



# Economic Development in the Bay Area

## Scenarios for Creating a Regional Capacity

### I. Introduction

Regional agency planning functions in the Bay Area span the areas of transportation, land use, and the environment; however, there is no entity or official capacity that takes economic development into account for the entire region. The Bay Area Council's *A Roadmap for Economic Resilience*, published in 2015, identified this gap and called for the region to consider a new economic development capacity.



Since that time, regional leaders have taken important steps to consolidate the planning functions within the Metropolitan Transportation Commission (MTC) and the Association of Bay Area Governments (ABAG). This transition provides for a key opportunity to re-think the role and oversight of a regional agency. Additionally, MTC/ABAG is planning for an Economic Development District (EDD) designation through the U.S. Economic Development Agency. This process has facilitated a regional conversation around economic development goals and strategy, and it will culminate in a regionally-agreed-upon Comprehensive Economic Development Strategy.

While creating an EDD makes jurisdictions eligible for more buckets of federal funding, it needs a governance structure and clearly defined mission to operationalize economic development through specific actions. An effective economic development capacity can bridge the gap between the goals of regional agencies, better link public sector solutions to private sector needs, and attract more jobs and sustain economic growth across the region.

This document will highlight the structure and governance of existing economic development capacities in other geographies. We can use ideas from these examples to begin to answer the following questions about the Bay Area:

- Can an EDD structure alone serve as an effective economic development capacity or should it be one aspect of regional economic development activities?
- Should a division within the merged transportation and planning agency be explicitly devoted to economic development or should these capacities be spread throughout departments?
- Should the region have a complementary non-profit organization that works closely with the regional agencies?

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## II. What Do We Mean by Economic Development?

We have catalogued several examples of regional economic development capacities using regions similar in size and character to the Bay Area. Specifically, we have analyzed public, private, and public-private partnership organizations that fill a variety of economic development roles.

These entities complete several functions related to economic development, including policy work, research, site planning, marketing, and business services, as highlighted below:

### 1. Policy

This role is often led by a metropolitan planning organization (MPO) or council of governments (COG) through the creation of a regional strategy. Across the country, these strategies often relate to housing, innovation, transportation, workforce development, and equitable inclusion.

### 2. Research

This function can span from high level analysis of the regional economy to the identification of industry clusters, to which workforce development and business attraction efforts can be directed.

### 3. Workforce Planning

Many economic development entities focus on workforce development, with a specific eye on creating a labor force supply that matches business demands. Workforce planning objectives are often implemented through a combination of policy, research, and improved coordination between the private sector and education providers.

### 4. Site Planning

Some economic development entities serve as de facto developers, locating underutilized sites and working with local authorities to aggregate parcels and streamline approvals. When this function is undertaken at the regional agency, it often involves providing added planning capacity to key projects or to small jurisdictions.

### 5. Marketing and Connectivity

This capacity focuses on highlighting the assets of the region and brand-building; it can be closely tied to building cross-border trade or business relationships.

### 6. Business Services

This role has direct interaction with employers, and can include consulting on permitting, tax incentives, workforce training, and connections to public sector resources.

A final key characteristic of an economic development capacity is coordination of the functions listed above—especially those functions that are implemented by a number of different groups across a region.

### III. Defining the Problem—How Are These Functions Operationalized in the Bay Area Today?

The activities listed above largely occur locally in the Bay Area—or not at all. To the extent that they do occur regionally, they do so with limited official capacity. In addition, private sector participation in economic development is generally achieved via interactions with the heads of business organizations (who report to their board members that are generally corporate leaders). Few corporate leaders have a direct role in working with existing economic development capacities.

Filling this regional gap is one of the key goals of an Economic Development District (EDD). To be designated an EDD, a region must create a Comprehensive Economic Development Strategy (CEDS) that is managed by a governing board that broadly represents the economic interests of the region—including the private sector, public officials, higher education, community leaders, and other non-profit representatives.

