APPENDIX A: BACKGROUND

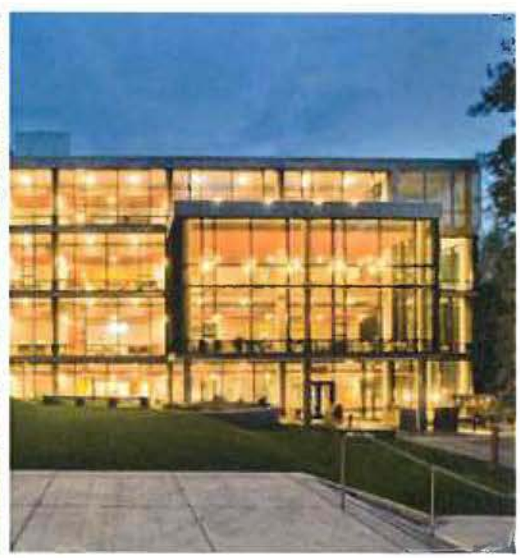
This appendix to the CEDS provides additional background information about current conditions and trends in Santa Cruz County that will have an impact on its economic vitality. Phase I of the County's Economic Vitality Strategy process, the Economic Trends Background Report, received wide public distribution during the Strategy Process which extended from January 2013 through November 2014.

Santa Cruz County Economic Vitality Strategy

Phase 1: Economic Trends Report

September 2013

bae urban economics



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EXECUTIVE SUMMARY

Overview of Economic Vitality Strategy

The Santa Cruz County Economic Vitality Strategy is an initiative led by the County of Santa Cruz to strengthen the local economy throughout the County. The Economic Vitality Strategy will include a blueprint of goals, policies, and actions to promote job growth, expand workforce development, strengthen public revenues, and improve the quality of life for residents and businesses in Santa Cruz County. The Strategy will draw on the County's unique strengths, identify opportunities, and set forth strategies to provide programs, incentives, and improved locations to attract and retain jobs in a way that enhances economic vitality.

Although the Economic Vitality Strategy will focus on unincorporated portions of the County in terms of actions, it is structured to provide an overall framework for economic vitality for both incorporated and unincorporated areas of the County. This approach was taken to ensure that a single Strategy document reflects the work and initiatives of local communities in a coordinated framework.

The Economic Vitality Strategy process takes a phased approach, as follows:

1. **Evaluate Economic Trends** through data analysis and stakeholder focus groups
2. **Identify Economic Opportunities** for increased vitality
3. **Incorporate Public Input** through four at-large public meetings
4. **Formulate the Strategic Plan** including goals, strategies, and implementation actions

Economic Trends

Key Industries. In 2011, the five largest industries in Santa Cruz County were Government (17.7 percent of total County jobs), Education & Health Care (14.5 percent), Retail Trade (12.3 percent), Leisure & Hospitality (12.0 percent), and Agriculture & Mining (9.4 percent). Jobs in these industries accounted for 66.0 percent of employment in the County in 2011.

Recent Job Losses. Between 2001 and 2011, Santa Cruz County experienced significant job losses of almost 11,000, a decline of 10.7 percent. While some of this drop was due to the national recession, during the same period, total employment in the State fell by just 2.8 percent, indicating that Santa Cruz was more severely affected. More recent quarterly data suggests some rebound in employment, as the number of jobs rose by 1.6 percent between Q3 2010 and Q3 2011.

Growth Sectors. Employment declines during the recession were somewhat offset by gains in Health Care & Education, Agriculture & Mining, Wholesale Trade, and Other Services between 2001 and 2011. In total, these sectors added 3,800 jobs, with Education & Health Care leading the way with 69 percent of all new jobs added. The County economy is expected to recover from the recession. Data from Moody's Analytics estimates future projected annual job growth will be 3.4 percent.

Predominance of Small Business. Most businesses in Santa Cruz County are small businesses with fewer than 10 employees; over 70 percent of businesses fit this description. Approximately one out of four firms had 10 to 19 employees (23.8 percent), and only a small fraction (5.5 percent) of firms in the County were large firms with over 50 employees.

Low Ratio of Jobs to Working Residents. Santa Cruz County is "jobs poor," with fewer jobs compared to employed residents, which leads to a high level of out-commuting to more "job rich" areas. In 2011, more than 30,000 employed residents commuted to counties outside of Santa Cruz for work. This high level of out-commuting leads to congestion and longer commute times and impacts quality of life.

Relatively High Unemployment. Unemployment is relatively high in Santa Cruz County, registering 11.8 percent in February 2013, which was higher than the State (9.7 percent) and Santa Clara County (7.4 percent), but lower than Monterey County (13.4 percent). Unemployment is particularly acute in the City of Watsonville, at over 20%.

High Workforce Educational Achievement. For the most part, Santa Cruz County's residents are highly educated, older, and affluent, making the County's labor force attractive to employers. Over 38 percent of the County's residents hold a four year bachelor's degree or higher, achieving a high educational level relative to the state. This high degree of educational attainment will continue to be an important factor in retaining existing businesses and attracting employers to Santa Cruz County.

Relatively High Household Incomes. The high educational attainment levels translated into higher overall median incomes in the County and lower rates of poverty. In 2011, the median household income in Santa Cruz County was $66,030, higher than Monterey County ($59,737) and California ($61,632), but lower than Santa Clara County ($89,064). Countywide, 13 percent of residents lived in poverty, a lower rate than Monterey County (15.1 percent) or California (14.4 percent), but higher than Santa Clara County (9.2 percent).

Older Age Profile. Santa Cruz County's residents, with a median age of 36.9, tend to be somewhat older than Monterey County (32.9), Santa Clara County (36.2), and the State (35.2). The County had proportionately fewer children (21.1 percent of total population), and a fast growing segment between the ages of 55 to 64, which nearly doubled its share from 7.6 percent of the population 2000 to 13.7 percent in 2010. This suggests a growing population choosing to age in place and retire in Santa Cruz. These active seniors represent a potential strength in terms of "encore" careers, with talent and capital that could generate additional businesses and job creation.

Disparities in South County. Within the County, there is a wide disparity between South County and the other subregions. While the County's overall trends show relatively high educational attainment and high median household incomes, South County significantly diverges from the County. Over 44 percent of South County residents did not graduate from high school, and only 13 percent earned a bachelor's degree or higher. This translates into higher rates of population living in poverty, and more South County residents with occupations associated with lower wages.

KEY SECTORS

For this study, an index of the relative concentration of employment by industry sector was calculated (known as "location quotient"). This metric identifies those sectors with greater employment than the State of California, indicating competitive advantages of these sectors in Santa Cruz County and the need to support them with enhanced countywide and subregional economic vitality strategies in the next phase of this process.

The four sectors with these identified competitive advantages include Agriculture, Education, Retail Trade, and Leisure & Hospitality (including the arts). For each sector, the following summarizes both analytical and stakeholder input regarding strengths and challenges in the County.

Agriculture: Strengths and Challenges

- This sector has a concentration more than 3 times that of the state, indicating its importance to County economic vitality and its competitive advantages.
- The total value of crops produced in Santa Cruz County has been increasing over time. In 2011, Santa Cruz County ranked 20th among all 58 counties in the state in terms of the gross value of crops produced.
- The County ranks 4th among all CA counties in the production of strawberries (9.2 percent of the state's total production value), 3rd in flowers and foliage, (9.0 percent), 2nd in raspberries (36.4 percent), and 3rd in apples (10.5 percent).
- Employment in berry production is strong and accounts for a significant portion of agriculture jobs in the County (from confidential data). Employment in this crop category has also been increasing over time.
- The County maintains a strong agricultural base with world-class businesses, including Driscoll's and Martinelli's. Wineries such as Ridge and Storr's are widely known.
- Santa Cruz County is home of many food industry leaders, such as Newman's Own Organics, the California Certified Organic Farmers (CCOF), SunOpta, Santa Cruz Nutritionals and others.
- The cottage food industry is emerging. In 2012, the state passed the California Homemade Food Act, which allows small purveyors of foods that do not require refrigeration temperatures, including homemade baked goods, jams, vinegars, dried pasta, etc. to sell products directly to consumers. Small businesses in the County have already begun to capitalize on this trend, and the number of cottage food operators in Santa Cruz County has grown steadily in recent months.
- According to some stakeholders, County agricultural regulations are perceived as too restrictive. For example, County code limits the days and hours of operations for wineries, which constrain direct sales to consumers. Wineries are also restricted in their ability to host special events, which is an important source of revenue. Other stakeholders mentioned restrictions on fencing, signage, farm stands, and bed & breakfast lodging on agricultural lands. As the farm-to-table and local food movements gain momentum, these restrictions should be reviewed and updated to best capture economic opportunities.
- Facilities to accommodate larger processing operations are not available in Santa Cruz County. Food processing facilities that used to operate in Watsonville have been re-purposed

or are no longer competitive. Stakeholders were concerned that when businesses expand, they will move to another county unless a suitable facility or site is identified.

Education: Strengths and Challenges

- The Education sector plays a dual role in the economic vitality of Santa Cruz County. It is both a large employment sector, with over 11,300 jobs, and a key partner in workforce training and technology transfer initiatives throughout the County.
- UCSC can be a cornerstone in leading the County's economic engine. With scientific and technological research, the Human Genome project, advanced video game design, integrated teacher training, and undergraduate community service programs, the University offers untapped opportunities to enhance economic development efforts.
- Cabrillo College, with its strong record of improving educational attainment for high school graduates, and its specialized workforce training programs, is also an important partner in economic vitality initiatives for the County.
- Although both UCSC and Cabrillo College have partnered with local government throughout the County for specific initiatives, these institutions have not had a clear mechanism to partner with the County for broader economic strategies.
- The relatively low educational attainment rates in South County, identified as a key workforce issue for the County's economic vitality, need strong partnerships with both UCSC and Cabrillo College. The strength and quality of these two educational institutions, and success with model programs, calls for exploring opportunities to expand what works, and to create new partnerships at all levels of education throughout the County, including early childhood (pre-K) and adult education/job retraining.

Retail Trade: Strengths and Challenges

- The Retail Trade sector shows some competitive advantages, but has suffered from economic downturn. Recent trends indicate recovery, although overall there can be more opportunities to capture sales within the County that are currently leaking.
- Santa Cruz enjoys a "brand" that is known worldwide, which is unusual for such a small area. This derives primarily through NHS and its "Santa Cruz Skateboards", but also through companies such as O'Neill, Santa Cruz Bicycles, Fox Racing Shox, and others. Better leveraging of these brands with economic vitality strategies would give Santa Cruz a competitive advantage for marketing, investment and attraction.
- The County and its cities should benefit more from the influx of tourists (see next section) for retail sales, especially in the restaurant and bar category.
- Sales for clothing, restaurants and bars, and general merchandise are all below their potential, suggesting the need for strategies to attract and develop additional stores.
- Several stakeholders expressed that the County is perceived as anti-growth, discouraging retail investment. While this is a complex subject, it should be noted that other "anti-growth" communities in Northern California do attract strong retailers; in general, retailers will operate where the business is strong and the demographics are well-understood.
- Some of the County's retail facilities are outdated, and are the focus of current planning initiatives. In general, retail facilities in unincorporated areas have not kept pace with

contemporary retailing concepts that have emerged in other parts of Northern California. These aspects of retail trade in Santa Cruz County can be the focus of expanded economic vitality strategies to encourage private sector investment and increase sales.

Leisure & Hospitality: Strengths and Challenges

- Leisure & Hospitality includes all tourism, hotels, arts, recreation, and entertainment economic activity.
- This sector has competitive advantages, and although employment lost ground during the recession, recent employment figures from 2012 indicate the sector has recovered to pre-recession 2007 levels. Although the Boardwalk reports record attendance and hotel occupancy trends show rising performance, year-round average levels of occupancy in the County do not achieve levels indicating optimum success.
- Santa Cruz County has numerous natural and built attractions, including scenery, good weather, numerous parks and beaches, quality golf courses, extensive active recreation opportunities, and a thriving arts culture. The Boardwalk attracts both day visitors from the Bay Area and overnight visitors, with visitation at a record high of three million per year.
- A key component of Santa Cruz tourism is its many festivals and sports events, including music, artist tours, mountain biking, road cycling, and road races and marathons. These are the focus of local promotional activities to increase tourism in off-peak periods.
- The rising farm-to-table movement, along with organic food production and local wine production, are all contributing to growing agri-tourism strength. This combines two of the County's key industry sectors, and should be encouraged.
- The off-peak and shoulder season decline in tourism impacts overall vitality and businesses, indicating the need for more strategies to offset it.
- Addition of conference facilities has the potential to attract off-season business travel; currently there is not a critical mass of sufficient capacity and quality to attract the meetings market to its potential.
- The quality of the hotel stock in Santa Cruz has not kept pace with improvements in other markets. Despite recent advances, this interplay between long-time owners accepting low annual occupancy rates due to off-season declines, while reaping the benefits of strong demand in peak season, results in lost opportunities to create a lodging destination image.
- Marketing and promotion of a wide array of tourism opportunities in Santa Cruz may offer expansion opportunities. The Convention and Visitor Council, which focuses mainly on increasing overnight and destination tourism in the County, recently launched a branding message of "Santa Cruz - Let's Cruz." While the Council's work has provided an excellent foundation for expanding economic activity, some of the focus group participants active in the Leisure & Hospitality sector noted the need to further expand promotion and marketing initiatives to also emphasize day visitor opportunities, including arts and cultural events, along with links to increased fine dining opportunities. Thus, a broader and more comprehensive approach, based on discussions with a larger group of stakeholders, may further expand economic activity in this sector.

- Some sector stakeholders reported that visitors came to Santa Cruz for one type of activity, and afterwards, don't know what else to do or where else to go. Many often asked for dining recommendations and other attractions.

Real Estate Markets

Office. The Santa Cruz office market has been improving its performance as the economy rebounds. Although vacancy rates are still high in Santa Cruz City, and Scotts Valley has a long-term large empty facility, other communities are at levels considered indicators of a healthy market.

Industrial. Vacancy rates are relatively low throughout the County, especially in Watsonville, indicating opportunities for additional industrial and flex space development to accommodate needs, particularly for ag-related industries.

Retail. Vacancy rates indicate a relatively healthy real estate market for retail, although some centers are outdated, and property owners have lagged making investments.

Housing. Housing markets in the County are generally very healthy, with high for-sale prices that continue to accelerate rapidly. New permit activity shows that the County is not building sufficient multifamily units relative to the mix indicated statewide.

Local Economic Development Initiatives

There are several important local economic development initiatives underway, as summarized below:

City of Santa Cruz. Santa Cruz City's Economic Development Department is the successor agency to the former Redevelopment Agency, which dissolved in February 2012. With the loss of redevelopment, the City has reprioritized its initiatives to focus on the projects it can fund with fewer resources. The City is currently engaged in economic development activities including business retention and attraction, the Open Counter Project (online business portal), improving the existing hotel stock, tech transfer collaboration with UCSC, increased broadband deployment, and marketing the City.

City of Watsonville. Watsonville adopted its Economic Development Strategy in 2008 as part of its General Plan Update. The City's economic development goals are to create a vibrant community, a business environment that supports the retention of existing businesses, and the attraction of new business and entrepreneurs, and a workforce that can meet the needs of existing businesses. The Strategy also outlines actions to promote business retention and attraction, development of Manabe-Ow property, continued downtown revitalization, consideration of establishing Infrastructure Finance District (IFD), and education and workforce training.

City of Capitola. Capitola is currently in the process of updating its General Plan, which includes specific policies and programs to foster economic development. The City's economic development goals are designed to help support a vibrant community, while maintaining a business environment that supports the retention and expansion of existing businesses. The City's primary economic development activities are focused on reinforcing the 41st Avenue Corridor as the region's main retail destination, and at the same time, developing a vibrant historic beach village. To accomplish these efforts the City has entered into an agreement with the Capitola Mall owners to assist in the relocation of the Transit Center, and partnered with the Village Business Improvement Association to enhance Village street and sidewalk maintenance.

City of Scotts Valley. Scotts Valley adopted an Economic Development Plan in 2007, and approved a Town Center Specific Plan in December 2008. The Economic Development Plan emphasizes creating a positive business environment and promotion of the City as such; encouraging business expansion, retention and attraction; undertaking other efforts to foster a healthy commercial sector that meets the needs of local shoppers; and assuring that the environment and public infrastructure support a viable business climate. A major economic development activity for Scotts Valley is to foster creation of a "town center", which would be a mixed-use node with commercial, civic and residential uses that becomes the heart of the city. Due to shift of some major businesses to Silicon Valley in recent years, there is a high office vacancy rate which the City also endeavors to address with business attraction efforts.

County of Santa Cruz. The County of Santa Cruz has historically not been pro-actively engaged in economic development efforts, partially in recognition that the incorporated cities in the County were generally considered more attractive areas for development in proximity to other job centers, housing areas, services and infrastructure. In recent years the County has placed a greater emphasis on economic vitality. An effort to create an economic development division within the County Redevelopment Agency in 2010/11 faltered when the State took actions to dissolve redevelopment agencies in 2011/12. However, in July 2012, the Planning Department was able to hire an Economic Development Coordinator to augment other efforts the Department was pursuing to improve the business land use/regulatory environment in support of economic vitality. Grants have been obtained to enable efforts to focus on the CEMEX re-use plan, and on various economic development opportunity sites within Live Oak, Soquel and Aptos. Consultants were hired to prepare this Economic Vitality Strategy. Work to modernize land use regulations, streamline permit processes and improve customer service is well underway, with some phases completed and others to come. Outreach to assist businesses and potential development projects is on-going, and collaborative partnerships throughout the region are making it known that the County is taking a new approach to economic vitality. The Board of Supervisors is expected to augment resources available for economic vitality activities within the County of Santa Cruz in the FY 2013/14 Budget. There is a great degree of potential in the unincorporated area that can be tapped in a manner that recognizes community and environmental values while increasing opportunities for jobs and housing.

Santa Cruz County Workforce Investment Board (WIB). The Santa Cruz County Workforce Investment Board (WIB) is a countywide agency which manages employment services funded by the federal Workforce Investment Act. Programs include training and deployment of the labor force, and retraining of unemployed workers to provide new skills.

The WIB also leads the formulation of the Santa Cruz County Comprehensive Economic Development Strategy (CEDS), as required by the federal government for the County to receive funding from the Economic Development Administration. The CEDS establishes six goals for the County, including promoting workforce development, ensuring regional prosperity, improving quality of life, upgrading infrastructure, supporting the ongoing fiscal health of the County, and building collaborative partnerships. The CEDS also contains a prioritization list of public-private projects proposed for the unincorporated areas.

Central Coast Small Business Development Center (SBDC). Founded in 1985, the Central Coast SBDC at Cabrillo College is one of 1,200 SBDCs in the US. This organization contributes essential services to small business. In 2012, the SBDC reports providing free business counseling to 433 small businesses, resulting in 45 new businesses, 251 new jobs, 125 jobs retained and over $9.1 million dollars in equity and debt capital obtained by Cabrillo College SBDC clients. The Central Coast SBDC is principally funded by the US Small Business Administration and receives local match funding from the City of Santa Cruz and the Workforce Investment Board.

Santa Cruz County Conference & Visitors Council (CVC). This non-profit organization promotes Santa Cruz County as a visitor, conference and film destination through marketing programs. The Council's priority is "attracting high-yield overnight business during the off-peak periods of the year." In collaboration with the County Board of Supervisors, one of CVC's recent initiatives has been to form a Tourism Marketing District (TMD) in an effort to provide consistent funding for tourism promotion. The purpose of the special district is to increase overnight visitation at County lodging facilities, particularly during the non-summer months of the year. The Santa Cruz County Conference and Visitors Council (CVC) is the implementing agency, devoting a special tax assessment of each lodging charge to overnight guests to marketing and promotion of lodging in the County. In exchange, local government funding of the CVC will end, with the result being a more consistent, industry-paid revenue stream.

Santa Cruz Area Chamber of Commerce and Other Business Organizations. The Santa Cruz Area Chamber of Commerce works to increase employment and investment in Santa Cruz County with the goal of increasing its economic vitality and prosperity. These activities include two standing economic development (ED) committees, each with 25 to 35 members (Community Affairs Committee, which implements strategies to improve economic development; and the Economic Development Council, a partnership with the City of Santa Cruz to share concerns regarding public policy affecting economic vitality in the City of Santa Cruz). The Chamber also conducts Community Leadership Visits (CLV), which provides an immersion experience for key local decision-makers about economic development strategies across the US. In 2013 the CLV visited Boulder and Fort Collins, CO. Other economic development activities undertaken by the Chamber include retail development and attraction, an annual business climate survey, an employer survey regarding training needs under contract with the Workforce Investment Board, beach/downtown trolley development, recruitment of Warriors, and general advocacy.

In addition to the Santa Cruz Area Chamber of Commerce, there are many other business organizations and chambers of commerce throughout the County, including but not limited to the Santa Cruz Business Council, the Capitola Soquel Chamber of Commerce, the San Lorenzo Valley Chamber of Commerce, and the Santa Cruz Downtown Association. Each of these groups advocates for improved business conditions for its members.

INTRODUCTION

Overview of the Economic Vitality Strategy

The Santa Cruz County Economic Vitality Strategy is an initiative led by the County of Santa Cruz to strengthen the local economy throughout the County. The Economic Vitality Strategy will include a blueprint of goals, policies, and actions to promote job growth, expand workforce development, strengthen public revenues, and improve the quality of life for residents and businesses in Santa Cruz County. The Strategy will draw on the County's unique strengths, identify opportunities, and set forth strategies to provide programs, incentives, and improved locations to attract and retain jobs in a way that enhances economic vitality.

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- **Formulate the Strategic Plan** including goals, strategies, and implementation actions

The Economic Vitality Strategy process will be completed during 2013. Its formulation is occurring in tandem with preparation of the Santa Cruz County Sustainable Communities and Transit Corridor Plan. That Plan will contain land use and transportation recommendations for key development opportunity sites and transportation corridors in the portions of Live Oak, Soquel and Aptos that are within the County's Urban Services Line. That area has the highest existing concentration of jobs and housing within unincorporated Santa Cruz County, the strongest connections to regional employment centers, and the most extensive road, transit, pedestrian and bicycle infrastructure. This area has great potential to be improved in ways that increase the sustainability and economic health of the County.

Report Organization

This report covers Phase 1 as outlined above. The following chapters describe demographic, economic, and real estate market trends to provide an overall profile of Santa Cruz County. Key economic sectors are profiled in more depth, to provide a strong understanding of strengths and weaknesses in the County economy. The County's most recent adopted budget is analyzed to identify key revenue sources. Stakeholder input, obtained through six focus groups, is also incorporated throughout the report. Stakeholder participants in the focus groups are listed in

Appendix A. Subsequent appendices also provide more detailed data tables related to sections of this report.

Methodology

This Phase 1: Economic Trends Report was developed by analyzing published and unpublished data, and conducting a series of stakeholder focus group meetings. Published data sources used include the U.S. Census, American Community Survey, Census Transportation Planning Products (CTPP), the State of California Employment Development Department (EDD) Quarterly Census of Employment and Wages (QCEW), State Board of Equalization (SBOE) data regarding taxable retail sales, the County of Santa Cruz budget, real estate market data published by Cassidy Turley and Terranomics, and additional data from private vendors. In addition, BAE analyzed unpublished confidential data of firm-by-firm employment categorized by industry sector, provided to the County by EDD.

The analysis contained in this report was completed in March 2013 and reflects 2011 data, the most current information available at the time of analysis.

BAE also convened six stakeholder focus group meetings in April 2013, with a total of 80 participants, including key business leaders, local economic developers, non-profit organizations, and developer representatives. A full list of stakeholder focus group attendees is included in Appendix A.

Definition of Study Area

For this Economic Trends Report, the Study Area encompasses all of Santa Cruz County, including both incorporated and unincorporated areas. To facilitate strategic planning, and reflect the diversity of the region, Santa Cruz County was also divided into four smaller subregions for further analysis. The subregions were defined by grouping Santa Cruz County's General Plan subareas and aligning the geographies to Census Tract boundaries, in order to enable data collection for demographic and economic conditions[1]. The subregions include the North Coast/Mountains (including Ben Lomond, Felton, and Boulder Creek), the Urban Core (including the incorporated cities of Scotts Valley, Santa Cruz, and Capitola as well as the Live Oak, Soquel and Aptos communities), the Summit, and South County (including Watsonville).

The subregions are shown in Figure 1 on the following page.

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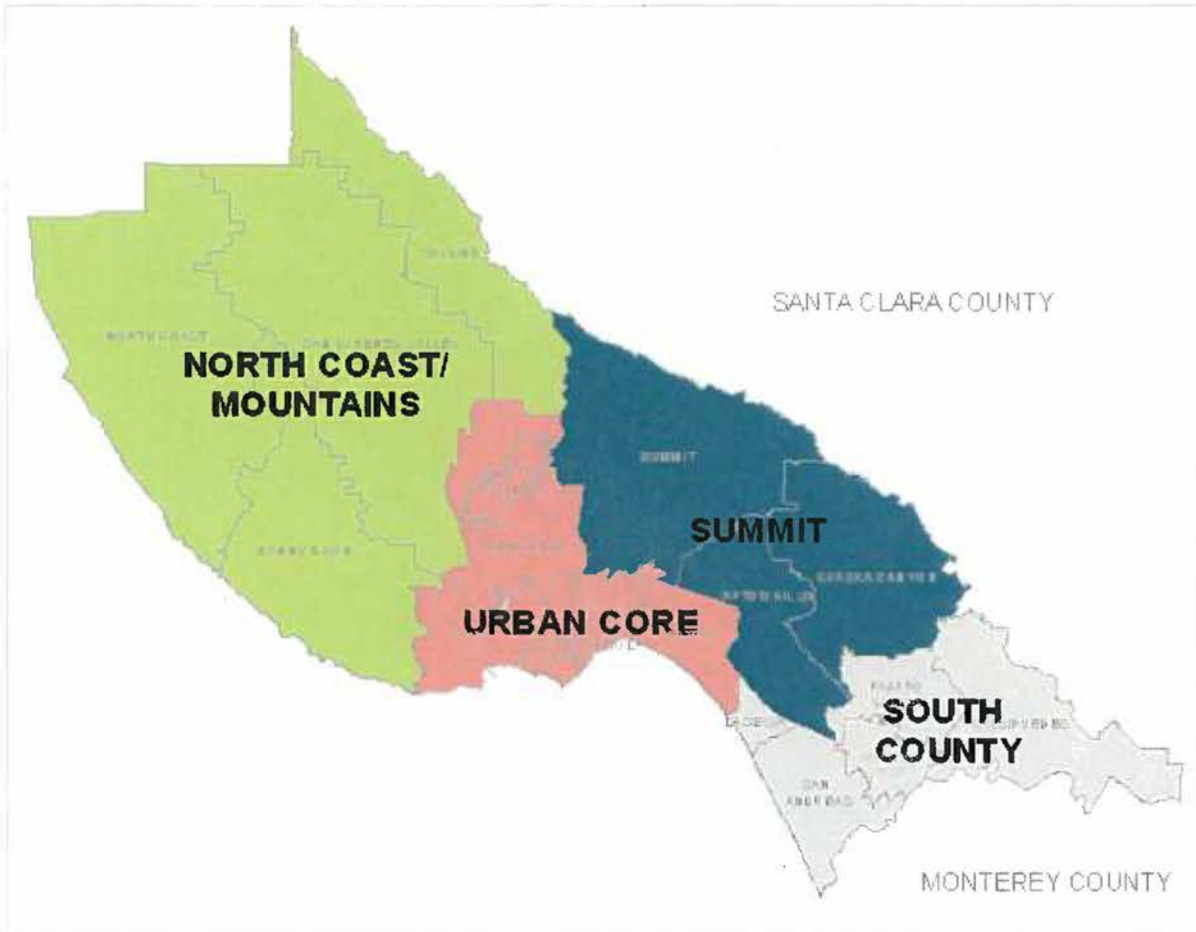
[1] Although Census Tracts do not correspond exactly with the General Plan subarea boundaries, they are very similar, providing the closest available geographies to obtain Census data for analysis.

Figure 1: Santa Cruz County Subregions



Source: BAE, 2013.

OVERVIEW OF SANTA CRUZ COUNTY ECONOMY

This chapter presents an overview of the County's economy, as well as trends for key industry sectors, and a profile of each subregion. The primary data source for most employment data in this report is the Quarterly Census of Employment and Wages (QCEW), as provided by the California Economic Development Department (CA EDD). Two sets of this employment data were used in the following chapters, both published countywide employment data by industry sector, and confidential detailed firm-by-firm QCEW data obtained from CA EDD regarding employment for all businesses in the County for three periods in time: Q3 2005, Q3 2010, and Q3 2011. The confidential data has been aggregated to analyze employment by industry sector for the four Santa Cruz County subregions.

Employment Trends

Overall Santa Cruz County Employment Trends

Table 1 summarizes employment data for 2001 and 2011, the most current year for which published data is available. In 2011, Santa Cruz County had a total of approximately 111,600 jobs. The composition of jobs included 91,700 employees of businesses, 8,120 persons who work at home, and about 11,800 sole proprietors who may either work from home or at business locations. Within unincorporated Santa Cruz County, there were 3,112 businesses employing 33,114 workers, and 5,150 persons who worked at home.[2]

The County's largest sectors were Government, Education & Health Care, Retail Trade, Leisure & Hospitality, and Agriculture. Together, these sectors accounted for two-thirds of County employment in 2011.

Between 2001 and 2011, Santa Cruz County employment shrank by 10,991 jobs, an overall decline of 10.7 percent. The most significant job losses occurred in Manufacturing (loss of 3,822 jobs), Construction (loss of 1,919 jobs), and Information (loss of 1,675 jobs). Professional & Technical Services and Leisure & Hospitality also experienced substantial job losses during this period.

Although some of the job losses in Santa Cruz County reflect the effect of the recent national recession, it is important to note that during the same period, total employment in the State fell by just 2.8 percent, far less than the 10.7 percent decline observed in Santa Cruz County. In surrounding counties, Santa Clara County lost 13.6 percent of its jobs during the same time period, reflecting a drop primarily in the Information and related sectors. Surprisingly, Monterey County grew its job base by 0.8 percent in the same period, with particular strength shown in the Education & Health Care sector.

[2] Unincorporated county employment figures based on confidential EDD data from Q3 2011.

Job losses in Santa Cruz County were somewhat offset by gains in Health Care & Education (2,667 jobs), Other Services (613 jobs), Agriculture & Mining (538 jobs), and Wholesale Trade (56 jobs).

These trends for Santa Cruz County indicate that while the region suffered job losses along with the larger state economy, the County's job losses were particularly acute in several key sectors, signaling the need for strategic actions to strengthen their performance.

Table 1: Employment Trends for Santa Cruz County 2001-2011

	SANTA CRUZ COUNTY					SANTA CLARA COUNTY				
	2001		2011		%	2001		2011		%
Industry	**Number**	**% Total**	**Number**	**% Total**	**Change**	**Number**	**% Total**	**Number**	**% Total**	**Change**
Agriculture and Mining	8,119	7.9%	8,657	9.4%	6.6%	4,859	0.5%	3,647	0.4%	-24.9%
Construction	4,795	4.7%	2,876	3.1%	-40.0%	47,493	4.7%	30,839	3.6%	-35.1%
Manufacturing	8,996	8.8%	5,174	5.6%	-42.5%	240,686	24.0%	155,515	18.1%	-35.4%
Wholesale Trade	3,375	3.3%	3,431	3.7%	1.7%	40,643	4.1%	35,285	4.1%	-13.2%
Retail Trade	13,960	13.6%	11,310	12.3%	-19.0%	87,659	8.7%	78,756	9.2%	-10.2%
Transport, Warehouse & Utilities	1,661	1.6%	1,514	1.7%	-8.9%	17,658	1.8%	11,500	1.3%	-34.9%
Information	2,533	2.5%	858	0.9%	-66.1%	42,523	4.2%	48,779	5.7%	14.7%
Financial Activities	4,031	3.9%	3,133	3.4%	-22.3%	34,937	3.5%	31,793	3.7%	-9.0%
Professional & Technical Services	5,281	5.1%	4,049	4.4%	-23.3%	126,908	12.7%	110,813	12.9%	-12.7%
Management & Administration	6,194	6.0%	5,507	6.0%	-11.1%	82,056	8.2%	58,158	6.8%	-29.1%
Education and Health Care	10,658	10.4%	13,325	14.5%	25.0%	87,517	8.7%	108,842	12.7%	24.4%
Leisure & Hospitality	12,117	11.8%	11,002	12.0%	-9.2%	72,416	7.2%	31,528	3.7%	-56.5%
Other Services	4,028	3.9%	4,641	5.1%	15.2%	25,773	2.6%	77,314	9.0%	200.0%
Government	16,922	16.5%	16,200	17.7%	-4.3%	91,511	9.1%	75,792	8.8%	-17.2%
Total (a)	**102,669**	**100.0%**	**91,678**	**100.0%**	-10.7%	**1,002,637**	**100.0%**	**866,541**	**100.9%**	-13.6%

	MONTEREY COUNTY					STATE OF CALIFORNIA				
	2001		2011		%	2001		2011		%
Industry	**Number**	**% Total**	**Number**	**% Total**	**Change**	**Number**	**% Total**	**Number**	**% Total**	**Change**
Agriculture and Mining	34,859	21.0%	46,428	27.7%	33.2%	406,967	2.7%	415,558	2.9%	2.1%
Construction	6,644	4.0%	3,824	2.3%	-42.4%	774,145	5.2%	557,632	3.8%	-28.0%
Manufacturing	9,463	5.7%	5,605	3.3%	-40.8%	1,779,012	11.9%	1,238,307	8.5%	-30.4%
Wholesale Trade	4,507	2.7%	4,847	2.9%	7.5%	652,968	4.4%	655,676	4.5%	0.4%
Retail Trade	17,123	10.3%	15,621	9.3%	-8.8%	1,571,994	10.5%	1,527,860	10.5%	-2.8%
Transport, Warehouse & Utilities	3,467	2.1%	3,214	1.9%	-7.3%	494,510	3.3%	456,963	3.1%	-7.6%
Information	2,798	1.7%	1,594	1.0%	-43.0%	528,794	3.5%	424,618	2.9%	-19.7%
Financial Activities	6,523	3.9%	4,166	2.5%	-36.1%	833,189	5.6%	758,241	5.2%	-9.0%
Professional & Technical Services	5,047	3.0%	5,446	3.3%	7.9%	968,500	6.5%	1,052,924	7.2%	8.7%
Management & Administration	9,566	5.8%	6,192	3.7%	-35.3%	1,243,371	8.3%	1,072,017	7.4%	-13.8%
Education and Health Care	11,647	7.0%	13,466	8.0%	15.6%	1,412,809	9.4%	1,789,407	12.3%	26.7%
Leisure & Hospitality	20,284	12.2%	20,196	12.1%	-0.4%	1,361,700	9.1%	1,524,841	10.5%	12.0%
Other Services	5,252	3.2%	6,968	4.2%	32.7%	640,264	4.3%	791,445	5.4%	23.6%
Government	29,006	17.5%	30,002	17.9%	3.4%	2,313,534	15.4%	2,301,641	15.8%	-0.5%
Total (a)	**166,186**	**100.0%**	**167,669**	**100.0%**	**0.8%**	**14,981,767**	**100.0%**	**14,567,128**	**100.0%**	**-2.8%**

Note:
(a) Totals may not sum from parts due to independent rounding.

