

RESOLUTION NO. 2018-0312

Adopted by the Sacramento City Council

July 31, 2018

Policy to Take Comprehensive, Intentional Actions to Increase and Diversify our Economic Growth in an Inclusive and Equitable Manner that Focuses on Neighborhoods and Their Unique Needs

BACKGROUND

Financial Condition of Residents and Businesses in Sacramento

- A. Project Prosper. In 2017 the City launched Project Prosper to identify effective ways to improve the city's economy and quality life. The City hired national economic experts, created a broad-based Working Group of local and regional economic development specialists, and held 5 well attended community meetings. That initiative focused on capacities in three key areas, all of which are essential to create wealth and stimulate inclusive growth – business, people and place.
- B. Business Capacity
 - i. Most job growth and economic output in healthy economies comes from expansion of existing firms with between 10 and 99 employees. Sacramento has 81% of its business employing less than nine employees, and 66% with fewer than five employees.
 - ii. Research shows a high return on investment from targeted, comprehensive technical assistance services to help existing local businesses improve and expand their businesses. The Sacramento region does not provide such comprehensive, targeted technical services.
 - iii. Research shows that growth in existing firms or recruitment of in-state firms to expand or relocate to a local area represents 86% of all job growth.
 - iv. The Sacramento Region has a larger than average share of research and development (R&D) expenditures in higher-educational institutions, but a lower than average share of companies that spin off from this research and only 0.3% of regional employment is in advanced industries that are reliant on R&D.
 - v. The local metropolitan entrepreneurial ecosystem is experiencing increases in startup activity, main street entrepreneurship, and growth entrepreneurship;

- however, of the 40 largest U.S. metros, Sacramento ranks no higher than 19. Its growth entrepreneurship ranking is only 30. This suggests a gap in innovation and entrepreneurship support and financing, due to few, disparate, and non-connected entrepreneurial support activities for entrepreneurs and few growth funding opportunities from venture capital in comparison to our competitors.
- vi. Sacramento has a lower than average percentage of wealth-generating, traded sectors (17% vs. 28% for U.S.) that sell their products and services outside of our local regional economy and bring wealth into the region. In fact, the annual employment growth rate in the region's traded sectors has declined by 0.7% in the past decade, and local traded sector production associated with goods and services that are exported accounted for about 6 percent of Greater Sacramento's economy, lower than that of its competitors.
 - vii. Experience throughout the country and world suggests that well developed networks of businesses working within an economic industry cluster lead to wealth creation, which is the engine of sustainable economic growth. We lack these networks particularly in higher-wage, traded industries. In both manufacturing and services, the region experienced increased employment but at a slower rate than the nation.
 - viii. Research throughout the country indicates that clear alignment of public, private, and civic actors toward targeted economic outcomes significantly increases success rates. We have progress to make in this area, and we need to do research with our local and regional businesses and networks to identify unique linkages and industry clusters that represent high prospects for economic growth, such as R&D in food, agriculture, and technology that can seed startup firms in traded sectors.
 - ix. Long term partnerships that cultivate university and industry innovation districts can be beneficial to research and product development, generating more wealth for a region and becoming an employment destination for graduates from our region and elsewhere.
 - x. As a state capitol, the state government accounts for a quarter of our jobs, and it provides steady growth, pays higher than average wages, and will provide job opportunities because of 40,000 state retirements over the next 10 years. However, the sector does not offer dynamic growth potential as an innovative, advanced and traded sector would.
 - xi. According to the Creative Edge plan adopted by the City Council, creative occupations, industries and economic health of the city are higher than the national and regional average but have been declining since 2013.

C. People Capacity

- i. Sufficient quantities of educated and trained work force in areas of the economy that we want to grow are required to achieve our vision; today, significant disparities by race and ethnicity exist in both educational attainment and skills.
- ii. High levels of income inequality in a city lead to lower incomes and growth rates. Sacramento has higher income inequality than the national average, and larger disparities across its neighborhoods and within its race and ethnic population.
- iii. The current economy requires, at the very minimum, a high school diploma. High school graduates are better prepared to enter the workforce and have greater opportunity and earning potential; social benefits include improved health, lower crime, and unemployment. Sacramento has a low high school graduation rate, with nearly one-sixth of our working population not graduating.
- iv. Digital skills are essential for 72% of jobs, including 82% of middle-skill jobs that pay above the national living wage but don't require a bachelor's degree. Sacramento has a higher than national average percentage of workers of color in low-tech jobs.
- v. Much research shows that higher levels of post-high school certification and degrees are the single strongest indicator of higher incomes in a population. Sacramento has lower college graduation rates than the State of California and the nation.
- vi. Child care is a burden to low income and single parents and limits their labor force participation and economic opportunity. One third of our families in the region struggle to make ends meet.
- vii. There is strong evidence that effective pre-K education leads to higher high school and post high school graduation rates. When viewed from the societal perspective, most early childhood programs have positive benefit-cost ratios for the child and society in the range of \$2 to \$4 for every dollar invested.

D. Place Capacity

- i. Research shows that today's young job seekers are placing a high priority on finding a city with high urban amenities and neighborhoods that are dense, diverse, interesting, bikeable, walkable, and transit-served. Place-making is an economic development strategy and improves the quality of neighborhoods when done in an intentional and equitable manner. Sacramento has some of these

neighborhoods such as the walkability of midtown and plans to build more, but we must increase the rate at which we are creating these neighborhoods.

