officer			
2	Higher Education	Cal Maritime Academy	Gerald Jakubowski	Provost			
3	Finance	National Development Council	Olivia Rebanal	Loan Office, Grow America Fund			
4	Mare Island Development	Mare Island Developer – Tom Sheaff	Tom Sheaff	Lennar Mare Island, LLC			
5	Rail	Mare Island Rail	Randolph Peterson	CEO			
6	Vallejo Employer	Earthquake Protection Services	Victor A. Zayas	President			
7	Other Partners	Klimisch Collision Repair	Dennis Klimisch	Owner			
8	Other Partners	Workforce Investment Board, Solano County	Robert Bloom	Executive Director			
9	Other Partners	Solano Small Business Development	Chuck Eason	Director			
10	Healthcare	Sutter Health	Sy Neilson	Regional Marketing Supervisor			
11	Vallejo Employer	Trans Field Services	Clint Leon	SVP Operations, West Coast			
12	Tourism	Six Flags Discovery Kingdom	Dale Kaetzel	Park President			
13	Real Estate Development	Callahan Property Company	Joe Callahan	Principal			
Declined to serve on stakeholder group:							
1	Vallejo Employer	Meyer Corporation	Ed Blackman	Senior VP of Facilities & Logistics			
Interview Scheduled, but have not confirmed whether they will participate in the Stakeholder Group							
1	Higher Education	Solano Community College	Jowel C. Laguerre, Ph.D.	Superintendent/President			
2	Healthcare	Kaiser Permanente	Max Villabos	Senior Vice President/Area Manager			
3	Other Partners	Association of Bay Area Governments	Kenneth Kirkey	Planning Director ABAG			
4	Other Partners	Bay Area Council	Micah Weinberg, PhD	Senior Fellow			
No Response							
1	Vallejo Employer	BluHomes	Rob Kranenburg	VP Operations			
2	Vallejo Employer	PetroChem Inc.	Ken Norris	Branch Manager			
3	Real Estate	Skyview Memorial	Buck Kamphausen	President			