



PHASE III – FINAL DRAFT REPORT

APPENDIX A

I-15 Interregional Partnership – Phase II: Economic Development



ECONOMIC DEVELOPMENT STRATEGY

INTRODUCTION

The I-15 Interregional Partnership (IRP) is a voluntary compact between local elected officials representing the Western Riverside Council of Governments (WRCOG), San Diego Association of Governments (SANDAG), Riverside County Transportation Commission (RCTC), Riverside Transit Agency (RTA), Caltrans and other agencies. The primary goal of this compact is to address the job/housing imbalance in the region and ultimately improve the quality of life for the region's residents by collaborating to develop strategies in economic development, transportation and housing that will reduce the impacts of interregional commuting, create more jobs in housing rich areas and create more housing in job-rich areas.

To date, the I-15 IRP has completed a number of research and planning initiatives, including detailed research on existing conditions that focused on interregional commute behavior, housing and employment patterns as well as the development of long range strategies related to economic development, transportation and housing¹.

In May 2009, IRP moved forward on the next component of the I-15 Interregional Partnership-- an industry cluster focused approach to interregional economic development². This initiative is specifically focused on improving job growth through the promotion of new employment opportunities in industry clusters that drive economic growth in Riverside and San Diego counties.

Overview of Industry Cluster Initiative

Early on, stakeholders from the initiative identified the key outcomes that would determine the strategies to be developed as part of the initiative. To follow are the key outcomes that the stakeholders will be working to accomplish:

- Increase the number of high quality jobs in the region with opportunities for continuing career pathways. Provide job opportunities that will allow people to live closer to their home and reduce the number of long distance commuters.
- Expand regional employment opportunities in an effort to reduce commute congestion on the I-15.
- Strengthen regional economic diversity to improve resiliency to economic challenges and downturns.

¹ See I-15 Interregional Partnership Final Report 2004, I-15 IRP Phase II Final Report 2007 and The Choices We Make: Commuting, Housing & Employment Final Report 2008.

² For more background on the industry cluster approach and its role in economic development, please see the IRP Phase II – Final Report by SANDAG, March 2007 - Riverside and San Diego Counties: Cluster Analysis and Opportunities for Cooperative Economic Development.

From these shared outcomes, the interregional economic development stakeholders discussed and considered sixteen industry clusters and ultimately agreed upon the three below that would be the focus of the initiative:

1. Alternative and renewable power generation;
2. Biotechnology and medical devices manufacturing;
3. Travel, tourism, entertainment and wineries.

By focusing on, and developing opportunities for, these three industry clusters, the two regions in Riverside and San Diego counties will be able to improve their overall employment and economic outlook into the future. Much of the foundation for the initiative's industry cluster approach to interregional economic development can be found in the research completed during Phase II of the I-15 IRP by SANDAG³, which evaluated the interregional economic clusters with the greatest opportunity to drive economic development in the two regions.

This report is devoted to planning and developing an interregional economic development initiative for the three industry clusters identified as key economic drivers for the Riverside and San Diego Region. The interregional economic development action plan is the first step in creating a more vibrant, robust and integrated economic environment. At stake is not only the economic vitality of the region, but ultimately, the quality of life that the greater region will be able to offer both residents and the business community.

This report consists of three parts that describe the interregional economic development initiative and what has been developed through this process:

1. The report begins with a description of the core themes that provided the foundation for the initiative and some of the research and information that helped guide it along the way. It also includes a discussion on the creation of an interregional economic development district.
2. The second part of the report introduces the interregional action plan developed for each of the three industry clusters. The interregional action plan for each cluster includes the strategies and ideas that were considered as well as those that are recommended in the next steps.
3. The third and final section of the report describes the process for the interregional economic development initiative-- from forming the stakeholder group to developing findings and recommendations and planning with stakeholders implement the initiative's recommendations.

PART 1 – THE FOUNDATION FOR THE INTERREGIONAL ECONOMIC DEVELOPMENT INITIATIVE

The current economic environment in Riverside and San Diego counties has changed substantially over the last 18 months, as it has all over the United States and throughout the world. Unemployment has increased dramatically, industry increasingly faces reduced aggregate demand

³ SANDAG, March 2007, Riverside and San Diego Counties: Cluster Analysis and Opportunities for Cooperative Economic Development. IRP Phase II – Final Report: Appendix A.

and the overall economic outlook has changed from a focus on growth to one of recovery. Despite these dramatic changes, the fundamental objectives of the IRP-- and more specifically the goals of the interregional economic development initiative -- remain unchanged. The objectives include a continued and long-range commitment to increasing the number of high-quality jobs in the two regions while retaining the jobs that already exist. The initiative is also focused on improving employment opportunities that reduce commute congestion and strengthening economic diversity in each region. These goals are consistent with the I-15 IRP's long term mission to develop an economic base that can reduce congestion, job loss and dependence on one or a few major industries.