Universe consists of all wage and salary employment by place of work. Does not include self-employed persons not on payroll. Industry classification is not-self reported by individual workers. Counts may vary from other tables.

Sources: Quarterly Census of Employment and Wages (QCEW), CA EDD, 2001, 2011; BAE, 2013.

Subregional Employment Trends

The tables on the following page describe the composition and change over time of each subregion of the County used for analysis in this report. The first table shown contains detailed employment data by industry sector, for each subregion compared to the County overall. The second table shown calculates change in those sectors by subregion, between the 2005 - 2010 period, and between 2010 and 2011 (last year for available data). All of this information is based on a comprehensive, confidential firm-by-firm data series obtained especially for Santa Cruz County as part of the Economic Vitality Strategy process. Due to confidentiality rules, certain sectors with fewer than four employers in a subregion cannot be shown, and are instead represented by symbols to provide a sense of overall direction.

North Coast/Mountains

With just over three percent of all County jobs, this subregion was heavily impacted by the recent recession, losing over 500 jobs between the 3,441 jobs that existed in 2005 and 2010. However, this subregion appears to have rebounded since 2010, gaining almost 150 jobs in one year, a faster growth rate than the County overall. Dominant industries in the North Coast/Mountain subregion include Leisure & Hospitality, Retail, and Manufacturing. Although the area has experienced recent growth in Leisure & Hospitality, its Manufacturing sector appears to be continuing to slide, indicating the need for special strategies to strengthen and reinvigorate this sector. The most significant source of job losses was closure of the CEMEX cement plant. The County has obtained a grant and will soon initiate a CEMEX site re-use study. That site has the potential to generate jobs in the future, with the nature of those jobs to be discussed during the re-use planning process.

Urban Core

With just over 63 percent of all County jobs, the Urban Core is the employment center for the County. The largest industry sectors reflect the more urbanized nature of this subregion, with Leisure & Hospitality, Education, and Health Care predominating. This subregion lost employment at a faster rate than the County overall between 2005 and 2010, but it is also rebounding more quickly, gaining 2.2 percent between 2010 and 2011, compared to 1.6 percent increase in employment for the County overall.

South County

This subregion has the second largest number of jobs, containing just over 30 percent of total County employment in 2011. Agriculture is the key dominant sector here, with over 10,000 jobs in 2011 (more than 30 percent of total subregional employment). In contrast to the rest of the County, South County actually gained jobs during the recession and reflects a strong agricultural sector.

Summit

With just under three percent of total County jobs, the Summit subregion is also dominated by agriculture. This sector performed well during the recession and through 2011, growing substantially more rapidly than for the County overall. Management and administration jobs also increased, likely reflecting an increase in the number of Silicon Valley executives who live in the Summit area.

Table 2A: Subregional Employment by Industry, Santa Cruz County, Q3 2005 – Q3 2011

	North Coast/Mountains			Urban Core			South County			Summit			Santa Cruz County		
	Q3 2005	Q3 2010	Q3 2011	Q3 2005	Q3 2010	Q3 2011	Q3 2005	Q3 2010	Q3 2011	Q3 2005	Q3 2010	Q3 2011	Q3 2005	Q3 2010	Q3 2011
Agriculture & Mining	175	159	169	334	286	235	8,709	11,235	11,010	632	1,137	1,298	9,850	12,817	12,712
Construction	253	260	263	3,418	2,415	2,117	2,226	803	779	269	243	193	6,169	3,724	3,352
Manufacturing	441	382	342	3,836	2,831	2,892	2,551	2,108	2,078	68	34	26 *	6,897	5,355	5,338
Wholesale Trade	74	113	110	2,254	1,844	1,801	1,227	1,488	1,387	147	30	58	3,702	3,475	3,356
Retail Trade	645	533	543	8,940	7,921	8,168	3,500	2,635	2,435	68	114	117	13,153	11,203	11,263
Transport, Warehousing, Utilities	123	91	106	1,409	1,184	1,198	760	624	677	27	24	28 *	2,319	1,923	2,009
Information	38	13	12 *	1,523	802	802	243	219	191	-	7	7 *	1,804	1,041	1,012
Finance & Real Estate	131	83	56	2,705	2,317	2,296	831	782	773	52	41	41	3,719	3,223	3,166
Professional & Technical Services	150	135	160	3,033	3,038	3,238	692	629	616	71	79	73	3,946	3,881	4,087
Management & Administration	109	96	109	3,664	3,013	3,223	898	1,846	2,077	50	29	41	4,721	4,984	5,450
Education	246	233	224	8,327	8,532	8,683	2,378	2,018	2,076	325	250	326	11,276	11,033	11,309
Health Care	242	213	199	7,759	8,508	8,999	2,295	2,286	2,351	123	97	104	10,419	11,104	11,653
Leisure & Hospitality	616	453	521	10,123	9,929	10,142	1,282	1,328	1,352	131	156	176	12,152	11,866	12,191
Public Administration	30	13	38	3,117	3,113	3,077	574	572	553 *	6	1	7 *	3,727	3,699	3,675
Unclassified & Other Services (a)	168	153	227	2,223	2,343	2,471	473	552	620	99	106	100	2,963	3,154	3,418
Total (b)	**3,441**	**2,930**	**3,079**	**62,665**	**58,076**	**59,342**	**28,639**	**29,125**	**28,975**	**2,068**	**2,348**	**2,595**	**96,817**	**92,482**	**93,991**

Notes:

(a) Excludes private households employing workers due to inconsistencies in reporting from year to year.

(b) Based on geocoded EDD point-level data. Employment figures differ from EDD published figures because this analysis excludes businesses with physical addresses outside of Santa Cruz County.

* Data needs to be suppressed prior to publication due to disclosure issues.

Sources: QCEW, CA EDD; BAE, 2013.

Table 2B: Subregional Change in Employment, Santa Cruz County, Q3 2005 – Q3 2011

	North Coast/Mountains % Change		Urban Core % Change		South County % Change		Summit % Change		Santa Cruz County % Change	
	2005-2010	2010-2011	2005-2010	2010-2011	2005-2010	2010-2011	2005-2010	2010-2011	2005-2010	2010-2011
Agriculture & Mining	-9.1%	6.3%	-14.4%	-17.8%	29.0%	-2.0%	79.9%	14.2%	30.1%	-0.8%
Construction	2.8%	1.2%	-29.3%	-12.3%	-63.9%	-3.0%	-9.7%	-20.6%	-39.6%	-10.0%
Manufacturing	-13.4%	-10.5%	-26.2%	2.2%	-17.4%	-1.4%	-50.0%	-23.5% *	-22.4%	-0.3%
Wholesale Trade	52.7%	-2.7%	-18.2%	-2.3%	21.3%	-6.8%	-79.6%	93.3%	-6.1%	-3.4%
Retail Trade	-17.4%	1.9%	-11.4%	3.1%	-24.7%	-7.6%	67.6%	2.6%	-14.8%	0.5%
Transport, Warehousing, Utilities	-26.0%	16.5%	-16.0%	1.2%	-17.9%	8.5%	-11.1%	16.7% *	-17.1%	4.5%
Information	-65.8%	-7.7% *	-47.3%	0.0%	-9.9%	-12.8%	N/A	0.0% *	-42.3%	-2.8%
Finance & Real Estate	-36.6%	-32.5%	-14.3%	-0.9%	-5.9%	-1.2%	-21.2%	0.0%	-13.3%	-1.8%
Professional & Technical Services	-10.0%	18.5%	0.2%	6.6%	-9.1%	-2.1%	11.3%	-7.6%	-1.6%	5.3%
Management & Administration	-11.9%	13.5%	-17.8%	7.0%	105.6%	12.5%	-42.0%	41.4%	5.6%	9.3%
Education	-5.3%	-3.9%	2.5%	1.8%	-15.1%	2.9%	-23.1%	30.4%	-2.2%	2.5%
Health Care	-12.0%	-6.6%	9.7%	5.8%	-0.4%	2.8%	-21.1%	7.2%	6.6%	4.9%
Leisure & Hospitality	-26.5%	15.0%	-1.9%	2.1%	3.6%	1.8%	19.1%	12.8%	-2.4%	2.7%
Public Administration	-56.7%	192.3%	-0.1%	-1.2%	-0.3%	-3.3% *	-83.3%	600.0% *	-0.8%	-0.6%
Unclassified & Other Services (a)	N/A	48.4%	N/A	5.5%	N/A	12.3%	N/A	-5.7%	N/A	8.4%
Total (b)	**-14.9%**	**5.1%**	**-7.3%**	**2.2%**	**1.7%**	**-0.5%**	**13.5%**	**10.5%**	**-4.5%**	**1.6%**

Notes:

(a) Excludes private households employing workers due to inconsistencies in reporting from year to year.

(b) Based on geocoded EDD point-level data. Employment figures differ from EDD published figures because this analysis excludes businesses with physical addresses outside of Santa Cruz County.

* Data needs to be suppressed prior to publication due to disclosure issues.

Sources: QCEW, CA EDD; BAE, 2013.

Employment by Firm Size

Table 2 summarizes employment data by the size of the firm for Q3 2011, based on confidential raw data obtained from EDD for this study. As shown, more than 67 percent of all businesses in the County had between 0 and 4 employees[3]. Firms with less than 50 employees (the typical definition of small business) accounted for almost 97 percent of the roughly 8,400 businesses in the County. This finding indicates the need to formulate strategies to help very small and small businesses prosper, as these companies form the backbone of the County's economy.

Table 3: Santa Cruz County Distribution of Firms by Number of Employees, Q3 2011

	Number of Employees									
	0-4	**5-9**	**10-19**	**20-49**	**50-99**	**100-249**	**250-499**	**500-999**	**1000+**	**Total**
Agriculture	90	25	32	56	28	13	5	6	-	
Mining, Construction	520	126	54	19	(b)	(a)	-	-	-	
Utilities	(b)	(a)	-	-	-	(a)	-	-	-	
Manufacturing	112	60	42	29	11	3	(a)	(a)	-	
Wholesale Trade	149	58	33	25	9	7	-	-	-	
Retail Trade	342	185	134	(b)	39	15	(a)	-	-	
Transport, Warehousing	(b)	21	20	11	4	(a)	-	-	-	
Information	52	(b)	14	10	(a)	-	-	-	-	
Finance & Insurance	168	43	41	14	(a)	(a)	-	-	-	
Real Estate	243	55	19	(b)	(a)	-	-	-	-	
Services	3,956	647	443	279	78	36	8	(b)	(a)	
Total	**5,632**	**1,220**	**832**	**443**	**169**	**74**	**13**	**6**	**-**	**8,389**
% of Firms in County	*67.1%*	*14.5%*	*9.9%*	*5.3%*	*2.0%*	*0.9%*	*0.2%*	*0.1%*	*0.0%*	

Notes:
(a) Data are confidential if there are fewer than 3 businesses in a category or one employer makes up 80 percent or more of the employment in a category.
(b) Data are suppressed because confidential data could be extrapolated if these totals were included.
(c) Data do not include totals for government employment.
Source: Based on confidential QCEW data obtained from CA EDD, BAE, 2013.

Ratio of Jobs to Employed Residents

One measure of economic vitality is the number of jobs in an area to the number of employed residents living in the same area. If this ratio is 1.0 or more, it means that there is theoretically a job for each working resident, creating a sufficient job base to employ residents locally. While the ratio does not account for the exact match between residents and local jobs, it helps to balance jobs and housing, creating a "complete" community with economic opportunity for residents as well as potential for certain environmental benefits such as decreased greenhouse gas (GHG) emissions.

Santa Cruz County has a relatively low number of jobs compared to employed residents. The County's ratio of jobs to employed residents was 0.90 in 2011, leading to substantial out-commuting. In contrast, Monterey County has a balanced ratio of jobs to employment residents at 1.00, and Santa Clara County has a surplus of jobs to employed residents, at 1.12.

[3] In this case, 0 employees are how business owners without any employees (e.g., sole proprietorships) would report.

Table 4: Ratio of Jobs to Employed Residents, 2011

	Santa Cruz County	Monterey County	Santa Clara County	California
Jobs (a)	111,629	175,422	929,952	16,249,359
Employed Residents (a)	123,591	175,968	828,082	16,251,032
Ratio of Jobs to Employed Residents	0.90	1.00	1.12	1.00

Note:
(a) Universe consists of members of the Armed Forces and civilian workers age 16 and older who were at work the week prior to the survey.
Sources: ACS, 2007-2011, Tables B08604 and B08007; BAE, 2013.

This ratio is one way to measure job creation goals - if Santa Cruz County were to achieve a balance of one job in the County for every employed resident, the County would have needed at least 12,000 more jobs in 2011. However, it should be recognized that not all jobs are full-time, and many people work more than one job in order to afford housing and other expenses. It may be that from 15.000 to 19,000 jobs (both part- and full-time) would be needed in order to achieve a healthy balance that allows a more standard percentage of income for housing.

Commute Flows and Working from Home

The patterns of where employed residents go to work, compared to where workers in the County live, are shown below.

Table 5: Commute Flows for Santa Cruz County, 2006-2008

Employed Residents of Santa Cruz County (a)			Workers in Santa Cruz County (b)		
Place of Work	**Number**	**% Total**	**Place of Residence**	**Number**	**% Total**
In Santa Cruz County	94,055	75.7%	In Santa Cruz County	94,055	84.8%
Worked at Home	*8,120*	*6.5%*	*Worked at Home*	*8,120*	*7.3%*
Worked Elsewhere in County	*85,935*	*69.2%*	*Lived Elsewhere in County*	*85,935*	*77.5%*
In Santa Clara County	18,730	15.1%	In Santa Clara County	3,515	3.2%
In Monterey County	6,355	5.1%	In Monterey County	8,345	7.5%
Other SF Bay Area (c)	3,905	3.1%	Other SF Bay Area (c)	1,865	1.7%
All Other Locations	1,220	1.0%	All Other Locations	3,099	2.8%
Total	**124,265**	**100.0%**	**Total**	**110,879**	**100.0%**

Notes:
Based on Census Transportation Planning Package data using 2006-2008 American Community Survey (ACS) estimate which are based on statistical sampling conducted continuously between 2006 and 2008.
Both emplyed residents and workers (e.g., jobs) include members of the Armed Forces and civilians 16 and older who were at work during the week prior to being surveyed.
(a) Employed residents include all age 16 and older who live in the area and work somewhere.
(b) Workers represent the number of jobs in the area, with job-holders living in locations shown
(c) Includes the remaining counties in the 9-County Bay Area: Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Solano, and Sonoma counties.

Sources: Census Transportation Planning Package, 2006-2008; BAE 2013.

As shown, roughly 76 percent of employed residents living in Santa Cruz County also work in the County, including those who work at home. Just over 15 percent of employed residents (18,700 people) commute from their home in Santa Cruz to Santa Clara County,

Conversely, of the jobs located in Santa Cruz County, almost 85 percent are held by Santa Cruz residents, with a small percent of workers coming into the County for work from their place of residence elsewhere.

An important feature of the County's economy is its high proportion of residents who work from their home. According to data from the American Community Survey, the County's economy included 8,120 residents who worked at home in 2008, equivalent to 6.5 percent of all employed residents living in Santa Cruz County. This percentage was higher than the percentage of residents working from home in Monterey County (4.5 percent), Santa Clara County (4.4 percent), and California (4.8%), as shown below.

Table 6: Working at Home, 2008

Resident Workers	Santa Cruz County	Monterey County	Santa Clara County	State of California
Worked at Home	8,119	7,995	36,153	788,399
Worked Outside of Home	116,209	168,517	794,709	15,662,221
Total Workers (a) (b)	**124,328**	**176,512**	**830,862**	**16,450,620**
Worked at Home	6.5%	4.5%	4.4%	4.8%
Worked Outside of Home	93.5%	95.5%	95.6%	95.2%
Total Workers (a) (b)	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Notes:
(b) Universe consists of members of the Armed Forces and civilians 16 and older.
(b) Totals may not match employed residents in other tables because the ACS 2008 3-year estimates were used for this analysis to correspond to data persented from the Census Transportation Planning Package.
Sources: ACS, 2006-2008; BAE, 2013.

Workforce Trends

The County's resident workforce is one of its key economic strengths, shaping the region's economy and ability to attract and retain jobs. The following data are drawn from the US Census (2000 and 2010), and the American Community Survey. For benchmarking purposes, the County of Santa Cruz is compared to Monterey County, Santa Clara County, and to the State of California. Data is also presented for the four regions within Santa Cruz County to highlight local trends. Detailed data tables for the following analysis are included in Appendix B.

Population and Household Trends: Overall Santa Cruz County

The County's population grew modestly between 2000 and 2010, rising from 255,602 residents in 2000 to 262,382 in 2010, a 2.7 percent growth rate for the period. Santa Cruz County's growth lagged Monterey County (3.3 percent rise), Santa Clara County (5.9 percent rise), and California (10.0 percent rise) during the same period. The number of households in Santa Cruz County increased somewhat more rapidly, at 3.5 percent, than population, indicating healthy household formations and a reduction in average household size. This may also reflect a higher rate of incoming students to USCS and Cabrillo who move here and form smaller-sized households.

Population and Household Trends: Subregional Trends

In 2010, more than 53 percent of County residents lived in the Urban Core, while 26.7 percent resided in South County. The remaining 20.4 percent of the County's population lived in the North Coast and Summit.

Population increased only in the Urban Core and South County, rising at a faster rate in South County (7.8 percent) than the Urban Core (3.7 percent). In contrast, population losses were observed in the North Coast and Summit between 2000 and 2010.

Age Distribution: Overall Santa Cruz County

The age distribution of Santa Cruz County reveals interesting patterns, particularly the rising share of the population over the age of 55. Santa Cruz County's median age in 2010 was 36.9, higher than the median age of 32.9 in Monterey County, 36.2 in Santa Clara County, and 35.2 in California. The County's mature median age was shaped by the rising share of residents in older age groups. Between 2000 and 2010, the distribution of the population age 55 and older increased from 17.6 percent to 24.8 percent of the population, rising faster than all the comparison geographies, which may be attributable to residents choosing to age in place. The only other age cohort that saw its share increase from 2000 was the 18 to 24 age group, which may be due in part to higher university enrollment at UCSC and Cabrillo College. In recent years, it has become somewhat more common for students to come to Santa Cruz from other communities to attend Cabrillo College, which may account for some of this increase.

From an economic development standpoint, this age distribution has many implications. Santa Cruz County has successfully attracted a growing share of the "baby boom" generation, and this affects local demand for certain types of retail, health care, transportation, and community services. At the same time, the County's population between the ages of 25 and 54, which constitute its primary workforce, fell by 11.6 percent from 119,500 to 105,600, a greater drop than in Monterey County (2.9 percent decline),Santa Clara County (0.4 percent decline), and California (4.7 percent increase). The drop in this segment of the population has an effect on economic development, since there are fewer residents in this working age group living in Santa Cruz County. Provision of goods and services needed by college students will continue to be a strong consideration for businesses.

Age Distribution: Subregional Trends

The Urban Core's age distribution in 2010 was similar to the County, while South County had a younger age profile, and North Coast and Summit had an older age profile.

In 2010, the Urban Core's median age of 37.1 mirrored the County's median age of 36.9. In contrast, the median age was much lower in South County, at 29.9, which reflected the high proportion of children under the age of 18. In fact, 30.7 percent of South County's population was under the age of 18 in 2010.

The median age in the North Coast and Summit was significantly higher than the County. Both North Coast and Summit saw a jump in the median age, driven in part by a population that is aging in place. Between 2000 and 2010, the median age rose from 38.0 to 45.2 in the North Coast, and from 41.4 to 46.9 in the Summit. The population aged 55 to 64 nearly doubled its share of the population, rising from 8.5 percent of the North Coast's population in 2000 to 19.9 percent in 2010. A similar trend was observed in the Summit, which saw this age group increase its share of the population from 10.6 percent in 2000 to 20.1 percent in 2010.

Educational Attainment: Overall Santa Cruz County

For Santa Cruz County adults, educational attainment was higher than Monterey County and the State. Approximately 38 percent of Santa Cruz County's residents aged 25 or older held a four-year bachelor's degree or higher, while only 23 to 30 percent of Monterey County and the State were in this category, respectively. In contrast, Santa Clara County residents had higher educational attainment levels, with nearly 46 percent earning a four-year degree or higher.

Educational Attainment: Subregional Trends

The Urban Core, North Coast, and Summit all displayed high educational attainment levels, while South County lagged far behind. Approximately 44 to 46 percent of residents in the Urban Core, North Coast, and Summit held a four-year bachelor's degree or higher, similar to the rate in Santa Clara County. Meanwhile, only 13 percent of South County residents held a bachelor's degree or higher, with 44 percent of residents not graduating from high school.

The public K-12 school district that covers South County, Pajaro Valley Unified, also ranks low in state standardized test scores, which suggest that educational opportunities even for those in kindergarten through 12th grade lag behind the other school districts in the County. Compared to other school districts in California, Pajaro Valley Unified ranks in the lower quartile in terms of state standardized test scores. In contrast, Bonny Doon Union Elementary, Mountain Elementary, and

Happy Valley Elementary, school districts in the northern part of Santa Cruz County all rank in the top five percent in the state. The Pacific Collegiate School, a public charter school located in the urban core, has been ranked one of the ten best public high schools in the United States. Efforts to extend this level of quality and support for public schools and their students would be beneficial.

Labor Force and Unemployment: Overall Santa Cruz County and Subregional Trends
Between 2002 and 2012, Santa Cruz County's labor force (i.e. residents either working or seeking work) increased by 1.9 percent. Unfortunately, the increase in residents seeking employment has not been accompanied by an equal rise in jobs. Between 2002 and 2012, the number of jobs in Santa Cruz County fell by 2.2 percent, resulting in a rising unemployment rate among Santa Cruz County residents from 7.4 percent in 2002 to 11.1 percent in 2012.

More recent unemployment data for Santa Cruz County and comparison counties, along with incorporated cities in Santa Cruz, is shown below[4].

Table 7: Unemployment Rates for Santa Cruz County and Cities, March 2013

	Number of Workers		Unemployment
Geography	Employed	In Labor Force	Rate (a)
Santa Cruz County	136,100	153,500	11.4%
Capitola	6,300	6,700	6.4%
Santa Cruz City	30,200	33,300	9.5%
Scotts Valley	5,800	6,100	5.5%
Watsonville	18,400	24,100	23.6%
Monterey County	195,800	223,800	12.5%
Santa Clara County	858,100	924,200	7.2%
California	16,816,800	18,557,800	9.4%

Notes:
(a) Data are not seasonally adjusted. Unemployment rates are based on CA EDD published data.
Sources: CA EDD; BAE, 2013.

Currently, Santa Cruz County still has a relatively high unemployment rate of 11.4 percent, compared to the lower rates for Santa Clara County (7.2 percent) and the State of California (9.4 percent). However, Santa Cruz is faring better than Monterey County, with 12.5 percent unemployment in March 2013.

Unemployment rates vary substantially between incorporated cities in Santa Cruz County. Scotts Valley (5.5 percent) and Capitola (6.4 percent) are thriving in this regard. Santa Cruz City, with 9.5 percent unemployment, is still relatively high, while Watsonville, at almost 24 percent unemployment, is suffering

[4] Unemployment rates by subregion, and for unincorporated parts of Santa Cruz County, are not available.

Household Income and Poverty: Overall Santa Cruz County

Santa Cruz County's household incomes were higher than Monterey County and the State, but lower than Santa Clara County. In 2010, the median household income for Santa Cruz County, at $66,030, was higher than the Monterey County ($59,737), and California ($61,632), but lower than Santa Clara County ($89,064). Santa Cruz County had a similar proportion of low income households (below $25,000) as Monterey County and California, but a larger concentration of households with incomes of $100,000 or more.

Reflecting this overall household affluence, fewer residents in Santa Cruz County lived below the federally-defined poverty level than in Monterey County and California. In 2011, 13.7 percent of Santa Cruz residents lived in poverty, compared to 15.4 percent in Monterey County and 14.4 percent in the State. Santa Clara County demonstrates more overall prosperity than Santa Cruz County, with just 9.2 percent of Santa Clara County's residents living in poverty.

Income and Poverty: Subregional Trends

Median household incomes in the Urban Core, North Coast, and Summit were significantly higher than South County, mirroring variations in educational attainment. In 2010, the median household income was $67,927 in the Urban Core. North Coast and Summit households displayed higher incomes (similar to those in Santa Clara County), with a median household income of $83,661 in the North Coast, and $86,133 in the Summit. In contrast, the median income in South County was only $49,092, with nearly one out of every four households (23.4 percent) in South County earning less than $25,000 per year.

Reflecting this disparity, individuals in South County had substantially higher poverty rates than the County overall. Almost one out of every five residents in South County (19.4 percent) lived in poverty in 2011. In contrast, the poverty rate in was just 6.1 percent for residents of the North Coast, 7.0 percent in the Summit, and 13.7 percent for the Urban Core. This disparity strongly indicates a need for strategies that address South County education, job training and access to opportunities, particularly for young people preparing to become independent adults.

KEY INDUSTRY SECTORS

This chapter provides an in-depth analysis of key industry sectors of the Santa Cruz County economy, in order to set the foundation for economic vitality strategies and actions.

Identification of Key Industry Sectors

Economists use several methods to identify key industry sectors within a regional economy. One common measure is known as location quotient, which measure the relative concentration of an industry sector within the local economy compared to a larger benchmark economy. If the local concentration of total jobs in that industry sector divided by the larger economy's concentration is higher than 1.0, it means that the industry is has a more substantial local presence than would otherwise be expected, indicating local competitive advantages.

The table below shows the calculation of location quotients by major industry sector for Santa Cruz County compared to the larger California economy, ranked by largest to smallest for 2011. The state's economy was selected as the benchmark, rather than the US as a whole, to identify local advantages within the economy that most affects it. As shown, Santa Cruz County has a strong location quotient for Agriculture, as well as relatively strong indicators for Education & Health Care, Retail Trade, and Leisure & Hospitality. These top four sectors, demonstrating local competitive advantages compared to the state's economy, are profiled in more depth below, to set the foundation for subsequent strategic planning.

Table 8: Location Quotients for Santa Cruz County Compared to California, 2001 & 2011

	Location Quotient	
Santa Cruz County	**2001**	**2011**
Agriculture and Mining	2.9	3.3
Education and Health Care	1.1	1.2
Retail Trade	1.3	1.2
Leisure & Hospitality	1.3	1.1
Government	1.1	1.1
Other Services	0.9	0.9
Wholesale Trade	0.8	0.8
Construction	0.9	0.8
Management & Administration	0.7	0.8
Manufacturing	0.7	0.7
Financial Activities	0.7	0.7
Professional & Technical Services	0.8	0.6
Transportation, Warehousing & Utilities	0.5	0.5
Information	0.7	0.3

Notes:
Location quotient is the concentration of the industry in the County divided by the concentration for the same industry in the state.
A location quotient greater than 1.0 indicates local strength in that industry sector compared to California.

Sources: CA EDD, Quarterly Census of Employment and Wages 2001 and 2011, BAE, 2013.

Agriculture

The Agriculture sector shows a very strong competitive advantage through its location quotient for Santa Cruz County, both in 2001 and 2011, including rising strength compared to the state overall. In 2011, this sector had a location quotient of 3.3, meaning that its employment was over three times as prevalent within the County as statewide agriculture to total statewide employment.

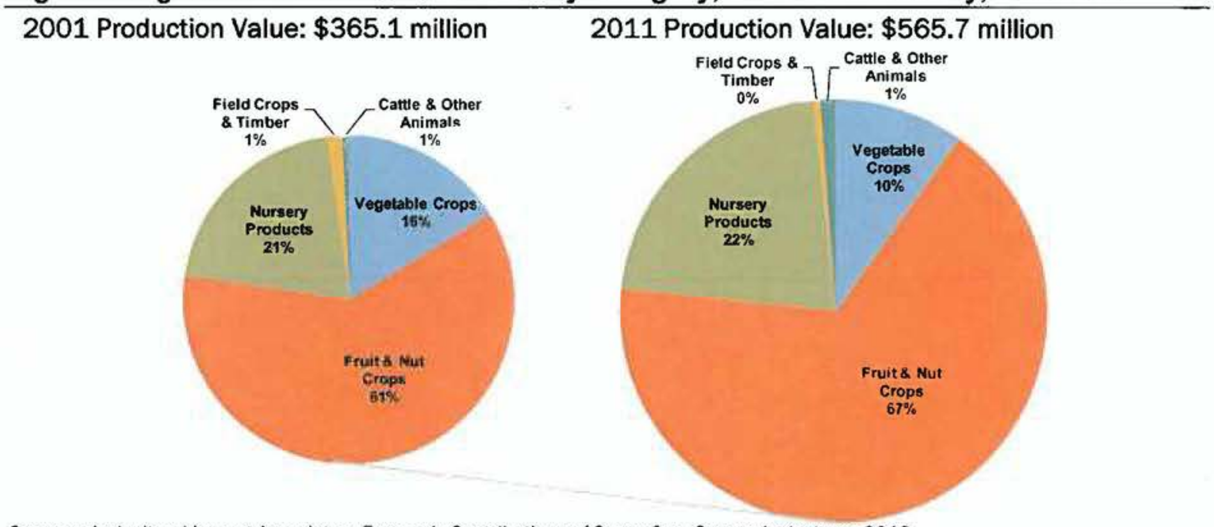
Agriculture ranked as the fifth largest industry in the County by total employment in 2011, accounting for 9.4 percent or 8,657 jobs. Between 2001 and 2011, jobs in Agriculture increased by 6.6 percent, faster than the rate of growth in the State (2.1 percent increase). Agriculture was the third fastest growing sector in the County between 2001 and 2011. Clearly agriculture and related industries of food processing and agri-tourism form a key backbone of the County's economy.

Statewide Trends in the Agriculture Sector

In 2011, California was the top state in agricultural production measured by cash receipts, with $43.5 billion in revenue (11.6 percent of US total)[5]. California owes this abundance to the production of over 400 commodities, producing nearly half of US grown fruits, nuts, and vegetables. California's agriculture industry also grew significantly during the past decade, rising from 25.9 billion in 2001 to $43.5 billion in 2011 (68 percent increase).

In 2011, Santa Cruz County ranked 20th in terms of total value of production among 58 counties in the State. Similar to state trends, the County experienced strong production value increases between 2001 and 2011, growing from $365.1 million in 2001 to $565.7 million in 2011 (55.0 percent increase in value).

Figure 1: Agriculture Production Values by Category, Santa Cruz County, 2001-2011



Sources: Agricultural Impact Associates, *Economic Contributions of Santa Cruz County Agriculture*, 2013.

[5] According to *California Agriculture Statistical Overview, 2012-13.*

In 2011, Fruit Crops were the largest production category by dollar value, comprising 66.8 percent of the county total. Berries dominated this category, led by strawberries ($198.3 million), raspberries ($132.4 million), and blackberries ($29.4 million). Nursery Crops were the second largest production category (21.7 percent), which includes cut flowers ($67.4 million). These two categories accounted for 88.5 percent of the county's direct farm production values.

Fruit crops, particularly strawberries and raspberries, have grown to represent a larger piece of the County's agricultural production between 2001 and 2011. The rising share of these crops may be driven in part by higher production values, which causes farmers to shift from lower to higher production crops. According to a report published by Agricultural Impact Associates in 2013, *Economic Contributions of Santa Cruz County Agriculture*, the County's production value for berries was $49,003 per acre in 2011, significantly higher than the average County agriculture production of $29,181 per acre.

Santa Cruz County Employment Growth

The confidential data obtained for this report indicates changes in employment by specific type of crop (numerical values cannot be shown here, but general trends are described). Between Q3 2005 and Q3 2011, the number of jobs increased for establishments specializing in strawberry and berry farming, and timber and logging operations. Jobs in berry production experienced the highest growth in total jobs between Q3 2005 and Q3 2011, and accounted for over 75 percent of all agriculture jobs in the County by Q3 2011. Businesses that specialized in apple production and animal production saw employment decline between Q3 2005 and Q3 2011. Categories that showed no change in employment included grape vineyards, floriculture, and nursery and tree production.

A recent study of economic impacts of agriculture in the County estimated total impacts at $1.46 billion for 2011.[6] This includes $898 million in direct economic benefits generated from agricultural production and processing in the County, along with $563 million in indirect and induced benefits, which include additional spending by agriculture business and employees. The analysis also estimates that agriculture supports 11,085 jobs throughout the County, including direct, indirect, and induced impacts.

Strengths

Based on the above analysis and the stakeholder focus group devoted to agriculture in Santa Cruz County, the following outlines potential strengths to build upon for economic vitality strategies:

- This sector has a concentration more than 3 times that of the state, indicating its importance to County economic vitality and its competitive advantages.
- The total value of crops produced in Santa Cruz County has been increasing over time. In 2011, Santa Cruz County ranked 20th among all 58 counties in the state in terms of the gross value of crops produced. The County was fourth among all CA counties in the production of strawberries (9.2 percent of the state's total production value), third in flowers

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[6] Agricultural Impact Associates, *Economic Contributions of Santa Cruz County Agriculture*, May 2013

and foliage, (9.0 percent), second in raspberries (36.4 percent), and third in apples (10.5 percent).

- Berry production is strong and accounts for a significant portion of agriculture jobs in the County. Employment in this crop category has been increasing over time.
- The County maintains a strong agricultural base with world-class businesses, including Driscoll's and Martinelli's.
- The cottage food industry is emerging. In 2012, the state passed the California Homemade Food Act, which allows small purveyors of foods that do not require refrigeration temperatures, including homemade baked goods, jams, vinegars, dried pasta, etc. to sell products directly to consumers. Small businesses in the County have already begun to capitalize on this trend, and the number of cottage food operators in Santa Cruz County has grown steadily in recent months.

