



ECONOMIC DEVELOPMENT TASK FORCE REPORT

Recommendations to **implement** Pasadena's economic development strategy, including objectives, strategies and **first year actions**.
- November 2012

LETTER FROM THE CHAIRMAN

November 14, 2012

Michael Beck
City Manager
City of Pasadena
100 Garfield Avenue
Pasadena, CA 91109

Dear Mr. Beck:

On behalf of the members of the Economic Development Task Force, I am pleased to present to you our recommendations to implement Pasadena's Economic Development Strategic Plan (EDSP). Following months of work and active participation by the Task Force members along with contributions from key business and academic leaders of the city, the results of our efforts are provided to you in this final report.

This report contains a list of actions that we recommend the city undertake in 2013 to move towards the goals and objectives specified in the EDSP. To be effective, the EDSP should be a dynamic living document that staff uses to set metrics to measure its performance and guide its allocation of resources and staff time. City staff should report on its progress on an annual basis and use that opportunity to present the Mayor and City Council a draft action plan for the next year. We further recommend that the members of the Task Force assemble in early fall 2013 to reflect on the progress the city has made.

We recognize the significant fiscal challenges facing our city but we also see tremendous opportunity and entrepreneurial energy coming from our academic and professional institutions. With a spirit of collaboration and partnership, the City of Pasadena can continue to provide its residents, businesses and visitors with excellent services and amenities.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Rothenberg". The signature is fluid and cursive, with a large initial "J" and "R".

Jim Rothenberg
Chair, Economic Development Task Force

TASK FORCE MEMBERS

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Honorable Chris Holden

City Councilmember, District 3
City of Pasadena

The titles and organizations above are included for identification purposes only.

EXECUTIVE SUMMARY

In April of 2012, City Manager Michael Beck assembled a Task Force of business leaders to develop recommendations for implementation of the Economic Development Strategic Plan (EDSP). Following an evaluation of the city's revenue and expenses and input from civic leaders from various key sectors, the Task Force identified several major themes regarding the future of Pasadena:

- Pasadena should build on its status as an innovation hub in order to attract quality jobs with future growth potential.
- Pasadena's neighborhoods, cultural amenities and distinctive commercial districts are crucial to the city's success in attracting and retaining talent.
- Enhancing a vital, growing business community is essential to maintaining Pasadena's high quality of life.
- Pasadena Unified School District's (PUSD) steady progress in increasing test scores and the quality of its efforts to prepare students for an innovation economy is critical to the city's economic success.
- Special attention must be focused on ensuring that Pasadena's youth and lower income neighborhoods share in the benefits of the city's future economy.

The Task Force recommends focusing on four main goals over the next few years:

1. Jobs

- a. Support the growth and success of businesses that create new job opportunities
- b. Work with business leaders and other stakeholders to market the city
- c. Align workforce development strategies to meet the skill needs of Pasadena's key business clusters

2. Shopping and Dining

- a. Target marketing activities to create demand for storefront space
- b. Coordinate public/private parking improvements and policies to support local business

3. Innovation

- a. Strengthen Pasadena's technology and innovation sectors
- b. Advance policies and practices that encourage the creation and preservation of flexible commercial and light industrial space

4. Visitors

- a. Grow a variety of lodging options and attract more lucrative conventions
- b. Promote positive exposure of local assets and events

The Task Force further developed a list of recommended short-term actions that the city should take in order to build up advance its economic development goals. Common to all of these goals is the marketing of all of Pasadena's assets in innovation, finance, healthcare, arts, culture, and visitor-serving amenities.

WORK OF THE TASK FORCE

The Task Force was charged with reviewing Pasadena's 2012 Economic Development Strategic Plan (EDSP), prioritizing objectives and developing an action plan for the first year of its implementation. The appointment of the Economic Development Task Force was the culmination of a year-long effort to develop a baseline assessment of the existing conditions driving the Pasadena economy. First, the city commissioned an Economic Development Strategy Report by Stanley R. Hoffman Associates (Hoffman Report), which provided a base analysis, a SWOT analysis (strengths, weaknesses, opportunities and threats), employment growth scenarios, and a target sector analysis for Pasadena.

City staff then used the Hoffman Report as the basis for the development of the EDSP. In addition to the Hoffman Report, city staff drew upon interviews with local business representatives and discussions with various city advisory committees to produce the EDSP. The EDSP was intended to help local stakeholders and city staff to implement strategies to enhance Pasadena's business climate, ensure the fiscal health of the city and support economic growth in a manner consistent with the city's character and future aspirations.