Our prosperity and our competitiveness, in the long run, depend on jobs and productivity: how many people are in work and how productive they are when they are in work.⁴

Employment and productivity are at the heart of this interregional economic development initiative. The strategies that were developed and agreed upon by the stakeholders shared some key outcomes, including:

1. **Expanding interregional connectivity through increased communication, collaboration and additional infrastructure.** The importance of greater interregional connectivity can be found in many of the strategies. Examples included strategies focused on improving transportation infrastructure for the travel, tourism, entertainment and wineries industry cluster and developing stronger relationships between the biotechnology research-focused employers in San Diego County and the device manufacturers in Riverside County. Increased connectivity will increase revenue into the industry clusters and ultimately, increase employment.
2. **Increasing current and future productivity through improved workforce development and education.** Each industry cluster identified the importance of improving and expanding the pipeline for a skilled workforce-- while also providing opportunities to develop the workers already in each industry. For alternative power generation, the focus was on understanding the changing needs of employers while developing foundational skills that can be used throughout the industry. A skilled and productive workforce is one of, if not **THE** most important determinant of success for any industry cluster or individual organization.
3. **Creating and collaborating on more effective communications strategies to expand the number of current and potential customers for the greater region.** Effective communication strategies are a critical component of any export-oriented organization. The travel, tourism, entertainment and wineries industry cluster is focused on developing coordinated, complimentary messages that increase the destination appeal of North

San Diego and Southwest Riverside. Increasing the destination appeal can be accomplished by bundling the recreation and leisure opportunities that exist at regional wineries, casinos and natural outdoor recreational destinations along with more traditional tourist destinations.

⁴ UK Commission for Employment and Skills, The 2009 Report, Ambition 2020: World Class Skills and Jobs for the UK, page 38.

Core Objectives of the Interregional Economic Development Initiative

The interregional economic development initiative is built on several core objectives that can be traced back to the common outcomes agreed upon by stakeholders as well as the research completed by SANDAG in 2007. The SANDAG research made the case for a collaborative economic development initiative based on the promotion and advancement of specific industry clusters. The core themes for the project include:

1. **Targeted promotion and advancement of key export-oriented or traded industry clusters can have a significant overall impact upon the economy and the employment picture.**

Export oriented clusters have the ability to tap into larger markets beyond those that serve our local population. These industry clusters not only drive wealth creation in a region-- they also often have relatively large multiplier effects on employment. By focusing limited economic development resources on these key clusters, we believe we will be more effective in assisting regional economic growth and providing stronger employment opportunities.

2. **Industry clusters face varying market conditions and require specific strategies to maximize their opportunity for growth.**

Every industry faces different challenges and opportunities. The one-size-fits-all approach to economic development is typically not very effective, especially with emerging industries that have very specific needs and requirements. The initiative is focused on understanding and responding to the critical needs and opportunities that can be found by closely examining specific industry clusters.

3. **Identify and build upon the resources that are available within the greater region.**

Riverside and San Diego have a rich and diverse tapestry of organizations and institutions that lead and support different aspects of economic development. One of the key objectives of this initiative has been to identify and work directly with as many of these organizations as possible. Through this process, we have identified best practices and resources that can be built upon-- rather than re-creating new programs and processes from scratch.

4. **Focus on strategies and programs that are best developed and implemented interregionally and respect those programs that are best maintained at the local level.**

Stakeholders agreed that several aspects of economic development should be evaluated and developed interregionally. However, there was also the recognition that not all aspects of industry-specific economic development should be regionalized-- those components that can be done better locally should not be a part of this interregional initiative. Stakeholders were also concerned that strategies requiring significant upfront coordination or focused on detailing "how" industries and employers should work were less likely to be successful. It is important to note that this initiative is committed to increasing the numbers of customers, the amount of revenue and the overall profitability of industries within the greater region but not determining how those customers, revenues and profits get split between Riverside and San Diego counties.

5. **Support the creation and development of an interregional structure that will improve planning and coordination of economic development strategies and potentially provide additional resources.**

Through the process of this initiative, key economic development stakeholders in San Diego and Riverside have begun to explore the creation of an interregional economic development district. This district would include members from Northern San Diego County and Southwest Riverside County. Economic development managers from both counties are currently working with San Diego North County Economic Development Council and the Economic Development Council of Southwest California to evaluate the creation of this district. Ultimately, this organization will be most effective if it has active participation from industry leaders and businesses, educators and academics, non-profits that are involved in economic development and appropriate representation from the public sector.

The five core themes provide a foundation for the planning that was developed during the interregional economic development initiative. The next section of the report describes the industry clusters and their specific economic development plans.

PART 2 – INDUSTRY CLUSTERS: AN INTERREGIONAL APPROACH TO ECONOMIC DEVELOPMENT

This role of location has been long overlooked, despite striking evidence that innovation and competitive success in so many fields are geographically concentrated.⁵

The three industry clusters at the focus of this initiative share several key characteristics:

1. Each cluster has uniquely positive attributes in either Riverside or San Diego or in the greater region (both Riverside and San Diego counties).
2. They are export-oriented clusters that currently or potentially have a considerable impact upon the interregional economy.
3. Each cluster has industry leaders that are willing to work collaboratively to develop a stronger infrastructure and environment for industry growth and development.

Alternative and Renewable Power Generation

The alternative and renewable power generation industry cluster includes those firms that are involved in the design, building and operations of wind, solar, hydroelectric and geothermal power generation facilities. It also includes those firms engaged in the research, development and initial operations associated with biomass and biofuels.