Challenges

Some of the stakeholders expressed challenges to the agriculture sector in Santa Cruz, highlighting issues to form the basis for potential strategies:

- According to some stakeholders, County regulations are perceived as too restrictive with respect to agriculture. For example, County code limits the days and hours of operations for wineries, which constrain direct sales to consumers. Wineries are also restricted in their ability to host special events, which is an important source of revenue. Other stakeholders mentioned restrictions on fencing, signage, farm stands, and bed & breakfast lodging on agricultural lands. As the farm-to-table and local food movements gain momentum, these restrictions should be reviewed and updated to best capture economic opportunities to strengthen this sector and facilitate the sustainability of small scale agriculture.
- The availability of water, and addressing saltwater intrusion into the aquifers, is an important issue that is a current topic of discussion throughout the County. Certain crop types use more water than others, and therefore use of technology to minimize waste is a key strategy.
- Facilities to accommodate larger processing operations are not available in Santa Cruz County. Food processing facilities that used to operate in Watsonville have been re-purposed or are no longer competitive. Stakeholders were concerned that when businesses expand, they will move to another county unless a suitable facility or site is identified.

Education

The Education and Health Care sectors are combined in published data, and together show a location quotient of 1.2, meaning that Santa Cruz County exceeds California in the concentration of these sectors' total employment, demonstrating a competitive advantage.

BAE analyzed these two sectors separately, however, using the confidential employment data obtained for this study. Some education jobs, particularly those at UCSC and Cabrillo College, are actually reported in the published material within the Government sector. When the confidential data is adjusted to account for these as Education jobs, this sector rises in prominence. Thus, Education is considered herein as its own industry category. With the adjustments described, as of Q3 2011, Education was the fourth largest sector in the County, accounting for 12.0 percent, or 11,309 jobs. Growth in this sector remained flat between Q3 2005 and Q3 2011, increasing by only 0.3 percent.

UCSC and Cabrillo College are the two major leading institutions of higher education in the County, and play an integral role in the local economy. UCSC is one of ten campuses in the University of California system. Cabrillo College is a public community college, one of 110 community colleges in the state. These two institutions are among the County's top ten employers, and the economic benefits that these institutions contribute are significant.

Statewide Trends in the Education Sector
In the last decade, funding for higher education has declined, as dwindling state budgets and competing priorities have lowered the amount of state funding available for higher education. According to a May 2012 report by the Public Policy Institute of California (PPIC) *Defunding Higher Education,* California spent $1.6 billion less on higher education in 2010-11 than it did a decade earlier. In response to declining state support, the University of California (UC), the California State University (CSU), and the California Community Colleges (CCC) have responded by increasing tuition and fees, lowering costs, reducing course offerings, limiting enrollment, and increasing out-of-state and international student populations who pay higher fees. The combination of these adjustments has resulted in lower enrollment rates within the overall UC and CSU systems, although enrollment has risen at UC Santa Cruz (see below).

To combat this disinvestment, California voters approved Proposition 30 in 2012, which raises taxes and directs most of the proceeds to education. The combination of this voter initiative, along with improving state revenues, should help reverse some of the damage. However, the PPIC report raises questions about whether California is training the highly skilled workforce necessary to compete in the future. By 2025, it is estimated that two of every five jobs in the state will require a bachelor's degree, but enrollment rates of high school graduates in California's public colleges and universities have not kept pace. In order to remain competitive, PPIC estimates the state will need more high school graduates to earn degrees from technical and community colleges, and more students to graduate from four-year institutions. In addition, reaching underrepresented groups is also an important factor in ensuring the state remains competitive.

Enrollment Trends

The table below shows enrollment trends for UCSC and Cabrillo College between the 2001-02 school year through the 2011-12 school year (most recent data available). Contrary to state trends, enrollment at UCSC has actually increased over time, rising from 12,749 students in the 2001-02 school year to over 16,700 students in 2011-12. Enrollment in Cabrillo College declined during the same period.

Table 9: Student Enrollment, UCSC and Cabrillo College, 2001-02 to 2011-12

Year	UCSC	Cabrillo College	Total (a)
2001-02	12,749	15,228	27,977
2002-03	13,614	14,867	28,481
2003-04	14,376	14,619	28,995
2004-05	14,542	15,151	29,693
2005-06	14,495	15,052	29,547
2006-07	14,894	16,068	30,962
2007-08	15,278	16,924	32,202
2008-09	16,087	16,467	32,554
2009-10	16,332	15,732	32,064
2010-11	16,451	14,842	31,293
2011-12	16,704	14,222	30,926

Note:
(a) Enrollment figures for UCSC represent an average of three quarters of enrollment for each school year. Enrollment figures for Cabrillo reflect student headcount and enrollment during the fall semester.
Sources: Cabrillo College Fact Book, 2012; UCSC Institutional Research & Policy Studies, 2013; BAE, 2013.

The combined institutions supported almost 8,000 jobs in 2011. According to the UCSC Personnel Profile, as of October 2011, UCSC employed 7,101 employees, of which 43 percent (3,018 jobs) were full-time, and 57 percent were part-time (4,083 jobs). In addition, Cabrillo College employed 850 employees in 2011. Together, these two institutions employed 7,951 in 2011.

Economic Vitality Initiatives at UCSC

In 2011, the University of California commissioned a statewide report to update each campus's economic impacts within its local economy. For UCSC, this updated prior work conducted by BAE for that campus. The total economic impact of UCSC, including direct spending by the University, along with the multiplier effects of this spending in the local economy, totaled $1.3 billion for the Santa Cruz regional area in 2011-12.

UCSC also confers other benefits to the economy, based on collaborations with local partners and its world-class research. Achievements by UCSC include its role in sequencing the human genome in 2000, its participation in two major experiments in the search for the Higgs Boson particle, the development of advanced robotic surgery systems for medical research, its partnership with the National Cancer Institute to launch the Cancer Genomics Hub, and UCSC's leading role in sustainable agriculture. UCSC recently launched the Center for Entrepreneurship (C4E), which offers a multi-disciplinary approach to bringing innovations to market. The Center is expected to work with faculty on promising ideas that emerge from campus research labs. C4E hopes to leverage UCSC's leading researchers in information technology, energy and sustainability and biomedicine.

UCSC also partners with local institutions to collaborate on important regional issues. The Institute of Marine Sciences at UCSC monitors the state's network of Marine Protected Areas, particularly for toxic algae blooms, and is a leading force in sea otter research and sea level rise. UCSC also sponsors collaborative research with local farmers on organic farming and innovative practices which translates research into sustainable farming techniques. UCSC helped pioneer a unified approach to education, by transitioning students who have earned teaching credentials at UCSC to Santa Cruz County schools. UCSC's Health Sciences also pairs students with opportunities in medical offices and clinics throughout the county for hands-on experience.

Although UCSC has partnered in the past directly with the City of Santa Cruz on many local economic development initiatives and programs, its links to the County on these topics is less direct, offering potential new opportunities to take advantage of this strong economic engine for the benefit of all of the County's economic activities.

Economic Vitality Initiatives at Cabrillo College

Cabrillo College recently completed its Education Master Plan, a long-term planning document to guide the college's educational programs, services, and facilities through 2025. According to the Master Plan, 50 percent of local high school graduates from Santa Cruz County public schools enrolled in Cabrillo College in 2010-11, highlighting the importance of this educational institution within the County for workforce training. Moreover, Cabrillo College is a leading member of the Santa Cruz County College Commitment (S4C), a county-wide collaboration that aims to prepare every Santa Cruz County K-12 student for college-level work. The partnership includes all K-12 public school institutions in the County, Cabrillo College, CSU Monterey Bay, San Jose State University, and UCSC. Public school students start visiting college campuses in the 4th grade, where they interact with teachers in small workshops that introduce them to institutions of higher learning. In 2012, the Cabrillo College Foundation made $500 scholarships available to Santa Cruz County high school seniors as a part of this S4C initiative.

Cabrillo College operates a satellite branch in Watsonville called the Watsonville Center. This branch was created to increase access to higher education for the Pajaro Valley community, focusing on students who are traditionally underrepresented in higher education. Classes offered at the Watsonville Center include those that fulfill requirements for general education, ESL, transfer, career training, and associate degree level programs. The Solari Green Technology Center, a job training program for energy efficient construction, solar technology, renewable/recycled building materials, and construction management, is also based at the Watsonville Center.

Strengths

Based on the above analysis and stakeholder input, the following outlines potential strengths to build upon for economic vitality strategies:

- The Education sector plays a dual role in the economic vitality of Santa Cruz County. It is both a large employment sector, with over 11,300 jobs, and a key partner in workforce training and technology transfer initiatives throughout the County.
- UCSC can be a cornerstone in leading the County's economic engine. With scientific and technological research, the Human Genome project, advanced video game design, integrated teacher training, and undergraduate community service programs, the University offers untapped opportunities to lead economic development.
- Cabrillo College, with its strong record of improving educational attainment for high school graduates, and its specialized workforce training programs, is also an important partner in economic vitality initiatives for the County.
- Partnerships with California State Universities at San Jose and at Monterey Bay can lead to increased collaboration on strengthening educational and job training resources, as well as other avenues of increasing the vitality of key economic sectors in Santa Cruz County.

Challenges

Based on the above analysis and input from stakeholders, the following highlights issues to form the basis for potential strategies:

- Although both UCSC and Cabrillo College have partnered with local government throughout the County for specific initiatives, these institutions have not had a clear mechanism to partner with the County for broader economic strategies.
- The relatively low educational attainment rates in South County, identified as a key workforce issue for the County's economic vitality, need strong partnerships with both UCSC and Cabrillo College. The strength and quality of these two educational institutions, and success with model programs, calls for exploring opportunities to expand what works, and to create new partnerships at all levels of education throughout the County, including early childhood (pre-K) and adult education/job retraining.
- Partnerships with public and private universities (such as Stanford and Santa Clara University) that are located outside of Santa Cruz County could support access to education as well as increasing the vitality of key economic sectors in Santa Cruz County, however there may be resistance due to competition for the attentions of these schools, and there may be a lack of awareness of the current attributes and opportunities that exist at UCSC and in the County.

Retail Trade

This industry sector had a location quotient of 1.2 in 2011, meaning that its employment is 20 percent more concentrated in Santa Cruz County than statewide.

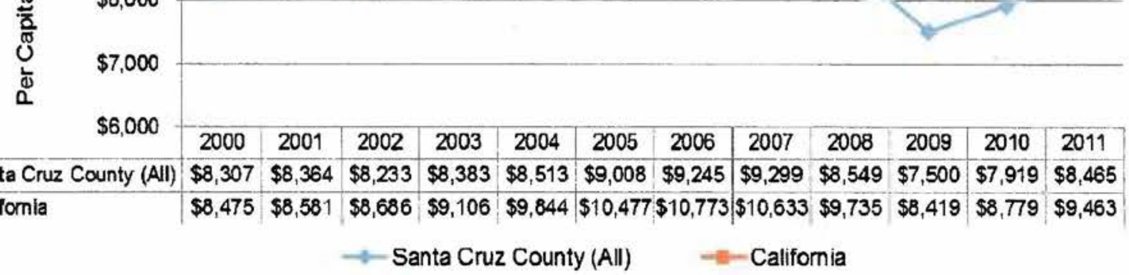
Retail trade was the third largest industry in the County by total employment, accounting for 11,310 jobs in 2011. However, due in part to the national recession, between 2001 and 2011, jobs in Retail Trade in the County declined by 19.0 percent, a steeper decline than for the State (down 2.8 percent).

To track retail trade trends, the following analyzes taxable retail sales data as published by the State Board of Equalization (SBOE) for all of Santa Cruz County, including both incorporated and unincorporated areas.

Statewide Trends in the Retail Sector

A good way to measure taxable retail sales is to divide total sales by population, to get a per-capita metric. This approach accounts for sales that would occur due to population growth, equalizing different points in time and/or different geographic areas. As shown below in the combined graph and table, both the State and County per capita taxable retail sales started out at nearly the same level, but have diverged over time. While both the State and County rose during the boom and fell during the recession, the County did not grow as fast as the State, and also declined further, to a low of just $7,500 per capita in 2009. Recent per capita sales have rebounded for both the State and County.

Figure 2: Taxable Per-Capita Retail Sales Trends, 2000 – 2011



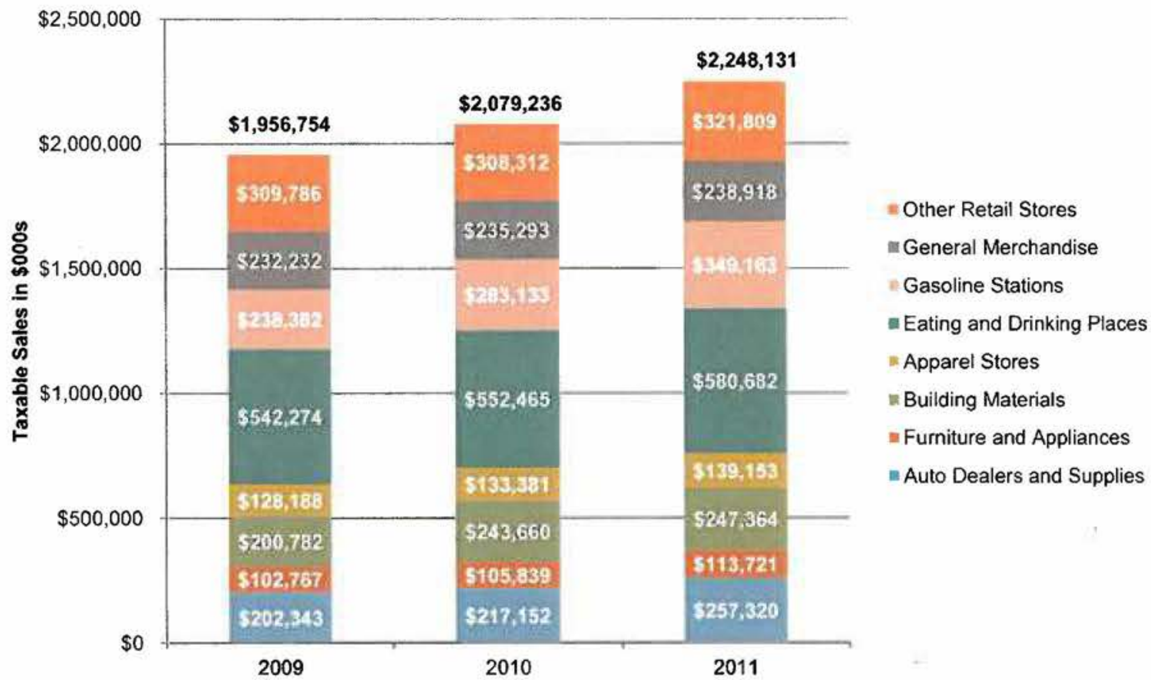
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Santa Cruz County (All)	$8,307	$8,364	$8,233	$8,383	$8,513	$9,008	$9,245	$9,299	$8,549	$7,500	$7,919	$8,465
California	$8,475	$8,581	$8,686	$9,106	$9,844	$10,477	$10,773	$10,633	$9,735	$8,419	$8,779	$9,463

Sources: CA State Board of Equalization; CA Department of Finance Report E-2; BAE, 2013.

Retail Sales Trends in Santa Cruz County

Taking a closer look at sales trends in Santa Cruz County, for the period between 2009 and 2011, taxable sales increased by 14.9 percent. This growth shows a strong rebound from the low point of the recession. The graph below (and data in the Appendix) also shows the change in the mix of types of stores in each of the past three years. As indicated, almost half of the sales growth was due to higher gasoline station sales, which likely partially reflect higher gas prices in this period. The two other categories that saw a large jump in sales were motor vehicles and parts and building materials. Sales in all other categories, including home furnishings, apparel, eating and drinking places, increased moderately between 2009 and 2011.

Figure 3: Santa Cruz County Taxable Retail Sales by Major Category, 2009-2011



Sources: State Board of Equalization; BAE, 2013.

Sales Leakage and Potential Additional Sales Capture

The table below shows taxable retail sales measured on a per capita basis, by type of store, for both Santa Cruz County and the State. Using the State as a rough benchmark, it appears that the County experiences some "leakage," meaning sales go to other locations outside the County, with lower sales in-County than State patterns would suggest are possible. In 2011, total per capita sales in Santa Cruz County ($8,465) were approximately $1,000 less per person than for California ($9,463), although individual store categories varied. It must be noted that for many residents, the lowered level of expenditures for retail goods may reflect a higher level of expenditure for housing costs. The County's per capita retail sales showed strength in building materials, food and beverage stores (grocery stores), and "other" retail. However, per capita sales were substantially lower than the State's in motor vehicles, home furnishings, clothing, general merchandise, food and drinking (restaurants and bars), and gas stations. The low sales and high leakage out of the County for restaurants and bars is particularly surprising given the importance of the tourism sector, which typically supports retail sales in this category. Some restaurants may be targeting summer tourists instead of emphasizing quality local options to County residents. Another contributing factor may be the substantial daytime out-commuting from the County, as over 18,000 working residents commute to Santa Clara County for work. The loss of this day-time population "over the hill" may correspond with a loss of restaurant spending locally. .

Table 10: Taxable Retail Sales Per Capita, Santa Cruz County and California, 2011

Sales per Capita in $ (a) (b)	Santa Cruz County	California	Sales Capture (Leakage)	% Capture (Leakage)
Motor Vehicles and Parts	$969	$1,419	($450)	-31.7%
Home Furnishings & Appliances	$428	$628	($199)	-31.8%
Bldg. Matrl. & Garden Supplies	$931	$694	$238	34.3%
Food & Beverage Stores	$852	$628	$224	35.6%
Gasoline Stations	$1,315	$1,470	($155)	-10.5%
Clothing & Accessories	$524	$788	($264)	-33.5%
General Merchandise	$900	$1,283	($384)	-29.9%
Food & Drinking Services	$1,335	$1,457	($123)	-8.4%
Other Retail	$1,212	$1,096	$116	10.6%
Retail Stores Total	**$8,465**	**$9,463**	**($997)**	**-10.5%**

Notes:
(a) Analysis excludes all non-retail outlets (business and personal services) reporting taxable sales.
(b) Per capita sales = sales divided by population. Population estimates from California Department of Finance Report E-2.

Sources: CA Board of Equalization; CA Department of Finance; BAE 2013.

Strengths

Based on the above analysis and stakeholder input, the following outlines potential strengths to build upon for economic vitality strategies:

- The Retail Trade sector shows some competitive advantages, but has suffered from economic downturn. Recent trends indicate recovery, although overall there may be more opportunities to capture sales within the County that are currently leaking.
- The County and its cities should benefit more from the influx of tourists (see next section) for retail sales, especially in the restaurant and bar category.
- The restaurant and bar sector may also be able to increase the level of patronage by local residents by ensuring quality, appropriate pricing and adequate marketing.

Challenges

Based on the above analysis and input from stakeholders, the following highlights issues to address by targeted strategies:

- Sales for clothing, restaurants and bars, and general merchandise are all below their potential, suggesting the need for strategies to attract and develop additional stores.
- Several stakeholders expressed that the County is perceived as anti-growth, discouraging retail investment. While this is a complex subject, it should be noted that other "anti-growth"

communities in Northern California do attract strong retailers; in general, retailers will operate where the business is strong and the demographics are well-understood.

- Some of the County's retail facilities are outdated, and are the focus of current planning initiatives. In general, retail facilities in unincorporated areas have not kept pace with contemporary retailing concepts that have emerged in other parts of Northern California. These aspects of retail trade in Santa Cruz County can be the focus of expanded economic vitality strategies to encourage private sector investment and increase sales.

Leisure & Hospitality

This sector (which includes Arts, Recreation, and Entertainment within it), had a strong competitive advantage compared to the State in 2001, but has lost some ground based on employment concentrations in 2011.

Although Leisure & Hospitality is the 4th largest industry sector in the County, with 11,000 jobs in 2011, the sector has lost 9.2 percent of its employment since 2001. In contrast, the State employment in this sector grew by 12.0 percent during the same time period. Clearly, a strong emphasis needs to be given to this sector in the Economic Vitality Strategy, building on the County's overall tourism and creative sector assets.

This section profiles Leisure & Hospitality trends based on multiple data sources and published reports. Data is presented on hotel performance, showing changes in occupancy and average daily rates between 2009 and 2012[7]. Survey results were reviewed based on intercept and phone surveys conducted by the Santa Cruz County Conference & Visitor's Council in 2009. Additional information is presented based on input from the participants in the leisure and hospitality stakeholder focus group that was conducted as part of this study.

Trends in the Hospitality Sector

Signs indicate that the hospitality sector has been gradually strengthening, driven by moderate economic growth that has improved occupancy rates nationally. According to PricewaterhouseCoopers' (PWC's) January 2013 report *Hospitality Directions US*, business travel has been improving from recession-related lows, particularly in strengthening sectors like technology, healthcare, and biotechnology. Consumer spending is also expected to improve somewhat in 2013, especially compared to recent prior years. However, investors remain cautiously optimistic because the pace of the recovery has remained subdued. While the above indicators point to some incremental growth in leisure travel demand, PWC forecasts that travel demand will increase only gradually in the near future. On the supply side, lenders have been reluctant to finance new projects, except for very select deals in prime locations. The City of Santa Cruz has several developments in the pipeline, but it is likely that implementation will be selective and measured. This can provide an opportunity for existing hotels to recover. Underserved areas, or replacement of outdated facilities with new upgraded product, may provide opportunities.

Hotel Performance

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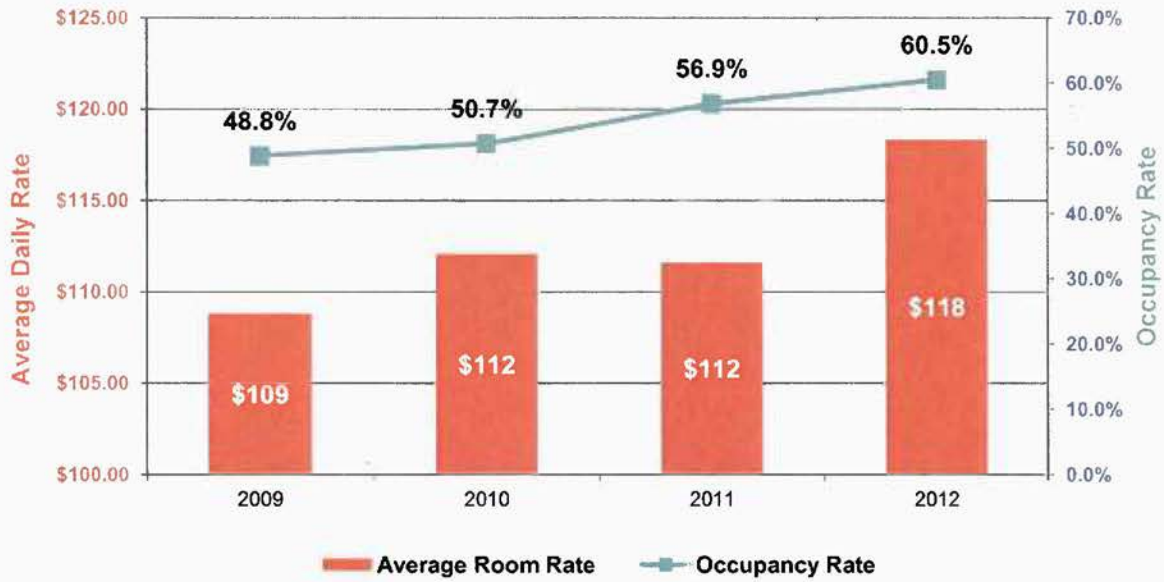
[7] The primary source of information on hotel performance is Smith Travel Research (STR), a private data vendor. This independent research company collects data on lodging facilities from a subset of all hotels, providing a useful data set for participating hotels. However, since not all hotels contribute in the data collection, the picture provided by STR data is not complete. In Santa Cruz County, STR tracks 34 hotel properties, totaling 2,516 rooms. This accounts for 46.6 percent of all hotel facilities in the County, and 69.0 percent of the total hotel room inventory. Most of the facilities tracked by STR are in the midscale to upper scale categories. Many smaller motels and inns, mostly in Santa Cruz City, are excluded from STR's research.

Santa Cruz County hotels have experienced increasing occupancy levels and rising average daily rates, similar to the trends in the national market. Annual occupancy rates climbed every year since 2009, from 48.8 percent in 2009 to 60.5 percent in 2012. Average daily rates also rose from $109 in 2009 to $118 in 2012.

Figure 4: Hotel Performance, Santa Cruz County Hotels, 2009-2012



Notes: Data above includes hotels tracked by Smith Travel Research in Santa Cruz County. In Santa Cruz County, STR collects data for 34 hotel properties, totaling 2,516 rooms. This accounts for 46.6 percent of all hotels in the County, and 69.0 percent of the total room inventory.

Sources: Smith Travel Research; BAE, 2013.

Between 2011 and 2012, Santa Cruz County hotel occupancy rates recovered at a faster pace compared to the State. Between 2011 and 2012, the occupancy rate for Santa Cruz County hotels rose from 56.9 percent to 60.5 percent, signaling continued strength in the lodging market. In comparison, hotel occupancy rates across the state increased marginally, from 59.9 percent to 61.4 percent within the same period. Still, the average 2012 occupancy rate in the County (60.5 percent) was somewhat lower than the State average (61.4 percent).

It should be noted that market analysts consider occupancy rates of roughly 70 percent an indicator of successful performance (about the level where the hotel can achieve profit). Some Santa Cruz County hotels are impacted by seasonality, lowering the annual overall rate. For example, hotels in Santa Cruz County experience fluctuations in occupancy rates with higher levels during the summer months, declining rates in the shoulder season, and low occupancy in the winter. In 2012, occupancy rates were very high between June and August, reaching 82.7 percent in August 2012. Occupancy typically declines in September and October to between 60 to 65 percent, and averages around 50 percent in the winter months between November and March. Occupancy picks up again in April and May in the spring.

Average daily rates followed a similar trend, with rates higher during the peak summer months and falling substantially in the off-peak season. In 2012, average rates reached $152 per room per night in August during the peak season, but were as low as $93 in the winter. This extreme fluctuation reinforces the seasonality in this market, with upward pressure on room rates when demand rises sharply in the summer, and room rates falling significantly during the off-peak season. Increases in the business and meetings travel market have the potential to change this under-performance aspect.

Table 11: Hotel Overview

Hotel Overview, Santa Cruz County and California, 2011-2012

	Occupancy Rate	
	2011	2012
Santa Cruz County (a)	56.4%	60.5%
State of California	59.9%	61.4%

Santa Cruz County Market Overview by Month, 2011-2012

	Occupancy Rate	
Month	2011	2012
January	36.7%	41.1%
February	45.4%	53.2%
March	47.9%	52.9%
April	58.1%	59.0%
May	55.3%	59.6%
June	64.1%	74.7%
July	78.2%	82.7%
August	75.3%	80.1%
September	64.5%	64.7%
October	61.7%	61.1%
November	49.7%	52.8%
December	45.5%	44.1%
Annual Average	*56.4%*	*60.5%*

Note:
(a) Smith Travel Research (STR) tracks 34 lodging facilities totaling 2,516 rooms in Santa Cruz County. This accounts for 46.6 percent of all hotels in the County, and 69.0 percent of total room inventory.
Sources: Smith Travel Research; BAE, 2013.

Visitor Profile

In 2009, the Santa Cruz County Conference & Visitor's Council (CVC) commissioned a visitor profile study to assist the CVC in its marketing and communication efforts. Two surveys were completed; one was an intercept survey conducted at eight different tourist locations in the county. The other was a phone survey with the same questions targeting people who had contacted the CVC for information. The analysis below profiles these visitors.

Survey respondents were mostly from California, and many had visited Santa Cruz before. Seventy-six percent of people surveyed were from California, 16 percent were from other states, and 8 percent were from other countries. Of the California visitors, an overwhelming majority (89.1

percent) was from Northern California, 3.6 percent were from Central California, and another 6.9 percent were from Southern California. Seventy-six percent of those surveyed had visited Santa Cruz County previously.

Vacation and leisure were the primary reasons cited for visiting Santa Cruz. Only 2.1 percent of survey respondents replied that business was the main reason for their visit. Going to the beach, visiting attractions, and eating in restaurants were the top three activities among survey respondents (all activities reported over 70 percent participation rates). Over 30 percent of visitors' top activity was visiting the state parks or outdoor recreation. The actual percentage of visitors for outdoor recreation may be even higher, since the survey sample was skewed more towards results captured in Downtown Santa Cruz and the Boardwalk (59 percent) than in areas outside of Santa Cruz City (41 percent).

The majority of visitors were day trippers that did not stay overnight. Only 36.9 percent of survey respondents reported staying overnight in Santa Cruz, while the majority of survey respondents (63.1 percent) were day visitors. This may be due to in part to the high percentage of visitors from Northern California, which accounted for 67.7 percent of all visitors. In fact, the survey data corroborates that California residents, in general, exhibited a lower propensity to stay in Santa Cruz County hotels (32.8), compared to out-of-state travelers (48.3 percent), and international travelers (52.5 percent). Still, even among out-of-state travelers, only half reported staying overnight in Santa Cruz, which suggests that many are either passing en route to another place, or did not consider Santa Cruz to be an overnight destination on their trip. However, among those surveyed, almost 90 percent were extremely or very satisfied with Santa Cruz as a destination.

Strengths

Based on the above data as well as the stakeholder group convened for this report, the following highlights Santa Cruz County's strengths in leisure & hospitality including arts, recreation, and entertainment:

- This sector has competitive advantages, and although employment lost ground during the recession, recent employment figures from 2012 indicate the sector has recovered to pre-recession 2007 levels. Although the Boardwalk reports record attendance and hotel occupancy trends show rising performance, year-round average occupancy in the County still do not achieve levels indicating optimum success.
- Santa Cruz County has numerous natural and built attractions, including scenery, good weather, numerous parks and beaches, quality golf courses, extensive active recreation opportunities, and a thriving arts culture. The Boardwalk attracts both day visitors from the Bay Area, and overnight visitors, with visitation at a record high of three million per year.
- A key component of Santa Cruz tourism is its many festivals and sports events, including music, artist tours, mountain biking, road cycling, and road races and marathons. These are the focus of local promotional activities to increase tourism in off-peak periods.
- The rising farm-to-table movement, along with organic food production and local wine production, are all contributing to growing agri-tourism strength. This combines two of the County's key industry sectors, and should be encouraged.

Challenges

Stakeholders identified several important challenges to economic vitality in the Leisure & Hospitality sector including:

- The off-peak and shoulder season decline in tourism impacts overall vitality and businesses, indicating the need for more strategies to offset it.
- The quality of the hotel stock in Santa Cruz has not kept pace with improvements in other markets. Despite recent advances, this interplay between long-time owners accepting low annual occupancy rates due to off-season declines, while reaping the benefits of strong demand in peak season, results in lost opportunities to create a lodging destination image.
    - Survey results from the CVC study conducted in 2009 show that hotel patrons cited value/pricing of hotels as the most important consideration when choosing a hotel, but this was ranked lowest in describing their lodging experience.
    - Focus group participants corroborated this finding, and claimed that particularly in the summer months, prices are very high compared to the quality and amenities offered, and the nicer hotels sell out fast.
    - The City of Santa Cruz launched a grant incentive program and is considering a measure that will rebate transient occupancy taxes to hotels that improve their properties.
- Marketing and promotion of a wide array of tourism opportunities in Santa Cruz may offer expansion opportunities. The Convention and Visitor Council, which focuses mainly on increasing overnight and destination tourism in the County, recently launched a branding message of "Santa Cruz – Let's Cruz." While the Council's work has provided an excellent foundation for expanding economic activity, some of the focus group participants active in the Leisure & Hospitality sector noted the need to further expand promotion and marketing initiatives to also emphasize day visitor opportunities, including arts and cultural events, along with links to increased fine dining opportunities. Thus, a broader and more comprehensive approach, based on discussions with a larger group of stakeholders, may further expand economic activity in this sector.
- Some sector stakeholders reported that visitors come to Santa Cruz for one type of activity, and afterwards, don't know what else to do or where else to go. Many often asked for dining recommendations and other attractions. This suggests a need for coordinated efforts across all visitor-oriented sectors and organizations to leverage visitor interest in Santa Cruz.

REAL ESTATE MARKET CONDITIONS

This chapter provides an overview of real estate market conditions that reflect the economic conditions of Santa Cruz County. The primary source for commercial real estate data is Cassidy Turley, a commercial real estate brokerage firm active in the area. Data is presented for 2011 and 2012 for four submarkets, which include Santa Cruz City, Scotts Valley, Mid-County, and Watsonville.[8] It should be noted that this data tracks market activity mostly in incorporated cities and some unincorporated areas in the Urban Core, but does not track activity for unincorporated areas in the North Coast, Summit, and South County.[9]

The following highlights current market conditions for office, industrial, retail, and residential markets. Additional trend data is provided in the Appendices.

Office

The Santa Cruz County office market contains 7.5 million square feet of office space.[10] Scotts Valley had the most office space, accounting for 30.4 percent of the County's total inventory with 2.3 million square feet. Santa Cruz City was the second largest office market, with 2.1 million square feet, followed by Watsonville (1.9 million square feet), and Mid-County (1.2 million square feet).

The Santa Cruz County office market closed 2012 with higher vacancy rates than in 2011. The County vacancy rate was 16.9 percent in Q4 2012, higher than 12.8 percent from a year ago. The majority of this increase was attributable to Scotts Valley, which ended 2012 with a 32.7 percent vacancy rate, the highest in the County. This was due to a series of large corporate campus vacancies, including Seagate's consolidation/relocation to Silicon Valley and Aviza's closing of its campus. Excluding the former Seagate campus[11], the vacancy rate in Scotts Valley and the County would have been much lower, at 12.2 percent and 10.6 percent, respectively.

Most real estate analysts look for a 10 percent office vacancy rate as a measure of a healthy office market. Mid-County and Watsonville are healthy markets, with vacancy rates of 6.1 percent and 4.6 percent, respectively, at the end of 2012, indicating market potential for additional office space in these areas. In contrast, the vacancy rate in Santa Cruz City was relatively high, at 16.7 percent.

Interestingly, despite the high vacancy rate, Santa Cruz City experienced an increase in average asking rents between 2011 and 2012, rising by 5.1 percent between 2011 and 2012,. A similar upward trend in asking rents was observed in Mid-County, while average asking rents fell in Scotts Valley and South County.

