## ROADMAP

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Economic Growth in The Next Economy
Wealth Creation in the Next Economy

“Creative Destruction” is disrupting industries, labor markets and places

Growth occurs through market levers enabling interactions of unique concentrations of firms, talent & technologies in place

Divergence means economy no longer “takes care of itself” ➔ be deliberate: what will you be good at/known for/the place to be?
The Next Economy Requires a New Growth Practice
Costly and one-off firm attraction

**Sacramento MSA Job Growth/Loss, 1998-2016**

<table>
<thead>
<tr>
<th>Opened/(all) Closed</th>
<th>Expanded/Contracted</th>
<th>Moved In (time of)/Moved Out</th>
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</thead>
<tbody>
<tr>
<td>1,480,000</td>
<td>829,000</td>
<td>28,000</td>
</tr>
<tr>
<td>-1,339,000</td>
<td>-509,000</td>
<td>-16,000</td>
</tr>
</tbody>
</table>

Net: 141,000 12,000 320,000

Stop competing to grow…

Source: YourEconomy.org; Illustrative – do not rely on numbers – CAREFUL re: interpretation due to serious methodological issues concerning attributions by category.
…To New Principles for the Next Economy

Building on existing strengths and unique assets

- Concentration of workers with relevant skills
- Industry cluster
- Relevant university research and technology
- Strengthen workforce and entrepreneurial ecosystem
- Strengthen university-industry connections → commercialization and firm innovation

Innovation Accelerator
(catalyze technology commercialization, support new & existing firm growth)

…and start growing to compete
From the “Old Economy”...

Focusing on Consumption
...To New Principles for the Next Economy

Focusing on Production
From the “Old Economy”...

Competing on low cost
...To New Principles for the Next Economy

Competing on value added
From the “Old Economy”...

Chasing Deals
To New Principles for the Next Economy

Being strategic – transitioning to your (competitive place in) the next economy

Strategy 1
Become a leading advanced manufacturing hub

Develop manufacturing innovation zones/sites

Grow transportation and logistics infrastructure

Strategy 3
Become more competitive as a leading transportation and logistics hub

• Reduce congestion with tech-enabled transit
• Repair aging freight lines
• Develop intermodal hubs

Strategy 8
Invest to create next-generation infrastructure

Develop energy efficiency sector strength

Strategy 4
Make Chicago a premier destination for tourism and entertainment

• Reimagine touristic attractions
• Create visitor-friendly transit systems

• Reduce jobs-housing mismatches
• Invest in fiber-optic backbone

Strategy 9
Develop and deploy neighborhood assets to align with regional economic growth

Grow and meet new infrastructure demand

Deals as a tactic, driven by an underlying strategy

Source: World Business Chicago’s Plan for Economic Growth and Jobs

For Discussion Purposes Only
From the “Old Economy”...

Bureaucratic, top-down, inside-out government
To New Principles for the Next Economy

Transparent, outside-in, networked collaboration across sectors, subjects and borders
From the “Old Economy”…

Delivering disconnected programs

- Business Development
- Industrial Development
- Entrepreneurship
- Infrastructure
- Workforce
- Housing
...To New Principles for the Next Economy

Acting in context, with integrated solutions

- Business Development
- Infrastructure
- Housing
- Industrial Development
- Workforce
- Entrepreneurship

The whole is greater than the sum of its parts
Poverty alleviation and economic growth are two separate practices.
...To New Practices for the Next Economy

Focus on Inclusive Growth – as a Business Imperative

Drivers of growth exacerbate inequity
Nonfinancial Corporations Sector

Changes in Share of Total Household Income, 1979 - 2007

Inequity is bad for growth

INCLUSION IS A BUSINESS IMPERATIVE

Sources: Federal Reserve Bank of St. Louis; Congressional Budget Office; RW Ventures Analysis
What is Inclusive Growth?

Change in Accumulation and Distribution

How can we enable this growth... ...with a more equitable distribution?
New Development Practices to Achieve Quality Growth

Success = Sustained Quality Growth
Success = Short Term Job Creation

- Subsidize companies
- Invest in regional assets
- Low cost
- Value added
- Profit generation
- Wealth generation
- Municipal competition
- Regional collaboration
- Government-led
- Cross-sector partnerships
- "Inward" community development
- Linking neighborhoods & regions
- Equity pursued separately
- Inclusion as core driver

For Discussion Purposes Only
Better Paths to Growth

- **Focus on Long-term Value and Wealth Creation**
  - Lead with production and enhancing productivity, not consumption
  - Prioritize generating real wealth over short-term profit and shareholder returns
  - Limit financialization and rent seeking

- **Develop and Deploy Existing Assets → Market Efficiency and Inclusion**
  - Develop a supply chain/lifecycle approach – invest in and continuously upgrade ALL of your assets.
  - Make markets work – address market imperfections and externalities to enable all assets to be deployed
  - Evolve governance to next economy dynamics – cross-sector, nimble, open...