⁵ Michael E. Porter, "Clusters and the new economics of competition" Harvard Business Review; Volume 76, Issue 6. Boston; Nov/Dec 1998. <http://polaris.umuc.edu/~fbetz/references/Porter.html>

Industry Cluster Profile⁶

In 2005, about 75 percent of regional employment in this cluster was located in San Diego County and 25 percent in Riverside County. Total employment between the two counties was 5,800 persons at this time, with an average wage of \$70,600 per year, or 178 percent of the two-county average of wages in all industries.

This cluster has grown considerably since 2005 and will continue to grow in the foreseeable future. President Obama and the new administration have repeatedly identified clean energy as one of the key sectors to drive economic recovery and our national employment outlook. This cluster's growth is largely attributed to:

- A. **Legislative requirements** such as those found in AB 32 that require increased use of cleaner sources of energy for the State's overall energy portfolio. More recent opportunities like AB 811 and AB 1106 provide more recent examples of legislation that will be the focus of economic development strategies in the near future.
- B. **Increased volatility in the price of traditional fossil fuels and foreign dependence** encourages development of new alternative energy sources.
- C. **Increased demand from consumers** for alternative energy sources that have a reduced impact upon global warming/ climate change and our environment in general.

Alternative and renewable power generation is still a relatively small cluster with anywhere from 7,000 to 15,000 employees between the two counties. It has also been argued that the industry will not grow without continued legislative subsidies and regulatory requirements. Based on a current assessment of firms in related North American Industry Classification System (NAICS) codes, there is a limited number of manufacturing firms in this cluster within the two counties. Most firms are focused on designing, building or operating facilities-- but not on manufacturing the photo voltaic cells, wind turbines and other types of energy producing devices associated with a growing segment of this cluster. Fuels from algae and other forms of biological materials also provide another opportunity for the region.

Renewable and alternative energies are one of the key components of the clean and green technologies that are a focus of American Recovery and Reinvestment Act (ARRA) funding. These industries that play an important role in environmental sustainability are seeing more federal grant opportunities for their continued development in our economy. Further, an increasing number of grants are providing preference to broader regional approaches that coordinate efforts among a diverse group of stakeholders.

⁶ All data for each of the Industry Cluster Profiles are taken from SANDAG, March 2007, Riverside and San Diego Counties: Cluster Analysis and Opportunities for Cooperative Economic Development. IRP Phase II – Final Report: Appendix A.

Industry and Stakeholder Feedback

Stakeholders indicated three immediate priorities for this industry cluster:

- Legislation, both pending and approved, like AB 811, SB 375 and AB 1106 can potentially have a significant impact on the development of this industry. Energy and energy generation is a highly regulated industry. There are both great opportunities and potential dangers in state and federal legislation that impacts the energy industry. Stakeholders indicated from the outset that a coordinated interregional effort focused on relevant legislation and discretionary funding opportunities (i.e., grants) could play a valuable role in the advancement and development of this emerging energy industry cluster.
- The need for a coordinated communication effort that educates decision makers and consumers about the opportunities in alternative and renewable power generation was expressed by stakeholders. The communication effort should educate decision makers and planners on the opportunities within this industry and provide consumers with greater confidence in purchasing and investing in renewable energy technology.
- As an industry that has changed dramatically over the last two years, there are several questions about the size and make up of employers and employment opportunities connected to alternative and renewable energy generation.

Stakeholders identified numerous strategies that were discussed and considered as part of this initiative. These strategies include:

1. **Education and Workforce Development:** Create a coordinated interregional approach to understand what employers are looking for, what skills and certificates (i.e., North American Board of Certified Energy Practitioners, NABCEP) are needed and the career pathways that should be communicated to workers. This strategy could also look to address workforce gaps and maximize the use of funding for individuals that are looking to be re-trained and educated after being laid off from other industries.
2. **Manufacturing:** Develop a strategy that identifies ways to increase the number of renewable energy manufacturing employers and jobs in the greater region.
3. **Engaging Current Employers and Growing New Ones:** Develop a strategy that looks to communicate and understand the needs of current employers and develop resources to support the growth of new businesses. This strategy could also look to retain and develop the “green brain trust” that may leave the region given the current and potential future economic downturns.
4. **Communication and Outreach:** Develop a strategy to effectively communicate with decision makers and the general public about the benefits associated with a stronger alternative power generation cluster in the greater region. This could also include communicating with current alternative energy employers that could be motivated to relocate in the greater region.
5. **Inventory of Resources:** Develop an inventory of the employers, education and training resources as well as the support services connected to alternative power generation. This resource could provide a clear assessment of where gaps may exist.
6. **Incentive Program:** Develop a package of incentives for businesses to locate into the region.

7. **Communicate with Labor/ Apprenticeship Providers:** Develop training and certification for technicians in manufacturing and installation of alternative energy products. This could be a part of the education and workforce development strategy.
8. **Public/ Private Partnership:** Consider strategic targets for employment and potential public/private partnerships.

Interregional Strategies for Alternative and Renewable Power Generation

The strategy development group for alternative and renewable power generation developed a plan that focuses on four key components. These components include the creation of a comprehensive interregional assessment for renewable power generation and the development of three industry cluster strategies that would be based on, and guided by, this assessment.

