



County of Monterey

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Board Report

File #: 23-603, Version: 1

Adopt Resolution to:

- a. Accept the Comprehensive Economic Development Strategy (CEDS) Annual Update for the County of Monterey;
- b. Authorize the County Administrative Officer or designee to submit the CEDS Annual Update to the U.S. Department of Commerce, Economic Development Administration (EDA).

RECOMMENDATION:

It is recommended that the Board of Supervisors adopt Resolution to:

- a. Accept the Comprehensive Economic Development Strategy (CEDS) Annual Update for the County of Monterey.
- b. Authorize the County Administrative Officer or designee to submit the CEDS Annual Update to the U.S. Department of Commerce, Economic Development Administration (EDA).

SUMMARY/DISCUSSION:

The Comprehensive Economic Development Strategy (CEDS) contributes to effective economic development in America's communities and regions through a place-based, regionally driven economic development planning process. Economic development planning as implemented through the CEDS is not only a cornerstone of the U.S. Economic Development Administration's (EDA) programs, but successfully serves to engage community leaders, leverage the involvement of the private sector, and establish a strategic blueprint for regional collaboration. The CEDS provides the capacity-building foundation by which the public sector, working in conjunction with other economic actors (individuals, firms, industries), creates the environment for regional economic prosperity.

Simply put, a CEDS is a strategy-driven plan for regional economic development. A CEDS is the result of a regionally owned planning process designed to build capacity and guide the economic prosperity and resiliency of an area or region. It is a key component in establishing and maintaining a robust economic ecosystem by helping to build regional capacity (through hard and soft infrastructure) that contributes to individual, firm, and community success. The CEDS provides a vehicle for individuals, organizations, local governments, institutes of learning, and private industry to engage in a meaningful conversation and debate about what capacity building efforts would best serve economic development in the region. The CEDS should take into account, and where appropriate, integrate or leverage other regional planning efforts, including the use of other available federal funds, private sector resources, and state support which can advance a region's CEDS goals and objectives. Regions must update their CEDS at least every five years to qualify for EDA assistance under its Public Works and Economic Adjustment Assistance programs.

On June 2, 2021, the Board approved ARPA funding allocation for Economic Recovery. In total the County has allocated \$9.6 million in ARPA funds towards economic endeavors which are required to be utilized within the next three years or be subject to return. One of the projects identified by the Board of Supervisors to be conducted with ARPA funds is the Comprehensive Economic Development Strategy (CEDS) annual update.

In June 2021, the County of Monterey released the Countywide Comprehensive Economic Development Strategy (CEDS): 2021-2026. The County must prepare a new CEDS at least every five years for local

communities and organizations to qualify for U.S. Economic Development Administration (EDA) funding. More broadly, the CEDS development process provides a vehicle for regional stakeholders including but not limited to community-based organizations, nonprofits, organized labor, local governments, academic institutions, and private industry to chart a path towards greater economic wellbeing. This document serves as the first official update to the economic analysis conducted in the most recent CEDS. The Year 1 Update presents new data analysis to provide a snapshot of the current economic landscape across the County and to inform near-term economic development planning.

On October 25, 2022, The Board of Supervisors approved an agreement between the County and National Development Council (NDC) to perform all tasks necessary to conduct an annual CEDS update for the County of Monterey.

Following the approval of the agreement Economic Development in partnership with NDC began the update process to the CEDS. The Year 1 Update is the first annual update to the economic analysis contained in County of Monterey's Countywide CEDS: 2021-2026. The report presents new data analysis to inform economic development planning.

Work on the Year 1 Update began in the fall of 2022 with the establishment of the County's new Economic Development Committee, which comprises members from the public, private, and nonprofit sectors as well as representatives from target industries. In collaboration with the County, the NDC and CVL Economics identified additional stakeholders to interview over the course of the project to gain broader insights into challenges, needs, and priorities across multiple economic dimensions. The County also convened four focus groups on topics warranting deeper discussion: Technology and Innovation, Workforce Development, Tourism & Hospitality, and Agriculture. These conversations helped refine the nature of the quantitative analysis and look to indicators that best reflected on-the-ground realities.¹ To that end, the data analysis approach for the Year 1 Update was designed to be more targeted (as opposed to comprehensive) compared to the CEDS; rather than updating every chart from 2021, an emphasis was placed on identifying data points and trends that could most effectively and concisely capture the economic arc of Monterey County in the wake of the pandemic.

Areas of interest included:

- Population Dynamics
- Housing Affordability
- Industry Trends
- Small Business Environment

CEDS Annual Update Year 1 Synopsis:

- Many of the aspects that have contributed to the County's growth - including its Agriculture and Tourism & Hospitality sectors - are facing significant headwinds, including repercussions of the pandemic, global competition, rising housing costs, and a declining working-age population.
- Between 2017 and 2019, Monterey County had above-average employment growth compared to neighboring counties. But in 2020, the pandemic caused a precipitous drop in the County's employment. By 2021, Monterey County's employment remained 1.7% below 2017 levels, having not recovered as well as neighboring San Benito County (-0.3%) or the state overall (-0.8%).

- With a large tourism economy, reduced travel resulting from the pandemic had a large impact on the regional economy. Sectors that were hit the hardest included Accommodation and Food Services (-4,700 jobs between 2019 and 2021) and Arts, Entertainment, and Recreation (-670 jobs). Small businesses in Other Services - which includes industries like personal care services, automotive repair services, and dry-cleaning services - were also adversely affected (-950 jobs) as consumers shifted their spending from services to goods.
- A major challenge related to technology and innovation ecosystem development is the lack of a critical mass of companies, research universities, and entrepreneurs necessary to create, nurture, and maintain a sustainable ecosystem. Few avenues exist to commercialize ongoing research and development initiatives. The University of California, Santa Cruz (UCSC) Monterey Bay Education, Science, and Technology Center (MBEST) presents an opportunity to build the region's first true technology hub to foster entrepreneurship, cluster development, and job creation.
- The need to revitalize the County's workforce development infrastructure and talent pipelines grows more urgent with each passing year. The County is facing a shrinking work-age population. Between 2017 and 2021, the number of County residents ages 15 to 34 years declined by 3,160 people. At the same time, the number of residents ages 55 or older rose by 7,500 people. An increasing share of the population that ages out of the workforce has implications for regional productivity and may further strain the County's health care resources.

On May 15, 2023, The Economic Development Committee received a presentation and reviewed the draft CEDS update. The committee moved to support recommending the draft CEDS annual update along with valuable feedback that was taken into consideration and included in the final report provided to the Board of Supervisors for adoption.

Economic Development is planning to conduct a CEDS Annual Year 2 update in FY23-24 and is estimated to be completed by June-July 2024.

OTHER AGENCY INVOLVEMENT:

Staff has consulted with County Counsel. The resolution and report are recommended by the Economic Development Committee.

FINANCING:

Adopting this resolution has no financial impact.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

The American Rescue Plan Act funding for Countywide Business Retention will provide programs and services that support the Board approved strategic initiatives.

- X Economic Development
- __ Administration
- __ Health & Human Services
- X Infrastructure

__ Public Safety

Prepared by:

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Approved by:

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Attachments:

Board Report

Resolution

CEDS Annual Update