- **Seek Long-Term Growth**
  - Compete primarily on value-added rather than low-cost: be the place businesses and workers want to locate and stay because they will be more productive
  - Build for future competitiveness - pursue other “high-road” practices that invest in long-run competitiveness
Implications for Strategic Investing
Strategies and Initiatives: What are we aiming for?

- **Transformative** – shift or accelerate the region’s transition toward the next economy

- **Systems Change** – aiming to make economy/markets work better, not just do deals (*economic development before business development*)

- **Enhance Productivity** – to be transformative, must increase productivity of economy (*How to do this is what analysis of market levers reveals.*)

- **Whole Greater than the Sum of the Parts** – comprehensive, integrated & mutually reinforcing activities

- **North Stars** – signature themes, initiatives and branding (what will you be known for/great at/the place to be?) around which all work can align (trying to reduce fragmentation, not add to it)

- **Enterprises** – not just aspirational plans

- **New Way of Doing Business** – business-like, “ownership” by cross-sector stakeholders willing to drive cultural change, overcome risk-aversion
Prioritize: target region’s highest-potential assets & highest-impact opportunities (not laundry list to please everybody)

Customize: tailor work to the regional context – avoid fads and generic “best practices”

Deeply grounded in market analysis (quantitative and qualitative): empirical and practical, not purely aspirational – if market analysis is targeted and deep enough, strategies naturally emerge

Look for emerging opportunities at intersection of clusters, technologies, occupations

Start with a few “signature” initiatives: potential to be transformative “big idea,” visible, manifesting key messages about priorities for your economy

Quick start with “low-hanging fruit” – achievable initiatives where stakeholders are already aligned (instead of having entrenched interests you need to “blow up”) – but avoid pressure for short-term deliverables instead of system change

Create and Capture Value – business not charity; value capture for sustainability

Don’t over-plan: get to market!
The Right Metrics

- **Input ➤ Activity ➤ Output ➤ Outcome ➤ Impact**

- **Are ”right sized”** - measure success of individual projects and strategies differently from macro measures of city and regional change.

- **Tailor metrics** to Geographies (Region, City, Neighborhood), Subjects (e.g. industries, employment) and Projects.

- **Capture quality in addition to quantity.** Not all jobs and businesses provide the same benefits for the people and places this Investment Committee aims to reach.

- Should align with **investment / selection criteria**, but may be distinct from them.

- **Are clear, compelling, and easy to communicate**: can be used to align stakeholders towards a common vision and goals. **Don’t overengineer them!**
## Illustrative Metrics

<table>
<thead>
<tr>
<th>Economic Performance</th>
<th>Inclusion</th>
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<tbody>
<tr>
<td><strong>Industry</strong></td>
<td></td>
</tr>
<tr>
<td>Industry GRP and Productivity</td>
<td>Percentage ownership by People of Color</td>
</tr>
<tr>
<td>Firm distribution, growth, performance (sales, employment, profitability)</td>
<td>Size, performance, of firms owned by People of Color</td>
</tr>
<tr>
<td>Competitiveness (LQ, innovation metrics)</td>
<td></td>
</tr>
<tr>
<td><strong>Workforce</strong></td>
<td></td>
</tr>
<tr>
<td>Job growth</td>
<td>Percentage employment, by occupational category and pay levels, of People of Color</td>
</tr>
<tr>
<td>Change in occupational distribution, skills Wages</td>
<td></td>
</tr>
<tr>
<td><strong>Other Examples</strong></td>
<td></td>
</tr>
<tr>
<td>Change in HH income, wealth</td>
<td>Change in HH income, wealth</td>
</tr>
<tr>
<td>Geographic distribution of jobs by type, industry</td>
<td>Access to employment opportunities in growth industries</td>
</tr>
<tr>
<td>“Governance” (institutional economics)</td>
<td>Participation in “governance”</td>
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Tailor Metrics to Geographies (Region, City, Neighborhood), Subjects (e.g. Industries, Employment) and Projects

For Discussion Purposes Only
Inclusive Growth Opportunities in Sacramento
CHALLENGES
Underperforming by income, productivity, inclusion and other measures
Consumption driven, local serving, “government town”
Limited industrial/export base, innovation infrastructure
Lack clear economic identity, vision for transition to competitiveness in next economy.