Comprehensive Interregional Assessment

Riverside and San Diego counties need to create a combined strategic assessment and plan for alternative and renewable power generation. This plan would detail the alternative and renewable energy resources currently in place, those that need to be developed to produce the legislative mandates coming out of Sacramento (33% by 2020) and identify resources available to meet the mandate in the most cost-effective manner. The Green Valley Initiative's Comprehensive Economic Development Strategy (CEDS) could serve as the foundation for a more specific assessment developed for the greater region.

After there is agreement on the interregional assessment, the most immediate strategies for growing alternative power generation in the greater region should focus on the following three areas:

1. **Legislative and Grant Opportunities:** Legislation and grant funding play a vital role in developing this emerging industry cluster. The group talked about the importance of actively understanding and advocating for legislation to help grow alternative power generation in the region. AB 811 was specifically identified as an opportunity to spur demand for alternative power generation. This legislation could be implemented at the city, sub-regional or county level for both San Diego and Riverside or as part of a larger, statewide implementation.
2. **Outreach and Branding:** This strategy component will intertwine the renewable energy assessment with a place branding strategy. The place branding strategy should communicate to both the renewable energy industry and potential customers (1) the resources that already exist in the greater region and (2) what will exist as we follow the plans of the regional assessment. This strategy places great emphasis on making the industry and residents aware of the renewable energy resources that exist in San Diego and Riverside and what will be coming online in the near future.
3. **Education and Training:** Workforce development remains a key issue for this industry cluster--developing both a foundational understanding of sustainability and renewable energy as well as developing occupational specific skills. The challenge is developing and implementing programs that are up-to-date and change with the industry. The education and workforce planning needs to be based on the industry assessment of what we expect to develop moving forward.

Issues to Overcome:

A comprehensive interregional assessment on alternative and renewable power generation will require resources to complete. Once it is completed, a working group will need to evaluate and finalize the assessment results and organize an interregional response around the committee structure focused on legislation and grant opportunities; outreach and branding; and education training and workforce development.

Resources within the Region:

1. Green Valley Initiative
2. California Center for Sustainable Energy
3. Energy Policy Initiatives Center, University of San Diego, School of Law
4. California high speed rail proposals and other related transportation initiatives.

Next Steps:

1. **Develop a comprehensive interregional assessment for renewable and alternative power generation.** The interregional assessment would include a technical evaluation of the current and expected renewable energy facilities and their capacity to produce power within Riverside and San Diego. The assessment would also develop a strategic plan for increasing renewable energy capacity to meet the long-term statewide legislative mandates for clean energy production. Lastly, the assessment would identify the obstacles for increasing renewable energy production while examining the most cost-effective and sustainable methods for increasing renewable energy production.
2. **Identify the resources and individuals that will participate in interregional planning** and coordinating for the three focus areas:
 - a. **Legislation and Grant Opportunities** – This committee would identify legislation both in Sacramento and Washington DC that could have a positive or negative impact on renewable energy production and organize an interregional response. This group would also be responsible for identifying and responding to grant opportunities that would support the renewable energy industry in Riverside and San Diego.
 - b. **Outreach and Branding** – This committee would develop and implement a place branding strategy that would communicate the economic and environmental benefits associated with renewable energy. The communication strategies would focus on both regional and interregional decision makers as well as residents and potential customers.
 - c. **Education, Training and Workforce Development** – This committee would be comprised of renewable energy employers and educators. They would be focused on evaluating current training and educational programs to ensure that employers

have a qualified workforce. This group would evaluate current capacity for training and educational programs, as well as provide feedback on the skill sets that should be developed at colleges and through regional training programs.

Biotechnology and Medical Devices Manufacturing

This combined industry cluster includes firms that are engaged in the life sciences, with biotechnology research and the manufacturing of pharmaceuticals as well as those firms manufacturing biomedical products and surgical and medical devices.

Industry Cluster Profile⁷

In 2005, biotechnology and pharmaceuticals (biotechnology) in the region was located primarily (93%) in San Diego County, with the remainder (7%) in Riverside County. It is dominated by physical, engineering and biological research (73%). It is complemented by manufacturers of in-vivo diagnostic substances (8%) and pharmaceutical preparations (7%). The cluster employed 31,800 persons in 2005, with an average wage of \$81,000 per year, or 204 percent of the average for the two-county region.

In 2005, surgical and medical instruments and supplies (medical devices) had two-thirds of employment located in San Diego County. The largest industry is surgical and medical instrument manufacturing (53%), followed by surgical appliance and supplies manufacturing (18%) and ophthalmic goods manufacturing and optical instrument and lens manufacturing (16%). Total employment in the cluster was 8,600 persons, with an average wage of \$54,700 per year, or 138 percent of the two-county average. More recent data show increases in employment in medical devices.

This is a high-wage cluster with relatively large economic multipliers. Economic forecasts for this industry are generally more robust than other advanced manufacturing industries-- as the demand for biotechnology and medical devices is largely driven by the healthcare industry rather than other more cyclical components of the macro-economy that are currently seeing diminished expectations. Even with the uncertainty associated with a national or state-wide healthcare system, the overall demand for healthcare products is not expected to decline any time in the near future.