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[8] The Mid-County submarket includes Capitola, Aptos, Live Oak, and Soquel.
[9] Cassidy Turley's submarkets do not align precisely with the subregions identified earlier in this report. Santa Cruz City, Scotts Valley, and Mid-County are all within the Urban Core. Watsonville is in the South County subregion.
[10] This likely does not include university and other owner-occupied office space.
[11] The Seagate campus totals 472,363 square feet.

A majority of the office space available for rent in the County was in offices of less than 5,000 square feet. County-wide, there were 173 office spaces available for lease in Q4 2012. Seventy-one percent, or 122 listings, were for spaces of less than 5,000 square feet, and only 12 percent were for offices of over 20,000 square feet. All of the County's office listings of over 20,000 square feet were in Scotts Valley and Santa Cruz City.

Table 12: Office Market Overview, Santa Cruz County, 2011-2012

Office Market Overview	Santa Cruz City	Scotts Valley	Mid County (a)	Watsonville	Santa Cruz County
Summary, 4Q 2012					
Inventory	2,173,871	2,307,369	1,191,157	1,907,642	7,580,039
Occupied Stock	1,810,213	1,552,866	1,118,152	1,820,390	6,301,621
Vacant Stock	363,658	754,503	73,005	87,252	1,278,418
Vacancy Rate	16.7%	32.7%	6.1%	4.6%	16.9%
Inventory (% County)	28.7%	30.4%	15.7%	25.2%	100.0%
Asking Rents, 2011-2012 (b)					
Average Asking Rent (psf), 2011	$1.87	$1.74	$2.00	$1.67	$1.80
Average Asking Rent (psf), 2012	$1.96	$1.62	$2.03	$1.65	$1.74
% Change 2011-2012	5.1%	-6.9%	1.7%	-1.4%	-3.3%

Notes:
(a) The Mid-County office submarket includes Capitola, Aptos, Live Oak, and Soquel.
(b) Average asking rents reflect full service leases.
Sources: Cassidy Turley; BAE, 2013.

Industrial

In Q4 2012, there were 11.2 million square feet of industrial space in Santa Cruz County. Watsonville accounted for a majority of the County's inventory, with nearly 5.7 million square feet, or 50.8 percent market share. The next largest industrial markets were Santa Cruz City (3.1 million square feet), Mid-County (1.4 million square feet), and Scotts Valley (982,000 square feet).

Santa Cruz County's industrial market showed resiliency during the economic downturn, closing 2012 with positive net absorption, which means more industrial space was leased in 2012 than vacated. Vacancy rates were down from the prior year, falling to 4.8 percent, a decline from 5.8 percent a year earlier. Real estate market analysts consider an industrial market strong when the vacancy rate is less than 10 percent. Watsonville, Mid-County, and Scotts Valley all closed 2012 with industrial vacancy rates below 5 percent, and Santa Cruz City at 10.3 percent. The vacancy rate was extremely low in Watsonville, only 2.2 percent, indicating a very strong market.

Average asking rents have remained firm throughout the County, and some indicators suggest the need for more industrial supply, particularly in Watsonville. In addition to low vacancy rates, Watsonville was the only submarket that saw a substantial increase in average asking rents, rising by $0.10 between 2011 and 2012, to an average of $0.63 per square foot per month for triple-net

(NNN) leases. However, this rate of $0.63 was still substantially below the rates of $0.83, $0.75 and $0.94 that existed within Santa Cruz City, Scotts Valley, and Mid County, respectively, indicating that Watsonville industrial space may be under-utilized by lower-performing/value tenants.

The composition of available industrial space suggests there are few properties available on the market, and the ones available are for smaller tenants. In Q4 2012, county-wide there were only 14 listings for industrial space, with 11 of 14 for smaller spaces between 10,000 to 24,999 square feet. Two listings were available for industrial properties between 25,000 to 49,999 square feet, and one industrial property, located in Santa Cruz City, had more than 100,000 square feet.

Very little inventory has been added to the market. Approximately 28,000 square feet of industrial space was built in the County market between 2007 and 2012, mostly in Scotts Valley and some in Mid-County. No new industrial space was built in Watsonville or Santa Cruz City in the past five years.

Table 13: Industrial Market Overview, Santa Cruz County, 2011-2012

Industrial Market Overview

	Santa Cruz City	Scotts Valley	Mid County (a)	Watsonville	Santa Cruz County
Summary, 4Q 2012					
Inventory	3,095,535	982,085	1,423,691	5,686,293	11,187,604
Occupied Stock	2,775,332	940,153	1,373,218	5,563,071	10,651,774
Vacant Stock	320,203	41,932	50,473	123,222	535,830
Vacancy Rate	10.3%	4.3%	3.5%	2.2%	4.8%
Inventory (% County)	27.7%	8.8%	12.7%	50.8%	100.0%
Asking Rents, 2011-2012 (b)					
Avg Asking Rent, NNN (psf), 2011	$0.86	$0.75	$0.98	$0.53	$0.74
Avg Asking Rent, NNN (psf), 2012	$0.83	$0.75	$0.94	$0.63	$0.82
% Change 2011-2012	-3.4%	0.1%	-3.5%	19.6%	11.2%

Notes:
(a) The Mid-County industrial submarket includes Capitola, Aptos, Live Oak, and Soquel.
(b) Average asking rents reflect NNN leases.
Sources: Cassidy Turley; BAE, 2013.

Retail

In Q4 2012, Santa Cruz County's retail market featured 4.5 million square feet of retail space, with most, 2.4 million square feet, based in Central County. An additional 1.2 million square feet of retail was located in South County, and 930,000 square feet in North County.[12]

Retail vacancy rates have been falling over the last two years. In Q4 2012, the retail vacancy rate in the County was 3.9 percent, down from 4.3 percent in Q4 2011. Retail markets are considered strong when the vacancy rate is five percent or below, and this is the case for the County. Among the submarkets, South County is somewhat weaker, reflecting a weaker overall economy.

Despite the declining vacancy rates, average asking rents have been falling in the County, which suggests some weakness in the market. Retail average asking rents fell year over year between 2010 and 2012, declining by 10.0 percent. At the same time, retail occupancy was recovering, with vacancy rates dropping from 7.4 percent in 2010 to 3.9 percent in 2012. Typically, lower vacancy rates push asking rents higher, but the reverse was observed in Santa Cruz County. This may be driven by weak demand for some retail product types that are most available in the market, particularly neighborhood and community retail. However, it is also likely that the age of the stock of retail buildings that has not kept pace with modern retail standards is leading to lower-value tenants rather than more modern, better-performing tenants. This product type accounted for 57.6 percent of the County's retail inventory, and the vacancy rate for neighborhood and community retail (5.0 percent) was higher than for strip retail (3.3 percent), and power/regional mall (2.0 percent).

[12] Santa Cruz County retail is divided into three markets: North County, Central County, and South County. North County consists of Scotts Valley and outlying northern portions of the County. Central County includes all of Santa Cruz City, and the rest of the Urban Core, including Capitola, Aptos, Live Oak, and Soquel. South County consists of Watsonville and the surrounding areas.

Table 14: Retail Market Overview, Santa Cruz County, 2011-2012

Retail Market Overview	North County (a)	Central County (a)	South County (a)(b)	Santa Cruz County
Summary, 4Q 2012				
Inventory	933,881	2,383,927	1,252,257	4,570,065
Occupied Stock	889,434	2,313,468	1,114,844	4,317,746
Vacant Stock	44,447	70,459	137,413	252,319
Vacancy Rate	4.8%	3.0%	11.0%	5.5%
Inventory (% County)	20.4%	52.2%	27.4%	100.0%
Asking Rents, 2011-2012 (c)				
Avg Asking Rent, NNN (psf), 2011	$19.89	$23.07	$19.97	$21.34
Avg Asking Rent, NNN (psf), 2012	$22.53	$22.77	$17.23	$20.13
% Change 2011-2012	13.3%	-1.3%	-13.7%	-5.7%

Notes:
(a) The North County industrial market consists of Scotts Valley and northern parts of Santa Cruz County. Central County includes Santa Cruz City, Capitola, Aptos, Live Oak, and Soquel. South County consists of Watsonville and surrounding areas.
(b) This includes the 75,000 square foot former Gottschalks building in downtown Watsonville.
(c) Average asking rents reflect NNN leases.
Sources: Cassidy Turley; Terranomics; BAE, 2013.

Residential

Residential Development Constraints

Santa Cruz County's housing market is influenced by natural constraints, infrastructure, and lack of available vacant land. Geographic limitations are a major factor affecting housing and development. Santa Cruz County is uniquely situated between the California coastline and the Santa Cruz mountains, with agricultural lands to the north and south. These natural features, combined with steep slopes, landslide hazards, fault zones, and sensitive habitats, create physical limits to where housing can be accommodated. In addition, nearly one-third of unincorporated Santa Cruz County's urbanized areas are within the California Coastal Zone, which adds another layer of regulations and procedures required for development.

Water infrastructure is another factor affecting growth in the County. Almost all of Santa Cruz County is served exclusively by local water sources, which is unusual in California, where most communities rely on some imported water. According to the County Housing Element of 2010, the water districts rely on a combination of surface water and groundwater aquifers throughout the County, but supply is limited. All groundwater aquifers in the County, the primary source of residential water supply for the southern two-thirds of the County, have been overdrafted to some degree. The City of Santa Cruz Water Department has indicated that during drought years, only about 55 percent of current demand can be met by the City of Santa Cruz Water Department. The Soquel Creek Water District, which serves portions of Capitola, Soquel, and the greater Aptos area, has concern about water supply even for non-drought years. Although the water districts have implemented strategies for conservation, groundwater recharge, and use of reclaimed wastewater, the finite supply of water is a factor that could affect growth in the County until more water resources become available.

Measure J, a voter ballot measure passed in 1978, imposes an urban services line growth boundary (within which urban infrastructure such as sewer service is provided) and sets a cap on the number of residential permits that can be issued. More intensive land uses, which include dense residential housing, industry and large commercial projects, are located within the Urban Services Line (USL) and a less intensive, more rural pattern of development occurs outside of the USL. The purpose is to protect the County's natural resources while concentrating growth within an urbanized area that can be well served by public infrastructure. Areas within the USL include most of the Urban Core, Watsonville and some surrounding neighborhoods.

Measure J also established a building permit allocation system, which is set by an annual growth rate target adopted by the Board of Supervisors. Each year, the Board sets a target growth goal and allocates building permits into urban and rural allocations, with most growth typically targeted to the urban areas. According to the Housing Element of 2010, permit demand has rarely exceeded availability. In only three of 30 years (1978 and 1979, the first years of the program, and in 2001 during the building boom) did permit demand exceed the mandated caps. In those years, the Board of Supervisors authorized the use of permits to be carried over from prior years to meet demand. It is interesting to contemplate whether perceptions about the County's growth control measure act to suppress economic and housing development to a greater extent than may even have been intended by supporters of the Measure itself.

Building Permit Activity

The table below traces the level of building permit activity in Santa Cruz County (all jurisdictions combined) and California between 2000 and 2011. The number of building permits issued in the County somewhat follows economic cycles and has been limited, especially in the later part of the last decade. Building permits reached a peak in 2004, where permits were issued for 741 units. This declined steadily prior to the Great Recession, and dropped off dramatically after 2008. In 2011, building permits were issued for only 119 units, similar to the numbers in 2009 and 2010, when 133 and 123 units were permitted, respectively. The net effect is that very little supply has been added to the housing market in recent years.

A majority of building permits issued in Santa Cruz County were for single-family homes, compared to the state. In 2011, 83.2 percent of permits issued in Santa Cruz County were for single-family homes, down from the trend in the preceding ten years, where permits for single-family homes accounted for 90 percent of all permits issued. This is also in sharp contrast to the state, where in 2011, permits for multi-family units comprised the majority of all permits issued (53.2 percent). In fact, over the last ten years California has seen a trend towards more multi-family units, with a greater share of building permits issued each year for multi-family residential. In contrast, Santa Cruz County development patterns have remained strongly single-family residential.

Table 15: Residential Building Permits, Santa Cruz County and CA, 2000-2011

	Santa Cruz County											
	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Building Type (#)												
Single-Family	390	432	412	663	736	673	539	321	215	132	119	99
Multi-Family	25	24	10	29	5	27	21	38	10	1	4	20
Total	**415**	**456**	**422**	**692**	**741**	**700**	**560**	**359**	**225**	**133**	**123**	**119**
Building Type (%)												
Single-Family	94.0%	94.7%	97.6%	95.8%	99.3%	96.1%	96.3%	89.4%	95.6%	99.2%	96.7%	83.2%
Multi-Family	6.0%	5.3%	2.4%	4.2%	0.7%	3.9%	3.8%	10.6%	4.4%	0.8%	3.3%	16.8%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Annual % Change												
Single-Family		**10.8%**	**-4.6%**	**60.9%**	**11.0%**	**-8.6%**	**-19.9%**	**-40.4%**	**-33.0%**	**-38.6%**	**-9.8%**	**-16.8%**
Multi-Family		**-4.0%**	**-58.3%**	**190.0%**	**-82.8%**	**440.0%**	**-22.2%**	**81.0%**	**-73.7%**	**-90.0%**	**N/A**	**400.0%**

	California											
	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Building Type (#)												
Single-Family	105,018	107,361	123,013	139,870	151,568	154,703	107,714	68,266	32,432	25,525	25,693	21,705
Multi-Family	40,557	39,378	36,560	52,078	55,822	50,317	52,788	41,807	30,249	9,544	18,023	23,766
Total	**145,575**	**146,739**	**159,573**	**191,948**	**207,390**	**205,020**	**160,502**	**110,073**	**62,681**	**35,069**	**43,716**	**45,471**
Building Type (%)												
Single-Family	72.1%	73.2%	77.1%	72.9%	73.1%	75.5%	67.1%	62.0%	51.7%	72.8%	58.8%	47.7%
Multi-Family	27.9%	26.8%	22.9%	27.1%	26.9%	24.5%	32.9%	38.0%	48.3%	27.2%	41.2%	52.3%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Annual % Change												
Single-Family		**2.2%**	**14.6%**	**13.7%**	**8.4%**	**2.1%**	**-30.4%**	**-36.6%**	**-52.5%**	**-21.3%**	**0.7%**	**-15.5%**
Multi-Family		**-2.9%**	**-7.2%**	**42.4%**	**7.2%**	**-9.9%**	**4.9%**	**-20.8%**	**-27.6%**	**-68.4%**	**88.8%**	**31.9%**

Sources: U.S. Census Bureau, Building Permit Trends, 2000-2011; BAE, 2013.

Median Home Prices

Median home prices have increased between 2011 and 2012, indicating that the housing market may be recovering. Table 16 shows the median home price for units sold in different parts of the County in 2011 and 2012. County-wide, the median home price rose from $385,000 in 2011 to $430,000 in 2012, an increase of 11.7 percent. A similar trend was observed in both Santa Clara County and Monterey County, where home prices rose by 11.1 percent and 15.4 percent, respectively, suggesting that the housing recovery is happening at a regional level. In 2012, Santa Cruz County's median home price of $430,000 was higher than Monterey County's ($277,500), but lower than Santa Clara County ($525,000).

Median home prices were highest in the Urban Core, followed by the North Coast and South County. In the Urban Core, median home prices ranged from a low of $420,000 in Capitola to a high of $565,000 in Aptos. Virtually every locale, including Santa Cruz City, Scotts Valley, Aptos, and Soquel, experienced an increase in the median home sales price, with the exception of Capitola. Aptos saw the biggest gains, with median prices rising by 12.7 percent between 2011 and 2012. In the North Coast, the median sales price also increased in every area, ranging from $235,000 in Boulder Creek to $380,000 in Ben Lomond in 2012. Median home prices rose the fastest in Felton and Brookdale, where the year over year increase was between 22.9 and 30.1 percent. South County generally saw an increase in the median sales price as well, although home prices were slightly lower, between $235,750 and $278,500 in Freedom and Watsonville, respectively.

Housing Affordability

The price of for-sale housing in Santa Cruz County, historically and currently high, can be considered a challenge from an economic vitality point of view, with some employers affected by the high market prices in terms of ability to attract talented workers.

Data from the National Association of Home Builders (NAHB) reveals that even after the housing downturn, Santa Cruz County is still one of the most expensive areas in the nation. The NAHB publishes a Housing Opportunity Index, which measures the share of homes sold that are affordable to households earning the local median income. In Q1 2013, of the 222 MSAs tracked by NAHB, the Santa Cruz-Watsonville MSA, which includes all of Santa Cruz County, ranked 219 in terms of homes for sale that were affordable to households earning the local area median income. In fact, among metropolitan areas with less than 500,000 residents, Santa Cruz County was the least affordable metro area in the country in Q1 2013. According to the NAHB, the median price of homes sold in Q1 2013 was $426,000, and only 37.1 percent of homes sold were affordable to households earning the area median income of $73,800. This level reflects the relatively more-affordable housing market that exists just after the "Great Recession", and in the past the affordability level was even lower for the Santa Cruz housing market. As stated earlier, to the extent that households are "overpaying" for housing (generally considered as being paying more than 30-35% of household income for housing costs), then those households have less disposable income available to purchase goods and services and support the local economy. The extent of "leakage" and ability to capture additional local revenues may therefore be less than could be expected, due to housing costs.

The table below shows recent median home sale prices for Santa Cruz County, compared to Santa Clara and Monterey Counties, as well as prices within main submarkets of the County. As shown, Santa Cruz County overall had a median price below Santa Clara County, but well above Monterey. Particularly expensive areas included all of the Urban Core communities, with less expensive levels in North and South County. Median prices are also rising rapidly throughout most parts of Santa Cruz County, indicating strong demand but also creating an ongoing affordability challenge.

While housing affordability is of concern, it should be recognized that the housing market is a function of supply and demand. If supply is too low, prices are high. Santa Cruz County, like many jurisdictions, does have an inclusionary housing requirement that applies to residential development, which is intended to support the ability of lower-income households to afford housing in the area. The requirement applies to projects that create 5 or more housing sites or units, and the usual inclusionary percentage is 15%. However, there are certain circumstances when the affordability requirement rises to 40%. The County should consider analyzing its inclusionary housing policies to ensure that its goal of an adequate housing supply available to all segments of the population and income levels is being met by its current regulatory scheme.

Table 16: Median Home Sale Price, 2011-2012

	2011	2012	% Change 2011-2012	Homes Sold in 2012 (a)
Santa Cruz County	$385,000	$430,000	11.7%	2,415
North Coast				
Ben Lommond	$360,000	$380,000	5.6%	65
Boulder Creek	$225,000	$235,000	4.4%	146
Brookdale	$240,000	$312,250	30.1%	10
Felton	$260,000	$319,500	22.9%	92
Urban Core				
Santa Cruz	$500,000	$521,000	4.2%	821
Scotts Valley	$516,000	$540,000	4.7%	186
Capitola	$428,000	$420,500	-1.8%	125
Aptos	$501,500	$565,000	12.7%	376
Soquel	$450,000	$457,000	1.6%	62
South County				
Watsonville	$260,000	$278,500	7.1%	477
Freedom	$239,000	$235,750	-1.4%	33
Santa Clara County	$472,500	$525,000	11.1%	20,940
Monterey County	$240,500	$277,500	15.4%	3,805

Notes:
(a) Includes both single family and condominiums.
Source: DQNews; BAE, 2013

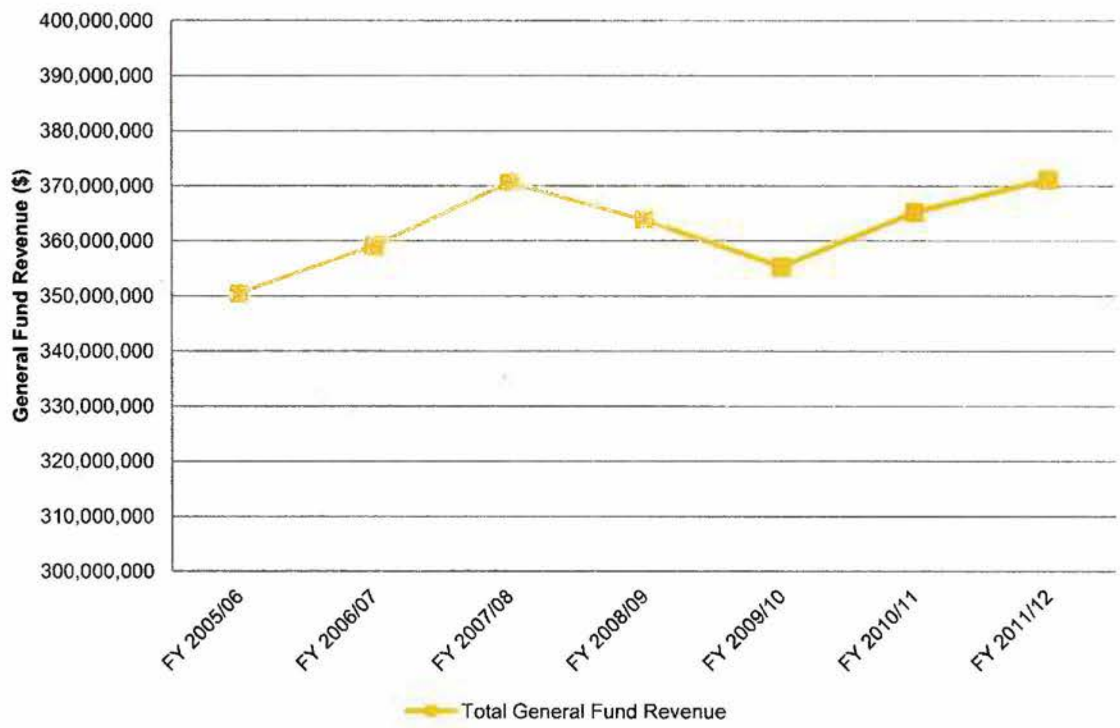
COUNTY FISCAL VITALITY

This chapter reviews unincorporated Santa Cruz County's recent fiscal revenue picture, including the sources of revenue for the General Fund. This analysis reviews actual General Fund revenue data for the period between FY 2005/06 to FY 2011/12, the last year for which actual revenues were available. Information for FY 12/13 will soon be available, and it is expected to reflect stronger revenues than the prior year.

General Fund Revenue Trends

Santa Cruz County's General Fund revenues have followed national business cycles of expansion and recession.[13] Revenues increased between FY 2005/06 and FY 2007/08, when it reached a peak of $370 million. Receipts fell when the recent recession took hold, declining between FY 2007/08 to FY 2009/10. The most recent figures illustrate a rebound, with General Fund Revenue in FY 2011/12 back up to $371 million, exceeding the pre-recession peak in FY 2007/08.

Figure 5: General Fund Revenue, Santa Cruz County, FY 2005/06- FY 2011/12



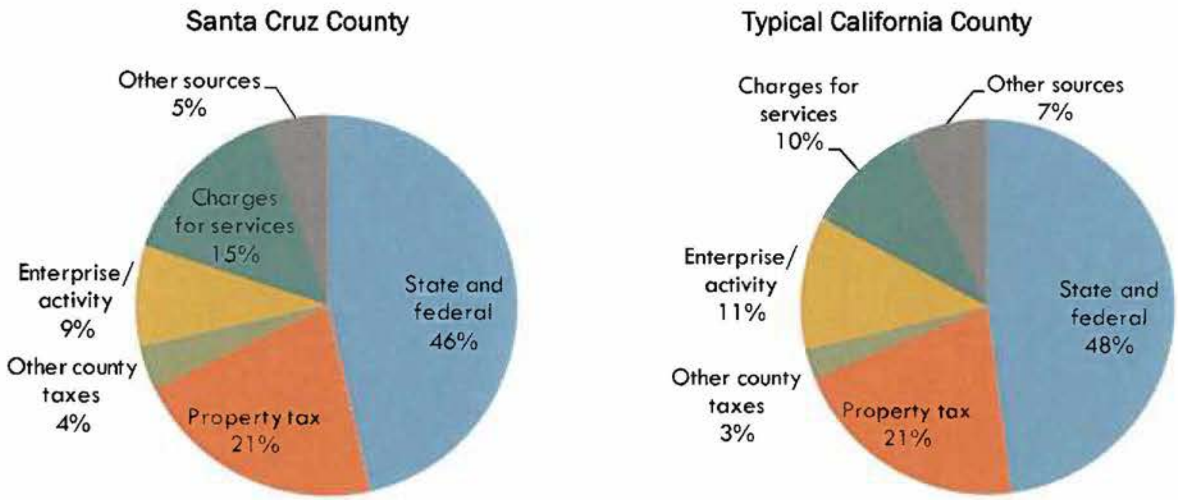
Sources: County of Santa Cruz; BAE, 2013.

[13] The National Bureau of Economic Research (NBER) established that the US was in recession from December 2007 through June 2009; NBER, 2008.

Comparison of Santa Cruz County to a Typical California County

In 2011, the Public Policy Institute of California published a study showing revenue sources for a typical California county using data compiled from California counties' Annual Financial Reports for FY 2008/09. The figure below compares revenue sources in Santa Cruz County with a typical California county.

Figure 6: General Fund Revenues for Santa Cruz County & Typical CA County, FY 2008/09



Note: Other County Taxes includes sales and use taxes, transient-occupancy taxes, transfer taxes, and other taxes collected by the County. Other Sources includes licenses, permits, and franchises; fines, forfeitures, and assessments; revenue from the use of money and property; and miscellaneous revenue.
Sources: Public Policy Institute of California, *Just the Facts: The State-County Fiscal Relationship in California*, 2011; County of Santa Cruz, 2013; BAE, 2013.

Overall, the composition of Santa Cruz County's General Fund Revenue was similar to that of an average California county. Intergovernmental revenue, which includes transfers from the federal and state government, was the County's primary revenue source. In FY 2008/09, intergovernmental revenue accounted for 46 percent of Santa Cruz County's General Fund, which was similar to the 48 percent in a typical California County. Property taxes, sales and use taxes, transient occupancy taxes, and transfer taxes comprised 25 percent of the County's General Fund in FY 2008/09, similar to 24 percent for an average California county.

General Fund Revenue Comparison, Pre-Recession and Now

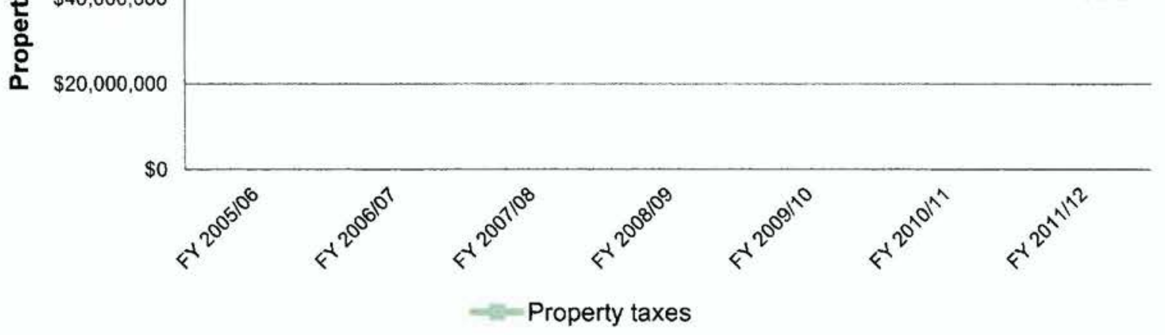
Property taxes, sales taxes, transient occupancy taxes (TOT), and revenue from construction permits were lower in FY 2011/12 compared to FY 2007/08. Property taxes in FY 2011/12 were 1.1 percent lower, sales taxes were 5.9 percent lower, TOT was 0.4 percent lower, and revenue from construction permits was 53.3 percent lower in FY 2011/12 than in FY 2007/08. However, shortfalls in these categories have been alleviated by increases in intergovernmental aid (including grants), license and franchise fees; fines, and assessments, and other taxes. Although General Fund revenue has rebounded in recent years, these above categories are still in the process of recovering from the recession.

Key Revenue Trends

Property Tax Trends

Property tax receipts have recovered somewhat from the recession, although the recovery has not been robust. The County's property tax revenue climbed as the economy expanded through FY 2007/08. Revenues continued to increase through FY 2008/09, even after the recession took hold and General Fund revenues dropped. Property taxes then fell substantially in FY 2009/10, down 10.7 percent to $69 million. Since then, revenues have been slow to return to their pre-recession levels. In FY 2010/11, property tax revenue increased slightly, but fell again in FY 2011/12, and projected to decline again in FY 2012/13 to $72.5 million, based on the County's adopted budget. In FY 2011/12, property tax revenue accounted for almost 20 percent of the County's General Fund.

Figure 7: Property Tax Revenues, Santa Cruz County, FY 2005/06- FY 2011/12



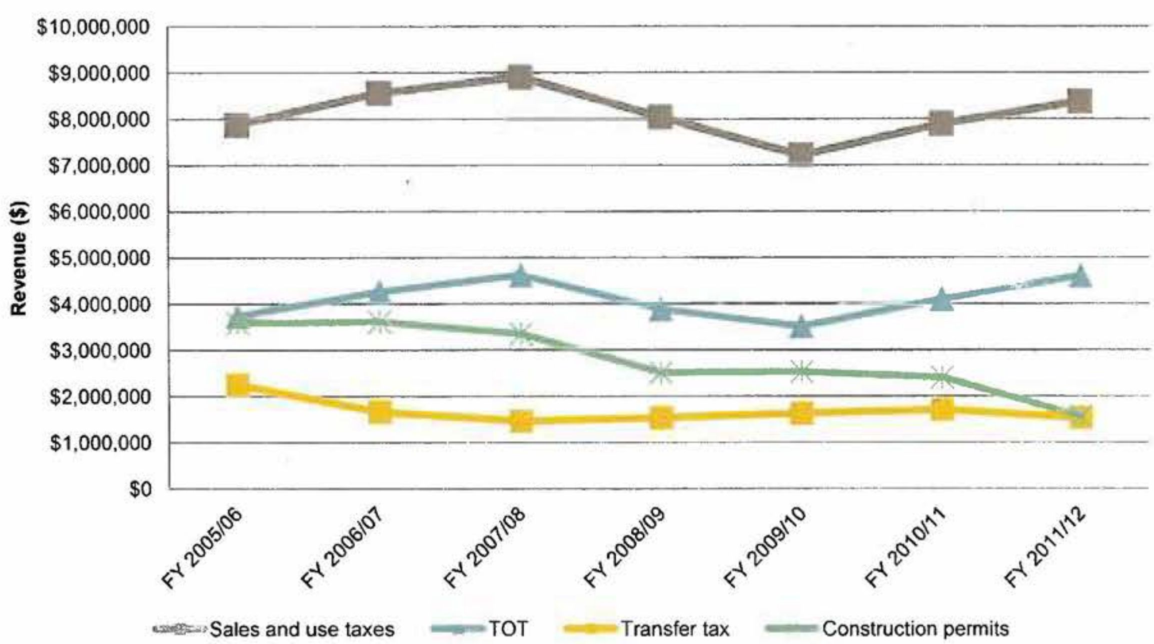
Notes: Revenue includes secured, unsecured, and supplemental property taxes.
Sources: County of Santa Cruz, 2013; BAE, 2013.

Sales Tax, Transient-Occupancy Tax, Transfer Tax, and Construction Permit Revenue Trends

In FY 2011/12, only 4.3 percent of the County's revenues were generated from sales tax, transient-occupancy tax, transfer tax, and construction permit revenue. Figure 8 illustrates in more detail the trends from these revenue sources. As shown, sales and use tax and transient-occupancy tax mirror the trends in the economy, reaching peaks in FY 2007/08 in tandem with the economic boom, and falling in subsequent years to a low in FY 2009/10. Since then, both sales tax and TOT have been climbing due to rising consumer spending and recovering occupancy rates in Santa Cruz hotels.

Real estate transfer taxes and revenue from construction permits have been flat and falling over time. Transfer taxes are collected when real estate is sold or transferred, and are an indicator of the level of market activity. While transfer tax revenues typically follow economic cycles, this has not been the case in Santa Cruz County. Real estate transfer taxes actually fell between FY 2005/06 and FY 2007/08, when the economy was expanding and property tax revenue was rising. This suggests that even when the housing boom was taking place, with median home prices rising in Santa Cruz during this period, there were fewer properties being bought and sold in Santa Cruz. One reason for this may be the lack of housing supply and a lack of new inventory being added to the market. Building permit trends show a continuous decline in the number of building permits issued from 2005 onward (see Table 15 in the Real Estate Market Conditions Chapter).

Figure 8: Sales and Use Tax, TOT, Transfer Tax, and Revenue from Construction Permits, Santa Cruz County, FY 2005/06 – FY 2011/12



Sources: County of Santa Cruz, 2013; BAE, 2013.

LOCAL ECONOMIC DEVELOPMENT INITIATIVES

This section highlights economic development initiatives currently underway in the incorporated cities within Santa Cruz County, and other strategies that are being pursued by regional groups.

City of Santa Cruz

Santa Cruz City's Economic Development Department is the successor agency to the former Redevelopment Agency, which dissolved in February 2012 after the California Supreme Court upheld Assembly Bill (AB) X1 26 and ordered the dissolution of all redevelopment agencies in the state. With the loss of redevelopment, the City can no longer use tax-increment finance to fund local infrastructure and other economic development projects. As a result, the City has had to reprioritize its initiatives and preserve the projects it can with fewer resources.

The City is still pursuing a wide range of policies with the goal of making Santa Cruz a more beautiful and more economically viable place to call home. The goals of the Economic Development Department are to foster programs that provide diverse work opportunities, to meet the retail and service needs of residents and visitors, to create a strong tax base, to preserve environmental quality and enhance quality of life, to increase the supply of affordable housing, and to foster a quality urban design that preserves the distinct character of the City.

The City is currently engaged in the following economic development activities:

- **Business retention and attraction:** City Council and the Mayor regularly meet with business and retail owners, and will assign staff to track issues for policy development. In addition, the City aims to build off the momentum of the 2012 Forever 21 and Hotel Paradox deals to attract new retail and office clients to lower retail leakage.
- **Open Counter Project** is a new online business portal launched in 2013 that puts information related to opening up a business in Santa Cruz, including zoning, permitting, licensing, and fee information all in one place. Businesses can enter information into Open Counter, which can speed up the processing for permits and licensing. The City hopes this tool will make the City more business-friendly, and result in a net increase in applications through this portal. The City also launched Open Data, which contains 52 datasets that are available for public download.
- **Improving the Existing Hotel Stock:** the City is considering an ordinance that would rebate a portion of a hotel's transient occupancy tax to incentivize hotels to improve their facilities. Cities use this technique as a way to encourage hotel owners to renovate their properties. The City is expected to tailor its policy to smaller hotels and boutique hotels in the City.
- **Tech Transfer:** the City has an active partnership with UCSC to encourage talent transfer from the UCSC Baskin School of Engineering by placing select student interns into local start-ups and green technology companies. The Project for Innovation and Entrepreneurship (PIE) is currently in its fifth year, and according to the 2011/12 Annual Report, placed 48 students in internship positions in technology and other businesses. In addition, UCSC launched a new

Center for Entrepreneurship (C4E) in 2011, which offers students across multiple disciplines, including computer science, economics, psychology, and digital arts/new media, courses designed to give students practical experience in entrepreneurship. C4E also hopes to leverage UCSC's rich research in information technology, energy and sustainability, and biomedicine.