ASSETS
Clusters include building blocks of several nascent next economy industries
Institutions - Strong anchors, collaborative ethos
Human Capital – productive workforce, mix of skills
Place – right size city, affordable, location, quality of life
Opportunities (preliminary)

- **Create a clear specialization**: Become the “Silicon Valley” for AgTech Innovation -- leading test bed, product development for select emerging technologies (many opportunities -- which ones?!) 

- **Double down on Vegetable Seed Breeding and Micro Biome** – already have a competitive advantage, untapped growth potential

- **Expand processing and packaging** beyond tomatoes and rice - decide which crops fit naturally in the tomato and/or rice processing supply-chain

- **Strategic infrastructure investments** - expand broadband to rural areas; other key infrastructure investments
Clean Energy

Strengths:

- **Strong regulatory environment**: Creates demand for both clean energy products and ‘environmental compliance and education’ companies.

- **Manufacturing strengths/space availability**: Creates an opportunity to manufacture renewable energy products; workforce that can be trained in this sector.

- **Innovation**: Startups are growing in energy storage and clean tech*.

- **Market**: A culture that prioritizes environmental conservation.

- **Energy/Water Efficiency**: Water scarcity creating growing demand for energy/water efficiency. Several companies in the area already focus on environmental control systems; opportunity to explore companies at the energy/water nexus

Opportunities (preliminary)

- Pick strategic focus areas within the heterogenous clean energy sector - specialize growth efforts where there are synergies in workforce, firms, supporting institutions, market demand, funding.

- Real and virtual innovation center/cluster organization for targeted technologies (e.g., solar, energy storage), firm growth, finance (e.g. Milwaukee Water Cluster)

- Engage corporate partners in employer-led investments in renewables, focused on solar PV -- innovative product development, manufacture of equipment, procurement contracts

- Scale up contractor and employment training programs, particularly for People of Color, in solar PV

- Leverage Future Mobility Center – e.g. EV batteries
Life Sciences (targeted – cross cutting with ag-tech)
Future Mobility
Anchor Institutions Collaborative
Creative Economy
Business Services/Headquarters
Right Size City
New Development Finance Products and Institutions – merchant bank; cluster-based entrepreneurship finance

... and Lots More ...
Examples of Strategic investments
Innovation Strategy: Specialized Innovation Hubs

- Model innovation center for physical product development and manufacturing
- 65,000 sq. ft. -- 10 fabrication labs and a microfactory for small production runs to encourage rapid prototyping
- Co-working space fosters connections between university researchers, entrepreneurial makers and technologists, firms and investors
- Specialized SME support anchored in place, but tailored to firms
- Accelerator programs
Innovation Strategy: Innovation District

Philadelphia’s University City – Center City

- Identified **competitive edge** for precision medicine (specifically cell and gene therapies); developed initiatives to strengthen commercialization and build out an array of related advanced industries, including digital health, chemicals, and new materials:
  - Increase physical presence of industry partners / proximity to research hubs
  - Develop main commercial corridor (Market St.) to strengthen connectivity between districts, improve walkability and safety, density of firms
  - Design a new Innovation Council to govern and steer long-term strategic investments
  - Strengthen connections between multiple clusters of university and industry assets to spur innovation, maximize impact of anchor institutions, and foster inclusive economic growth

- **For Sacramento, focus on investment gaps and combine with targeted VC funds**
Innovation Strategy: Inclusive Clusters

- Food and Beverage Manufacturing and Packaging - a key regional cluster with strong inclusion opportunities
- Sector leaders engaged to launch first-of-its kind organization
- Launching inclusive growth programs tailored to industry demand:
  - Food manufacturing workforce training institute
  - Seed fund for food & beverage entrepreneurs and firms
  - Networking and professional development
- Approximately 50 paying members; over 1,000 people from 250 companies attending events
Illustrative Next-Generation Growth Practices

Metro Business Plan
e.g., M7 Framework for Economic Growth (Milwaukee), PEG&J (Chicago)

Inclusive clusters
e.g., Chicagoland Food & Beverage Network

Integrated neighborhood and regional development
e.g., Greater Chatham Initiative

Innovation Districts
e.g., Philadelphia’s University City – Center City

Additional, Mutually Reinforcing Strategies - Employer-led talent development and credentialing; re-use of urban industrial land; targeted minority small business TA + finance tailored to high-growth sectors; strategic retail development to drive neighborhood change; etc..
DISCUSSION

THANK YOU

Investment Committee
July 24, 2019
Sacramento, CA