This cluster includes some of the strongest industries for job growth in manufacturing. Pharmaceuticals, in particular, were noted as a manufacturing industry expected to grow and see significant increases in employment⁸. The State of California has several regions with a concentration of firms and employees in biotechnology and medical devices manufacturing including San Diego and Orange County.

⁷ All data for each of the Industry Cluster Profiles are taken from SANDAG, March 2007, Riverside and San Diego Counties: Cluster Analysis and Opportunities for Cooperative Economic Development. IRP Phase II – Final Report: Appendix A.

⁸ Source: July 2009: Executive Office of the President Council of Economic Advisors, Preparing the Workers of today for the Jobs of Tomorrow.

Regions and states all over the globe have actively recruited biotechnology firms to relocate into their boundaries in the hopes of benefiting from high-wage employment and the additional employment generated from this industry. However, these recruitment strategies have shown mixed results and may not provide the return on investment that was expected. Outsourcing and off shoring in other biotechnology hubs have demonstrated that many of the manufacturing and technician positions may not remain in the cluster as firms move towards production. Healthcare reform could also impact the profitability of this industry, particularly as it relates to pharmaceuticals.

Industry and Stakeholder Feedback

Stakeholders indicated that even in the current labor market, finding and/ or recruiting qualified applicants remain a challenge. Employers also face a constant churn in the skills and abilities required given changing innovations in technology and as new responsibilities are moved to new locations. There was a strong consensus that biotechnology and medical devices manufacturing remains a critical component in the regional economy and one in which planners and decision makers must remain committed to support.

Stakeholders identified several strategies that should be considered moving forward. In no particular order or priority, the strategies include:

1. **Education and Workforce Development:** Develop basic and technician level skills for opportunities in manufacturing of medical devices, primarily in Southwest Riverside. While San Diego has some manufacturing technicians, more of the work in San Diego is focused on research and development and creating higher skills and more educated applicants within the region.
2. **Connecting Clusters and New Technology:** Look at the opportunities in renewable energy (e.g., algae, biofuels, etc.) and those associated with nanotechnology as potential drivers of industry cluster growth.
3. **Inventory of Resources:** Develop an inventory of the employers, education and training resources and support services that are connected to biotechnology and medical devices, particularly as it relates to commercialization of current research and development. This resource could provide a clear assessment of where gaps may exist.
4. **Legislation and Local Policies that Support Expansion and Growth of Current Firms:** Support collaborative efforts to stop the growth and adoption of linkage fees and other local taxes that limit the growth of biotechnology, particularly in San Diego. Availability of process water is very important to continued growth of biotechnology and life sciences research. This strategy is focused on identifying key legislative and policy issues that both regions can more effectively champion together than individually.
5. **Effective Communication and Outreach to Applicants and New Employers:** Both regions have challenges recruiting the right employees and both regions (particularly San Diego) face challenges in providing a business environment that is conducive for growth and expansion or attracting new businesses. Some of these problems stem from the perception

related to the business and housing environment and others the perceived quality of life (Southwest Riverside). As the greater region improves its destination appeal, it should provide additional ability to recruit qualified applicants and new employers.

Interregional Strategies for Biotechnology and Medical Devices Manufacturing

The strategy development group for biotechnology and medical devices manufacturing was focused on developing the connectivity between current biotechnology firms that are largely concentrated in San Diego County and generally focused on research and development, with the contract and device manufacturing firms that are well-represented in Southwest Riverside County.

Issues to Overcome:

Overall connectivity between San Diego and Riverside counties in the biotechnology industry is relatively low. Riverside County employers are primarily focused on contract manufacturing and the medical devices industry, while San Diego employers are more focused on research and development in the biotechnology industry. Employers and industry leaders from the two counties have indicated different challenges as they relate to economic and workforce development and there is little to no agreement on what the interregional strategies should be moving forward. In general, San Diego biotechnology firms showed little interest in developing interregional strategies focused on cluster-specific economic development.

Resources within the Region:

1. Biocom
2. Nanobiometrics
3. California Healthcare Institute
4. Office of Technology Transfer and Commercialization, California State University of San Bernardino.

Next Steps:

1. **Develop and expand public and private partnerships** between biotechnology and medical devices employers and interregional educators to provide industry-specific training and educational opportunities. This strategy would look to develop and implement new approaches for educating and training interregional residents for the employment opportunities in biotechnology and medical devices manufacturing by working with interregional employers to develop programs that are relevant to the skills that are needed today by employers.
2. **Create and support opportunities to connect** the research and development firms in San Diego (biotechnology) to the production and manufacturing employers (medical devices manufacturing) in Riverside. This strategy requires interregional employers in biotechnology

and medical devices to become more aware of the partnership opportunities that exist between employers. In general, employer awareness of partnership opportunities does not currently extend beyond county borders.

Travel, Tourism, Entertainment and Wineries

This combined industry cluster includes those firms that are focused on serving tourists in the region, including transportation and lodging services as well as firms that provide recreation, leisure and entertainment services, such as casinos and other entertainment activities that could assist in drawing tourists to the greater region. This combined cluster also includes wineries and those firms that support the creation and development of wine in the greater region.