- ii. A healthy transit system to connect all residents to jobs, especially those with lower rates of access to cars, is essential. In comparison to our region, the city of Sacramento has the lowest car access per household. This is particularly difficult for those living in poverty because low-income adults face greater hurdles to reach and access jobs due to the lack of viable transportation alternatives. Sacramento has plans to build a streetcar system in the downtown, and Sacramento RT is developing innovative micro-transit pilots to meet community needs but our light rail system is incomplete, and our bus system is subpar and not serving populations most in need of viable transit mobility options.
- iii. Access to affordable housing is an essential component of attracting a work force to support a growing economy. Sacramento's rate of growth, diversity, and affordability of housing are all significantly lagging. For example, Sacramento County accounts for 24% of the share of low-wage jobs, but only 18% of affordable housing units.
- iv. People want to live in clean and safe neighborhoods that have fast emergency medical response times and positive relationships with law enforcement. Sacramento is implementing many reforms and expanding community policing, but many reforms need resources to be implemented sustainably at scale. Public safety in our region also requires significant attention to flood protections and threats which not only pose serious public safety concerns but also threaten our ability to develop and grow businesses and neighborhoods alike.
- v. People want convenient access to a range of public facilities (libraries, community centers, parks, recreation) and private stores (food, shopping, and entertainment). Many neighborhoods do not have a full complement of these services today which are crucial for the engagement and support of youth and families throughout the city.
- vi. People have a strong interest in arts, creative, cultural services and events, and 77% of Sacramentans want to see a business-friendly environment for artists and creatives.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL
RESOLVES AS FOLLOWS**

- Section 1. VISION: Sacramento's renaissance requires that the city makes intentional investments to increase and diversify our current economic growth in an inclusive and equitable manner that focuses on neighborhoods and their unique needs.

The strategy will seek to increase the variety of businesses and the jobs that they create; enable more of our residents to participate more fully in the economy with increased economic opportunities and a higher standard of living; create more livable neighborhoods; and build a stronger, more prosperous city for today's youth and future generations.

Section 2. PRINCIPLES: To address these issues and inequities in the city, the city must focus its economic and community development investments and planning for long-term and short-term delivery of services to make vibrant, livable neighborhoods that are safe and enable our residents and future generations to have greater economic opportunity and mobility and businesses to thrive. The principles below were gathered from analytical work done by local, regional and national economic experts and input received from residents during several interactive community meetings. These ideas, which are intended to build a thriving local economy that is inclusive and equitable and results in a shared and lasting prosperity for the city and our community of neighborhoods, will continue to be examined by the city for implementation. During this process, of course, other ideas may be identified as well.

- A. The City will prioritize investments in Businesses Capacity that:
 - i. Focus on opportunities related to industry clusters and facilitate university-industry innovation districts;
 - ii. Identify and target assistance to cultivate economic industry clusters;
 - iii. Cultivate the entrepreneurial ecosystem;
 - iv. Provide technical assistance to existing businesses and attract new businesses to grow high-quality, high-wage, and accessible jobs;
 - v. Target growth in traded sectors; and Explore implementing a variety of financial mechanisms to support business and employment opportunities that are consistent with these principles.

- B. The City will prioritize investments in People Capacity that:
 - i. Cultivate homegrown talent through a strong cradle-through-career pipeline;
 - ii. Increase the economic security and mobility of all residents; and

- iii. In addition to diversifying the economy, work with partners to create pathways and opportunities in the local and state government sector.
- C. The City will prioritize investments in Place Capacity that:
- i. Create vibrant, healthy, opportunity-rich neighborhoods for all residents across the city;
 - ii. Increase access to high-quality, affordable homes for middle- and low- income and homeless populations;
 - iii. Promote clean and safe neighborhoods; and
 - iv. Build resilient, connected infrastructure.
- D. To effectively support the growth of an inclusive economic, City Government, itself, will:
- i. Maintain and improve current services and expand the reach of services it provides to residents and businesses;
 - ii. Ensure efficient and effective deployment of all city resources through performance outcomes-based management and create an investment framework that is guided by principles of economic inclusion and equity;
 - iii. Aggressively promote inclusion and equity of all segments of our city in all hiring and contracting processes;
 - iv. Promote democracy and accountability through transparency and accessibility in all the city's activities;
 - v. Continue just policing reforms and expansion of community policing;
 - vi. Focus on building healthy, community engagement connections and networks to ensure alignment among the city and other local governments, non-profit service providers, and community and business organizations;

- vii. Organize the investment in, planning, and provision of all city services to focus on integrated, comprehensive action to improve neighborhoods, including the city's many often underutilized commercial corridors that can provide focal points for, and vital linkages between, neighborhoods;
- viii. Focus on opportunities related to industry clusters and facilitate university-industry innovation districts that promote R&D and technology transfer and cultivate startups and business expansion.

Adopted by the City of Sacramento City Council on July 31, 2018, by the following vote:

Ayes: Members Ashby, Carr, Guerra, Hansen, Harris, Jennings, Schenirer, and Mayor Steinberg

Noes: None

Abstain: None

Absent: Member Warren

Attest: **Mindy Cuppy** Digitally signed by Mindy Cuppy
Date: 2018.11.05 15:00:42
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Mindy Cuppy, City Clerk

The presence of an electronic signature certifies that the foregoing is a true and correct copy as approved by the Sacramento City Council.