While the Bay Area region does not currently have a CEDS in place and there is no official capacity charged with planning around economic development, the region does have numerous existing plans and reports that touch on economic development at a regional scale:

- Through a HUD-sponsored grant, regional stakeholders compiled an Economic Prosperity Strategy that focused on pathways to middle-skilled jobs and ways to enhance economic security.
- Adopted in 2013, Plan Bay Area identifies transportation and land use priorities for the next 25 years. The plan does have economic components—including promoting freight movement and improving productivity by making freeway travel times more predictable—however, its focus is largely on where new jobs will be located, not the means by which they will be acquired and filled.
- In 2015, the Bay Area Council Economic Institute released *A Roadmap for Economic Resilience*, which provided private sector insights and policy recommendations on solving the region's problems in infrastructure, housing, transportation, economic development, and workforce development.
- MTC/ABAG is in the process of completing a CEDS for the nine-county Bay Area. The CEDS includes an analysis of the region's strengths, weaknesses, opportunities, and threats; an action plan to address deficiencies and take advantage of opportunities; and an evaluation framework to measure performance. The CEDS development process has involved a broadly representative Economic Strategy Committee and additional engagement of many stakeholders, with the goal of creating a platform for addressing economic issues at a regional level.

These plans have been important in facilitating the discussion of shared economic interests across the Bay Area. But in most cases, there is not an official implementation body to carry out the strategies identified by these reports.

At the regional and sub-regional level, numerous economic and workforce development groups work to attract and retain businesses, address availability and skills of the labor force, and engage the private sector. Many of these groups operate locally-focused efforts around workforce development, environmental stewardship, protections for vulnerable populations, housing affordability, or a focus on growing a particular industry cluster.

These organizations touch on the role of the regional economy, but most do not take a broad nine-county view of the economy. The Bay Area Community College Consortium (BACCC) is one of the few examples where a true regional approach has been taken to solve a regional economic issue—in this case, BACCC seeks to align community college curricula across the region with employer needs. Other major players in Bay Area economic development include:

- Bay Area Council
- East Bay Economic Development Alliance
- East Bay Leadership Council
- Innovation Tri-Valley Leadership Group
- Joint Venture Silicon Valley
- Marin Economic Forum
- North Bay Leadership Council
- San Francisco Center for Economic Development
- San Mateo County Economic Development Association
- Silicon Valley Leadership Group
- The Silicon Valley Organization
- Solano Economic Development Corporation
- Workforce development boards and educational and training institutions

Many of the organizations listed advocate for policies that will enhance the economy and quality of life in the Bay Area, and oftentimes their missions overlap. Recent policy initiatives with broad regional support have taken the form of improving housing affordability and reducing transportation congestion.

While Plan Bay Area is the region's blueprint for land use and transportation planning, issues do arise around site planning of key regional projects. Unused military bases and other large areas of underutilized vacant land are the types of resources that could be considered and planned for at a regional level. Additionally, there is no cohesive strategy around branding and marketing the Bay Area as a region that offers strong business opportunities. Consistent messaging in this area could help businesses that are looking to relocate to or expand within the region.

## IV. Possible Scenarios for the Bay Area's Economic Development Capacity

As we studied examples of regional economic development entities from around the country, the capacities housed within metropolitan planning agencies tended to focus on broad policy and research work, while regional non-profit groups were charged with on-the-ground implementation. Other regions created public-private partnerships that operate across multiple functions, especially when they are given explicit powers and funding from the public sector. Additionally, many regions tackle economic development through a multi-sector approach, with close partnerships between economy-focused non-governmental entities and the metropolitan planning organization.

We took into account the following criteria when thinking about the pros and cons of each possible structure:

- Create the capacity and mandate to implement the various aspects of economic and workforce development identified earlier in this memo.
- Limit the amount of new bureaucracy created.
- Integrate with the new Economic Development District—either by serving as its governing board or as a key implementation body.
- Enable private sector engagement in planning processes.
- Provide flexibility for expanding economic coordination beyond the nine-county region.