- **Broadband Deployment:** the City is a member of the Central Coast Broadband Consortium, a broad-based ad hoc group of local governments, economic development agencies, education and health organizations, community groups, private business, and citizens dedicated to improving broadband availability in Monterey, Santa Cruz, and San Benito counties. In 2011, the consortium applied for a $450,000 grant to develop a database of broadband assets, to develop policies to finance and deploy broadband service, and to augment access among underrepresented communities. The City is also working to create ordinances that support fiber development within its boundaries.
- **Marketing:** the City coordinates with other groups in the county on regional marketing efforts

City of Watsonville

Watsonville adopted its Economic Development Strategy in 2008 as part of its General Plan Update. The Plan acknowledges that the City's economy is rooted in agriculture and food processing, and the issues it faces are very different from the northern areas in Santa Cruz County. In particular, the Economic Development Strategy highlighted a few key challenges that the City faces, including: low educational attainment and skill levels within the local labor force, a shortage of affordable workforce housing, a lack of available land, obstacles facing large-scale development, and lack of funding at the local level for public initiatives. Given these unique challenges, the Economic Development Strategy was directed to address these issues. Unfortunately, the loss of redevelopment has significantly reduced funding available for these policies, according to an interview with the City's Economic Development Manager. Still, the City is still engaged in about 90 percent of the tasks listed in the strategy.

The City's economic development goals are to create a vibrant community, a business environment that supports the retention of existing businesses, and the attraction of new business and entrepreneurs, and a workforce that can meet the needs of existing businesses. The policies listed below describe the City's primary economic development objectives.

- **Business retention and expansion:** City staff and leaders meet frequently with business owners in the City to demonstrate the City's support of existing businesses and to listen to concerns
- **Business attraction:** the City is leveraging the existing business base and targeting firms in similar industries, including light manufacturing, food processing, and other entrepreneurs
- **Manabe-Ow:** the 2008 Economic Development Strategy recommended developing the Manabe-Ow property in Watsonville as a premier flexible employment center for industrial and/or office park uses. The property was annexed by the City in 2006, but the City has had trouble identifying sufficient funds to pay for infrastructure and finding a developer. Still, the 95-acre parcel presents an opportunity for the City to build new industrial and office space.

- **Downtown revitalization:** the City's central business district is the historic heart of Watsonville. Recent improvements include the completion of multiple sign and façade improvement projects and installing sidewalk improvements.
- **Infrastructure finance district:** with the loss of tax-increment financing, the City is looking for alternatives to generate funds for public initiatives. The City's Economic Development Manager mentioned that the City may want to create an infrastructure finance district for the Downtown area.
- **Education and workforce training:** the ED strategy calls for identifying education and workforce partners to encourage major employers and educational agencies to implement programs that can raise the educational attainment levels and improve career opportunities for local residents.

City of Capitola

Capitola is currently in the process of updating its General Plan, which includes specific policies and programs to foster economic development. The City's economic development goals are designed to help support a vibrant community, while maintaining a business environment that supports the retention and expansion of existing businesses. The City's primary economic development activities are focused on reinforcing the 41st Avenue Corridor as the region's main retail destination, and at the same time, developing a vibrant historic beach village. To accomplish these efforts the City has entered into an agreement with the Capitola Mall owners to assist in the relocation of the Transit Center, and partnered with the Village Business Improvement Association to enhance Village street and sidewalk maintenance.

City of Scotts Valley

Scotts Valley adopted an Economic Development Plan in 2007, and approved a Town Center Specific Plan in December 2008. The Economic Development Plan emphasizes creating a positive business environment and promotion of the City as such; encouraging business expansion, retention and attraction; undertaking other efforts to foster a healthy commercial sector that meets the needs of local shoppers; and assuring that the environment and public infrastructure support a viable business climate. A major economic development activity for Scotts Valley is to foster creation of a "town center", which would be a mixed-use node with commercial, civic and residential uses that becomes the heart of the city. Due to shift of some major businesses to Silicon Valley in recent years, there is a high office vacancy rate which the City also endeavors to address with business attraction efforts.

County of Santa Cruz

The County of Santa Cruz has historically not been pro-actively engaged in economic development efforts, partially in recognition that the incorporated cities in the County were generally considered more attractive areas for development in proximity to other job centers, housing areas, services and infrastructure. In recent years the County has placed a greater emphasis on economic vitality. An effort to create an economic development division within the County Redevelopment Agency in 2010/11 faltered when the State took actions to dissolve redevelopment agencies in 2011/12. However, in July 2012, the Planning Department was able to hire an Economic Development Coordinator to augment other efforts the Department was pursuing to improve the business land use/regulatory environment in support of economic vitality. Grants have been obtained to enable efforts to focus on the CEMEX re-use plan, and on various economic development opportunity sites within Live Oak, Soquel and Aptos. Consultants were hired to prepare this Economic Vitality Strategy. Work to modernize land use regulations, streamline permit processes and improve customer service is well underway, with some phases completed and others to come. Outreach to assist businesses and potential development projects is on-going, and collaborative partnerships throughout the region are making it known that the County is taking a new approach to economic vitality. The Board of Supervisors is expected to augment resources available for economic vitality activities within the County of Santa Cruz in the FY 2013/14 Budget. There is a great degree of potential in the unincorporated area that can be tapped in a manner that recognizes community and environmental values while increasing opportunities for jobs and housing.

Other Economic Development Agencies and Organizations

Santa Cruz County Workforce Investment Board (WIB)

The Santa Cruz County Workforce Investment Board (WIB) is a countywide agency which manages employment services funded by the federal Workforce Investment Act. Programs include training and deployment of the labor force, and retraining of unemployed workers to provide new skills.

The WIB also leads the formulation of the Santa Cruz County Comprehensive Economic Development Strategy (CEDS), as required by the federal government for the County to receive funding from the Economic Development Administration. The CEDS establishes six goals for the County, including promoting workforce development, ensuring regional prosperity, improving quality of life, upgrading infrastructure, supporting the ongoing fiscal health of the County, and building collaborative partnerships. The CEDS is also used to help the County prioritize projects proposed for the unincorporated areas. The 2012 CEDS identified the following regional projects and priorities that would qualify for EDA funding:

- 7th and Brommer Street, Santa Cruz County
- 17th/Capitola Road, Santa Cruz County
- Aptos Village Improvement Project
- Business/Technology Incubator, Santa Cruz City
- Capitola Village Parking Facility, Capitola
- Downtown Watsonville Revitalization, Watsonville
- Manabe-Ow Industrial Park Infrastructure Improvements, Watsonville
- Pajaro River Levee Reconstruction, Santa Cruz County
- Capitola Mall Improvements, Capitola
- Scotts Valley Town Center, Scotts Valley
- Tannery Arts Center, Santa Cruz City

Central Coast Small Business Development Center (SBDC)
Founded in 1985, the Central Coast SBDC at Cabrillo College is one of 1,200 SBDCs in the US. This organization contributes essential services to small business. In 2012, the SBDC reports providing free business counseling to 433 small businesses, resulting in 45 new businesses, 251 new jobs, 125 jobs retained and over $9.1 million dollars in equity and debt capital obtained by Cabrillo College SBDC clients. The Central Coast SBDC is principally funded by the US Small Business Administration and receives local match funding from the City of Santa Cruz and the Workforce Investment Board.

Santa Cruz County Conference & Visitors Council (CVC)
The Santa Cruz County Conference and Visitors Council (CVC) serves visitors and travel professionals with a comprehensive web site linked to local attractions, hotels, and restaurants. According to its website, the mission of the Santa Cruz County Conference & Visitors Council is to stimulate the economy by promoting Santa Cruz County as a visitor, conference and film destination through marketing programs, including advertising, promotion and visitor services. The Council's priority is "attracting high-yield overnight business during the off-peak periods of the year."

In collaboration with the County Board of Supervisors, one of CVC's recent initiatives has been to form a Tourism Marketing District (TMD) in an effort to provide consistent funding for tourism promotion. The purpose of the special district is to increase overnight visitation at County lodging facilities, particularly during the non-summer months of the year. The Santa Cruz County Conference and Visitors Council (CVC) is the implementing agency, devoting a special tax assessment of each lodging charge to overnight guests to marketing and promotion of lodging in the County. In exchange, local government funding of the CVC will end, with the result being a more consistent, industry-paid revenue stream.

Santa Cruz Area Chamber of Commerce and Other Business Organizations
The Santa Cruz Area Chamber of Commerce engages in activities to increase employment and investment in Santa Cruz County with the goal of increasing its economic vitality and prosperity. These activities include:

- Two standing economic development (ED) committees each with 25 to 35 members: (1) the Community Affairs Committee which develops and implements strategies to improve ED in five critical areas – housing, transportation, water, education, and economic development and monitors an array of issues, projects, and concerns, providing advocacy and support as needed, and (2) the Economic Development Council, a partnership with the City of Santa Cruz to share issues and concerns regarding public policy affecting economic vitality in the City of Santa Cruz and to work collaboratively on city economic development activities.

Community Leadership Visits (CLV), providing a shared immersion experience for key decision-makers from the private sector, education, and local government in economic elements of other communities. In 2013 the CLV visited Boulder and Fort Collins, Colorado. In 2012 the CLV visited San Luis Obispo.

Economic development projects, undertaken on an ad hoc basis, have included:

- **Retail development** including the recruitment and support of visits by Robert Gibbs resulting in the engagement of Gibbs and associates in a Retail Market Study and subsequent activities to implement its findings.
- **Employer survey** of employment expectations and training needs undertaken on contract with the Workforce Investment Board Santa Cruz of 1,000 county employers.
- **Beach – Downtown trolley** development to support tourism retail and visitor services including the formation of the operating committee, contracting for its operation and maintenance, and the initial funding of its operation.
- **Warriors recruitment & arena** development including community organizing for related to land use and economic engagement between the Warriors and participating businesses.
- **Advocacy,** in support of projects and public policy with significant impacts on economic vitality. The Chamber currently monitors more than 30 projects, policy initiatives, and ED opportunities.
- **Annual Business Climate Survey** gathering data on prior year business performance, expectations for the coming 18 months, and public policy issues and concerns affecting business.

In addition to the Santa Cruz Area Chamber, there are many other business organizations and Chambers of Commerce throughout the County, including but not limited to the Santa Cruz Business Council, the Capitola Soquel Chamber of Commerce, the San Lorenzo Valley Chamber of Commerce, and the Santa Cruz Downtown Association. Each of these groups advocates for improved business conditions for its members.

APPENDIX A: FOCUS GROUP PARTICIPANTS

HEALTH CARE, NGO, NON-PROFITS

1. John Collins II, Goodwill
2. Lance Linares, SC Community Foundation
3. Mary Lou Goeke, United Way of Santa Cruz
4. Rock Pfotenhauer, Cabrillo College
5. Helen Ewan-Storey, Women Ventures Project
6. Tim Brattan, California Grey Bears
7. Bob Langseth, Boys & Girls Club of Santa Cruz
8. Tom Hart, Palo Alto Medical Foundation
9. Leslie Conner, Santa Cruz Women's Health Center
10. Michael Watkins, Santa Cruz County Schools
11. Danny Keith, Grind Out Hunger
12. Kirsten Liske, Ecology Action

TECH, INNOVATION, AND CREATIVES

1. Peter Koht, City of Santa Cruz
2. Peggy Dolgonos, Cruzio
3. Manu Koenig, Civinomics
4. Steve Rebottaro, Ledyard
5. John Christ, Ledyard
6. Katie Carnathan, Comcast
7. Michael Loik, UCSC Environmental Technology
8. Bettye Saxon, AT&T

LEISURE + HOSPITALITY, TOURISM, ARTS, SPORTS

1. Peg Danielson, Friends of State Parks
2. Dale Pollack, Mount Hermon
3. Karl Rice, Santa Cruz Seaside Company
4. Ann Hazelton, Tannery Arts Center
5. Dawn Teall, Scotts Valley Artisans
6. Sharon O'Neil, Pajaro Valley Arts Council
7. Linnaea Holgers-James, Artisans Gallery
8. Anne Dimock, Sempervirens
9. Jen Karno, City of Santa Cruz
10. Ellen Primack, Cabrillo Festival of Contemporary Music
11. Scott Hoyt, Pasatiempo Golf Club
12. Sacha Lozano, Resource Conservation District
13. Ronna Schulkin, 17th Avenue Studios
14. Megan Searcy, Santa Cruz Cultural Council

Finance, Developers, Real Estate

1. Bryan Chambers, Bailey Properties & San Lorenzo Valley Chamber of Commerce
2. Steven Allen, Allen Property Group
3. Charlie Eadie, Hamilton Swift Land Use Planning
4. Jackie Copriviza, JR Parrish
5. Reed Geisreiter, Comerica Bank
6. Shawn Lipman, Santa Cruz County Bank
7. Joe Appenrodt, Appenrodt Commercial Properties
8. David Smith, DL Smith Real Estate Services
9. Carrie Birkhofer, Bay Federal Credit Union
10. Derek VanAlstine, VanAlstine Design
11. Kathy Graff, Bei Scott Co.
12. Martina O'Sullivan, Dominican Hospital
13. Diedre Hamilton, PDC (Safeway) & Dominican Hospital
14. Rose Marie McNair, McNair Real Properties
15. Jesse Nickell, Barry Swenson Builders

Chamber of Commerce, ED Directors

1. Bonnie Lipscomb, City of Santa Cruz
2. Kurt Overmeyer, City of Watsonville
3. Jamie Goldstein, City of Capitola
4. Carmen Herrera-Mansir, El Pajaro CDC
5. Sharolynn Ullestad, Scotts Valley Chamber of Commerce
6. Teresa Thomae, Small Business Development Center
7. Laura Brown, Aptos Chamber of Commerce
8. Joe Foster, Santa Cruz County Business Council
9. Chip, Santa Cruz Downtown Association
10. Mary Andersen, San Lorenzo Valley Chamber of Commerce
11. Ellen Murtha, Shoreline Workforce Development
12. David Mirrione, Workforce Investment Board
13. Toni Castro, Capitola Soquel Chamber of Commerce
14. Rich Hill, SCORE
15. Eric Hammer, Boulder Creek Business Association
16. Tamara O'Kelly, Boulder Creek Business Association
17. Justin Acton, Boulder Creek Business Association
18. Bill Tyselling, Santa Cruz Area Chamber of Commerce

Agriculture, Food, Wineries

1. Peggy Dillon, Twins Kitchen
2. Dick Peixoto, Lakeside Organics
3. Cynthia Sandberg, Love Apple Farms
4. Laura Tourte, UC Agriculture Extension
5. Penny Leff, UC Agriculture Extension

6. Peter Meehan, Newman's Own Organics
7. Cathy Calfo, California Certified Organic Farmers
8. Maggie Ivy, Santa Cruz Conference & Visitor's Bureau
9. Bryan Largay, Santa Cruz County Land Trust
10. Megan Metz, Santa Cruz Mountain Winegrowers Association
11. Jerold O'Brien, Silver Mountain Winery
12. Jeff Emery, Surf City Vintners
13. Zach Davis, Penny Ice Creamery
14. Kendra Baker, Penny Ice Creamery
15. Scott Roseman, New Leaf Markets

APPENDIX B: DETAILED DEMOGRAPHIC DATA

Table B-1: Population Trends 2000-2010

Area	2000	2010	Percent Change 2000-2010	Avg. Annual % Change 2000-2010
North Coast/Mountains				
Total Population	34,549	31,598	-8.5%	-0.9%
in Households	32,933	31,242	-5.1%	-0.5%
in Group Quarters	1,616	356	-78.0%	-14.0%
Urban Core				
Total Population	134,094	138,990	3.7%	0.4%
in Households	127,846	129,574	1.4%	0.1%
in Group Quarters	6,248	9,416	50.7%	4.2%
Summit				
Total Population	22,066	21,811	-1.2%	-0.1%
in Households	21,825	21,599	-1.0%	-0.1%
in Group Quarters	241	212	-12.0%	-1.3%
South County				
Total Population	64,893	69,983	7.8%	0.8%
in Households	63,970	68,998	7.9%	0.8%
in Group Quarters	923	985	6.7%	0.7%
Santa Cruz County				
Total Population	255,602	262,382	2.7%	0.3%
in Households	246,574	251,413	2.0%	0.2%
in Group Quarters	9,028	10,969	21.5%	2.0%
Monterey County				
Total Population	401,762	415,057	3.3%	0.3%
in Households	380,786	396,355	4.1%	0.4%
in Group Quarters	20,976	18,702	-10.8%	-1.1%
Santa Clara County				
Total Population	1,682,585	1,781,642	5.9%	0.6%
in Households	1,652,871	1,751,292	6.0%	0.6%
in Group Quarters	29,714	30,350	2.1%	0.2%
State of California				
Total Population	33,871,648	37,253,956	10.0%	1.0%
in Households	33,051,894	36,434,140	10.2%	1.0%
in Group Quarters	819,754	819,816	0.0%	0.0%

Sources: US Census, 2000, 2010; BAE, 2013.

Table B-2: Household Trends 2000-2010

Area	2000	2010	Percent Change 2000-2010	Avg. Annual % Change 2000-2010
North Coast/Mountains				
Number of Households	12,843	12,982	1.1%	0.1%
Average Household Size	2.56	2.41	-6.2%	-0.6%
Urban Core				
Number of Households	53,141	54,400	2.4%	0.2%
Average Household Size	2.41	2.38	-1.0%	-0.1%
Summit				
Number of Households	8,131	8,385	3.1%	0.3%
Average Household Size	2.68	2.58	-4.0%	-0.4%
South County				
Number of Households	17,024	18,588	9.2%	0.9%
Average Household Size	3.76	3.71	-1.2%	-0.1%
Santa Cruz County				
Number of Households	91,139	94,355	3.5%	0.3%
Average Household Size	2.71	2.66	-1.8%	-0.2%
Monterey County				
Number of Households	121,236	125,946	3.9%	0.4%
Average Household Size	3.14	3.15	0.3%	0.0%
Santa Clara County				
Number of Households	565,863	604,204	6.8%	0.7%
Average Household Size	2.92	2.90	-0.7%	-0.1%
State of California				
Number of Households	11,502,870	12,577,498	9.3%	0.9%
Average Household Size	2.87	2.90	1.0%	0.1%

Sources: US Census, 2000, 2010; BAE, 2013.

Table B-3: Household Composition, 2010

Household Type (#) (a)	North Coast/ Mountains	Urban Core	Summit	South County
Non-Family				
Single Person	3,380	16,430	1,895	3,221
2+ Persons	1,508	8,608	702	841
Non-Family Households	**4,888**	**25,038**	**2,597**	**4,062**
Family				
Married Couple	6,538	21,714	4,819	10,263
Other Family	1,556	7,648	969	4,263
Family Households	**8,094**	**29,362**	**5,788**	**14,526**
Households with Children Under 18	**3,429**	**13,905**	**2,420**	**9,464**
Household Type (%) (a)				
Non-Family				
Single Person	26.0%	30.2%	22.6%	17.3%
2+ Persons	11.6%	15.8%	8.4%	4.5%
Non-Family Households	**37.7%**	**46.0%**	**31.0%**	**21.9%**
Family				
Married Couple	50.4%	39.9%	57.5%	55.2%
Other Family	12.0%	14.1%	11.6%	22.9%
Family Households	**62.3%**	**54.0%**	**69.0%**	**78.1%**
Households with Children Under 18	**26.4%**	**25.6%**	**28.9%**	**50.9%**

Household Type (#) (a)	Santa Cruz County	Monterey County	Santa Clara County	State of California
Non-Family				
Single Person	24,926	27,317	131,506	2,929,442
2+ Persons	11,659	8,157	45,874	1,005,583
Non-Family Households	**36,585**	**35,474**	**177,380**	**3,935,025**
Family				
Married Couple	43,334	66,660	330,540	6,213,310
Other Family	14,436	23,812	96,284	2,429,163
Family Households	**57,770**	**90,472**	**426,824**	**8,642,473**
Households with Children Under 18	**29,218**	**52,402**	**232,072**	**4,713,016**
Household Type (%) (a)				
Non-Family				
Single Person	26.4%	21.7%	21.8%	23.3%
2+ Persons	12.4%	6.5%	7.6%	8.0%
Non-Family Households	**38.8%**	**28.2%**	**29.4%**	**31.3%**
Family				
Married Couple	45.9%	52.9%	54.7%	49.4%
Other Family	15.3%	18.9%	15.9%	19.3%
Family Households	**61.2%**	**71.8%**	**70.6%**	**68.7%**
Households with Children Under 18	**31.0%**	**41.6%**	**38.4%**	**37.5%**

Sources: US Census, 2010; BAE, 2013.

Table B-4: Household Tenure, 2000-2010

Tenure (#)	North Coast/ Mountains		Urban Core		Summit		South County	
	2000	2010	2000	2010	2000	2010	2000	2010
Owners	9,434	9,412	29,684	29,242	6,305	6,352	9,258	9,223
Renters	3,409	3,570	23,457	25,158	1,826	2,033	7,766	9,365
Total	**12,843**	**12,982**	**53,141**	**54,400**	**8,131**	**8,385**	**17,024**	**18,588**
Tenure (%)								
Owners	73.5%	72.5%	55.9%	53.8%	77.5%	75.8%	54.4%	49.6%
Renters	26.5%	27.5%	44.1%	46.2%	22.5%	24.2%	45.6%	50.4%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
% Change, 2000-2010								
Owners		**-0.2%**		**-1.5%**		**0.7%**		**-0.4%**
Renters		**4.7%**		**7.3%**		**11.3%**		**20.6%**

Tenure (#)	Santa Cruz County		Monterey County		Santa Clara County		State of California	
	2000	2010	2000	2010	2000	2010	2000	2010
Owners	54,681	54,229	66,213	64,077	338,661	348,298	6,546,334	7,035,371
Renters	36,458	40,126	55,023	61,869	227,202	255,906	4,956,536	5,542,127
Total	**91,139**	**94,355**	**121,236**	**125,946**	**565,863**	**604,204**	**11,502,870**	**12,577,498**
Tenure (%)								
Owners	60.0%	57.5%	54.6%	50.9%	59.8%	57.6%	56.9%	55.9%
Renters	40.0%	42.5%	45.4%	49.1%	40.2%	42.4%	43.1%	44.1%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
% Change, 2000-2010								
Owners		**-0.8%**		**-3.2%**		**2.8%**		**7.5%**
Renters		**10.1%**		**12.4%**		**12.6%**		**11.8%**

Sources: US Census, 2000, 2010; BAE, 2013.

Table B-5: Age Distribution, 2000-2010

	North Coast/Mountains		Urban Core		Summit		South County	
Age Cohort	**2000**	**2010**	**2000**	**2010**	**2000**	**2010**	**2000**	**2010**
Under 18	7,775	5,781	26,449	23,855	5,331	4,291	21,186	21,491
18-24	3,771	2,328	17,930	24,327	1,314	1,605	7,382	8,010
25-34	3,907	3,382	20,525	17,840	2,070	1,898	10,226	10,629
35-44	6,574	4,213	22,240	17,377	3,929	2,390	9,344	9,095
45-54	7,394	6,357	21,598	19,977	4,706	4,122	6,975	8,321
55-64	2,946	6,281	10,340	18,923	2,336	4,380	3,867	6,351
65-84	1,952	2,970	12,500	13,725	2,105	2,754	5,085	5,093
85 or older	230	286	2,512	2,966	275	371	828	993
Total	**34,549**	**31,598**	**134,094**	**138,990**	**22,066**	**21,811**	**64,893**	**69,983**
Under 18	22.5%	18.3%	19.7%	17.2%	24.2%	19.7%	32.6%	30.7%
18-24	10.9%	7.4%	13.4%	17.5%	6.0%	7.4%	11.4%	11.4%
25-34	11.3%	10.7%	15.3%	12.8%	9.4%	8.7%	15.8%	15.2%
35-44	19.0%	13.3%	16.6%	12.5%	17.8%	11.0%	14.4%	13.0%
45-54	21.4%	20.1%	16.1%	14.4%	21.3%	18.9%	10.7%	11.9%
55-64	8.5%	19.9%	7.7%	13.6%	10.6%	20.1%	6.0%	9.1%
65-84	5.6%	9.4%	9.3%	9.9%	9.5%	12.6%	7.8%	7.3%
85 or older	0.7%	0.9%	1.9%	2.1%	1.2%	1.7%	1.3%	1.4%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Median Age	**38.0**	**45.2**	**36.0**	**37.1**	**41.4**	**46.9**	**28.8**	**29.9**

	Santa Cruz County		Monterey County		Santa Clara County		State of CA	
Age Cohort	**2000**	**2010**	**2000**	**2010**	**2000**	**2010**	**2000**	**2010**
Under 18	60,741	55,418	114,050	111,013	416,402	429,545	9,249,829	9,295,040
18-24	30,397	36,270	43,721	46,253	155,900	158,078	3,366,030	3,922,951
25-34	36,728	33,749	64,023	62,077	299,140	269,566	5,229,062	5,317,877
35-44	42,087	33,075	61,978	54,820	296,883	278,369	5,485,341	5,182,710
45-54	40,673	38,777	49,251	53,254	218,715	263,594	4,331,635	5,252,371
55-64	19,489	35,935	28,440	43,218	135,018	185,546	2,614,093	4,036,493
65-84	21,642	24,542	35,600	37,665	142,540	169,469	3,170,001	3,645,546
85 or older	3,845	4,616	4,699	6,757	17,987	27,475	425,657	600,968
Total	**255,602**	**262,382**	**401,762**	**415,057**	**1,682,585**	**1,781,642**	**33,871,648**	**37,253,956**
Under 18	23.8%	21.1%	28.4%	26.7%	24.7%	24.1%	27.3%	25.0%
18-24	11.9%	13.8%	10.9%	11.1%	9.3%	8.9%	9.9%	10.5%
25-34	14.4%	12.9%	15.9%	15.0%	17.8%	15.1%	15.4%	14.3%
35-44	16.5%	12.6%	15.4%	13.2%	17.6%	15.6%	16.2%	13.9%
45-54	15.9%	14.8%	12.3%	12.8%	13.0%	14.8%	12.8%	14.1%
55-64	7.6%	13.7%	7.1%	10.4%	8.0%	10.4%	7.7%	10.8%
65-84	8.5%	9.4%	8.9%	9.1%	8.5%	9.5%	9.4%	
85 or older	1.5%	1.8%	1.2%	1.6%	1.1%	1.5%	1.3%	1.6%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**90.2%**
Median Age	**35.0**	**36.9**	**31.7**	**32.9**	**34.0**	**36.2**	**33.3**	**35.2**

Sources: US Census, 2000, 2010; BAE, 2013.

Table B-6: Educational Attainment

Educational Attainment (#) (a)	North Coast/ Mountains	Urban Core	Summit	South County
Less than 9th Grade	318	3,024	618	12,352
9th to 12th Grade, No Diploma	707	4,197	519	4,945
High School Graduate (incl. Equivalency)	3,520	12,808	2,161	8,121
Some College, No Degree	6,322	20,203	3,642	6,756
Associate Degree	1,989	7,754	1,534	1,916
Bachelor's Degree	7,046	25,069	4,088	3,431
Graduate/Professional Degree	3,528	16,242	2,544	1,678
Total	**23,430**	**89,297**	**15,106**	**39,199**
Population 25+ with Bachelor's Degree or Higher	**10,574**	**41,311**	**6,632**	**5,109**
Less than 9th Grade	1.4%	3.4%	4.1%	31.5%
9th to 12th Grade, No Diploma	3.0%	4.7%	3.4%	12.6%
High School Graduate (incl. Equivalency)	15.0%	14.3%	14.3%	20.7%
Some College, No Degree	27.0%	22.6%	24.1%	17.2%
Associate Degree	8.5%	8.7%	10.2%	4.9%
Bachelor's Degree	30.1%	28.1%	27.1%	8.8%
Graduate/Professional Degree	15.1%	18.2%	16.8%	4.3%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Population 25+ with Bachelor's Degree or Higher	**45.1%**	**46.3%**	**43.9%**	**13.0%**

Educational Attainment (#) (a)	Santa Cruz County	Monterey County	Santa Clara County	State of California
Less than 9th Grade	16,312	49,468	86,620	2,465,093
9th to 12th Grade, No Diploma	10,368	25,766	72,923	2,099,761
High School Graduate (incl. Equivalency)	26,610	52,426	191,675	5,025,372
Some College, No Degree	36,923	49,647	206,024	5,186,847
Associate Degree	13,193	18,573	85,587	1,825,704
Bachelor's Degree	39,634	36,915	302,219	4,583,032
Graduate/Professional Degree	23,992	22,392	235,430	2,612,035
Total	**167,032**	**255,187**	**1,180,478**	**23,797,844**
Population 25+ with Bachelor's Degree or Higher	**63,626**	**59,307**	**537,649**	**7,195,067**
Less than 9th Grade	9.8%	19.4%	7.3%	10.4%
9th to 12th Grade, No Diploma	6.2%	10.1%	6.2%	8.8%
High School Graduate (incl. Equivalency)	15.9%	20.5%	16.2%	21.1%
Some College, No Degree	22.1%	19.5%	17.5%	21.8%
Associate Degree	7.9%	7.3%	7.3%	7.7%
Bachelor's Degree	23.7%	14.5%	25.6%	19.3%
Graduate/Professional Degree	14.4%	8.8%	19.9%	11.0%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Population 25+ with Bachelor's Degree or Higher	**38.1%**	**23.2%**	**45.5%**	**30.2%**

Note:
(a) The American Community Survey (ACS) publishes demographic estimates based on statistical sampling conducted continuously between 2007 and 2011.
Sources: ACS, 2007-2011; BAE, 2013.

Table B-7: Household Income

Income Category (a)	North Coast/ Mountains	Urban Core	Summit	South County
Less than $15,000	7.2%	11.1%	7.0%	13.1%
$15,000-$24,999	4.9%	8.5%	6.2%	10.5%
$25,000-$34,999	6.7%	7.9%	7.0%	12.0%
$35,000-$49,999	9.3%	10.5%	8.4%	15.2%
$50,000-$74,999	17.1%	16.4%	14.9%	18.9%
$75,000-$99,999	13.9%	13.4%	14.7%	12.4%
$100,000-$149,999	19.7%	15.3%	16.7%	12.1%
$150,000-$199,999	9.8%	8.2%	12.2%	4.0%
$200,000 or more	11.5%	8.6%	13.0%	1.7%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Median HH Income (b)	**$83,661**	**$67,927**	**$86,133**	**$49,092**
Per Capital Income	*$43,626*	*$36,028*	*$45,100*	*$18,040*

Income Category (a)	Santa Cruz County	Monterey County	Santa Clara County	State of California
Less than $15,000	10.6%	8.7%	6.9%	10.4%
$15,000-$24,999	8.2%	9.5%	6.3%	9.4%
$25,000-$34,999	8.5%	9.8%	6.1%	9.1%
$35,000-$49,999	11.1%	13.5%	9.0%	12.4%
$50,000-$74,999	16.9%	19.6%	14.1%	17.3%
$75,000-$99,999	13.4%	13.1%	12.7%	12.6%
$100,000-$149,999	15.4%	14.9%	19.1%	15.2%
$150,000-$199,999	7.9%	5.5%	11.2%	6.7%
$200,000 or more	8.0%	5.4%	14.7%	6.9%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Median HH Income (b)	**$66,030**	**$59,737**	**$89,064**	**$61,632**
Per Capital Income	*$32,975*	*$25,508*	*$40,698*	*$29,634*

Notes:
(a) The American Community Survey (ACS) publishes demographic estimates based on statistical sampling conducted continously between 2007 and 2011.
(b) All incomes adjusted to 2011 dollars.
Sources: ACS, 2007-2011; BAE, 2013.

Table B-8: Academic Performance Index, Santa Cruz County, 2011

School Districts	API 2011 (a)	State Rank (b)
North Coast		
Bonny Doon Union Elementary	907	A
Pacific Elementary	887	A
San Lorenzo Valley Unified	827	A
Urban Core		
Happy Valley Elementary	925	A
Live Oak Elementary	757	B
Santa Cruz City Elementary (c)	832	A
Santa Cruz City High	776	B
Soquel Union Elementary	833	A
Scotts Valley Unified	880	A
Summit		
Mountain Elementary	910	A
South County		
Pajaro Valley Unified (d)	718	B
California Average	778	

Notes:
(a) The Academic Performance Index (API) is a score between 200 and 1000 determined by STAR test results for all students in a school district. A score of 800 is considred a minimum goal for all schools.
(b) A state rank of "A" means that the school district, on average, scored an API that was at or above 800. A state rank of "B" means that the school district scored an API below 800.
(c) The Santa Cruz City Elementary School District encompasses portions of the North Coast and Urban Core subregions.
(d) The Pajaro Valley Unified School District encompasses all of South County, and portions of the Summit and Urban Core subregions.

Table B-9: Poverty Status

Area	Population with Income Below Poverty Level (b)	Percent of Population with Income Below Poverty Level (b)	Percent of Families with Children with Income Below Poverty Level (b)
North Coast/Mountains	1,950	6.1%	2.3%
Urban Core	17,762	13.6%	3.5%
Summit	1,496	7.0%	4.0%
South County	13,174	19.4%	15.5%
Santa Cruz County	34,382	13.7%	6.5%
Santa Clara County	160,396	9.2%	4.7%
Monterey County	59,315	15.1%	9.7%
California	5,211,481	14.4%	8.6%

(a) The American Community Survey (ACS) publishes demographic estimates based on statistical sampling conducted between 2007 and 2011.
(b) Data are for population for whom poverty status is determined, not total population.
Sources: American Community Survey, 2007-2011, Table B17001 and B17010; BAE, 2013.