PRIMARY GOALS OF THE EDSP

- Support investment in our community that creates new jobs
- Enhance commercial districts to create quality shopping and dining experiences
- Cultivate an entrepreneurial and academic environment that fosters innovation
- Encourage activities that attract visitors and conventioners

In addition to these goals, the EDSP set forth a wide variety of objectives and implementation steps. In May 2012, the Task force held a public meeting and heard testimony from panelists representing retailers, local business associations, healthcare professionals, the manufacturing and technology sectors, commercial property managers, and Pasadena's visitor and tourism industry. The Task Force also received comments from the public about the economic development priorities that Pasadena should pursue, where it should direct resources and which industries it should strive to attract.

At a subsequent meeting, the Task Force also heard from a panel of experts regarding education, technology transfer and workforce development in Pasadena. The Task Force discussed efforts to link the city's youth with opportunities in its business clusters such as health, tech, arts and design. It considered opportunities to promote, grow and retain start-ups and spin-offs emerging from Caltech, the Art Center College of Design and the city's other innovation centers.

Drawing upon the data sources, reports, public testimony and their own diverse business experiences, the Task Force culled the dozens of objectives and implementation steps in the EDSP down to the main objectives, strategies and recommended short-term actions that the city should take over the next year to advance its economic development agenda.

ECONOMIC DEVELOPMENT

The International Economic Development Council describes economic development as a process that influences the growth and restructuring of an economy to enhance the economic well being of a community. Typically, these efforts entail job creation, job retention, tax base enhancements and programs that improve the quality of life. A city's ability to provide excellent services to its residents depends on the revenue generated by a strong local economy that boasts healthy business and highly-skilled, well-trained residents.

Increasingly, economic development practice has evolved beyond the efforts of a single government office attempting to attract or retain businesses with a toolbox of tax incentives and subsidy programs. Today, effective economic development at the local level involves a diverse range of actors, including multiple city departments, chambers of commerce and business associations, non-profit community based organizations, workforce development agencies, business and civic leaders, schools, community colleges, universities and entrepreneurial support service providers.

The dissolution of redevelopment agencies in California has eliminated one of local government's most powerful tools for economic development. The loss of redevelopment underscores the need for local governments to work collaboratively with the private and non-profit sectors to pursue economic development goals.

Vision: Pasadena's Economic Development Strategic Plan sets forth a vision of Pasadena as a vibrant and diverse local economy that provides a foundation for prosperity to all residents, students and employers.

In order to achieve this vision, Pasadena must focus its efforts on a few key initiatives and align the work programs of all city departments to support its economic development goals. The city must also leverage its limited resources by collaborating and coordinating with business and civic leaders, non-profit organizations, anchor institutions and other critical players in the region's economy to play on its strengths and address its challenges.

The sectors in the chart above represent areas where Pasadena already has a comparative advantage relative to other communities in the region and on which Pasadena should focus its economic development efforts.

TARGET SECTORS

The Hoffman Report and the EDSP identified the following targets sectors as key drivers of the Pasadena economy:

Finance

Healthcare

Design

Engineering

Technology/R&D
(software, cleantech, bio-tech...)

FUTURE OF PASADENA



Gold Line and 210 Freeway looking east



Caltech

A few key themes emerged from the Task Force's deliberations:

Pasadena should build on its status as an innovation hub in order to attract quality jobs with future growth potential.

The economic success of a city is increasingly dependent on its ability to attract a skilled and talented workforce. Some of Pasadena's key economic strengths are in scientific, technical, and creative activities. Pasadena boasts a highly-educated workforce and a burgeoning technology industry cluster. It will be critical for Pasadena to capitalize on its existing assets to foster a highly integrated, self-sustaining tech cluster which turns out new companies and gives them a place to land and grow.

As Enrico Moretti writes in *The New Geography of Jobs*, innovation industries bring good jobs and high salaries to communities where they cluster and generate jobs for less-skilled workers as well as highly skilled workers. Innovation has a disproportionate effect on the economy of local communities because of its multiplier effect. "For each new high-tech job in a city, five additional jobs are ultimately created outside of the high tech sector in that city in both skilled occupations (lawyers, teachers, nurses) and in [less] skilled ones (waiters, hairdressers, carpenters)." This compares quite favorably to Moretti's estimate of a 1.6 job multiplier effect for the manufacturing sector.

Moreover, once an innovation center is established it continues to attract more innovators -- success breeds more success. So-called "brain hubs" -- cities with a well-educated labor force and a strong innovation sector -- are growing, adding good jobs and attracting even more skilled workers. "Once a city attracts some innovative workers and innovative companies, its economy changes in ways that make it even more attractive to other innovators." Over the last 30 years, these brain hubs in the United States have experienced an increased concentration of good jobs, talent, and investment.

Pasadena's neighborhoods, diverse communities, cultural amenities, and distinctive commercial districts are crucial to the city's success in attracting and retaining talent.