With these criteria in mind, we characterize and analyze six different scenarios for a strengthened regional economic development capacity below. We organize the scenarios into three distinct sets:

- 1. Strengthen Economic Development Planning Capacity within MTC/ABAG**
- 2. Better Coordinate Activities of Sub-Regional Organizations**
- 3. Create Entirely New Structures with Specific Economic Authorities**

### SET #1

#### Enhanced Planning Capacity within MTC/ABAG

Planning for economic development in the Bay Area happens on a city-by-city basis, with minimal oversight or assistance provided by regional agencies. Key development sites—such as unused military bases, priority development corridors around transit, and publicly-owned vacant land—could benefit from planning knowledge at the regional level. A more regional approach could support the development efforts of Bay Area communities, especially ones with limited planning capacity, and help to align their efforts with the strategic needs of the region.

## SCENARIO 1.1

### BOSTON OPTION:

#### Economic Development Staff within Existing Agency Structure

In the Boston area, the Metropolitan Area Planning Council manages an Economic Development District that includes 22 cities and 79 towns. Originally created by Massachusetts law, MAPC formed eight EDD sub-regions, each led by a MAPC staff member. While MAPC is not the region's metropolitan planning organization, it has a voting designee to the MPO board and much of its work is closely aligned with the MPO. In this way, it has some similarities to the relationship between ABAG and MTC as previously structured.

MAPC has an economic development working group contained within its land use department. The working group assists smaller cities in proactive planning efforts, such as the revitalization of downtown areas or economic development plans along key corridors, and works across the MAPC organizational structure to ensure that the broad economy is built into all planning decisions.

Much of the working group's focus is on regionally identified priority development areas. These local priority areas are put through a data-driven screening tool that highlights the sites with the greatest potential to support growth and preservation in appropriate locations in each community. MAPC then supplements the data driven screening tool with qualitative information from each community on the readiness of sites and the infrastructure investments necessary to catalyze the development or preservation of these locations.



Easily completed administratively by adding more staff.



Can provide key regional planning functions for underutilized military assets and in high-priority transit-oriented development zones.



Does not fulfill the needs of the Bay Area's Economic Development District board oversight requirements—which must be broadly representative of the economic interests of the region—as no specific board for economic development would be created in this scenario.



Does not provide a formalized avenue for enhanced private-sector engagement in planning processes.





## SCENARIO 1.2

### SEATTLE OPTION:

#### Create New Economic Development Vertical within Regional Agency

The Puget Sound Regional Council (PSRC) has a dedicated economic development structure formalized through an Economic Development Board housed within PSRC. The Economic Development Board sits separately from PSRC's Transportation Policy Board and Growth Management Policy Board, and is composed of a 41-member cross sector board. The board manages the Economic

Development District and directs planning for the region's economic development strategy. When PSRC completed its first economic strategy in 2005, it focused on capacity building by creating the Prosperity Partnership—a coalition of 300 public, private, and non-profit organizations—while also identifying the industries it wanted to support through workforce development and business recruitment efforts.

-  New governance structure of this type provides opportunity for more robust and formalized private sector engagement in planning processes.
-  Leverages and has the potential to enhance existing regional agency resources in terms of staff, programs, linkages, and relationships. Coordination of economic development activities with transportation and land use planning functions also becomes possible under this structure.
-  Relies on engaged community organizations, non-profits, and business groups to implement economic development strategies, while doing little to organize, coordinate, and lead those groups.
-  Would require some reorganization of MTC/ABAG to incorporate a new vertical and oversight structure that fits side-by-side or underneath existing governance. Alternatively, an Economic Strategy Committee made up of regional stakeholders could report to the regional agency governing board, which would not necessitate entirely new governmental structures.

## SET #2

### Better Coordination of Sub-Regional Organizations

As part of its stakeholder outreach in compiling the Bay Area's Comprehensive Economic Development Strategy, the regional agency took input from more than 20 groups operating at the sub-regional level. These organizations operate in addition to economic development capacities of varying sizes and degrees within city and county governments across the region. Only in few instances—the Bay Area Community College Consortium being one—do these organizations have a structure to formally share best practices, coordinate on common strategies, and leverage each other's unique capabilities.