Industry Cluster Profile⁹

In 2005, travel and hospitality in the region saw nearly two-thirds (63%) of employment located in San Diego County. The cluster is represented primarily by hotels and motels (both with and without casinos; 89% of employment). The cluster also includes travel agencies and other travel arrangement services (6%). The cluster employed 49,000 persons in 2005, with an average wage of \$25,000 per year, or 63 percent of the two-county average.

In 2005, entertainment and recreation had about two-thirds (68%) of employment located in San Diego County and the remainder (32%) in Riverside County. The largest industries are casinos (39% of employment), golf courses and country clubs (16%), amusement and theme parks (10%) and zoos and botanical gardens (4%). Total employment in entertainment and recreation was 51,800 in 2005, with an average wage of \$27,500 per year, or 69 percent of the two-county average.

Wineries and grape vineyards are also grouped in this cluster, although a substantial amount of grapes are sold for purposes other than wine-making. The average wage of wineries and grape vineyards is \$17,800 per year, or about one-half of the county average in Riverside.

According to the 2005 data, this combined industry cluster employs more than 100,000 people and based on preliminary analysis, it was more than 110,000 in 2008. The two counties also have several unique and world class resources related to tourism, entertainment and wineries.

This is generally a low-wage industry with relatively low economic multipliers. While this industry has some career pathways, they tend to be somewhat limited in terms of overall opportunities. Employees in this cluster are less likely to impact current commute behavior.

The current economic downturn has increased the opportunity for increased travel and tourism among residents that would drive rather than fly to Riverside and San Diego. Ultimately, travel and tourism are typically hurt when discretionary spending is down-- which is not expected to improve within the state or the nation anytime soon. The overall economic environment will impact the total potential growth in the two counties for this industry cluster.

⁹ All data for each of the Industry Cluster Profiles are taken from SANDAG, March 2007, Riverside and San Diego Counties: Cluster Analysis and Opportunities for Cooperative Economic Development. IRP Phase II – Final Report: Appendix A

Industry and Stakeholder Feedback

Stakeholders indicated they were concerned with the low relative wages in the industry and the ability to recruit more educated applicants. Several stakeholders also indicated that the two counties could become more appealing to potential visitors if they could communicate the strengths of each county and bundle the unique attributes as a single destination.

There was also additional input that the two regions (Southwest Riverside and North San Diego along the I-15) should focus on incorporating the opportunities associated with outdoor recreation and the open spaces that define the region.

Stakeholders identified several strategies that should be considered moving forward. In no particular order or priority, the strategies include:

1. **Workforce and Education Development:** Create a coordinated bi-regional approach to understanding what employers are looking for, what skills and certificates are needed and what career pathways should be communicated to workers. This strategy should also look at what skills can be developed in this cluster and used in long-term skill development.
2. **Transition to Higher Paying Opportunities:** Evaluate programs that move entry-level hospitality workers into higher paying, more sustainable jobs while developing greater skills and abilities.
3. **Entrepreneurial Strategies and Self-Employment:** Develop a strategy that identifies ways of increasing the number of tourism, wineries and entertainment employers and jobs in the greater region.
4. **Communication and Outreach:** Develop strategies to market the region and bundle the activities together that will draw tourists to Riverside and San Diego. This strategy should also incorporate new technology and social networking mediums.
5. **Inventory of Resources:** Develop an inventory of the employers, education and training resources and support services that are connected to tourism, wineries and entertainment. This resource could provide a clear assessment of where gaps may exist and how to best move forward. This inventory should also include an assessment of the transportation infrastructure that may need to be developed or expanded to better serve tourists.
6. **Use of Waste Products for Biomass Energy Production:** Explore opportunities for biomass energy to be developed at interregional wineries.
7. **University Partnerships for Industry Research and Job Training:** Identify and determine universities' willingness to take an active role in industry research (viticulture) as well as identify higher level training programs.
8. **Transportation Assessment:** Evaluate the transportation infrastructure needed to connect tourists to all the attractions (particularly in Riverside) and identify opportunities for funding and developing needed transportation infrastructure.

Interregional Strategies for Travel, Tourism, Entertainment and Wineries

The strategy development group for travel, tourism, entertainment and wineries proposed three key components that would drive the interregional response to economic development for this industry cluster. The group was supportive of most, if not all, of the strategies identified earlier but felt the following three were the most relevant for the initiative:

1. **Coordinate Consistent Communication and Outreach that Strengthens Destination Appeal:** Temecula Convention & Visitors Bureau (CVB) and San Diego North CVB have already done considerable work developing brand strategies for their respective regions. This strategy would look to build upon the work that has already been done and identify opportunities to consistently brand the greater region and/ or develop complimentary messaging. The messaging would seek to reinforce the strengths of each respective region but ultimately, increase the destination appeal of the greater region.
2. **Entrepreneurial Strategies and Self Employment:** This strategy is focused on training and developing entrepreneurs and individuals looking for self-employment within this industry. This strategy does have an education and training component, but it is in the context of regional entrepreneurs within travel, tourism and wineries. The focus from this item would be on providing traditional entrepreneurial training and education to individuals who want to focus on new businesses within this industry cluster.
3. **Transportation Improvements:** Transportation infrastructure is an important component to developing better opportunities for visitors who are coming to the two regions. This interregional strategy would evaluate and develop interregional transportation infrastructure that would allow tourists to more easily travel within the greater region. Bike paths and improved public transportation options within the region would serve residents and visitors, while reinforcing the outdoor and recreational appeal of the greater region. Developing and/or expanding the use of airports within the region would also bring a larger numbers of visitors within closer proximity to the many destinations in Southwest Riverside and Northern San Diego County.

