



**DATE:** October 3, 2016

**TO:** Council Economic Development Committee

**FROM:** Economic Development Manager

**SUBJECT**

Economic Development Strategic Plan – Industrial Sector Work Tasks Update

**RECOMMENDATION**

That the Committee reviews report and provides feedback to staff.

**BACKGROUND**

In 2013, the City of Hayward adopted an [Economic Development Strategic Plan](#) (EDSP) in order to create a purposeful and concentrated effort to further establish Hayward as a desirable place to conduct business and to grow the City's economic base. The EDSP features three focus areas: 1) Branding and Marketing; 2) Industrial Sector; and 3) Service and Retail Sector. Each focus area includes a number of work tasks that staff is executing to achieve the plan's goals and objectives.

Economic Development staff presented an annual update on the EDSP to City Council on December 1, 2015. The annual update identified program accomplishments over the past year and acknowledged the completion of the baseline foundational data. Significant time and effort has been dedicated to understanding Hayward's business community in order to assist in business retention, attraction, and expansion. In addition, through coordinated efforts, staff has been working on development opportunities within the City, and customer service enhancements to facilitate business investment. City Council requested that the EDSP be updated by staff and revised to reflect and address strategic approaches and activities of the Economic Development Division.

In order to update the EDSP, staff is focusing separately on each of the three areas: 1) Branding and Marketing; 2) Service and Retail Industry and 3) Industrial Sector. The update process involves reviewing each section's goals and work tasks. Staff provided an update to the CEDC on proposed updates to the [Branding and Marketing program on April 2, 2016](#) and the [Service and Retail Industry program on September 7, 2016](#). The following report outlines proposed updates to the Industrial Sector work program.

## DISCUSSION

### *INDUSTRIAL SECTOR*

Much of the City's economic development program activities in the industrial sector are driven by the research and analysis set forth in the [Industrial Technology and Innovation Corridor Baseline Study](#) published in March 2015. This study provided detailed information on the type, location and employment levels of industrial businesses, identified the economic development benefits of targeting "Advanced Industries," and outlined key issues that needed to be addressed to attract and support this sector's growth. Armed with this new set of data and tools including modern marketing materials and formal Business Concierge, Business Ombudsman and Business Visitation programs, staff is well prepared to continue making data-driven resource allocations to maximize the City's impact on attraction, retention and expansion of targeted industries.

Overall, the industrial sector economic development program is successful. Driven by the competitive Bay Area real estate market and supported by the City's new suite of enhanced customer service programs, Hayward continues to benefit from new business attraction, expansion and construction activity. According to CoStar, a real estate data provider, as of September 2016, the vacancy rate for industrial and flexible space in Hayward is 2.8 percent. This represents a 10-year low. This lack of modern space is driving redevelopment and new construction. Selected major new industrial construction projects underway include:

- **Hayward 92 Industrial Center** (3596 Baumberg Avenue), a 333,365 square foot building preleased to Federal Express; and
- **Hayman Distribution Center** (31775 Hayman Street), a 378,720 square foot building leased to LA Specialty, a wholesaler of food products to restaurants.

While successful, the industrial sector work program in the EDSP can be refined to continue to maximize the City's economic development impact. A full update of the industrial sector work tasks is included in Attachment II. The exhibit outlines the status of programed activities and presents staff recommendations. Staff carefully formulated revisions to the EDSP to reflect feedback from the business community, recognition of where staff activities made the most impact, and real-world experience working toward the plan's work tasks and overarching goals. Staff welcomes CEDC comments on the recommended staff direction.

A selection of key proposed EDSP revisions are as follows:

1. **Carry Forward Expansion of Business Visitation Program (Work Task IS1.E):**  
Onsite visits are a vital part of business retention and expansion efforts. Meeting with business owners to discuss their needs and assess their industry enables staff to: A) identify key issues that the City may be able to address; B) learn more about the business' products, which enhances our ability to connect businesses to one another;

and C) uncover business expansion plans, which feeds directly into the Business Concierge Program. Using the business sector and employment statistics database, staff identified the city's major employers by sector and major revenue generators. Staff proposes to allocate additional resources to expand the visitation program in order to develop and expand relationships with the top sales tax generators and employers. Cultivation of these relationships is critical for achieving other EDSP goals that call for increased business partnerships of Hayward schools and job development initiatives.

- 2. Revise Expansion of Marketing Efforts to Advanced Industries and Other Targeted Businesses (Work Task IS2.A):** With new polished and data-driven marketing materials, refined messaging themes and several examples of successful business expansions and attractions, the ED Team is now ready to magnify the City's visibility through trade shows, regional events, and host our own targeted outreach events. Staff recommends allocating resources to more proactively recruit advanced industries. To achieve this, we will continue to leverage our partnerships with state, regional and national economic development organizations such as the East Bay Economic Development Alliance, Team California, Select USA, and Governor's Office of Business and Economic Development. These organizations secure space at events and often extend an offer to the City to participate for free or at a reduced cost. This work will also include creation of new industry-specific marketing materials and seek out digital and print marketing opportunities to draw interest from site selectors and business representatives.
- 3. Revise Work Task IS3.A to Include Development of Place Making Programs:** Goal IS3 of the EDSP is to maintain and expand public infrastructure that businesses need to thrive. Staff recommends revising Work Task I3A, which included an assessment of infrastructure deficiencies in the industrial area. This work was completed by Public Works and reflected in the [current adopted FY 2017-FY 2026 Capital Improvement Program](#) (CIP). Staff recommends revising the task as follows: "Explore the Development of place making programs in the Industrial Corridor to attract new business investment." This work, which will carry forward through 2018, may include identifying potential locations, types, costs and funding sources for gateway markers and other wayfinding elements and amenities to create a sense of place in the industrial area.
- 4. Carry Forward and Expand Scope of Work IS4.B to Ensure That Current Zoning Allows for Desired Uses:** Goal IS4 directs staff to aid in creating proactive, site-specific land use policies that clearly convey information to potential businesses. Development Services and Economic Development staff are initiating a project to update the Industrial District Regulations. The goal is to revise the zoning ordinances to encourage the establishment and expansion of knowledge and innovation-based industry clusters and advanced and specialized manufacturing businesses and promote a desirable and attractive amenity-rich industrial environment with minimum detrimental impacts to surrounding community and properties. This work,

which will carry forward to 2018, will require extensive staff resources to complete comprehensive public outreach, research and analysis.

- 5. Revise IS6.A to Expand Support to Other Hayward Workforce Development & STEM Career Pathways Initiatives:** Goal IS6 seeks to improve Hayward's education-to-job bridge through an active community partnership. Work Task IS6.A directs staff to "encourage and support HUSD efforts to develop a mentoring/internship/skill-development program for students." Staff is supporting HUSD efforts and works to connect local businesses to Hayward educators and classrooms. However, to maximize the City's impact, staff recommends expanding this work task to include expanding support levels for skills training and workforce development programs at Chabot, CSU East Bay and the Chamber of Commerce's Work Based Learning and Career Pathways Program. This work, which will carry forward to 2018, may include additional in-kind and financial support of events, marketing and employer engagement efforts.

## **NEXT STEPS**

Staff will continue to refine the industrial sector based on the Committee's feedback and present a complete EDSP update to Council in the Fall.

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*Recommended by:* Micah Hinkle, Economic Development Manager

*Approved by:*



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Kelly McAdoo, City Manager

*Attachment II:* Work Task Chart