One area where improved coordination can create benefits is in facilitating the growth of companies within the region. Currently, no formal structure exists for sub-regional economic development organizations to work together to help a growing company find the best location for its operations. We would argue that the Silicon Valley brand is extraordinarily strong and well-known across the globe; however, a regional coordinating entity to shepherd growing companies through site selection, permitting, and red tape would be useful.

While the Bay Area does not have this type of entity currently—partly because no one city dominates the regional economy—better coordination does not necessarily require an entirely new organization or a fully-consolidated structure.



## SCENARIO 2.1

### NASHVILLE OPTION:

#### Formalize information sharing among business recruitment entities

In Nashville, business services and regional marketing are coordinated through the regional chamber of commerce—the Nashville Area Chamber of Commerce. Nashville is unique in that it has a consolidated city and county government (Davidson County), which provides the Chamber of Commerce with operating funds each year. The chamber acts as the convening group for the economic development agencies of the 10 counties that make up the region. Opportunities to attract new businesses or expand existing ones first go to the chamber, where it effectively acts as a clearinghouse by passing the opportunity on to the county or counties deemed most appropriate given land use considerations and the company's wishes.

A formalized meeting of the region's sub-regional organizations can allow for better coordination on policy advocacy and business recruitment and retention. This collaboration could also be supported by city and county economic development representatives, workforce agencies, as well as the regional agency. This type of structure could be managed by the existing Bay Area Business Coalition, which would allow it to have a more formal mission.



Administratively feasible, as this type of structure would not require the creation of any new entity, only a forum for groups to convene.



Improved business services that are delivered through the group or groups best positioned to deliver them.



This type of structure requires a coordinating body and proper incentives to generate full participation. In Nashville, the regional chamber was already leading on marketing initiatives, so its role as a clearinghouse was not opposed by surrounding jurisdictions. In the Bay Area, no lead entity exists today that would be a logical choice to spearhead a collaboration.



Requirements for the EDD governing body would not be met through this type of organization because governance would likely be through a private-sector-only board.

## SCENARIO 2.2

### PITTSBURGH OPTION:






#### Consolidate strategies for sub-regional entities under one umbrella

One step more advanced from the previous option might include the creation of a newly branded entity for which all sub-regional economic development entities could become members. In this way, no existing organizations would be rendered obsolete or lose power; only a common external brand would be shared.

In Pittsburgh, the Allegheny Conference on Community Development has taken this approach. The Allegheny Conference counts 300 businesses among its members, but is also affiliated with the Greater Pittsburgh Chamber of Commerce,



the Pittsburgh Regional Alliance, and the Pennsylvania Economy League of Greater Pittsburgh. These groups collectively oversee an energy alliance, a coalition for sustainable communities, an economic competitiveness group, a transportation alliance, and a site development fund. Each of these sub-groups maintains their own independent brand, but their strategies are coordinated through the Allegheny Conference. Every three years, the Allegheny Conference and its affiliates engage in an agenda-setting process, which identifies goals and metrics for each of the sub-organizations.

-  Results in a common agenda and set of goals for the region and has buy-in from groups positioned to implement the identified strategies.
-  If structured as a public-private board, would qualify for governance of the region's Economic Development District.
-  Administratively difficult given that sub-regional and issue-specific groups have already carved out their niches within the Bay Area, making true consolidation of missions unlikely.
-  The local and sub-regional economies across the Bay Area are very diverse, which would potentially limit the effectiveness of a single umbrella organization attempting to consolidate and prioritize strategies across all nine counties.
-  Does not leverage planning resources available through regional agencies unless the umbrella organization is closely aligned with the Economic Development District.