Issues to Overcome:

Industry cluster stakeholders agreed on the importance of increasing the destination appeal for tourism interregionally, but there was less agreement on how these key messages could be connected and implemented to strengthen the appeal beyond current communication strategies. There also remains a generally competitive environment between regional organizations and employers in the tourism industry, as funding for message development and communications is typically tied to specific cities and counties and creates competition between neighboring counties.

Resources within the Region:

1. Temecula Valley Convention and Visitors Bureau
2. San Diego North Convention and Visitors Bureau
3. Temecula Valley Winegrowers Association

4. California State University, San Marcos
5. Mount San Jacinto College, Hospitality & Restaurant Management Program.

Next Steps:

1. **Develop an interregional online portal that highlights the destination appeal of the tourism opportunities in Southwest Riverside and Northeast San Diego.** This online portal would connect and reinforce the key messages that have been developed in branding both regions while also communicating the variety of entertainment activities that exist at regional wineries, casinos, outdoor recreational activities and natural open spaces. This online portal would not only serve as a way to communicate with potential visitors but also provide a valuable resource for industry employers who are looking to collaborate other leisure and recreational partners looking to serve the tourist industry.
2. **Examine potential partnerships between regional universities and wineries to develop a research institution in viticulture.** This potential partnership could follow a model like the one between Mondavi and University of California at Davis. There should also be consideration given to potential partnerships at regional colleges and universities to evaluate expanding entrepreneurial training and education for the travel, tourism, entertainment and wineries industry cluster.
3. **Develop an interregional transportation strategic plan for the tourism and visitor industry.** This plan would evaluate cost-effective strategies to expand transportation options for visitors who are coming to Southwest Riverside and Northeast San Diego. The plan would examine interregional walking and bike paths, access to public transportation, as well as access to airports in or near the focus area of the study. Ultimately, the study would be used to begin developing the infrastructure improvements that will increase visitors' ability to move around interregionally.

PART 3 – THE INTERREGIONAL ECONOMIC DEVELOPMENT PROCESS

Periods of transition and change are often the hardest time to commit to strategic planning. However, it is these periods where strategic planning may be most important. The economic downturn became most apparent at the end of 2008. Since then, both San Diego and Riverside counties have suffered from double digit unemployment, diminished consumer and investor confidence and significant declines in the budgets of many agencies and organizations actively engaged in local and regional economic development.

This section of the report describes the process used to develop the findings for the interregional economic development initiative.

Roles in the Initiative

There were three general roles that individuals could have in their participation in the interregional initiative:

- **Initiative advisors** were responsible for guiding the initiative. The advisors included representatives from WRCOG and SANDAG, as well as key members from San Diego and Riverside economic planning and development agencies.
- **Stakeholders** included members of the economic development community of San Diego and Riverside counties, as well as industry leaders and employers of the three industry clusters that were the focus of this initiative-- alternative power generation, biotechnology and medical devices manufacturing and travel, tourism, entertainment and wineries. Potential stakeholders were initially identified by the initiative advisors and contacted through the executive interview process.
- The **economic development consultant team** included the three consulting firms-- BW Research Partnership, Full Capacity Marketing and True North Research.

Stakeholder Input

Stakeholder input and expertise played a central role in every step of the interregional economic development initiative process. Although stakeholder input was gathered informally throughout the process, there were three data collection activities where input from stakeholders was actively sought and acted upon:

1. **Initial Executive Interviews with Advisors and Stakeholders:** One of the first responsibilities of the project manager was to communicate with advisors and potential stakeholders. This was done through one-on-one interviews, both in-person and over the phone. The interviews provided an important opportunity to get individual feedback on the challenges, outcomes and industry clusters that should be considered for the focus of the initiative.
2. **Three Interregional Stakeholder Workshops:** Stakeholder workshops were organized and implemented in June, July and October of 2009. All stakeholders were invited to participate in each meeting, with each meeting having a specific objective. The June meeting was focused on finding agreement on the common outcomes for the initiative and finalizing the industry clusters that would be the focus of the initiative. The July meeting was focused on identifying the strategies to meet the outcomes for each cluster. The final October meeting was committed to getting feedback and agreeing upon the strategies identified and refined by each of the industry cluster strategy development groups.
3. **Industry Cluster Strategy Development Groups:** After the strategies were identified in the June meeting, stakeholders were invited to participate in one of three industry cluster strategy development groups. Each strategy development group was associated with one of the industry clusters:
 - a. Alternative Power Generation
 - b. Biotechnology and Medical Devices Manufacturing
 - c. Travel, Tourism, Entertainment and Wineries.

Each industry cluster working group met at least once to discuss the activities and programs that became the focus of the specific economic development strategies for each cluster.