Pasadena is known for its quality of life, excellent city services, and distinctive retail districts. From the neighborhood-oriented business districts along Fair Oaks or East Washington, to the destination retail of Old Pasadena, South Lake and Hastings Ranch, Pasadena provides a mix of activities and people that is dynamic and diverse.

FUTURE OF PASADENA (CONTINUED)



Central District at night



Old Pasadena sidewalk

As the city implements an economic development strategy, it will be critical to assure the preservation of the diverse neighborhood types that create Pasadena's vibrant demographic mix. As reflected in various policy documents, Pasadena's new physical development should be directed to the commercial and light industrial areas appropriate for growth so as to preserve the integrity of the residential neighborhoods.

Enhancing a vital, growing business community is essential to maintaining Pasadena's quality of life.

The city needs sufficient building space to retain and grow the financial services, engineering, software, medical and other professional businesses that are its core strength. Similarly, start-up companies that spin-off from the city's innovation centers need appropriate spaces in which to open and grow. The city's economic health depends on the vitality of its business community. The employees associated with the targeted sectors will generate significant financial return to the city through property taxes, sales tax revenue and supporting other local businesses. In turn, the health and quality of life in the community affects the competitiveness of the business community.

Pasadena Unified School District's (PUSD) steady progress in increasing test scores and the quality of its efforts to prepare students for an innovation economy is critical to the city's economic success.

The quality of local public schools is a major factor in attracting talent to Pasadena's businesses. Although PUSD has seen its test scores rise demonstrably over the last decade, recruits to some of the city's key sectors still weigh the potential cost of private school when considering whether to accept an offer from local firms. As PUSD continues to improve student performance, the city and the business community should work to align services and internship opportunities to reinforce PUSD's efforts.

Special attention must be focused on ensuring that Pasadena's youth and lower income neighborhoods share in the benefits of the city's future economy.

While innovative businesses exhibit a high multiplier effect and create the demand for other workers, it will take deliberate, coordinated efforts to ensure that Pasadena's youth and lower income residents receive the training and skills necessary to seize the opportunities presented by the future economy. A close partnership between the city, public schools, private business, community-based groups and workforce development organizations will be necessary to ensure that training programs are tailored to meet the requirements of Pasadena's innovation, retail and visitor industry.

OBJECTIVES

1. **Support the growth** and success of businesses that create new job opportunities
2. Work with business leaders and other stakeholders to **market the city**
3. **Align workforce development strategies** to meet the training and other needs of Pasadena's key business clusters

STRATEGIES

1. Celebrate **the recruitment and expansion of companies**, particularly those in key sectors like finance, engineering, medicine and technology
2. Pursue opportunities for **foreign investment**, particularly from Pacific Rim countries
3. **Build a culture of sharing leads** and business contacts and jointly marketing Pasadena's business strengths
4. **Forge partnerships** with employers, educators, and youth service providers to integrate core academic programs, career technical curriculum, and work-based learning opportunities
5. **Identify on-ramps and skill-building resources** to integrate lower-income residents and at-risk youth with job opportunities
6. **Ensure sufficient development capacity** in the General Plan, Specific Plans, and zoning for job-producing uses such as light industrial, office and educational/institutional
7. **Guide investments to strategic growth sites**
8. **Provide infrastructure support and leverage utility resources**
9. Provide clear, predictable, timely and **efficient permitting practices**

RECOMMENDED SHORT TERM ACTIONS (YEAR 1)

1. City should work with the private sector to issue a press release every month using paid or earned media celebrating local job growth and investment success
2. City leadership and staff should meet twice a year with business leaders in target sectors to solicit ideas for new business opportunities for Pasadena
3. Work with stakeholders to develop a welcome package for all new businesses
4. Representatives from local businesses, schools (such as PUSD, PCC and others), training agencies and the Workforce Investment Board should align workforce development efforts to link business training needs with promising career ladders and training pathways in target industry sectors
5. Local skill development stakeholders and retail businesses should create a "retail skills certificate program" that has dual benefit of training local unemployed individuals for entry level jobs and raising customer service quality for retailers in Pasadena
6. To accommodate job growth in target sectors, the City Council, Planning Commission and city staff should preserve and expand the amount of space available for light industrial, office, educational/institutional space and other job producing uses in this year's General Plan update, and in subsequent zoning changes
7. Every year, city should identify up to 10 opportunity sites and work with property owners to position and market these sites to catalyze economic development goals
8. City should provide utility incentives or flexible payment terms to targeted job producers that upgrade outdated facilities
9. The City should increase permitting efficiencies, leverage its infrastructure and formalize ombudsman roles to support firms that are investing in their facilities and equipment



Local Retail



Night Dining Event

OBJECTIVES

1. **Target marketing activities** to create demand for storefront space
2. **Coordinate public/private parking** improvements and policies to support local business