### SET #3

#### Institute Entirely New Models for Governance of Economic Development Functions

While other cities and counties have a single Economic Development Corporation that takes on multiple aspects of economic development, the Bay Area has a multitude of organizations operating over numerous jurisdictions. Other regions have created single entities to act as the focal point for economic development, interfacing between the private and public sectors. As another means of rethinking regional planning, other geographies govern their metropolitan planning organizations in a way that is more closely aligned with their regional goals.

#### SCENARIO 3.1

##### LOS ANGELES OPTION:

##### Create a public-private partnership charged with economic planning

The Los Angeles County Economic Development Corporation acts as the key economic planning organization for all of LA County. LAEDC is a true public-private partnership in that its board is made up city representatives, corporate heads, and philanthropic entities. LAEDC works across all aspects of economic development—from interfacing with growing businesses to researching the region's workforce needs.

While LA County has not applied for EDD status with the federal government, LAEDC did publish a five-year Los Angeles County Strategic Plan for Economic Development in 2016 with input from county stakeholders. Because it counts businesses, workforce development agencies, non-profits, and county leaders as its members, it also has close contact with the groups best positioned to implement its economic development strategies.

A final feature of LAEDC is its subsidiary, Activate LA, which forms public-private partnerships to maximize the value of publicly owned real estate assets and advance the public sector's economic development and job generation priorities. It assists municipalities and other public entities throughout LA County, helping them to think more strategically about their real property holdings by matching underutilized public property and businesses looking to expand.

-  Would create a true regional public-private partnership that would have opportunity to align economic planning functions across the region.
-  A new Economic Development Corporation could manage the region's Economic Development District if public sector and non-profit group stakeholders were included on the board.
-  LAEDC receives funding from and works directly with LA County. With the Bay Area's nine-county region, a logical counterpart would be MTC/ABAG; however, a new funding stream for an economic development entity would need to be created.
-  The Bay Area has existing organizations in the economic development space—including the Bay Area Council. Creating an Economic Development Corporation for the region may be duplicative to the work of other organizations.

### SCENARIO 3.2





#### PORTLAND OPTION: Reconstitute governance of MTC/ABAG by regionally-electing board members

The staffs of ABAG and MTC formally merged in 2017, while the two organizations' boards remain separate. The agencies have committed to revisiting their governance structure in the future, which provides a window for re-thinking regional governance in the Bay Area. MTC and ABAG can maintain their functionality with an even greater focus on the region by following a model from Portland.

Metro in Portland, which covers three counties, is the only regionally-elected metropolitan planning organization in the country. The Metro Council consists of a president, elected regionwide, and six councilors who are elected by district every four years in nonpartisan races. Metro is responsible for planning and coordinating investments in the region's transportation system, managing the solid waste system, coordinating the growth of the cities in the region, and managing a regional parks and natural areas system. The region's Economic Development District is managed by a separate public-private partnership for economic

development, Greater Portland Inc., and the Metro Council president has a seat on Greater Portland Inc.'s board of directors.

A reconstituted MTC/ABAG board could also seek greater authority to plan for the region's economy. The power to issue debt or go to the ballot to raise funds (via means other than bridge tolls) or assemble parcels for development could give the combined agency more robust authority to weigh in on the region's key economic planning decisions.

-  Depending on how an elected board is structured, its broader representation will make regionally-elected leaders more accountable to the region as a whole, as opposed to their local jurisdictions.
-  Represents one possible solution to the challenge of merging the ABAG and MTC boards. A new governance structure might not be fully-elected but may include some representatives elected on a regional basis.
-  Entrenched institutional structures make it difficult to complete a sweeping governance change. State lawmakers would also need to change laws to allow such a shift.
-  Portland is a fairly homogenous region and its jurisdictions saw a regional benefit to maintaining an urban growth boundary, which is how Metro was formed. In the Bay Area, local jurisdictions are unlikely to cede some control of land use planning to a regional entity.