Table B-10: Annual Labor Force & Unemployment Rate, 2000-2012

Santa Cruz County

Year	Labor Force	Employment	Unemployment Rate
2000	148,400	140,800	5.1%
2001	150,300	141,700	5.7%
2002	148,300	137,300	7.4%
2003	145,200	134,000	7.8%
2004	144,000	133,900	7.0%
2005	143,300	134,200	6.3%
2006	143,400	135,300	5.6%
2007	144,900	136,400	5.9%
2008	146,300	135,600	7.3%
2009	147,700	131,000	11.3%
2010	149,900	131,000	12.6%
2011	150,700	132,500	12.1%
2012	151,100	134,300	11.1%

Monterey County

Year	Labor Force	Employment	Unemployment Rate
2000	203,200	188,200	7.4%
2001	204,800	188,900	7.8%
2002	208,900	190,200	8.9%
2003	210,300	191,400	9.0%
2004	208,100	190,800	8.3%
2005	207,000	191,800	7.3%
2006	203,600	189,500	6.9%
2007	205,800	191,100	7.1%
2008	212,400	194,500	8.4%
2009	215,400	190,100	11.7%
2010	220,900	193,000	12.7%
2011	222,900	195,200	12.4%
2012	226,500	200,800	11.4%

Santa Clara County

Year	Labor Force	Employment	Unemployment Rate
2000	940,700	911,600	3.1%
2001	939,500	891,800	5.1%
2002	891,600	816,900	8.4%
2003	850,100	779,200	8.3%
2004	824,900	771,700	6.4%
2005	817,000	773,200	5.3%
2006	823,600	786,700	4.5%
2007	844,700	805,100	4.7%
2008	870,300	818,300	6.0%
2009	875,200	780,500	10.8%
2010	880,800	784,100	11.0%
2011	896,200	809,300	9.7%
2012	911,000	834,400	8.4%

California

Year	Labor Force	Employment	Unemployment Rate
2000	16,857,600	16,024,300	4.9%
2001	17,152,100	16,220,000	5.4%
2002	17,343,600	16,180,800	6.7%
2003	17,390,700	16,200,100	6.8%
2004	17,444,400	16,354,800	6.2%
2005	17,544,800	16,592,200	5.4%
2006	17,686,700	16,821,300	4.9%
2007	17,921,000	16,960,700	5.4%
2008	18,203,100	16,890,000	7.2%
2009	18,208,300	16,144,500	11.3%
2010	18,316,400	16,051,500	12.4%
2011	18,384,900	16,226,600	11.7%
2012	18,494,900	16,560,300	10.5%

Note: Data not seasonally adjusted.
Sources: CA EDD; BAE, 2013.

APPENDIX C: REAL ESTATE MARKET DATA

Table C-1: Office Market Overview, Santa Cruz County, 2007-2012

Office Market Overview

	Santa Cruz City	Scotts Valley	Mid County (a)	Watsonville	Santa Cruz County
Summary, 4Q 2012					
Inventory	2,173,871	2,307,369	1,191,157	1,907,642	7,580,039
Occupied Stock	1,810,213	1,552,866	1,118,152	1,820,390	6,301,621
Vacant Stock	363,658	754,503	73,005	87,252	1,278,418
Vacancy Rate	16.7%	32.7%	6.1%	4.6%	16.9%
Inventory (% County)	28.7%	30.4%	15.7%	25.2%	100.0%
Asking Rents, 2011-2012 (b)					
Average Asking Rent (psf), 2011	$1.87	$1.74	$2.00	$1.67	$1.80
Average Asking Rent (psf), 2012	$1.96	$1.62	$2.03	$1.65	$1.74
% Change 2011-2012	5.1%	-6.9%	1.7%	-1.4%	-3.3%
Net Absoprtion, 2011-2012					
Net Absorption 2011	(15,695)	(89,456)	6,472	(361)	(99,040)
Net Absorption, 2012	(26,932)	(272,966)	(9,990)	(485)	(310,373)
New Activity (c)					
New Construction, 2011	-	-	-	-	-
New Construction, 2012	-	-	-	-	-

Notes:
(a) The Mid-County office submarket includes Capitola, Aptos, Live Oak, and Soquel.
(b) Average asking rents reflect full service leases.
(c) New office construction activity based on properties tracked by Cassidy Turley.
Sources: Cassidy Turley; BAE, 2013.

Office Inventory (sf), 2007-2012

Year	Santa Cruz City	Scotts Valley	Mid County (a)	Watsonville	Santa Cruz County
2007	2,111,690	2,307,369	1,191,157	1,742,642	7,352,858
2008	2,173,871	2,307,369	1,191,157	1,907,642	7,580,039
2009	2,173,871	2,307,369	1,191,157	1,907,642	7,580,039
2010	2,173,871	2,307,369	1,191,157	1,907,642	7,580,039
2011	2,173,871	2,307,369	1,191,157	1,907,642	7,580,039
2012	2,173,871	2,307,369	1,191,157	1,907,642	7,580,039
% Change 2007-2012	2.9%	0.0%	0.0%	9.5%	3.1%

Office Completions (sf), 2007-2012

Year	Santa Cruz City	Scotts Valley	Mid County (a)	Watsonville	Santa Cruz County
2007	-	-	-	-	-
2008	62,181	-	-	165,000	227,181
2009	-	-	-	-	-
2010	-	-	-	-	-
2011	-	-	-	-	-
2012	-	-	-	-	-
Total completions 2007-2012 (sf)	62,181	-	-	165,000	227,181

Note:
(a) The Mid-County office submarket includes Capitola, Aptos, Live Oak, and Soquel.
Sources: Cassidy Turley; BAE, 2013.

Table C-1: Office Market Overview, Santa Cruz County, 2007-2012 (continued)

Office Vacant Stock (sf), Q4 2007- Q4 2012

Year	Santa Cruz City	Scotts Valley	Mid County (a)	Watsonville	Santa Cruz County
2007	291,472	400,824	38,333	67,355	797,984
2008	314,033	375,390	48,509	101,262	839,194
2009	322,413	387,794	86,123	136,885	933,215
2010	321,031	392,081	69,487	86,406	869,005
2011	336,726	481,537	63,015	86,767	968,045
2012	363,658	754,503	73,005	87,252	1,278,418
2011 Vacancy Rate	15.5%	20.9%	5.3%	4.5%	12.8%
2012 Vacancy Rate	16.7%	32.7%	6.1%	4.6%	16.9%

Office Net Absorption (sf), 2007-2012

Year	Santa Cruz City	Scotts Valley	Mid County (a)	Watsonville	Santa Cruz County
2007	(79,466)	(67,512)	655	1,983	(144,340)
2008	39,620	25,434	(10,176)	131,093	185,971
2009	(8,380)	(12,404)	(37,614)	(35,623)	(94,021)
2010	1,382	(4,287)	16,636	50,479	64,210
2011	(15,695)	(89,456)	6,472	(361)	(99,040)
2012	(26,932)	(272,966)	(9,990)	(485)	(310,373)
Total net absorption 2007-2012 (sf)	(89,471)	(421,191)	(34,017)	147,086	(397,593)

Note:
(a) The Mid-County office submarket includes Capitola, Aptos, Live Oak, and Soquel.
Sources: Cassidy Turley; BAE, 2013.

Office Average Asking Rent (Per Square Foot), 2007-2012 (a)

Year	Santa Cruz City	Scotts Valley	Mid County (b)	Watsonville	Santa Cruz County
2007	$1.74	$1.97	$2.22	$1.94	$1.91
2008	$1.82	$1.97	$2.33	$1.98	$1.94
2009	$1.92	$1.83	$2.16	$1.81	$1.88
2010	$1.86	$1.78	$2.10	$1.75	$1.83
2011	$1.87	$1.74	$2.00	$1.67	$1.80
2012	$1.96	$1.62	$2.03	$1.65	$1.74
% Change 2007-2012	12.9%	-17.9%	-8.3%	-15.1%	-8.9%

Notes: 5.1% 1.7%
(a) Average asking rents reflect full service leases.
(b) The Mid-County office submarket includes Capitola, Aptos, Live Oak, and Soquel.
Sources: Cassidy Turley; BAE, 2013.

Table C-1: Office Market Overview, Santa Cruz County, 2007-2012 (continued)

Office Vacancy Rate, Q4 2007 - Q4 2012

Year	Santa Cruz City	Scotts Valley	Mid County (a)	Watsonville	Santa Cruz County
2007	13.8%	17.4%	3.2%	3.9%	10.9%
2008	14.4%	16.3%	4.1%	5.3%	11.1%
2009	14.8%	16.8%	7.2%	7.2%	12.3%
2010	14.8%	17.0%	5.8%	4.5%	11.5%
2011	15.5%	20.9%	5.3%	4.5%	12.8%
2012	16.7%	32.7%	6.1%	4.6%	16.9%

Note:
(a) The Mid-County office submarket includes Capitola, Aptos, Live Oak, and Soquel.
Sources: Cassidy Turley; BAE, 2013.

Office Availabilities by Size and Number of Listings, Q4 2012

Year	Santa Cruz City	Scotts Valley	Mid County (a)	Watsonville	Santa Cruz County
0 to 4,999 square feet	36	24	46	16	122
5,000 to 9,999 square feet	13	9	0	6	28
10,0000 to 19,999 square feet	4	6	0	1	11
20,000 square feet or more	4	8	0	0	12

Note:
(a) The Mid-County office submarket includes Capitola, Aptos, Live Oak, and Soquel.
Sources: Cassidy Turley; BAE, 2013.

Table C-2: Industrial Market Overview, Santa Cruz County, 2007-2012

Industrial Market Overview

	Santa Cruz City	Scotts Valley	Mid County (a)	Watsonville	Santa Cruz County
Summary, 4Q 2012					
Inventory	3,095,535	982,085	1,423,691	5,686,293	11,187,604
Occupied Stock	2,775,332	940,153	1,373,218	5,563,071	10,651,774
Vacant Stock	320,203	41,932	50,473	123,222	535,830
Vacancy Rate	10.3%	4.3%	3.5%	2.2%	4.8%
Inventory (% County)	27.7%	8.8%	12.7%	50.8%	100.0%
Asking Rents, 2011-2012 (b)					
Avg Asking Rent, NNN (psf), 2011	$0.86	$0.75	$0.98	$0.53	$0.74
Avg Asking Rent, NNN (psf), 2012	$0.83	$0.75	$0.94	$0.63	$0.82
% Change 2011-2012	-3.4%	0.1%	-3.5%	19.6%	11.2%
Net Absoprtion, 2011-2012					
Net Absorption 2011	(122,681)	24,100	(18,401)	54,769	(62,213)
Net Absorption, 2012	16,413	16,850	6,767	(17,080)	22,950
New Activity (c)					
New Construction, 2011	-	-	-	-	-
New Construction, 2012	-	-	-	-	-

Notes:
(a) The Mid-County industrial submarket includes Capitola, Aptos, Live Oak, and Soquel.
(b) Average asking rents reflect NNN leases.
(c) Reflects new industrial construction based on properties tracked by Cassidy Turley.
Sources: Cassidy Turley; BAE, 2013.

Industrial Inventory (sf), 2007-2012

Year	Santa Cruz City	Scotts Valley	Mid County (a)	Watsonville	Santa Cruz County
2007	3,095,535	963,635	1,413,971	5,758,293	11,231,434
2008	3,095,535	963,635	1,413,971	5,758,293	11,231,434
2009	3,095,535	963,635	1,423,691	5,758,293	11,241,154
2010	3,095,535	982,085	1,423,691	5,758,293	11,259,604
2011	3,095,535	982,085	1,423,691	5,758,293	11,259,604
2012	3,095,535	982,085	1,423,691	5,686,293	11,187,604
% Change 2007-2012	0.0%	1.9%	0.7%	-1.3%	-0.4%

Industrial Completions (sf), 2007-2012

Year	Santa Cruz City	Scotts Valley	Mid County (a)	Watsonville	Santa Cruz County
2007	-	-	-	-	-
2008	-	-	-	-	-
2009	-	-	9,720	-	9,720
2010	-	18,450	-	-	18,450
2011	-	-	-	-	-
2012	-	-	-	-	-
Total completions 2007-2012 (sf) (b)	-	18,450	9,720	-	28,170

Notes:
(a) Reflects new industrial construction based on properties tracked by Cassidy Turley.
(b) The Mid-County industrial submarket includes Capitola, Aptos, Live Oak, and Soquel.
Sources: Cassidy Turley; BAE, 2013.

Table C-2: Industrial Market Overview, Santa Cruz County, 2007-2012 (continued)

Industrial Vacant Stock (sf), 2007-2012

Year	Santa Cruz City	Scotts Valley	Mid County (a)	Watsonville	Santa Cruz County
2007	356,000	19,520	45,133	120,596	541,249
2008	256,113	41,162	49,364	83,931	430,570
2009	258,500	69,482	73,065	185,390	586,437
2010	237,243	45,800	55,589	267,443	606,075
2011	336,616	58,782	57,240	178,142	630,780
2012	320,203	41,932	50,473	123,222	535,830
2011 Vacancy Rate	10.9%	6.0%	4.0%	3.1%	5.6%
2012 Vacancy Rate	10.3%	4.3%	3.5%	2.2%	4.8%

Note:
(a) The Mid-County industrial submarket includes Capitola, Aptos, Live Oak, and Soquel.
Sources: Cassidy Turley; BAE, 2013.

Industrial Net Absorption (sf), 2007-2012

Year	Santa Cruz City	Scotts Valley	Mid County (a)	Watsonville	Santa Cruz County
2007	(3,212)	888	2,812	(21,851)	(21,363)
2008	99,887	(21,642)	(4,231)	36,665	110,679
2009	(2,387)	(28,320)	(13,981)	(101,459)	(146,147)
2010	15,540	43,132	12,676	(63,230)	8,118
2011	(122,681)	24,100	(18,401)	54,769	(62,213)
2012	16,413	16,850	6,767	(17,080)	22,950
Total net absorption 2007-2012 (sf)	3,560	35,008	(14,358)	(112,186)	(87,976)

Note:
(a) The Mid-County industrial submarket includes Capitola, Aptos, Live Oak, and Soquel.
Sources: Cassidy Turley; BAE, 2013.

Industrial Average Asking Rent (Per Square Foot), 2007-2012 (a)

Year	Santa Cruz City	Scotts Valley	Mid County (b)	Watsonville	Santa Cruz County
2007	$0.76	$0.85	$0.86	$0.56	$0.74
2008	$0.76	$0.96	$1.16	$0.74	$0.82
2009	$0.81	$0.92	$0.85	$0.57	$0.75
2010	$0.80	$0.85	$1.00	$0.55	$0.72
2011	$0.86	$0.75	$0.98	$0.53	$0.74
2012	$0.83	$0.75	$0.94	$0.63	$0.77
% Change 2007-2012	8.6%	-12.6%	9.7%	12.6%	4.4%

Notes:
(a) Average asking rents reflect NNN leases.
(b) The Mid-County industrial submarket includes Capitola, Aptos, Live Oak, and Soquel.
Sources: Cassidy Turley; BAE, 2013.

Table C-2: Industrial Market Overview, Santa Cruz County, 2007-2012 (continued)

Industrial Vacancy Rate, 2006-2011

Year	Santa Cruz City	Scotts Valley	Mid County (a)	Watsonville	Santa Cruz County
2007	11.5%	2.0%	3.2%	2.1%	4.8%
2008	8.3%	4.3%	3.5%	1.5%	3.8%
2009	8.4%	7.2%	5.1%	3.2%	5.2%
2010	7.7%	4.7%	3.9%	4.6%	5.4%
2011	10.9%	6.0%	4.0%	3.1%	5.6%
2012	10.3%	4.3%	3.5%	2.2%	4.8%

Note:
(a) The Mid-County industrial submarket includes Capitola, Aptos, Live Oak, and Soquel.
Sources: Cassidy Turley; BAE, 2013.

Industrial Availabilities by Size and Number of Listings, Q4 2012

Year	Santa Cruz City	Scotts Valley	Mid County (a)	Watsonville	Santa Cruz County
10,000 to 24,999 square feet	6	1	1	3	11
25,000 to 49,999 square feet	1	0	0	1	2
50,0000 to 99,999 square feet	0	0	0	0	0
100,000 square feet or more	1	0	0	0	1

Note:
(a) The Mid-County office submarket includes Capitola, Aptos, Live Oak, and Soquel.
Sources: Cassidy Turley; BAE, 2013.

Table C-3: Retail Market Overview, Santa Cruz County, 2007-2012

Retail Market Overview

	North County (a)	Central County (a)	South County (a)	Santa Cruz County
Summary, 4Q 2012				
Inventory	933,881	2,383,927	1,177,257	4,495,065
Occupied Stock	889,434	2,313,468	1,114,844	4,317,746
Vacant Stock	44,447	70,459	62,413	177,319
Vacancy Rate	4.8%	3.0%	5.3%	3.9%
Inventory (% County)	20.8%	53.0%	26.2%	100.0%
Asking Rents, 2011-2012 (b)				
Avg Asking Rent, NNN (psf), 2011	$19.89	$23.07	$19.97	$21.34
Avg Asking Rent, NNN (psf), 2012	$22.53	$22.77	$17.23	$20.13
% Change 2011-2012	13.3%	-1.3%	-13.7%	-5.7%
Net Absoprtion, 2011-2012				
Net Absorption 2011	(2,577)	149,311	(6,768)	139,966
Net Absorption, 2012	5,583	15,681	(6,632)	14,632
New Activity (c)				
New Construction, 2011	-	-	-	-
New Construction, 2012	-	-	-	-

Notes:
(a) The North County industrial market consists of Scotts Valley and northern parts of Santa Cruz County Central County includes Santa Cruz City, Capitola, Aptos, Live Oak, and Soquel. South County consists (Watsonville and surrounding areas.
(b) Average asking rents reflect NNN leases.
(c) Reflects new industrial construction based on properties tracked by Cassidy Turley.
Sources: Cassidy Turley; Terranomics; BAE, 2013.

Retail Inventory (sf), 2011-2012

Year	North County (a)	Central County (a)	South County (a)	Santa Cruz County
2007	933,881	2,323,415	1,177,257	4,434,553
2008	933,881	2,323,415	1,177,257	4,434,553
2009	933,881	2,323,415	1,177,257	4,434,553
2010	933,881	2,394,829	1,177,257	4,505,987
2011	933,881	2,394,829	1,177,257	4,505,987
2012	933,881	2,383,927	1,177,257	4,495,065
% Change 2007-2012	0.0%	2.6%	0.0%	1.4%

Retail Completions (sf), 2011-2012

Year	North County (a)	Central County (a)	South County (a)	Santa Cruz County
2007	-	-	-	-
2008	-	-	-	-
2009	-	71,414	-	71,414
2010	-	-	-	-
2011	-	-	-	-
2012	-	-	-	-
Total completions 2007-2012 (sf)	-	71,414	-	71,414

Notes:
(a) The North County industrial market consists of Scotts Valley and northern parts of Santa Cruz County Central County includes Santa Cruz City, Capitola, Aptos, Live Oak, and Soquel. South County consists (Watsonville and surrounding areas.
Sources: Cassidy Turley; Terranomics; BAE, 2013.

Table C-3: Retail Market Overview, Santa Cruz County, 2007-2012 (continued)

Retail Vacant Stock (sf), 2011-2012

Year	North County (a)	Central County (a)	South County (a)	Santa Cruz County
2007	26,959	39,170	30,516	96,645
2008	21,555	42,974	38,549	103,078
2009	46,307	182,680	38,494	267,481
2010	47,453	235,451	49,013	331,917
2011	50,030	86,140	55,781	191,951
2012	44,447	70,459	62,413	177,319
2011 Vacancy Rate	5.4%	3.6%	4.7%	4.3%
2012 Vacancy Rate	4.8%	3.0%	5.3%	3.9%

Retail Net Absorption (sf), 2011-2012

Year	North County (a)	Central County (a)	South County (a)	Santa Cruz County
2007	18,274	(1,132)	4	17,146
2008	7,404	(3,804)	(8,033)	(4,433)
2009	(24,752)	(139,706)	55	(164,403)
2010	(1,146)	18,643	(10,519)	6,978
2011	(2,577)	149,311	(6,768)	139,966
2012	5,583	15,681	(6,632)	14,632
Total net absorption 2007-2012 (sf)	2,786	38,993	(31,893)	9,886

Retail Average Asking Rent (Per Square Foot), 2011-2012 (b)

Year	North County (a)	Central County (a)	South County (a)	Santa Cruz County
2007	$23.62	$21.34	$21.47	$22.02
2008	$25.26	$26.88	$21.43	$24.50
2009	$20.57	$16.56	$21.33	$17.94
2010	$20.59	$23.56	$18.20	$22.34
2011	$19.89	$23.07	$19.97	$21.34
2012	$22.53	$22.77	$17.23	$20.13
% Change, 2011-2012	13.3%	-1.3%	-13.7%	-5.7%

Notes:
(a) The North County industrial market consists of Scotts Valley and northern parts of Santa Cruz County
Central County includes Santa Cruz City, Capitola, Aptos, Live Oak, and Soquel. South County consists (
Watsonville and surrounding areas.
(b) Average asking rents reflect NNN leases.
Sources: Cassidy Turley; Terranomics; BAE, 2013.

Table C-3: Retail Market Overview, Santa Cruz County, 2007-2012 (continued)

Retail Vacancy Rate, 2011-2011

Year	North County (a)	Central County (a)	South County (a)	Santa Cruz County
2007	2.9%	1.7%	2.6%	2.2%
2008	2.3%	1.8%	3.3%	2.3%
2009	5.0%	7.9%	3.3%	6.0%
2010	5.1%	9.8%	4.2%	7.4%
2011	5.4%	3.6%	4.7%	4.3%
2012	4.8%	3.0%	5.3%	3.9%

Retail Product Types, Santa Cruz County, 2012

Year	Total Inventory	Vacancy Q4 2012	Net Absorp-tion, 2012	Avg. Asking Rent, 2012
Neighborhood/Community Center (b)	2,589,164	5.0%	(6,572)	$20.13
Strip Center (c)	866,497	3.3%	5,805	$19.74
Power & Regional Center (d)	1,039,404	2.0%	15,399	$22.96
Total	4,495,065	3.9%	14,632	$20.13

Note:

(a) The North County industrial market consists of Scotts Valley and northern parts of Santa Cruz County Central County includes Santa Cruz City, Capitola, Aptos, Live Oak, and Soquel. South County consists (Watsonville and surrounding areas.

(b) Neighborhood and community retail centers have fewer than 30 stores and are anchored by a drug store, supermarket, or discount department store, arranged in a single strip on one level.

(c) Strip centers are open-air neighborhood shopping centers less than 10,000 square feet.

(d) Power centers and regional malls are dominated by several large anchors, with 30 to 100 stores, with 350,000 to 800,000 square feet of retail space.

Sources: Cassidy Turley; Terranomics; BAE, 2013.

APPENDIX B: CLUSTERS

INTRODUCTION

An industry cluster represents a comprehensive grouping of interrelated industries, comprised of both core and supplier industries. New employment opportunities will start from a region's existing and emerging strengths, or "clusters."

Using this approach, the analysis will identify those parts of the economy that currently serve as the region's economic foundation and further examine those specific industries that have fared better than others during a period of overall economic stagnation.

Santa Cruz County has traditionally featured an economy driven by concentrated activity in distinct clusters of industries.[1] These clusters were originally defined and analyzed as part of the Santa Cruz Region Cluster Project, which issued a series of reports in 2000. This analysis assesses the current state and evolution of these industry clusters, based on short-term and long-term employment trends. These clusters are defined as follows:

- Software and Computers
- Lifestyle (Commercial Crafts)
- Lifestyle (Natural Lifestyle)
- Lifestyle (Recreational Services)
- Lifestyle (Recreational Products)
- Food and Agriculture.

For many years, these industry clusters served as the economic base of the County and a starting point from which opportunities in other industries originate. However, as the economy in Santa Cruz County has created minimal long-term and short-term net job gains, the strength of the software and computers, and food and agriculture industry clusters in particular has similarly eroded as business activity shifts into other sectors that might not have generated many jobs in the past. The components of the lifestyle cluster have performed better as a whole, but have not kept pace with growth trends across the rest of the country. At the end of this appendix, additional data is also provided for the health care and construction sectors.

[1] LQ, Location Quotient, is the ratio of the share of regional employment in an industry to total regional employment divided by the ratio of the share of national employment in the same industry to total national employment. It is a measure of concentration, or specialization, of that industry within a particular economic region.
Shift-share is a measure of an industry's growth rate in terms of employment in an economic region relative to that industry's growth rate for the nation. A negative shift-share indicates growth is slower than the nation, while a positive shift-share indicates that growth is greater than the nation.

TABLE B-1
INDUSTRY CLUSTER SUMMARY, SANTA CRUZ COUNTY, 1992 TO 2005

Industry Cluster	1992 Santa Cruz County Employment	2005 Santa Cruz County Employment	2005 Location Quotient	1992 to 2005 % Change	Shift-share (Proportional Shift)
Software and Computers	4,938	4,010	0.90	-18.8%	-19.4%
Lifestyle - Commercial Crafts	4,545	4,257	1.01	-6.3%	-6.9%
Lifestyle - Natural Lifestyle	5,947	6,927	1.31	16.5%	15.9%
Lifestyle - Recreation/Visitor Services	9,875	11,223	1.23	13.7%	13.0%
Lifestyle - Recreational Products	974	1,261	2.54	29.5%	28.9%
Lifestyle Cluster Total	21,341	23,668	1.24	10.9%	10.3%
Food and Agriculture	17,324	12,061	3.02	-30.4%	-31.0%

Source: ADE, data from IMPLAN CEW county employment database

INDUSTRY CLUSTER ANALYSIS

A city or region's economic base is comprised of industries that primarily export their products or services. Payments for these goods and services come back to the city or region and are used to pay for wages and supplies. The healthier these industries, as measured by their sales and profits, the greater their ability to create wealth for the region. A city's economic base can be sub-divided into clusters according to the nature of their inter-dependencies, or their buying and selling behavior. An industry cluster is a concentration of interdependent firms in related industries within a particular geographic region.

Together, the industry clusters in the analysis accounted for 39,739 jobs in Santa Cruz County in 2005. This represents over 48 percent of the total private sector employment in the County. However, it also represents a 9.6 percent employment decline from 1992, and a decline from the 54 percent share of employment in 1992. Clearly, the County's economy has evolved considerably over the past decade, and the performance of these industry clusters is an important starting point in evaluating future opportunities and strategic initiatives for Santa Cruz County.

SOFTWARE AND COMPUTERS

The software and computers cluster is an outgrowth of Santa Cruz County's proximity to Silicon Valley and its economic ties to the region. Many Silicon Valley firms located operations in Santa Cruz County, with many commuters to Silicon Valley choosing to reside in Santa Cruz County. This creates a highly trained workforce, and potential for entrepreneurship, which helped to stimulate business development in this cluster. The cluster is generally comprised of the following major industry sectors and activities:

- Computer hardware manufacturing
- Computer peripheral manufacturing
- Specialized machinery manufacturing
- Communications equipment
- Audio visual equipment
- Instrument manufacturing
- Electrical equipment manufacturing

- Wholesale trade (including electronic business-to-business)
- Internet publishing
- Telecommunications
- Information services
- Design services
- Programming and other computer services

This cluster has been heavily impacted by multiple market trends in the technology sectors, all of which have had a net effect of steep job declines for most of the industries that comprise this cluster. In 2005, software and computer-oriented industries in Santa Cruz County accounted for 4,010 jobs.[2] This represents a percentage decline of nearly 19 percent from 1992 employment level of over 4,900 jobs. The short-term employment trend in this cluster shows a similarly negative trend, with a net loss of over 500 jobs between 2003 and 2005.

TABLE B-2
SOFTWARE AND COMPUTER CLUSTER SUMMARY, SANTA CRUZ COUNTY, 1992 TO 2005

NAICS Code	Industry Description	1992 Santa Cruz County Employment	2005 Santa Cruz County Employment	2005 Location Quotient	Percent Change	Shift-share (Proportional Shift)
------	Total	78,975	79,456	1.00	0.6%	0.0%
333295	Semiconductor Machinery Manufacturing	12	1	0.08	-91.7%	-92.3%
333313	Office Machinery Manufacturing	0	0	0.00	N/A	N/A
333314	Optical Instrument and Lens Manufacturing	1	0	0.00	-100.0%	-100.6%
333315	Photographic and Photocopying Equipment Manufacturing	0	0	0.00	N/A	N/A
333319	Other Commercial and Service Industry Machinery Manufacturing	2	6	0.16	200.0%	199.4%
3341	Computer and Peripheral Equipment Manufacturing	951	43	0.29	-95.5%	-96.1%
3342	Communications Equipment Manufacturing	243	609	5.76	150.6%	150.0%
3343	Audio and Video Equipment Manufacturing	6	30	1.28	400.0%	399.4%
3344	Semiconductor and Other Electronic Component Manufacturing	1,546	413	1.29	-73.3%	-73.9%
3345	Navigational, Measuring, Electromedical, and Control Instruments Manufacturing	372	539	1.73	44.9%	44.3%
3346	Manufacturing and Reproducing Magnetic and Optical Media	3	0	0.00	-100.0%	-100.6%
3353	Electrical Equipment Manufacturing	3	23	0.21	666.7%	666.1%
3359	Other Electrical Equipment and Component Manufacturing	24	46	0.47	91.7%	91.1%
423430	Computer and Computer Peripheral Equipment and Software Merchant Wholesalers	149	284	1.63	90.6%	90.0%
423440	Other Commercial Equipment Merchant Wholesalers	0	0	0.00	N/A	N/A
423490	Other Professional Equipment and Supplies Merchant Wholesalers	65	27	1.47	-58.5%	-59.1%
423610	Electrical Apparatus and Equipment, Wiring Supplies, and Related Equipment Merchant Wholesalers	3	7	0.07	133.3%	132.7%

[2] Data comes from the IMPLAN CEW county employment database. This database does not include self-employment and public sector activities.

TABLE B-2
SOFTWARE AND COMPUTER CLUSTER SUMMARY, SANTA CRUZ COUNTY, 1992 TO 2005

NAICS Code	Industry Description	1992 Santa Cruz County Employment	2005 Santa Cruz County Employment	2005 Location Quotient	Percent Change	Shift-share (Proportional Shift)
423620	Electrical and Electronic Appliance, Television, and Radio Set Merchant Wholesalers	0	0	0.00	N/A	N/A
423690	Other Electronic Parts and Equipment Merchant Wholesalers	46	101	0.85	119.6%	119.0%
423830	Industrial Machinery and Equipment Merchant Wholesalers	220	236	1.08	7.3%	6.7%
423840	Industrial Supplies Merchant Wholesalers	14	15	0.28	7.1%	6.5%
423850	Service Establishment Equipment and Supplies Merchant Wholesalers	21	0	0.00	-100.0%	-100.6%
425110	Business to Business Electronic Markets	93	97	2.31	4.3%	3.7%
516	Internet Publishing and Broadcasting	9	9	0.40	0.0%	-0.6%
517110	Wired Telecommunications Carriers	342	45	0.12	-86.8%	-87.5%
517211	Paging	0	3	0.21	N/A	N/A
517212	Cellular and Other Wireless Telecommunications	0	44	0.36	N/A	N/A
517310	Telecommunications Resellers	11	165	1.70	1400.0%	1399.4%
517410	Satellite Telecommunications	2	0	0.00	-100.0%	-100.6%
517510	Cable and Other Program Distribution	47	34	0.35	-27.7%	-28.3%
517910	Other Telecommunications	0	0	0.00	N/A	N/A
518111	Internet Service Providers	3	51	0.71	1600.0%	1599.4%
518112	Web Search Portals	0	0	0.00	N/A	N/A
518210	Data Processing, Hosting, and Related Services	13	18	0.09	38.5%	37.9%
519190	All Other Information Services	6	2	0.25	-66.7%	-67.3%
541420	Industrial Design Services	9	3	0.35	-66.7%	-67.3%
541430	Graphic Design Services	30	48	0.99	60.0%	59.4%
541490	Other Specialized Design Services	2	3	0.38	50.0%	49.4%
541511	Custom Computer Programming Services	125	370	0.98	196.0%	195.4%
541512	Computer Systems Design Services	201	177	0.48	-11.9%	-12.5%
541513	Computer Facilities Management Services	0	0	0.00	N/A	N/A
541519	Other Computer Related Services	23	9	0.12	-60.9%	-61.5%
541690	Other Scientific and Technical Consulting Services	12	144	2.29	1100.0%	1099.4%
541710	Research and Development in the Physical, Engineering, and Life Sciences	329	408	1.12	24.0%	23.4%
	COMPUTER AND SOFTWARE CLUSTER TOTAL	**4,938**	**4,010**	**0.90**	**-18.8%**	**-19.4%**

Source: ADE, data from IMPLAN CEW county employment database

TABLE B-3

SOFTWARE AND COMPUTER CLUSTER SUMMARY, SANTA CRUZ COUNTY, 2003 TO 2005

NAICS Code	Industry Description	2003 Santa Cruz County Employment	2005 Santa Cruz County Employment	2005 Location Quotient	Percent Change	Shift-share (Proportional Shift)
------	Total	79,353	79,456	1.00	0.1%	0.0%
333295	Semiconductor Machinery Manufacturing	11	1	0.08	-90.9%	-91.0%
333313	Office Machinery Manufacturing	0	0	0.00	N/A	N/A
333314	Optical Instrument and Lens Manufacturing	0	0	0.00	N/A	N/A
333315	Photographic and Photocopying Equipment Manufacturing	0	0	0.00	N/A	N/A
333319	Other Commercial and Service Industry Machinery Manufacturing	0	6	0.16	N/A	N/A
3341	Computer and Peripheral Equipment Manufacturing	33	43	0.29	30.3%	30.2%
3342	Communications Equipment Manufacturing	219	609	5.76	178.1%	178.0%
3343	Audio and Video Equipment Manufacturing	322	30	1.28	-90.7%	-90.8%
3344	Semiconductor and Other Electronic Component Manufacturing	449	413	1.29	-8.0%	-8.1%
3345	Navigational, Measuring, Electromedical, and Control Instruments Manufacturing	643	539	1.73	-16.2%	-16.3%
3346	Manufacturing and Reproducing Magnetic and Optical Media	181	0	0.00	-100.0%	-100.1%
3353	Electrical Equipment Manufacturing	7	23	0.21	228.6%	228.4%
3359	Other Electrical Equipment and Component Manufacturing	6	46	0.47	666.7%	666.5%
423430	Computer and Computer Peripheral Equipment and Software Merchant Wholesalers	239	284	1.63	18.8%	18.7%
423440	Other Commercial Equipment Merchant Wholesalers	0	0	0.00	N/A	N/A
423490	Other Professional Equipment and Supplies Merchant Wholesalers	17	27	1.47	58.8%	58.7%
423610	Electrical Apparatus and Equipment, Wiring Supplies, and Related Equipment Merchant Wholesalers	5	7	0.07	40.0%	39.9%
423620	Electrical and Electronic Appliance, Television, and Radio Set Merchant Wholesalers	1	0	0.00	-100.0%	-100.1%
423690	Other Electronic Parts and Equipment Merchant Wholesalers	57	101	0.85	77.2%	77.1%
423830	Industrial Machinery and Equipment Merchant Wholesalers	266	236	1.08	-11.3%	-11.4%
423840	Industrial Supplies Merchant Wholesalers	0	15	0.28	N/A	N/A
423850	Service Establishment Equipment and Supplies Merchant Wholesalers	31	0	0.00	-100.0%	-100.1%
425110	Business to Business Electronic Markets	12	97	2.31	708.3%	708.2%
516	Internet Publishing and Broadcasting	11	9	0.40	-18.2%	-18.3%
517110	Wired Telecommunications Carriers	66	45	0.12	-31.8%	-31.9%
517211	Paging	4	3	0.21	-25.0%	-25.1%
517212	Cellular and Other Wireless Telecommunications	26	44	0.36	69.2%	69.1%
517310	Telecommunications Resellers	199	165	1.70	-17.1%	-17.2%
517410	Satellite Telecommunications	0	0	0.00	N/A	N/A
517510	Cable and Other Program Distribution	18	34	0.35	88.9%	88.8%
517910	Other Telecommunications	3	0	0.00	-100.0%	-100.1%
518111	Internet Service Providers	84	51	0.71	-39.3%	-39.4%
518112	Web Search Portals	0	0	0.00	N/A	N/A
518210	Data Processing, Hosting, and Related	38	18	0.09	-52.6%	-52.8%

TABLE B-3
SOFTWARE AND COMPUTER CLUSTER SUMMARY, SANTA CRUZ COUNTY, 2003 TO 2005

NAICS Code	Industry Description	2003 Santa Cruz County Employment	2005 Santa Cruz County Employment	2005 Location Quotient	Percent Change	Shift-share (Proportional Shift)
	Services					
519190	All Other Information Services	2	2	0.25	0.0%	-0.1%
541420	Industrial Design Services	31	3	0.35	-90.3%	-90.5%
541430	Graphic Design Services	49	48	0.99	-2.0%	-2.2%
541490	Other Specialized Design Services	0	3	0.38	N/A	N/A
541511	Custom Computer Programming Services	449	370	0.98	-17.6%	-17.7%
541512	Computer Systems Design Services	247	177	0.48	-28.3%	-28.5%
541513	Computer Facilities Management Services	10	0	0.00	-100.0%	-100.1%
541519	Other Computer Related Services	13	9	0.12	-30.8%	-30.9%
541690	Other Scientific and Technical Consulting Services	91	144	2.29	58.2%	58.1%
541710	Research and Development in the Physical, Engineering, and Life Sciences	695	408	1.12	-41.3%	-41.4%
	COMPUTER AND SOFTWARE CLUSTER TOTAL	**4,535**	**4,010**	**0.90**	**-11.6%**	-11.7%

Source: ADE, data from IMPLAN CEW county employment database

Component manufacturers have had especially steep employment declines. These hardware companies have had the longest presence in Santa Cruz County[3], and have seen some major facility closures in recent years. Within this cluster, the strongest employment gains have generally centered on the software and services sectors, including custom programming services and research.

