



CITY COUNCIL AGENDA REPORT

MEETING DATE: AUGUST 3, 2021

ITEM NUMBER: NB-2

SUBJECT: ECONOMIC DEVELOPMENT STRATEGIC PLAN SCOPE OF WORK

DATE: July 26, 2021

**FROM: ECONOMIC AND DEVELOPMENT SERVICES DEPARTMENT/
ECONOMIC DEVELOPMENT**

**PRESENTATION BY: DANIEL INLOES, ECONOMIC DEVELOPMENT
ADMINISTRATOR**

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RECOMMENDATION:

Staff recommends the City Council:

1. Approve the Economic Development Strategic Plan Scope of Work and direct staff to release a Request for Proposals.
2. Authorize the City Manager and City Attorney to negotiate and execute agreement(s) with selected consultant(s) for work that is in substantial conformance with the scope of work approved by City Council for an anticipated cost of \$275,000.

BACKGROUND:

As the market has become more competitive and with the dissolution of Redevelopment Agencies in California, revenue sources for local governments have become more limited, while unfunded mandates continue to be generated at the state and federal level. Within this context over the last several years, the City has begun to take a more proactive and creative approach to supporting local businesses and identifying and creating additional revenue sources to increase funding for the wide variety of community services provided by the City.

This focus on economic development as a City function began with a rebranding of the Development Services Director's title to Economic and Development Services Director in April 2012, and included within the job description a task to build up datasets for tracking and analyzing the Costa Mesa economy. From 2012 until 2015 the Economic and Development Services Director was tasked with seeking economic datasets,

participating in business outreach, and attending a national retail conference to pursue new retail tenants for City vacancies.

In 2015, the City used the data collected to include economic development –related Goals, Objectives, and Policies in the 2015-2035 General Plan. In 2016, the City started building its spatial analysis toolset for economic analysis.

In 2017, the City acquired its Costar license which provides significant real estate data which improved the City’s ability to assist with site selection for businesses interested in locating in Costa Mesa, increased the number of economic indicators the City could monitor, and allowed for the economic brochures the City produces to be updated annually. That year, the City also made substantial progress in obtaining business community feedback by conducting regular interviews with business, non-profits, and educational institutions within the City, and started pushing forward a new Land Management System proposal, aimed at streamlining the development process by using a more efficient and transparent technology system.

In 2018, the City created the Economic Development Administrator position to help support the Director in pursuing economic development related projects which included developing a more robust digital presence, launching an online tool that allows businesses to conduct comparative analytics, and creating a direct contact for businesses within the City.

In 2019, the City Council identified the development and implementation of a strong economic development plan and program as a key goal (2019 City Council Goals and Priorities 3(b)(i)). Staff began case studies for a strong economic development plan and program, drafted an initial structure, and identified the studies that would be necessary for a comprehensive economic development strategic plan. However, limited staff resources and other Council priorities and demands on staff time made completing the studies and drafting the plan within a year impractical.

In 2020, staff resources were re-allocated to responding to the COVID-19 pandemic by:

- launching Costa Mesa Business Assistance Collaborative, a partnership with the Chamber, Travel Costa Mesa, and South Coast Metro Alliance;
- outreach to over 2,000 businesses to find out what assistance and resources they needed to remain open and viable during and after COVID-19;
- creating a microsite that showcased businesses that were complying with state safety regulations;
- retaining Buxton to provide an economic impact dashboard to track COVID-19 impacts in real time and provide foundational economic information for the economic development strategic plan;
- launching two separate business grant programs that disbursed nearly \$5 Million dollars to hundreds of Costa Mesa small businesses; and
- supporting business outreach and communications through mass emails and town hall meetings to inform businesses about federal, state and local programs intended to help them through the COVID-19 pandemic.

In 2021, economic development staff continued to maintain these ongoing efforts, developed a proposal for a Shop Local financial incentive program, continued the implementation of the new LMS system toward completion in July 2022, and drafted a comprehensive Economic Development Strategic Plan scope of work. Although the economic development strategic plan was already an important priority in 2019, the economic hit the City took due to COVID-19 has made completion of this strategic plan even more critical as evidenced by its addition to the 2021 City Council Goals and Objectives, “Achieve long-term fiscal sustainability” and “Develop the scope of work for the Economic Development planning consulting contract and present to the City Council”.

The proposed Scope of Work and budget is based on an evaluation of several economic development planning efforts in other agencies, feedback from local businesses collected over the last four years, results from the Buxton analysis conducted last year, and based on current best practices within the public economic development field.