STRATEGIES

1. Work with brokers and property representatives to fill **vacant space with high-quality retailers**
2. Intensify **"Shop Local", ethnic retail and young professional** retail marketing efforts
3. Launch new **technology and social media** applications, to attract shoppers and visitors
4. Promote greater **coordination of private and publicly-owned parking** to efficiently use existing spaces and create new parking resources where needed
5. Develop parking **policies that provide flexibility** to businesses hoping to occupy historic buildings and/or vacant commercial space

RECOMMENDED SHORT TERM ACTIONS (YEAR 1)

1. City should identify the top ten lingering and/or anticipated storefront vacancies quarterly and work collaboratively with property owners to recruit new quality tenants
2. City should work with local stakeholders and new media companies on an ongoing basis to explore new platforms for marketing Pasadena
3. The City should collaborate with property owners to blend public and private parking resources with the intent of increasing the number of parking spaces available for shoppers and visitors
4. City should modify its code requirements to allow for the occupancy of historic buildings and other physically constrained sites where ample off-site parking is available



GDC Building, Pasadena



Honeybee Robotics ribbon-cutting ceremony

OBJECTIVES

1. **Strengthen Pasadena's technology and innovation sectors**
2. Advance policies and practices that encourage the creation and preservation of **flexible commercial and light industrial space**

STRATEGIES

1. **Collaborate** with leaders in Pasadena's innovation ecosystem to support spin-off activities that foster a local culture of entrepreneurship
2. **Market Pasadena** as an innovation center with growing opportunities for venture capitalists and other service providers
3. Preserve and **protect the amount of space allocated for R&D use**
4. **Examine incentives to promote the creation of flexible commercial and light industrial space** that can accommodate creative and technical uses
5. Foster a more **constructive culture among agencies** that review facility improvements and equipment upgrades

RECOMMENDED SHORT TERM ACTIONS (YEAR 1)

1. Private sector leaders and the City should actively support local innovation organizations (Idealab, Entrettech, BioScience Collaborative) to nurture Pasadena's cluster
2. Support privately-led efforts to launch an interdisciplinary innovation center in Pasadena
3. Work with local institutions, such as Caltech, Art Center, Huntington Hospital and others to take a more active role in ensuring research and commercialization efforts remain and grow in Pasadena and strengthen our local cluster
4. Coordinate with existing marketing efforts to highlight the technology cluster in Pasadena
5. The City should leverage its fiber-optic infrastructure to benefit innovative activities that require large bandwidth
6. Develop policies that facilitate the adaptive reuse of older buildings for R&D use



Pasadena Concert



ALMA Awards

OBJECTIVES

1. Grow variety of lodging options and **attract more lucrative conventions**
2. Promote **positive exposure of local assets and events**

STRATEGIES

1. Encourage development of more convention-quality **hotel rooms**
2. Coordinate efforts to host **conventions and trade events aimed at Pasadena's key sectors** like finance, engineering, medicine, technology, and design
3. Leverage **media coverage** to reinforce Pasadena's reputation
4. **Develop joint marketing communications program** with key stakeholder groups

RECOMMENDED SHORT TERM ACTIONS (YEAR 1)

1. The City should place a priority on leveraging land assets and regulations to spur the creation of new quality hotel rooms
2. All visitor and tourism stakeholders should meet in early 2013 to create a marketing and communications program/budget that reinforces the innovation, arts and culture emphasis of the city's economic development strategy
3. City should be more strategic in utilizing prominent media activities (New Years, special events, JPL landings) to highlight the science and technology assets of the city

CONCLUDING REMARKS



Pasadena Business District



Rose Bowl

The members of the Economic Development Task Force have been pleased to assist the City Manager in developing an Action Plan for the City's economic development agenda. As the city policy makers review these recommendations, we strongly recommend the following:

Act now.

We urge the city to act expeditiously in pursuing its economic development strategy. The field is crowded and competitive for many cities aiming to position themselves as leaders in innovation. It will be important for Pasadena to act on its strengths quickly before others seize the moment.

Collaborate.

In an environment of diminished public resources, Pasadena will need to work with others in the private sector and non-profit arena to succeed in focusing the resources and effort necessary to move the needle on economic development.

Measure.

One cannot improve what cannot be measured. While progress towards achieving some goals may be harder than others, whenever possible, staff should develop metrics for measuring progress. City staff should review these metrics and adjust their efforts accordingly.

Partner.

Pasadena's business leaders are active, engaged and committed to the success of this city. As Brad Feld notes in *Startup Communities*, a healthy business community must be led by entrepreneurs in order to ensure longevity over time. We stand ready to work with you to grow our local economy so that we can maintain and enhance the high quality of life we enjoy in Pasadena.

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