These declines have eroded the employment concentration to a point where economic activity in the software and computer sectors is now less concentrated in Santa Cruz County than across the U.S. as a whole (location quotient = 0.90).

LIFESTYLE

Among the clusters in the analysis, the lifestyle cluster is the most loosely defined in that the economic linkages are less tied to buyer-supplier relationships and more an entrepreneurial reflection of the local lifestyle in Santa Cruz County. The Santa Cruz Region Cluster Project defined lifestyle companies as "companies serving markets outside the Santa Cruz region whose products and appeal are linked to the unique lifestyles of the people in the Santa Cruz region."[4] These companies tend to serve specialized markets, and contribute to Santa Cruz County's strong base of small businesses.

Because the companies that comprise the lifestyle cluster might encompass unrelated business activities, the analysis segmented out the lifestyle cluster into four subcategories based on the types of markets that they serve. These subcategories are defined as follows:

- Commercial crafts
- Natural lifestyle

[3] Collaborative Economics; *Software and Hardware in Santa Cruz County*; April 25, 2000; p.2.
[4] Collaborative Economics; Lifestyle Companies in Santa Cruz County; April 14, 2000; p.1.

- Recreational services
- Recreational products

Altogether, the lifestyle cluster accounted for nearly 22,500 jobs in 2005. This represents a 10 percent increase over the 20,400 jobs in 1992. However, this also represents a 2.9 percent decrease compared to the 23,100 jobs in 2003. Furthermore, the shift-share (differential shift) shows that the long-term and short-term employment growth trends for this cluster in Santa Cruz County did not keep pace with national trends.

The employment concentration in the lifestyle cluster is slightly above the national average (location quotient =1.26).

TABLE B-4
LIFESTYLE INDUSTRY CLUSTER SUMMARY, SANTA CRUZ COUNTY, 1992 TO 2005

NAICS Code	Industry Description	1992 Santa Cruz County Employment	2005 Santa Cruz County Employment	2005 Location Quotient	Percent Change	Shift-share (Proportional Shift)
------	Total	78,975	79,456	1.00	0.6%	0.0%
323110	Commercial Lithographic Printing	153	92	0.51	-39.9%	-40.5%
323111	Commercial Gravure Printing	33	2	0.17	-93.9%	-94.5%
323112	Commercial Flexographic Printing	15	0	0.00	-100.0%	-100.6%
323113	Commercial Screen Printing	66	37	0.78	-43.9%	-44.5%
323114	Quick Printing	54	40	0.82	-25.9%	-26.5%
323115	Digital Printing	1	1	0.07	0.0%	-0.6%
323117	Books Printing	4	0	0.00	-100.0%	-100.6%
323119	Other Commercial Printing	10	7	0.19	-30.0%	-30.6%
3271	Clay Product and Refractory Manufacturing	10	12	0.27	20.0%	19.4%
3272	Glass and Glass Product Manufacturing	42	27	0.35	-35.7%	-36.3%
3371	Household and Institutional Furniture and Kitchen Cabinet Manufacturing	189	177	0.65	-6.3%	-7.0%
3372	Office Furniture (including Fixtures) Manufacturing	93	35	0.37	-62.4%	-63.0%
33991	Jewelry and Silverware Manufacturing	1	28	0.90	2700.0%	2699.4%
33995	Sign Manufacturing	11	26	0.48	136.4%	135.8%
339992	Musical Instrument Manufacturing	72	34	3.54	-52.8%	-53.4%
423210	Furniture Merchant Wholesalers	66	24	0.75	-63.6%	-64.2%
423220	Home Furnishing Merchant Wholesalers	97	41	0.85	-57.7%	-58.3%
423940	Jewelry, Watch, Precious Stone, and Precious Metal Merchant Wholesalers	40	40	1.26	0.0%	-0.6%
424320	Men's and Boys' Clothing and Furnishings Merchant Wholesalers	31	67	2.91	116.1%	115.5%
424330	Women's, Children's, and Infants' Clothing and Accessories Merchant Wholesalers	7	15	0.34	114.3%	113.7%
424920	Book, Periodical, and Newspaper Merchant Wholesalers	5	19	0.47	280.0%	279.4%
424930	Flower, Nursery Stock, and Florists' Supplies Merchant Wholesalers	242	346	9.29	43.0%	42.4%
442110	Furniture Stores	124	106	0.50	-14.5%	-15.1%
448310	Jewelry Stores	110	118	1.06	7.3%	6.7%
451140	Musical Instrument and Supplies Stores	25	34	1.34	36.0%	35.4%
451211	Book Stores	130	181	1.75	39.2%	38.6%
451212	News Dealers and Newsstands	5	1	0.16	-80.0%	-80.6%
451220	Prerecorded Tape, Compact Disc, and Record Stores	94	75	2.14	-20.2%	-20.8%
453110	Florists	118	62	0.85	-47.5%	-48.1%
453220	Gift, Novelty, and Souvenir Stores	229	294	1.91	28.4%	27.8%
453310	Used Merchandise Stores	123	122	1.50	-0.8%	-1.4%

TABLE B-4
LIFESTYLE INDUSTRY CLUSTER SUMMARY, SANTA CRUZ COUNTY, 1992 TO 2005

NAICS Code	Industry Description	1992 Santa Cruz County Employment	2005 Santa Cruz County Employment	2005 Location Quotient	Percent Change	Shift-share (Proportional Shift)
453920	Art Dealers	34	9	0.53	-73.5%	-74.1%
453998	All Other Miscellaneous Store Retailers (except Tobacco Stores)	125	152	1.59	21.6%	21.0%
511110	Newspaper Publishers	500	282	1.06	-43.6%	-44.2%
511120	Periodical Publishers	27	21	0.21	-22.2%	-22.8%
511130	Book Publishers	52	44	0.75	-15.4%	-16.0%
541310	Architectural Services	66	84	0.61	27.3%	26.7%
541320	Landscape Architectural Services	20	49	1.60	145.0%	144.4%
541340	Drafting Services	2	2	0.27	0.0%	-0.6%
541410	Interior Design Services	31	21	0.76	-32.3%	-32.9%
541420	Industrial Design Services	9	3	0.35	-66.7%	-67.3%
541490	Other Specialized Design Services	2	3	0.38	50.0%	49.4%
541810	Advertising Agencies	16	41	0.33	156.3%	155.6%
541820	Public Relations Agencies	142	24	0.72	-83.1%	-83.7%
541830	Media Buying Agencies	16	0	0.00	-100.0%	-100.6%
541840	Media Representatives	85	39	1.73	-54.1%	-54.7%
541850	Display Advertising	34	16	0.68	-52.9%	-53.6%
541860	Direct Mail Advertising	97	19	0.39	-80.4%	-81.0%
541870	Advertising Material Distribution Services	13	0	0.00	-100.0%	-100.6%
541890	Other Services Related to Advertising	87	31	0.65	-64.4%	-65.0%
541921	Photography Studios, Portrait	56	37	0.71	-33.9%	-34.5%
541922	Commercial Photography	5	20	2.52	300.0%	299.4%
611610	Fine Arts Schools	10	69	1.57	590.0%	589.4%
813	Religious, Grantmaking, Civic, Professional, and Similar Organizations	916	1,226	1.32	33.8%	33.2%
	LIFESTYLE - COMMERCIAL CRAFTS	**4,545**	**4,257**	**1.01**	**-6.3%**	**-6.9%**
311230	Breakfast Cereal Manufacturing	26	0	0.00	-100.0%	-100.6%
311320	Chocolate and Confectionery Manufacturing from Cacao Beans	6	0	0.00	-100.0%	-100.6%
311330	Confectionery Manufacturing from Purchased Chocolate	42	310	11.54	638.1%	637.5%
311811	Retail Bakeries	141	185	3.83	31.2%	30.6%
311991	Perishable Prepared Food Manufacturing	206	90	4.20	-56.3%	-56.9%
312120	Breweries	110	0	0.00	-100.0%	-100.6%
312130	Wineries	66	158	6.54	139.4%	138.8%
3254	Pharmaceutical and Medicine Manufacturing	101	371	1.79	267.3%	266.7%
424210	Drugs and Druggists' Sundries Merchant Wholesalers	26	29	0.19	11.5%	10.9%
424410	General Line Grocery Merchant Wholesalers	250	196	1.27	-21.6%	-22.2%
424420	Packaged Frozen Food Merchant Wholesalers	80	49	2.28	-38.8%	-39.4%
424430	Dairy Product (except Dried or Canned) Merchant Wholesalers	37	22	0.77	-40.5%	-41.1%
424440	Poultry and Poultry Product Merchant Wholesalers	0	0	0.00	N/A	N/A
424450	Confectionery Merchant Wholesalers	19	31	0.87	63.2%	62.5%
424460	Fish and Seafood Merchant Wholesalers	45	27	1.69	-40.0%	-40.6%
424470	Meat and Meat Product Merchant Wholesalers	2	1	0.04	-50.0%	-50.6%
424480	Fresh Fruit and Vegetable Merchant Wholesalers	276	84	1.55	-69.6%	-70.2%
424490	Other Grocery and Related Products Merchant Wholesalers	92	362	2.34	293.5%	292.9%
424510	Grain and Field Bean Merchant Wholesalers	0	0	0.00	N/A	N/A
424520	Livestock Merchant Wholesalers	0	0	0.00	N/A	N/A
424590	Other Farm Product Raw Material	0	0	0.00	N/A	N/A

TABLE B-4
LIFESTYLE INDUSTRY CLUSTER SUMMARY, SANTA CRUZ COUNTY, 1992 TO 2005

NAICS Code	Industry Description	1992 Santa Cruz County Employment	2005 Santa Cruz County Employment	2005 Location Quotient	Percent Change	Shift-share (Proportional Shift)
	Merchant Wholesalers					
424810	Beer and Ale Merchant Wholesalers	378	384	6.14	1.6%	1.0%
424820	Wine and Distilled Alcoholic Beverage Merchant Wholesalers	88	89	2.14	1.1%	0.5%
445210	Meat Markets	51	40	1.13	-21.6%	-22.2%
445220	Fish and Seafood Markets	14	1	0.10	-92.9%	-93.5%
445230	Fruit and Vegetable Markets	191	271	8.65	41.9%	41.3%
445291	Baked Goods Stores	6	19	1.26	216.7%	216.1%
445292	Confectionery and Nut Stores	2	63	4.34	3050.0%	3049.4%
445299	All Other Specialty Food Stores	274	345	5.28	25.9%	25.3%
446120	Cosmetics, Beauty Supplies, and Perfume Stores	25	59	0.83	136.0%	135.4%
446191	Food (Health) Supplement Stores	153	87	2.84	-43.1%	-43.7%
446199	All Other Health and Personal Care Stores	14	43	1.19	207.1%	206.5%
621310	Offices of Chiropractors	233	154	1.90	-33.9%	-34.5%
621399	Offices of All Other Miscellaneous Health Practitioners	12	14	0.46	16.7%	16.1%
621610	Home Health Care Services	266	120	0.20	-54.9%	-55.5%
622210	Psychiatric and Substance Abuse Hospitals	5	0	0.00	-100.0%	-100.6%
622310	Specialty (except Psychiatric and Substance Abuse) Hospitals	44	3	0.03	-93.2%	-93.8%
623110	Nursing Care Facilities	730	810	0.72	11.0%	10.3%
623210	Residential Mental Retardation Facilities	352	152	0.63	-56.8%	-57.4%
623220	Residential Mental Health and Substance Abuse Facilities	155	361	3.19	132.9%	132.3%
623311	Continuing Care Retirement Communities	122	151	0.70	23.8%	23.2%
623312	Homes for the Elderly	213	420	1.91	97.2%	96.6%
623990	Other Residential Care Facilities	194	187	1.58	-3.6%	-4.2%
624110	Child and Youth Services	267	152	1.40	-43.1%	-43.7%
624120	Services for the Elderly and Persons with Disabilities	296	518	1.61	75.0%	74.4%
624190	Other Individual and Family Services	102	289	1.28	183.3%	182.7%
624310	Vocational Rehabilitation Services	235	280	1.26	19.1%	18.5%
	LIFESTYLE - NATURAL LIFESTYLE	**5,947**	**6,927**	**1.31**	**16.5%**	**15.9%**
487	Scenic and Sightseeing Transportation	14	21	1.06	50.0%	49.4%
5615	Travel Arrangement and Reservation Services	356	237	1.47	-33.4%	-34.0%
611620	Sports and Recreation Instruction	26	114	2.50	338.5%	337.9%
711110	Theater Companies and Dinner Theaters	2	44	1.02	2100.0%	2099.4%
711120	Dance Companies	6	0	0.00	-100.0%	-100.6%
711130	Musical Groups and Artists	119	30	1.04	-74.8%	-75.4%
711190	Other Performing Arts Companies	9	0	0.00	-100.0%	-100.6%
711310	Promoters of Performing Arts, Sports, and Similar Events with Facilities	1	8	0.19	700.0%	699.4%
711320	Promoters of Performing Arts, Sports, and Similar Events without Facilities	12	4	0.26	-66.7%	-67.3%
711410	Agents and Managers for Artists, Athletes, Entertainers, and Other Public Figures	3	1	0.09	-66.7%	-67.3%
711510	Independent Artists, Writers, and Performers	34	36	1.15	5.9%	5.3%
712110	Museums	28	80	1.58	185.7%	185.1%
712120	Historical Sites	2	0	0.00	-100.0%	-100.6%
712130	Zoos and Botanical Gardens	8	0	0.00	-100.0%	-100.6%
712190	Nature Parks and Other Similar Institutions	3	2	0.41	-33.3%	-33.9%
713110	Amusement and Theme Parks	639	757	7.66	18.5%	17.9%
713120	Amusement Arcades	1	16	1.37	1500.0%	1499.4%

TABLE B-4
LIFESTYLE INDUSTRY CLUSTER SUMMARY, SANTA CRUZ COUNTY, 1992 TO 2005

NAICS Code	Industry Description	1992 Santa Cruz County Employment	2005 Santa Cruz County Employment	2005 Location Quotient	Percent Change	Shift-share (Proportional Shift)
713910	Golf Courses and Country Clubs	231	173	0.73	-25.1%	-25.7%
713930	Marinas	23	1	0.04	-95.7%	-96.3%
713940	Fitness and Recreational Sports Centers	377	601	1.74	59.4%	58.8%
713950	Bowling Centers	77	23	0.42	-70.1%	-70.7%
713990	All Other Amusement and Recreation Industries	60	77	0.87	28.3%	27.7%
7211	Traveler Accommodation	858	1,098	0.87	28.0%	27.4%
7212	RV (Recreational Vehicle) Parks and Recreational Camps	96	84	2.28	-12.5%	-13.1%
722110	Full-Service Restaurants	3,360	4,306	1.40	28.2%	27.5%
722211	Limited-Service Restaurants	2,556	2,460	1.03	-3.8%	-4.4%
722212	Cafeterias, Grill Buffets, and Buffets	150	15	0.16	-90.0%	-90.6%
722213	Snack and Nonalcoholic Beverage Bars	504	697	2.38	38.3%	37.7%
722310	Food Service Contractors	11	28	0.10	154.5%	153.9%
722320	Caterers	116	118	1.12	1.7%	1.1%
722330	Mobile Food Services	0	3	0.58	N/A	N/A
722410	Drinking Places (Alcoholic Beverages)	193	189	0.73	-2.1%	-2.7%
	LIFESTYLE - RECREATIONAL SERVICES	**9,875**	**11,223**	**1.23**	**13.7%**	**13.0%**
336612	Boat Building	21	86	1.96	309.5%	308.9%
336991	Motorcycle, Bicycle, and Parts Manufacturing	109	107	7.95	-1.8%	-2.4%
33992	Sporting and Athletic Goods Manufacturing	133	50	1.31	-62.4%	-63.0%
33993	Doll, Toy, and Game Manufacturing	0	0	0.00	N/A	N/A
423910	Sporting and Recreational Goods and Supplies Merchant Wholesalers	61	119	3.43	95.1%	94.5%
423920	Toy and Hobby Goods and Supplies Merchant Wholesalers	3	3	0.18	0.0%	-0.6%
441221	Motorcycle, ATV, and Personal Watercraft Dealers	33	95	1.98	187.9%	187.3%
441222	Boat Dealers	297	286	8.98	-3.7%	-4.3%
451110	Sporting Goods Stores	246	390	2.47	58.5%	57.9%
451120	Hobby, Toy, and Game Stores	71	125	1.25	76.1%	75.4%
	LIFESTYLE - RECREATIONAL PRODUCTS	**974**	**1,261**	**2.54**	**29.5%**	**28.9%**
	LIFESTYLE CLUSTER TOTAL	**21,341**	**23,668**	**1.24**	**10.9%**	**10.3%**

Source: ADE, data from IMPLAN CEW county employment database

TABLE B-5
LIFESTYLE INDUSTRY CLUSTER SUMMARY, SANTA CRUZ COUNTY, 2003 TO 2005

NAICS Code	Industry Description	2003 Santa Cruz County Employment	2005 Santa Cruz County Employment	2005 Location Quotient	Percent Change	Shift-share (Proportional Shift)
------	Total	79,353	79,456	1.00	0.1%	0.0%
323110	Commercial Lithographic Printing	101	92	0.51	-8.9%	-9.0%
323111	Commercial Gravure Printing	4	2	0.17	-50.0%	-50.1%
323112	Commercial Flexographic Printing	0	0	0.00	N/A	N/A
323113	Commercial Screen Printing	29	37	0.78	27.6%	27.5%
323114	Quick Printing	55	40	0.82	-27.3%	-27.4%
323115	Digital Printing	0	1	0.07	N/A	N/A
323117	Books Printing	0	0	0.00	N/A	N/A
323118	Blankbook, Looseleaf Binders, and Devices Manufacturing	0	0	0.00	N/A	N/A
323119	Other Commercial Printing	4	7	0.19	75.0%	74.9%
3271	Clay Product and Refractory Manufacturing	7	12	0.27	71.4%	71.3%
3272	Glass and Glass Product Manufacturing	26	27	0.35	3.8%	3.7%
3371	Household and Institutional Furniture and Kitchen Cabinet Manufacturing	172	177	0.65	2.9%	2.8%
3372	Office Furniture (including Fixtures) Manufacturing	30	35	0.37	16.7%	16.5%
33991	Jewelry and Silverware Manufacturing	25	28	0.90	12.0%	11.9%
33995	Sign Manufacturing	16	26	0.48	62.5%	62.4%
339992	Musical Instrument Manufacturing	77	34	3.54	-55.8%	-56.0%
423210	Furniture Merchant Wholesalers	23	24	0.75	4.3%	4.2%
423220	Home Furnishing Merchant Wholesalers	42	41	0.85	-2.4%	-2.5%
423940	Jewelry, Watch, Precious Stone, and Precious Metal Merchant Wholesalers	40	40	1.26	0.0%	-0.1%
424110	Printing and Writing Paper Merchant Wholesalers	4	0	0.00	-100.0%	-100.1%
424320	Men's and Boys' Clothing and Furnishings Merchant Wholesalers	44	67	2.91	52.3%	52.1%
424330	Women's, Children's, and Infants' Clothing and Accessories Merchant Wholesalers	12	15	0.34	25.0%	24.9%
424340	Footwear Merchant Wholesalers	0	0	0.00	N/A	N/A
424920	Book, Periodical, and Newspaper Merchant Wholesalers	8	19	0.47	137.5%	137.4%
424930	Flower, Nursery Stock, and Florists' Supplies Merchant Wholesalers	275	346	9.29	25.8%	25.7%
442110	Furniture Stores	145	106	0.50	-26.9%	-27.0%
448310	Jewelry Stores	134	118	1.06	-11.9%	-12.1%
451140	Musical Instrument and Supplies Stores	37	34	1.34	-8.1%	-8.2%
451211	Book Stores	222	181	1.75	-18.5%	-18.6%
451212	News Dealers and Newsstands	4	1	0.16	-75.0%	-75.1%
451220	Prerecorded Tape, Compact Disc, and Record Stores	91	75	2.14	-17.6%	-17.7%
453110	Florists	92	62	0.85	-32.6%	-32.7%
453220	Gift, Novelty, and Souvenir Stores	281	294	1.91	4.6%	4.5%
453310	Used Merchandise Stores	134	122	1.50	-9.0%	-9.1%
453920	Art Dealers	23	9	0.53	-60.9%	-61.0%
453998	All Other Miscellaneous Store Retailers (except Tobacco Stores)	131	152	1.59	16.0%	15.9%
511110	Newspaper Publishers	280	282	1.06	0.7%	0.6%
511120	Periodical Publishers	43	21	0.21	-51.2%	-51.3%
511130	Book Publishers	45	44	0.75	-2.2%	-2.4%
511191	Greeting Card Publishers	0	0	0.00	N/A	N/A
511199	All Other Publishers	2	2	0.18	0.0%	-0.1%
541310	Architectural Services	69	84	0.61	21.7%	21.6%
541320	Landscape Architectural Services	51	49	1.60	-3.9%	-4.1%
541340	Drafting Services	3	2	0.27	-33.3%	-33.5%
541410	Interior Design Services	10	21	0.76	110.0%	109.9%
541420	Industrial Design Services	31	3	0.35	-90.3%	-90.5%

TABLE B-5
LIFESTYLE INDUSTRY CLUSTER SUMMARY, SANTA CRUZ COUNTY, 2003 TO 2005

NAICS Code	Industry Description	2003 Santa Cruz County Employment	2005 Santa Cruz County Employment	2005 Location Quotient	Percent Change	Shift-share (Proportional Shift)
541490	Other Specialized Design Services	0	3	0.38	N/A	N/A
541810	Advertising Agencies	84	41	0.33	-51.2%	-51.3%
541820	Public Relations Agencies	12	24	0.72	100.0%	99.9%
541830	Media Buying Agencies	0	0	0.00	N/A	N/A
541840	Media Representatives	7	39	1.73	457.1%	457.0%
541850	Display Advertising	64	16	0.68	-75.0%	-75.1%
541860	Direct Mail Advertising	2	19	0.39	850.0%	849.9%
541870	Advertising Material Distribution Services	0	0	0.00	N/A	N/A
541890	Other Services Related to Advertising	1	31	0.65	3000.0%	2999.9%
541921	Photography Studios, Portrait	42	37	0.71	-11.9%	-12.0%
541922	Commercial Photography	14	20	2.52	42.9%	42.7%
611610	Fine Arts Schools	64	69	1.57	7.8%	7.7%
813	Religious, Grantmaking, Civic, Professional, and Similar Organizations	1,361	1,226	1.32	-9.9%	-10.0%
	LIFESTYLE - COMMERCIAL CRAFTS	**4,473**	**4,257**	**1.01**	**-4.8%**	**-5.0%**
311230	Breakfast Cereal Manufacturing	0	0	0.00	N/A	N/A
311320	Chocolate and Confectionery Manufacturing from Cacao Beans	0	0	0.00	N/A	N/A
311330	Confectionery Manufacturing from Purchased Chocolate	240	310	11.54	29.2%	29.0%
311811	Retail Bakeries	140	185	3.83	32.1%	32.0%
311991	Perishable Prepared Food Manufacturing	59	90	4.20	52.5%	52.4%
312120	Breweries	0	0	0.00	N/A	N/A
312130	Wineries	136	158	6.54	16.2%	16.0%
3254	Pharmaceutical and Medicine Manufacturing	336	371	1.79	10.4%	10.3%
424210	Drugs and Druggists' Sundries Merchant Wholesalers	32	29	0.19	-9.4%	-9.5%
424410	General Line Grocery Merchant Wholesalers	216	196	1.27	-9.3%	-9.4%
424420	Packaged Frozen Food Merchant Wholesalers	49	49	2.28	0.0%	-0.1%
424430	Dairy Product (except Dried or Canned) Merchant Wholesalers	42	22	0.77	-47.6%	-47.7%
424440	Poultry and Poultry Product Merchant Wholesalers	0	0	0.00	N/A	N/A
424450	Confectionery Merchant Wholesalers	0	31	0.87	N/A	N/A
424460	Fish and Seafood Merchant Wholesalers	27	27	1.69	0.0%	-0.1%
424470	Meat and Meat Product Merchant Wholesalers	0	1	0.04	N/A	N/A
424480	Fresh Fruit and Vegetable Merchant Wholesalers	147	84	1.55	-42.9%	-43.0%
424490	Other Grocery and Related Products Merchant Wholesalers	224	362	2.34	61.6%	61.5%
424510	Grain and Field Bean Merchant Wholesalers	0	0	0.00	N/A	N/A
424520	Livestock Merchant Wholesalers	0	0	0.00	N/A	N/A
424590	Other Farm Product Raw Material Merchant Wholesalers	0	0	0.00	N/A	N/A
424810	Beer and Ale Merchant Wholesalers	255	384	6.14	50.6%	50.5%
424820	Wine and Distilled Alcoholic Beverage Merchant Wholesalers	28	89	2.14	217.9%	217.7%
445210	Meat Markets	58	40	1.13	-31.0%	-31.2%
445220	Fish and Seafood Markets	2	1	0.10	-50.0%	-50.1%
445230	Fruit and Vegetable Markets	209	271	8.65	29.7%	29.5%
445291	Baked Goods Stores	31	19	1.26	-38.7%	-38.8%
445292	Confectionery and Nut Stores	0	63	4.34	N/A	N/A
445299	All Other Specialty Food Stores	485	345	5.28	-28.9%	-29.0%
446120	Cosmetics, Beauty Supplies, and Perfume Stores	65	59	0.83	-9.2%	-9.4%

TABLE B-5
LIFESTYLE INDUSTRY CLUSTER SUMMARY, SANTA CRUZ COUNTY, 2003 TO 2005

NAICS Code	Industry Description	2003 Santa Cruz County Employment	2005 Santa Cruz County Employment	2005 Location Quotient	Percent Change	Shift-share (Proportional Shift)
446191	Food (Health) Supplement Stores	70	87	2.84	24.3%	24.2%
446199	All Other Health and Personal Care Stores	22	43	1.19	95.5%	95.3%
621310	Offices of Chiropractors	206	154	1.90	-25.2%	-25.4%
621399	Offices of All Other Miscellaneous Health Practitioners	29	14	0.46	-51.7%	-51.9%
621610	Home Health Care Services	175	120	0.20	-31.4%	-31.6%
622210	Psychiatric and Substance Abuse Hospitals	0	0	0.00	N/A	N/A
622310	Specialty (except Psychiatric and Substance Abuse) Hospitals	572	3	0.03	-99.5%	-99.6%
623110	Nursing Care Facilities	747	810	0.72	8.4%	8.3%
623210	Residential Mental Retardation Facilities	296	152	0.63	-48.6%	-48.8%
623220	Residential Mental Health and Substance Abuse Facilities	364	361	3.19	-0.8%	-1.0%
623311	Continuing Care Retirement Communities	230	151	0.70	-34.3%	-34.5%
623312	Homes for the Elderly	230	420	1.91	82.6%	82.5%
623990	Other Residential Care Facilities	155	187	1.58	20.6%	20.5%
624110	Child and Youth Services	189	152	1.40	-19.6%	-19.7%
624120	Services for the Elderly and Persons with Disabilities	452	518	1.61	14.6%	14.5%
624190	Other Individual and Family Services	316	289	1.28	-8.5%	-8.7%
624310	Vocational Rehabilitation Services	225	280	1.26	24.4%	24.3%
	LIFESTYLE - NATURAL LIFESTYLE	**7,059**	**6,927**	**1.31**	**-1.9%**	**-2.0%**
487	Scenic and Sightseeing Transportation	14	21	1.06	50.0%	49.9%
5615	Travel Arrangement and Reservation Services	271	237	1.47	-12.5%	-12.7%
611620	Sports and Recreation Instruction	92	114	2.50	23.9%	23.8%
711110	Theater Companies and Dinner Theaters	2	44	1.02	2100.0%	2099.9%
711120	Dance Companies	2	0	0.00	-100.0%	-100.1%
711130	Musical Groups and Artists	71	30	1.04	-57.7%	-57.9%
711190	Other Performing Arts Companies	13	0	0.00	-100.0%	-100.1%
711310	Promoters of Performing Arts, Sports, and Similar Events with Facilities	7	8	0.19	14.3%	14.2%
711320	Promoters of Performing Arts, Sports, and Similar Events without Facilities	7	4	0.26	-42.9%	-43.0%
711410	Agents and Managers for Artists, Athletes, Entertainers, and Other Public Figures	17	1	0.09	-94.1%	-94.2%
711510	Independent Artists, Writers, and Performers	27	36	1.15	33.3%	33.2%
712110	Museums	68	80	1.58	17.6%	17.5%
712120	Historical Sites	0	0	0.00	N/A	N/A
712130	Zoos and Botanical Gardens	0	0	0.00	N/A	N/A
712190	Nature Parks and Other Similar Institutions	0	2	0.41	N/A	N/A
713110	Amusement and Theme Parks	3	757	7.66	25133.3%	25133.2%
713120	Amusement Arcades	567	16	1.37	-97.2%	-97.3%
713910	Golf Courses and Country Clubs	185	173	0.73	-6.5%	-6.6%
713930	Marinas	27	1	0.04	-96.3%	-96.4%
713940	Fitness and Recreational Sports Centers	638	601	1.74	-5.8%	-5.9%
713950	Bowling Centers	3	23	0.42	666.7%	666.5%
713990	All Other Amusement and Recreation Industries	58	77	0.87	32.8%	32.6%
7211	Traveler Accommodation	1,233	1,098	0.87	-10.9%	-11.1%
7212	RV (Recreational Vehicle) Parks and Recreational Camps	131	84	2.28	-35.9%	-36.0%
722110	Full-Service Restaurants	4,111	4,306	1.40	4.7%	4.6%
722211	Limited-Service Restaurants	2,684	2,460	1.03	-8.3%	-8.5%

TABLE B-5
LIFESTYLE INDUSTRY CLUSTER SUMMARY, SANTA CRUZ COUNTY, 2003 TO 2005

NAICS Code	Industry Description	2003 Santa Cruz County Employment	2005 Santa Cruz County Employment	2005 Location Quotient	Percent Change	Shift-share (Proportional Shift)
722212	Cafeterias, Grill Buffets, and Buffets	24	15	0.16	-37.5%	-37.6%
722213	Snack and Nonalcoholic Beverage Bars	653	697	2.38	6.7%	6.6%
722310	Food Service Contractors	35	28	0.10	-20.0%	-20.1%
722320	Caterers	387	118	1.12	-69.5%	-69.6%
722330	Mobile Food Services	0	3	0.58	N/A	N/A
722410	Drinking Places (Alcoholic Beverages)	169	189	0.73	11.8%	11.7%
	LIFESTYLE - RECREATIONAL SERVICES	**11,499**	**11,223**	**1.23**	**-2.4%**	**-2.5%**
336612	Boat Building	7	86	1.96	1128.6%	1128.4%
336991	Motorcycle, Bicycle, and Parts Manufacturing	94	107	7.95	13.8%	13.7%
33992	Sporting and Athletic Goods Manufacturing	34	50	1.31	47.1%	46.9%
33993	Doll, Toy, and Game Manufacturing	3	0	0.00	-100.0%	-100.1%
423910	Sporting and Recreational Goods and Supplies Merchant Wholesalers	151	119	3.43	-21.2%	-21.3%
423920	Toy and Hobby Goods and Supplies Merchant Wholesalers	8	3	0.18	-62.5%	-62.6%
441221	Motorcycle, ATV, and Personal Watercraft Dealers	99	95	1.98	-4.0%	-4.2%
441222	Boat Dealers	459	286	8.98	-37.7%	-37.8%
451110	Sporting Goods Stores	408	390	2.47	-4.4%	-4.5%
451120	Hobby, Toy, and Game Stores	153	125	1.25	-18.3%	-18.4%
	LIFESTYLE - RECREATIONAL PRODUCTS	**1,416**	**1,261**	**2.54**	**-10.9%**	**-11.1%**
	LIFESTYLE CLUSTER TOTAL	**24,447**	**23,668**	**1.24**	**-3.2%**	**-3.3%**

Source: ADE, data from IMPLAN CEW county employment database

Commercial Crafts

This subcategory within the lifestyle cluster comprises small-scale craft-oriented manufacturing industries producing woodworking, stone and glass products, as well as specialized products such as musical instruments. This activity also includes artists, designers, printers, advertising, photography, and supporting retail and distribution operations.