Economic Development Initiative Process

This phase of the interregional economic development initiative was organized around three workshops. The three workshops brought together regional planners, economic development specialists and industry leaders and employers from Riverside and San Diego counties, with particular focus on those agencies and employers situated along the I-15 corridor.

Workshop 1: Identify the Industry Clusters and Agree Upon Initiative Outcomes

The initial stakeholder's meeting in June 2009 focused on coming to an agreement on the common outcomes for the initiative and identifying which industry clusters should be the focus of the economic development strategies.

The goal of the initial workshop was to get the stakeholders together and have them agree on the objectives and the direction for the initiative. By having stakeholders agree upon the common outcomes relatively early in the process, it provided an important foundation and reminder when discussing and searching for consensus on strategies and the eventual creation of the regional action plan.

Initiative Outcomes

Initiative advisors worked with the consultant team to develop a list of potential common outcomes in which stakeholders could respond (the list was sent to stakeholders a week before the actual in-person workshop). Stakeholders discussed the initial list of common outcomes and narrowed and revised the list down to three common outcomes:

Outcome 1: Increase the number of high quality jobs in the region with opportunities for continuing career pathways. This outcome is focused on the expansion of jobs in those industries that will generate additional employment-- but also provide high quality employment opportunities for regional job seekers.

Outcome 2: Increase regional employment opportunities that reduce commute congestion on the I-15. This outcome is focused on the development of employment opportunities closer to where residents live-- ultimately reducing the rate of growth in the number of commuters that contribute to the congestion on the I-15.

Outcome 3: Increase regional economic diversity to improve resiliency to economic challenges and downturns. This outcome is focused on developing a stronger set of industry clusters that are not dependent on a single economic driver.

Industry Clusters

Again, initiative advisors worked with the consultant team to develop a list of potential common outcomes in which stakeholders could respond (the list was sent to stakeholders a week before the actual in-person workshop). The consultant team also developed an initial SWOT (Strengths, Weakness, Opportunities, Target) assessment of each industry cluster, based largely on the industry cluster research completed by SANDAG in 2005. Stakeholders gave substantial consideration to five self-defined industry clusters;

1. Alternative power generation;
2. Biotechnology and medical devices manufacturing;
3. Communications (including telecommunications and related manufacturing);
4. Logistics and the related import and export of goods;
5. Travel, tourism, entertainment and wineries.

After a lengthy discussion, stakeholders agreed to focus on alternative power generation, biotechnology and medical devices manufacturing and travel, tourism, entertainment and wineries. There was also a recommendation that the group continue to consider opportunities for economic development associated with logistics and communications in the future or as an additional phase of the economic development initiative.

Workshop 2: Identify Economic Development Strategies for Each Industry Cluster

The second stakeholders meeting in July 2009 was focused on identifying strategies that would meet the outcomes agreed upon at the initial workshop. This phase of the initiative was focused on identifying all the possible strategies available to the initiative and then identifying individuals willing to participate in working groups to begin to develop the identified strategies.

The Strengths, Weaknesses, Opportunities and Threats (SWOT) document for each industry cluster was developed as a result of the feedback from stakeholders in the executive interviews, additional feedback from project advisors as well as best practices found in other regions. This revised SWOT document also included some initial strategies specific to each industry cluster that could help meet the common outcomes agreed upon at the initial workshop.

At the second workshop, stakeholders gave feedback on the identified strategies and suggested additional strategies for consideration. Individuals willing to participate in the industry cluster strategy development groups were also identified at this workshop.

Unlike previous stages, a unified consensus was not required for each strategy to move forward. Instead, a willingness to participate in the development of the strategy from a group of stakeholders was all that was needed for a strategy to move forward. By the end of the process, feedback from stakeholders and advisors would identify which strategies should be the focus of the economic development initiative.

For a full listing of the recommendations, strategies, programs and supporting research that was considered and developed for each industry cluster, please see Appendix 1.

Workshop 3: Identify Economic Development Strategies for Each Industry Cluster along with Communications Tools

The final phase of the initiative was focused on creating and finding agreement around an interregional action plan and its corresponding communication strategies. The final stakeholder meeting in October 2009 introduced key components of the action plan to stakeholders and

gathered feedback on the information needed to finalize the document and move forward on its recommendations and next steps.

Communication Strategies

Along with the recommendations and next steps from each of the industry clusters, communication strategies were being developed for the initiative.

A marketing and communications strategy has been developed for targeted audiences, stakeholders and key influencers that need to be engaged to bring the economic development strategies to fruition. The two-pronged approach includes:

1. Broad-based communication strategies to inform the community about the initiatives; and
2. Individual outreach tools for each of the three identified industry clusters.

To date, items that have been developed include the following:

- Re-design of the I-15 website to include the economic development strategies.
- Process to drive traffic to the website and engage target audiences with the strategies.
- Press release to announce the project and garner input from an online survey.
- Templates for developing an outreach plan for each industry cluster, including target audience identification, goals/ objectives, outreach tools needed and Return on Investment (ROI) metrics.

Ultimately, the recommendations for the industry cluster communication strategies are based on the belief that messaging should be targeted and segmented to the appropriate audiences. Any outreach tools designed (virtual and/or written) should have a clearly focused call to action with the central consideration of who we are talking to, how we want to engage the target and/or what behaviors we want to change.