ANALYSIS:

Economic Development Strategic Plan Benefits

One consensus is clear from most economist who study local government, an erratic global economy and growing inequality requires a proactive response. “Communities must obtain more control over their economic directions and destinies. The task may be difficult, but it is not impossible. Local economic and political decision makers need not surrender their communities’ fates to chance, the marketplace, or unsupportive federal policies”, Nancey Green Leigh *Planning Local Economic Development*. The benefit of an economic development strategic plan is directly proportionate to how accurately it has encapsulated the pulse of the economic activity that occurs within the City. For this reason, there are several studies requested as part of the scope of work. Once an economic development strategic plan develops goals, objectives and policies, they can help staff prioritize actions for staff effort and increase the potential for positive outcomes. Essentially, the plan provides staff with direction to allocate limited resources while leveraging industry expertise to produce a substantial work effort in a constrained time.

Summary of Scope of Work

The Scope of Work (Attachment 1) includes detailed economic studies, community outreach, a vision document, and an action plan. The studies are based on the need to establish a clear base year, establish an objective method for evaluated potential projects and programs, provide a clear context for the City’s economic state, and understand apparent strengths and weakness. The community outreach is designed to corroborate the results from the studies and identify the most salient topics according to our local businesses. The vision document is meant to provide a foundation, a mission, and the specific goals and objectives that will help the City identify the actions necessary to become a prosperous City. The action plan is meant to help the City focus on the

immediate actions necessary for success. The Scope of Work includes all analyses necessary to improve the City's fiscal sustainability in the short term and prioritize actions that grow the City's economic prosperity in the long-term. The proposed Scope of Work is provided as Attachment 1.

Below is the list of phases for the Economic Development Strategic Plan.

1. **Economic Context**
A comprehensive analysis of Costa Mesa and economic enclaves
2. **A Vibrant Strategic Vision**
Draft and final of a strategic vision document
3. **Exploration of Key Economic Studies**
Evaluation and development of actions or programs
4. **Economic Best Practices**
Evaluation and development of best practices for Costa Mesa
5. **Resource Assessment**
Recommendations for resource solutions
6. **Implementation and Assessment Tools**
Identify tools/indicators that evaluate status of the City and success of actions
7. **Comprehensive Action List**
Creation of a Costa Mesa-specific action list
8. **Prosperity Action Plan**
Draft and final action plan

Community Engagement

Engaging our rich and diverse community of businesses, non-profits, and educational institutions is important in developing this strategic plan. The City has included the preparation and attendance of nine onsite community engagement meetings as well as monthly meetings with the business community throughout the process. The scope of work also clarifies the importance of the consultant in ensuring that community engagement is structured, organized, and efficient. The business community the City will be reaching out to is incredibly busy, trying to recoup losses due to the COVID-19 pandemic during the previous 18 months. The consulting team must be sensitive to this reality and ensure that community engagement is productive and successfully incorporated into the deliverables.

Peer Reviewed Scope and Budget

The proposed Scope of Work was reviewed by two principles of two different economic consulting firms. Both firms have over 40 years of experience within Orange County. Both confirmed that the work described is reasonable and comprehensive. The cost estimates given independently by both firms for an Economic Development Strategic Plan is approximately \$275,000.

Timeline

If the City Council approves the Scope of Work, City staff will release a Request for Proposals in August, select a consultant in September, and immediately commence work. The Scope of Work requires the project to be completed within nine months; regular updates to the City Council and the public through regular meetings, and final presentations to City Council in summer 2022.

ALTERNATIVES CONSIDERED:

The City Council could modify the scope of work or opt to not develop an economic development strategic plan. Staff does not recommend this alternative. While this will be the first time the City has created an economic development strategic plan, it has become salient and best practice for local governments to develop a clear strategy as to how the City will navigate international, regional, sub regional, and e-commerce pressures that will determine the path of the City's economic future.

FISCAL REVIEW:

The anticipated cost for this Economic Development Strategic Plan and accompanying studies is not-to-exceed \$275,000. Funds are available in the Development Services Department's FY 2021-22 budget.

LEGAL REVIEW:

The City Attorney's Office has approved this report as to form.

CITY COUNCIL GOALS & OBJECTIVES:

Goal: Achieve long-term fiscal sustainability

Objective: Develop the scope of work for the Economic Development planning consulting contract and present to the City Council.

CONCLUSION:

Staff recommends that the City Council Approve the Economic Development Strategic Plan Scope of Work and direct staff to release a Request for Proposals, and authorize the City Manager and City Attorney to thereafter negotiate and execute agreement(s) with selected consultant(s) for work that is in substantial conformance with the Scope of Work approved by City Council for an anticipated cost of \$275,000.

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Attachment: 1. [Economic Development Strategic Plan Scope of Work](#)