Between 1992 and 2005, commercial crafts businesses declined from 4,500 to 4,200 and from 4,400 to 4,200 between 2003 and 2005. The employment concentration for commercial crafts in Santa Cruz County is about the same as the national average.

Natural Lifestyle

Natural lifestyle businesses are tied to natural food products, alternative health products, alternative health services, natural health and beauty aids, and supporting distribution and retail operations.

Between 1992 and 2005, natural lifestyle industries in Santa Cruz County grew by 17 percent to nearly 7,000 jobs. Between 2003 and 2005, these industries had a slight decline of about two percent. Employment concentration in these industries is slightly above the national average (location quotient = 1.29).

Recreational Services

The recreational services subcategory includes recreational activities, attractions, restaurants, performing arts, and transportation services. Many of these industries serve both local and visitor-serving markets. The employment in this grouping is dominated by food service industries.

Between 1992 and 2005, the recreational services sectors in Santa Cruz County grew by 13 percent to over 10,000 jobs. The short-term trend (2003 to 2005) shows virtually no change with less than a one percent employment decline. Compared to national trends, the long-term employment growth since 1992 occurred at a slower rate, which is indicated by the negative shift-share (differential shift).

Recreational Products

This lifestyle subcategory primarily focuses on manufacturing and distribution of recreational products such as boats, bicycles, sporting and athletic goods, and toys and hobbies. Among the different subcategories within the lifestyle cluster, recreational products has the highest location concentration compared to national trends (location quotient = 2.54).

Between 1992 and 2005, recreational products sectors grew by about 30 percent for a 2005 total of nearly 1,300 jobs. However, the short-term trend showed an 11 percent decline from the 2003 employment total of 1,400 jobs. Despite the robust growth since 1992, the local job growth in recreational products still did not keep pace with national employment growth trends, as indicated by the negative shift-share (differential shift).

FOOD AND AGRICULTURE

Food and agricultural production is primarily concentrated in the southern section of Santa Cruz County, and represents a significant concentration of employment and economic activity in the region. Businesses in this sector also benefit from trade activity within Monterey County, which has one of the most prolific agricultural economies in the country. However, activity in this sector, while still highly concentrated, has declined significantly in recent years.

The cluster is generally comprised of the following major industry sectors and activities:

- Agricultural production
- Livestock production
- Agricultural support services
- Forestry
- Food processing
- Beverage manufacturing
- Wholesale trade
- Trucking
- Other transportation support services
- Refrigerated warehousing
- Packaging services

- Environmental consulting
- Other technical services

Between 1992 and 2005, employment in the food and agriculture cluster declined by over 30 percent, from over 17,300 jobs in 1992 to around 12,000 jobs in 2005. In more recent years, this employment decline has stabilized with only about 400 jobs lost between 2003 and 2005. The employment concentration, despite these steep declines, remains high in this cluster with a location quotient of 3.02.

TABLE B-6
FOOD AND AGRICULTURE INDUSTRY CLUSTER SUMMARY, SANTA CRUZ COUNTY, 1992 TO 2005

NAICS Code	Industry Description	1992 Santa Cruz County Employment	2005 Santa Cruz County Employment	2005 Location Quotient	Percent Change	Shift-share (Proportional Shift)
------	Total	78,975	79,456	1.00	0.6%	0.0%
111	Crop Production	10,448	7,370	18.70	-29.5%	-30.1%
112	Animal Production	72	179	1.17	148.6%	148.0%
113	Forestry and Logging	17	24	0.47	41.2%	40.6%
115111	Cotton Ginning	0	0	0.00	N/A	N/A
115112	Soil Preparation, Planting, and Cultivating	36	47	2.87	30.6%	29.9%
115113	Crop Harvesting, Primarily by Machine	26	0	0.00	-100.0%	N/A
115114	Postharvest Crop Activities (except Cotton Ginning)	107	217	4.28	102.8%	102.2%
115115	Farm Labor Contractors and Crew Leaders	30	76	0.70	153.3%	152.7%
115116	Farm Management Services	121	2	0.18	-98.3%	-99.0%
115210	Support Activities for Animal Production	15	2	0.10	-86.7%	-87.3%
115310	Support Activities for Forestry	1	5	0.45	400.0%	399.4%
221310	Water Supply and Irrigation Systems	10	9	0.36	-10.0%	-10.6%
311	Food Manufacturing	4,491	1,972	1.86	-56.1%	-56.7%
312111	Soft Drink Manufacturing	14	0	0.00	-100.0%	N/A
312112	Bottled Water Manufacturing	0	5	0.45	N/A	N/A
312120	Breweries	110	0	0.00	-100.0%	N/A
312130	Wineries	66	158	6.54	139.4%	138.8%
312140	Distilleries	0	0	0.00	N/A	N/A
424420	Packaged Frozen Food Merchant Wholesalers	80	49	2.28	-38.8%	-39.4%
424430	Dairy Product (except Dried or Canned) Merchant Wholesalers	37	22	0.77	-40.5%	-41.1%
424440	Poultry and Poultry Product Merchant Wholesalers	0	0	0.00	N/A	N/A
424450	Confectionery Merchant Wholesalers	19	31	0.87	63.2%	62.5%
424460	Fish and Seafood Merchant Wholesalers	45	27	1.69	-40.0%	-40.6%
424470	Meat and Meat Product Merchant Wholesalers	2	1	0.04	-50.0%	-50.6%
424480	Fresh Fruit and Vegetable Merchant Wholesalers	276	84	1.55	-69.6%	-70.2%
424490	Other Grocery and Related Products Merchant Wholesalers	92	362	2.34	293.5%	292.9%
424510	Grain and Field Bean Merchant Wholesalers	0	0	0.00	N/A	N/A
424520	Livestock Merchant Wholesalers	0	0	0.00	N/A	N/A
424590	Other Farm Product Raw Material Merchant Wholesalers	0	0	0.00	N/A	N/A
424810	Beer and Ale Merchant Wholesalers	378	384	6.14	1.6%	1.0%
424820	Wine and Distilled Alcoholic Beverage Merchant Wholesalers	88	89	2.14	1.1%	0.5%
424910	Farm Supplies Merchant Wholesalers	33	27	0.35	-18.2%	-18.8%
484110	General Freight Trucking, Local	147	273	1.64	85.7%	85.1%
484121	General Freight Trucking, Long-Distance, Truckload	117	19	0.05	-83.8%	-84.4%

TABLE B-6
FOOD AND AGRICULTURE INDUSTRY CLUSTER SUMMARY, SANTA CRUZ COUNTY, 1992 TO 2005

NAICS Code	Industry Description	1992 Santa Cruz County Employment	2005 Santa Cruz County Employment	2005 Location Quotient	Percent Change	Shift-share (Proportional Shift)
484122	General Freight Trucking, Long-Distance, Less Than Truckload	57	0	0.00	-100.0%	N/A
484220	Specialized Freight (except Used Goods) Trucking, Local	139	139	0.97	0.0%	-0.6%
484230	Specialized Freight (except Used Goods) Trucking, Long-Distance	29	0	0.00	-100.0%	N/A
488210	Support Activities for Rail Transportation	0	0	0.00	N/A	N/A
488310	Port and Harbor Operations	0	0	0.00	N/A	N/A
488320	Marine Cargo Handling	0	0	0.00	N/A	N/A
488510	Freight Transportation Arrangement	7	23	0.18	228.6%	228.0%
488991	Packing and Crating	0	0	0.00	N/A	N/A
488999	All Other Support Activities for Transportation	0	0	0.00	N/A	N/A
493120	Refrigerated Warehousing and Storage	161	176	5.53	9.3%	8.7%
493130	Farm Product Warehousing and Storage	0	0	0.00	N/A	N/A
541614	Process, Physical Distribution, and Logistics Consulting Services	9	9	0.17	0.0%	-0.6%
541620	Environmental Consulting Services	20	136	2.76	580.0%	579.4%
541690	Other Scientific and Technical Consulting Services	12	144	2.29	1100.0%	1099.4%
561910	Packaging and Labeling Services	12	0	0.00	-100.0%	N/A
	FOOD AND AGRICULTURE CLUSTER TOTAL	**17,324**	**12,061**	**3.02**	**-30.4%**	**-31.0%**

Source: ADE, data from IMPLAN CEW county employment database

TABLE B-7
FOOD AND AGRICULTURE INDUSTRY CLUSTER SUMMARY, SANTA CRUZ COUNTY, 2003 TO 2005

NAICS Code	Industry Description	2003 Santa Cruz County Employment	2005 Santa Cruz County Employment	2005 Location Quotient	Percent Change	Shift-share (Proportional Shift)
------	Total	79,353	79,456	1.00	0.1%	0.0%
111	Crop Production	8,189	7,370	18.70	-10.0%	-10.1%
112	Animal Production	82	179	1.17	118.3%	118.2%
113	Forestry and Logging	19	24	0.47	26.3%	26.2%
115111	Cotton Ginning	0	0	0.00	N/A	N/A
115112	Soil Preparation, Planting, and Cultivating	28	47	2.87	67.9%	67.7%
115113	Crop Harvesting, Primarily by Machine	0	0	0.00	N/A	N/A
115114	Postharvest Crop Activities (except Cotton Ginning)	166	217	4.28	30.7%	30.6%
115115	Farm Labor Contractors and Crew Leaders	70	76	0.70	8.6%	8.4%
115116	Farm Management Services	0	2	0.18	N/A	N/A
115210	Support Activities for Animal Production	1	2	0.10	100.0%	99.9%
115310	Support Activities for Forestry	6	5	0.45	-16.7%	-16.8%
221310	Water Supply and Irrigation Systems	93	9	0.36	-90.3%	-90.5%
311	Food Manufacturing	1,935	1,972	1.86	1.9%	1.8%
312111	Soft Drink Manufacturing	6	0	0.00	-100.0%	-100.1%
312112	Bottled Water Manufacturing	0	5	0.45	N/A	N/A
312120	Breweries	0	0	0.00	N/A	N/A
312130	Wineries	136	158	6.54	16.2%	16.0%
312140	Distilleries	0	0	0.00	N/A	N/A
424420	Packaged Frozen Food Merchant Wholesalers	49	49	2.28	0.0%	-0.1%
424430	Dairy Product (except Dried or Canned) Merchant Wholesalers	42	22	0.77	-47.6%	-47.7%
424440	Poultry and Poultry Product Merchant Wholesalers	0	0	0.00	N/A	N/A
424450	Confectionery Merchant Wholesalers	0	31	0.87	N/A	N/A

TABLE B-7
FOOD AND AGRICULTURE INDUSTRY CLUSTER SUMMARY, SANTA CRUZ COUNTY, 2003 TO 2005

NAICS Code	Industry Description	2003 Santa Cruz County Employment	2005 Santa Cruz County Employment	2005 Location Quotient	Percent Change	Shift-share (Proportional Shift)
424460	Fish and Seafood Merchant Wholesalers	27	27	1.69	0.0%	-0.1%
424470	Meat and Meat Product Merchant Wholesalers	0	1	0.04	N/A	N/A
424480	Fresh Fruit and Vegetable Merchant Wholesalers	147	84	1.55	-42.9%	-43.0%
424490	Other Grocery and Related Products Merchant Wholesalers	224	362	2.34	61.6%	61.5%
424510	Grain and Field Bean Merchant Wholesalers	0	0	0.00	N/A	N/A
424520	Livestock Merchant Wholesalers	0	0	0.00	N/A	N/A
424590	Other Farm Product Raw Material Merchant Wholesalers	0	0	0.00	N/A	N/A
424810	Beer and Ale Merchant Wholesalers	255	384	6.14	50.6%	50.5%
424820	Wine and Distilled Alcoholic Beverage Merchant Wholesalers	28	89	2.14	217.9%	217.7%
424910	Farm Supplies Merchant Wholesalers	25	27	0.35	8.0%	7.9%
484110	General Freight Trucking, Local	177	273	1.64	54.2%	54.1%
484121	General Freight Trucking, Long-Distance, Truckload	118	19	0.05	-83.9%	-84.0%
484122	General Freight Trucking, Long-Distance, Less Than Truckload	10	0	0.00	-100.0%	-100.1%
484220	Specialized Freight (except Used Goods) Trucking, Local	202	139	0.97	-31.2%	-31.3%
484230	Specialized Freight (except Used Goods) Trucking, Long-Distance	0	0	0.00	N/A	N/A
488210	Support Activities for Rail Transportation	0	0	0.00	N/A	N/A
488310	Port and Harbor Operations	0	0	0.00	N/A	N/A
488320	Marine Cargo Handling	0	0	0.00	N/A	N/A
488510	Freight Transportation Arrangement	20	23	0.18	15.0%	14.9%
488991	Packing and Crating	0	0	0.00	N/A	N/A
488999	All Other Support Activities for Transportation	0	0	0.00	N/A	N/A
493120	Refrigerated Warehousing and Storage	128	176	5.53	37.5%	37.4%
493130	Farm Product Warehousing and Storage	0	0	0.00	N/A	N/A
541614	Process, Physical Distribution, and Logistics Consulting Services	15	9	0.17	-40.0%	-40.1%
541620	Environmental Consulting Services	138	136	2.76	-1.4%	-1.6%
541690	Other Scientific and Technical Consulting Services	91	144	2.29	58.2%	58.1%
561910	Packaging and Labeling Services	0	0	0.00	N/A	N/A
	FOOD AND AGRICULTURE CLUSTER TOTAL	**12,427**	**12,061**	**3.02**	**-2.9%**	**-3.1%**

Source: ADE, data from IMPLAN CEW county employment database

HEALTH CARE AND CONSTRUCTION INDUSTRIES

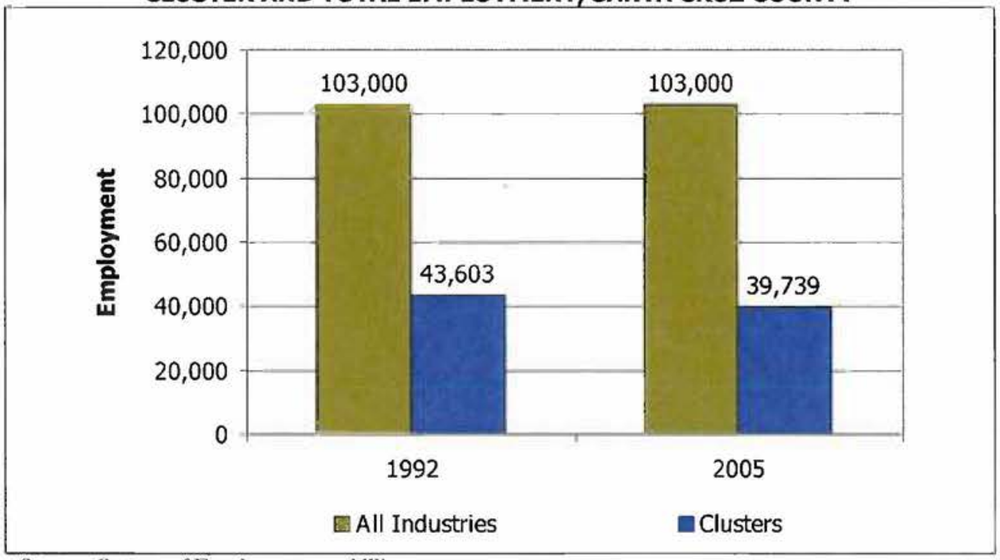
The County recognizes that the health care and construction industries provide important employment opportunities. However, they have not yet achieved the concentration levels comparable to industry clusters in the County, as shown in Table B-8.

TABLE B-8
SANTA CRUZ COUNTY HEALTH CARE AND CONSTRUCTION INDUSTRIES

NAICS	Description	County 1992 Employment	County 2005 Employment	U.S. 1992 Employment	U.S. 2005 Employment	LQ 1992	LQ 2005	County Employment Change	County % Change	Shift-Share
------	**Total, all industries**	**33,744**	**38,237**	**89,270,150**	**110,634,500**	**1.00**	**1.00**	**4,493**	**13.3%**	**-10.6%**
	HEALTH									
62	Health care and social assistance	1,606	2,409	10,162,780	14,337,710	0.42	0.49	803	50.0%	8.9%
	SELECTED INDUSTRY COMPONENTS									
3254	Pharmaceutical and medicine manufacturing	51	0	235,145	287,952	0.57	0.00	-51	-100.0%	-122.5%
446	Health and personal care stores	238	307	795,363	948,622	0.79	0.94	69	29.0%	9.7%
621	Ambulatory health care services	856	1,392	3,342,060	5,107,869	0.68	0.79	536	62.6%	9.8%
622	Hospitals	48	388	3,535,465	4,300,763	0.04	0.26	340	708.3%	686.7%
623	Nursing and residential care facilities	452	79	2,085,351	2,841,976	0.57	0.08	-373	-82.5%	-118.8%
	TOTAL SELECTED INDUSTRIES	**1,645**	**2,166**	**9,993,384**	**13,487,182**	**0.53**	**0.41**	**104.20**	**123.5%**	**93.0%**
	CONSTRUCTION									
23	Construction	1,490	1,966	4,532,844	7,267,301	0.87	0.78	476	31.9%	-28.4%
	SELECTED INDUSTRY COMPONENTS									
238	Specialty trade contractors	845	1,266	2,679,536	4,626,996	0.83	0.79	421	49.8%	-22.9%
236	Construction of buildings	342	397	1,125,269	1,709,601	0.80	0.67	55	16.1%	-35.8%
237	Heavy and civil engineering construction	303	303	728,040	930,704	1.10	0.94	0	0.0%	-27.8%
337	Furniture and related product manufacturing	27	8	591887	565031	0.12	0.04	-19	-70.4%	-65.8%
	TOTAL SELECTED INDUSTRIES	**1,517**	**1,974**	**5,124,732**	**7,832,332**	**0.72**	**0.61**	**114.25**	**-1.1%**	**-38.1%**

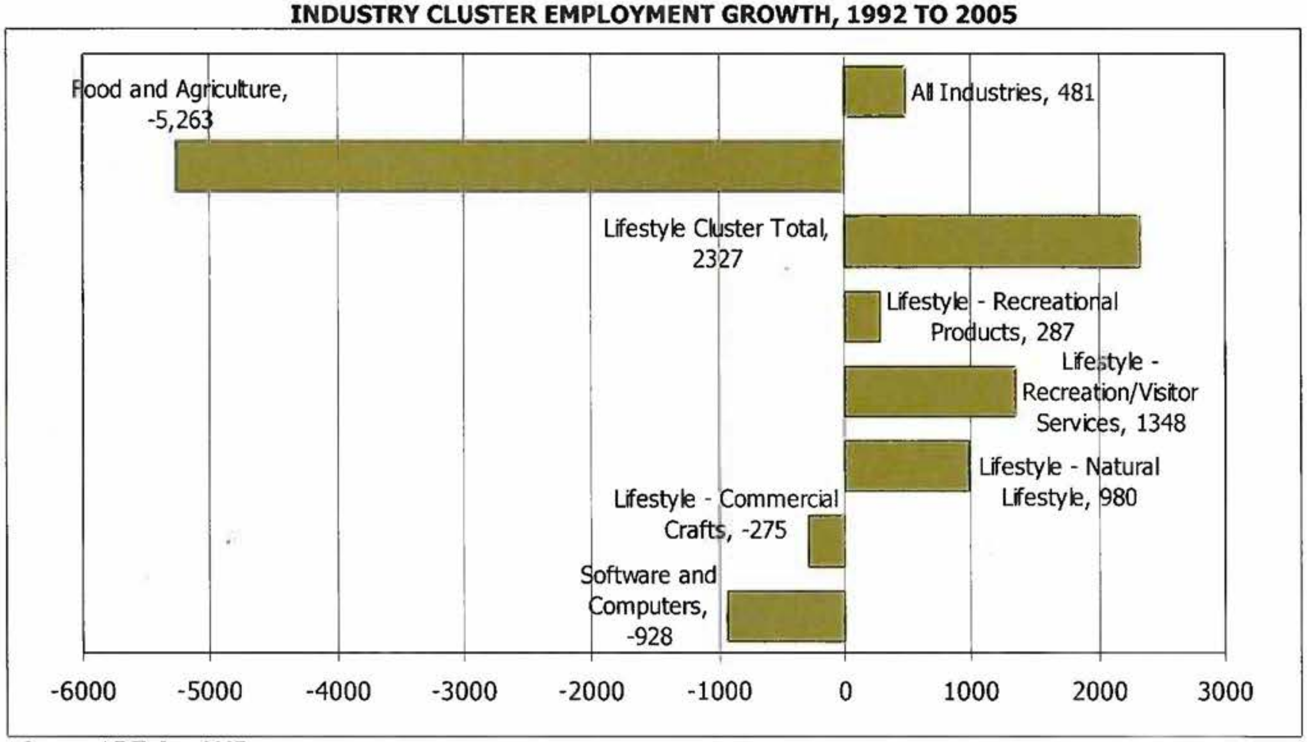
Source: ADE, Inc., Minnesota IMPLAN Group 2005

FIGURE B-1
CLUSTER AND TOTAL EMPLOYMENT, SANTA CRUZ COUNTY



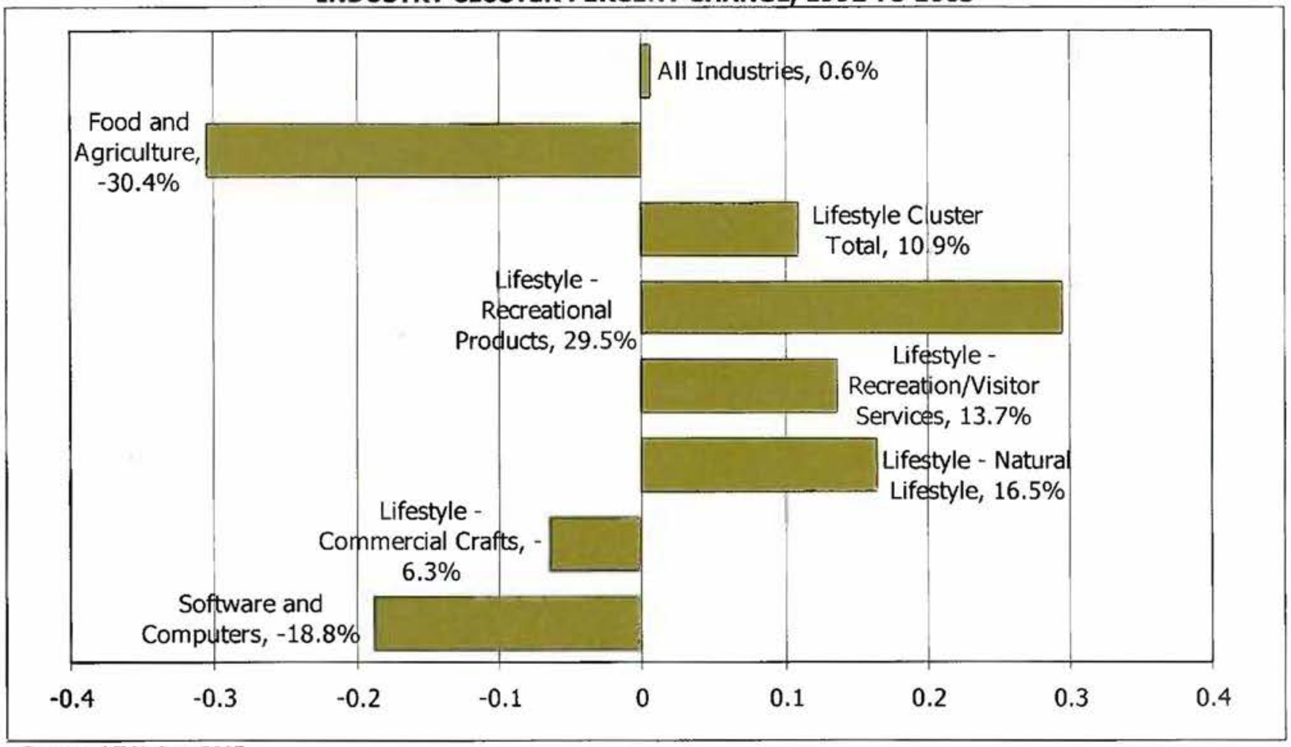
Source: Census of Employment and Wages

FIGURE B-2
INDUSTRY CLUSTER EMPLOYMENT GROWTH, 1992 TO 2005



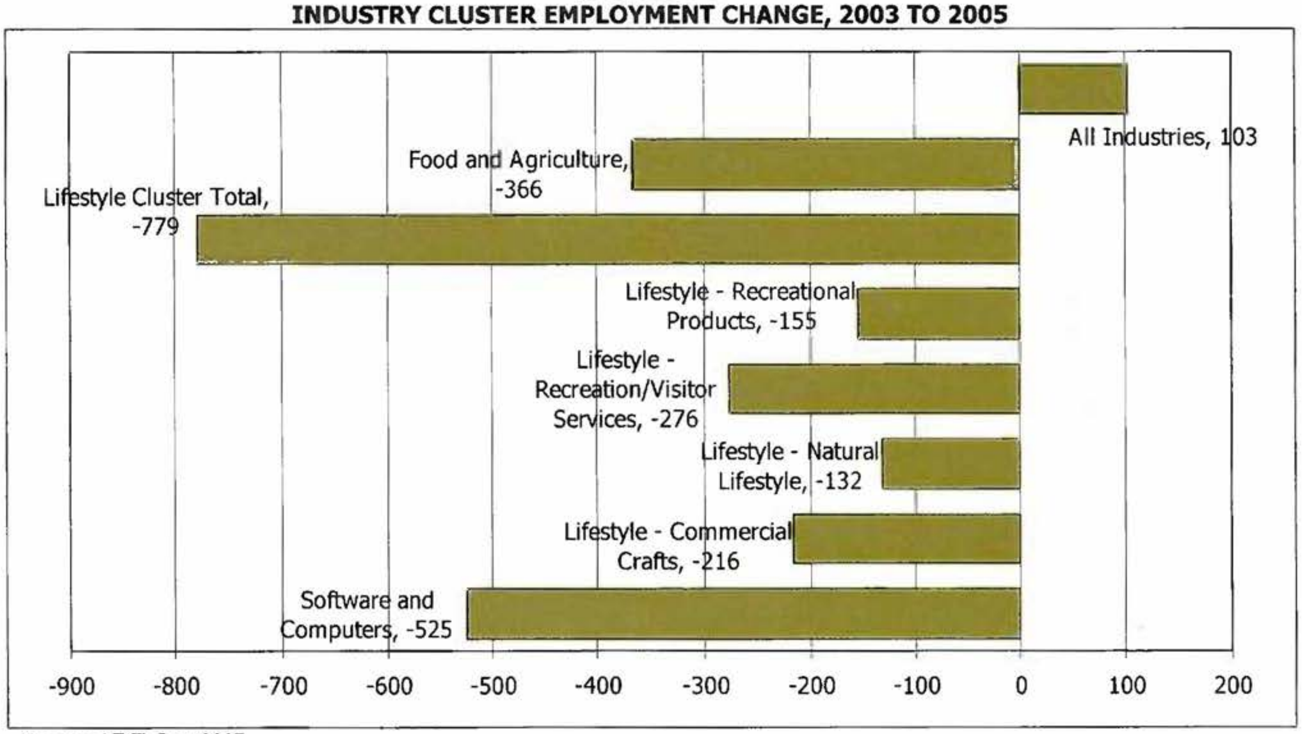
Source: ADE, Inc. 2007

FIGURE B-3
INDUSTRY CLUSTER PERCENT CHANGE, 1992 TO 2005



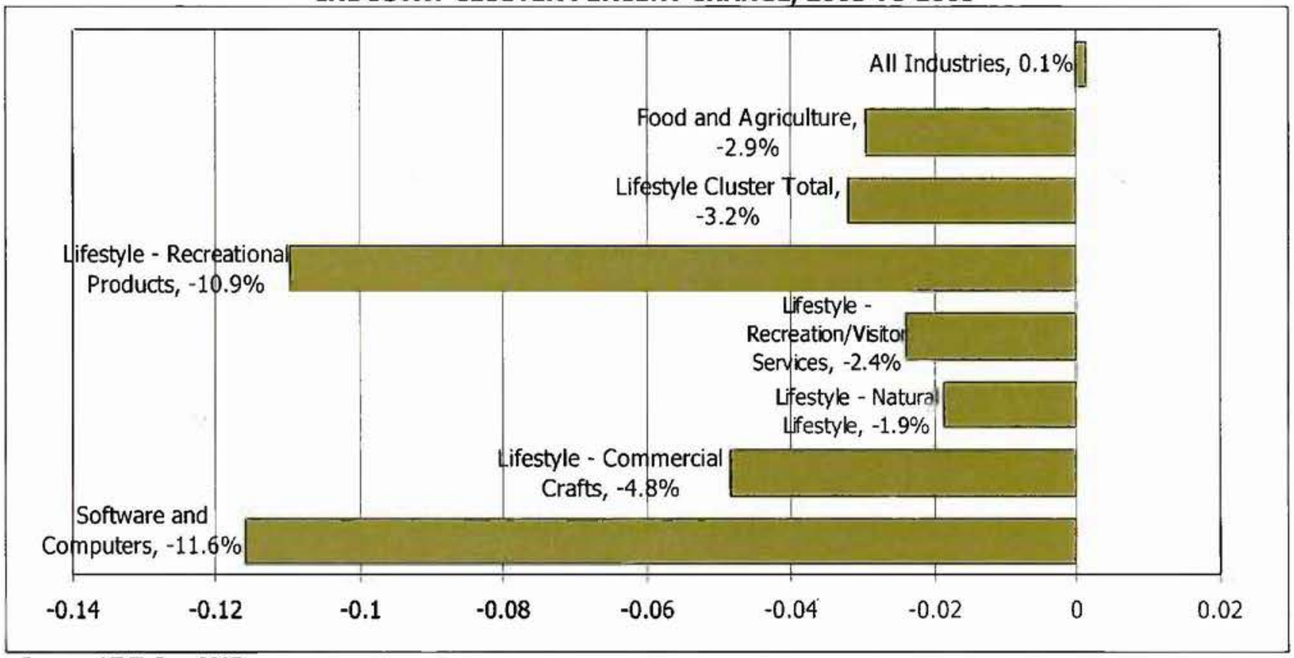
Source: ADE, Inc. 2007

FIGURE B-4
INDUSTRY CLUSTER EMPLOYMENT CHANGE, 2003 TO 2005



Source: ADE, Inc. 2007

FIGURE B-5
INDUSTRY CLUSTER PERCENT CHANGE, 2003 TO 2005



Source: ADE, Inc. 2007

APPENDIX C: PARTNERS

The CEDS chapter discussing regional countywide participation lists many of the economic development partners in Santa Cruz County. In addition, the implementation plan indicates the leading partners for the specific goals and objectives in the plan. The Workforce Investment Board (WIB) itself represents a wide range of interested agencies and organizations involved in economic development, as reflected in the affiliations of the WIB members below. The County wishes to recognize additional partners in the process, some of which are indicated by type of organization below. This list is not exhaustive, and the County intends to work with all organizations that contribute to the economic development efforts in Santa Cruz County.

Workforce Investment Board Members	*Agency Partners*
▪ Aman, Alan, PAMF Santa Cruz ▪ Arsenault, Paul, Sheet Metal Workers Union #104 ▪ Ayyad, Alia, Center for Employment Training ▪ Berry-Wahrer, Diane, California Dept of Rehabilitation ▪ Caput, Greg, Supervisor, Santa Cruz County Board of Supervisors ▪ Carroll, Jack, Watsonville/Aptos Adult Education ▪ Cheney, Jack, Wonderfully Raw Gourmet ▪ Collins, John T., II, Goodwill Industries ▪ Cuevas, Christina, Community Foundation of Santa Cruz Co. ▪ Custodio, Valerie, Target ▪ De La Garza, MariaElena, Community Action Board ▪ Delk, Marshall, Santa Cruz County Bank ▪ Destout, Elyse, Photography by Elyse Destout ▪ Dion, James, Employment Development Department ▪ Espinola, Cecilia, Santa Cruz County Human Services Dept. ▪ Gundersgaard, Jon, Seagate Technology ▪ Hartmann, Andy, IBEW Union, Local 234 ▪ Hodges, Mark, ROP-Santa Cruz County Office of Education ▪ Hood, David, First Alarm Company ▪ Kates, Corrie, City of Scotts Valley ▪ Lambert, Julie, S. Martinelli and Co. ▪ Miranda, Vicki, Dominican Hospital ▪ Morse, Rob, Pacific Gas and Electric Company ▪ Palacios, Carlos, City of Watsonville ▪ Pfotenhauer, Rock, Cabrillo College ▪ Pieri, Lana, Monterey Peninsula Horticulture ▪ Rodriguez, Francisco, PVFT Union, Local 1936 ▪ Sherer, Howard, Chair, Hutton-Sherer Marketing ▪ Siegel, Carol, Vice-Chair, Santa Cruz Seaside Company ▪ Slack, Ron, Fine Print Graphic Design ▪ Tysseling, William, Santa Cruz Chamber of Commerce ▪ Williamson, Robert, IATSE, Local 611	▪ Cabrillo College ▪ California Employment Development Department ▪ Chambers of Commerce ▪ Center for Employment Training ▪ Human Care Alliance of Santa Cruz County (and other non-profit organizations not part of the Alliance) ▪ Santa Cruz County Office of Education ▪ Santa Cruz County and Cities Planning and Economic Development Departments ▪ UCSC ▪ United Way of Santa Cruz County ▪ Watsonville/Aptos Adult Education