## V. Takeaways

Sets #1 (more capacity within the regional agency) and #2 (better coordination among sub-regional organizations) are not mutually exclusive. Together, the approaches provide the easiest path forward to more robust economic development planning in the Bay Area and are completely compatible with the regional Economic Development District initiative currently underway. They can also be completed simultaneously, with the public sector and existing economic development groups both working together to restructure. Portland and Seattle, the two regions most often cited as having successfully planned for their economies during our research, have a strong network of non-profit and business-affiliated groups that works closely with government agencies.

Set #3 (governance structures with increased regional authority), if pursued, would overhaul how the region thinks about economic development. It would come with the greatest obstacles, but would also provide a strong focus on the regional economy that the structures in place today do not easily facilitate. Extensive outreach to create buy-in from local jurisdictions and existing organizations would be needed, as well as a structure that does not overly benefit larger cities. This type of structural shift in government is unprecedented, but the merger of MTC and ABAG does provide a window to fundamentally re-think the role of regional government and its governance in the Bay Area. This could be a longer-term strategy, not precluded by the other approaches described in Sets #1 and #2.

## APPENDIX A

### List of Completed Interviews

Bill Allen, President & Chief Executive Officer, LAEDC

Frank Beal, Senior Executive, Civic Consulting Alliance (Chicago)

Arthur Bienenstock, SLAC National Accelerator Laboratory, Stanford University

Chris Burton, Senior Business Development Manager, City of San Jose

Honorable Keith Carson, Alameda County Supervisor

Darin Chidsey, Chief Operating Officer, Southern California Association of Governments

Amanda Chisholm, Chief Economic Development Planner, Metropolitan Area Planning Council (Boston)

Dennis Conaghan, Executive Director, San Francisco Center for Economic Development

Christine Cooper, Vice President, Institute for Applied Economics, LAEDC

Michael Covarrubias, Chairman and Chief Executive Officer, TMG Partners

Roseanne Faust, President & CEO, SAMCEDA

David Flaks, President & Chief Operating Officer, LAEDC

Josh Huber, Policy Director, East Bay Leadership Council

Mary Huss, Publisher, SF Business Times

Honorable Chappie Jones, San Jose City Councilmember

Janet LaBar, President & CEO, Great Portland Inc.

Mary Pat Lawlor, Program Manager, Puget Sound Regional Council

Darien Louie, Executive Director, East Bay EDA

Jeff McKay, Deputy Air Pollution Control Officer, BAAQMD

Chris Mefford, President & CEO, Community Attributes, Inc. (Seattle)

Cynthia Murray, President & CEO, North Bay Leadership Council

Kausik Rajgopal, Managing Partner, McKinsey & Company

Courtney Ross, Chief Economic Development Officer, Nashville Area Chamber of Commerce

Derrick Seaver, Executive Vice President, The Silicon Valley Organization

Paige Shevlin, Economic Policy Advisor, King County EDA

Egon Terplan, Regional Planning Director, SPUR

Jason Thibedeau, Principal Economic Development Manager, Puget Sound Regional Council

Simone Weil, Principal Policy Analyst, Chicago Metropolitan Agency for Planning

Jim Wunderman, President & CEO, Bay Area Council

## About the Economic Institute

Since 1990, the Bay Area Council Economic Institute has been the leading think tank focused on the economic and policy issues facing the San Francisco/Silicon Valley Bay Area, one of the most dynamic regions in the United States and the world's leading center for technology and innovation. A valued forum for stakeholder engagement and a respected source of information and fact-based analysis, the Institute is a trusted partner and adviser to both business leaders and government officials. Through its economic and policy research and its many partnerships, the Institute addresses major factors impacting the competitiveness, economic development and quality of life of the

region and the state, including infrastructure, globalization, science and technology, and health policy. It is guided by a Board of Advisors drawn from influential leaders in the corporate, academic, non-profit, and government sectors. The Institute is housed at and supported by the Bay Area Council, a public policy organization that includes hundreds of the region's largest employers and is committed to keeping the Bay Area the world's most competitive economy and best place to live. The Institute also supports and manages the Bay Area Science and Innovation Consortium (BASIC), a partnership of Northern California's leading scientific research laboratories and thinkers.

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