



CITY OF MORGAN HILL

CITY COUNCIL STAFF REPORT

MEETING DATE: May 20, 2020

PREPARED BY: Edith Ramirez, Economic Development Director
APPROVED BY: City Manager

REVIEW ECONOMIC DEVELOPMENT BUSINESS RECOVERY PLAN

RECOMMENDATION(S)

Review and provide direction on the Economic Development Business Recovery Work Program.

COUNCIL PRIORITIES, GOALS & STRATEGIES

Ongoing Priorities

Supporting Our Youth
Seniors
and Entire Community

2020-2021 Strategic Priorities

Economic Development

GUIDING DOCUMENTS

Economic Blueprint

POLICY CONSIDERATIONS

Should the Economic Development team realign priorities to address the economic crisis caused by the COVID-19 pandemic?

Should the City invest additional resources to implement an Economic Recovery Plan?

What are the activities that should be prioritized for Economic Development?

REPORT NARRATIVE:

The economic landscape has been drastically impacted by the COVID19 pandemic. Since the March 16th Shelter-in-Place (SIP) Order by the County of Santa Clara Public Health Department, most of the City's businesses have experienced closures or decreased production and hotels are functioning at record-low occupancy rates. This pandemic has created an economic crisis that is affecting all, including the City of Morgan Hill as it relates to tax revenue; including sales, property, transient occupancy and gas, and also recreation and development services revenues.

Over the past few months, the City's Economic Development team has provided support to businesses during this pandemic with the following activities:

1. Information on Business Resources:

The City has created a Business Resources webpage with information on various (local, state, and federal) loan assistance programs, tax assistance, and other resources. Three newsletters have been sent to all businesses with information on the latest financial and technical resources.

2. Business Outreach:

In partnership with the Chamber of Commerce and Visit Morgan Hill, a survey was sent to all businesses to better understand business impacts and needs. In addition to electronically deploying the survey, a post card was mailed to all businesses and calls were made to the top 100 employers and sales tax generators.

3. Outreach to Developers:

Outreach is underway to developers processing commercial and industrial projects. Many of these projects are impacted and may be delayed and/or may need to be value-engineered.

4. Technical & Financial Assistance:

The City is collaborating with the Small Business Development Center (SBDC) and the National Development Center to provide much needed financial assistance and technical support. Many Morgan Hill businesses have applied for the Economic Injury Disaster Program through federal Small Business Administration (SBA) that offers up to \$2 million in debt to small businesses, non-profits, and sole proprietors and for the Paycheck Protection Plan (PPP) that offers up to \$10 million and includes a loan forgiveness associated with re-employing or paying salary to affected employees up to eight weeks.

5. Business Resiliency Roundtables:

The team has hosted five Business Resiliency Roundtables on Financial Resources, Communications Strategies, Retail, Tourism, and Manufacturing. These roundtables include industry experts as guest speakers and offer a platform for businesses to share ideas and best practices. Attached is a summary of the findings from the Business Resiliency Roundtables (Attachment 1). A final roundtable for restaurants is scheduled for May 19th.

6. Post COVID-19 Economic Recovery:

Many of the small businesses will be challenged to survive the SIP. Industries may need to re-imagine business plans, creating new coping strategies for ongoing or repeated social distancing restrictions. These realities will impact business models for private, public (government) and non-profit organizations alike. Organizations will need to redesign workspaces, explore different delivery models like developing multiple shifts and alternate work schedules to reimagine the way people gather and convene.

The Economic Development team is compiling a list of strategies to support the economic recovery brought up at the Business Resiliency Roundtables, City Council meetings, and Townhall meetings. These ideas range in levels of complexity, ability to influence the City's financial recovery, and alignment with City's goals. Attachment 2 outlines how some of these ideas align and/or support City policies, shopping districts and industries. It also begins to identify if the recommendations require additional funding resources.

At the May 6, 2020 Council meeting, the City Council directed staff to develop recommendations for an economic recovery plan that responds to the needs of the local business community. The Council asked for strategies to support businesses; solutions by area and by industry; to explore collaborative solutions with non-profits, community and/or business organizations; and to review City policies that can support big and small, existing, and new businesses and developments.

Prior to the COVID-19 pandemic, the Economic Development team's work program was already focused on creating fiscal sustainability by growing existing companies, attracting new industry, growing professional jobs; and advancing goals for healthcare, retail, and tourism. The current goals for Fiscal Year 2020-21 include:

1. **Industrial Preservation Policy:** Update the Industrial Lands Analysis and develop a fiscal analysis of industrial areas that will help shape land use decisions that protect the job creating lands, further strengthening the General Plan (Fiscal Sustainability, Economic Development)
2. **Retail Concentration Strategy:** Develop a policy to strengthen retail nodes and identify requirements that pose impediments for retail and identify areas where retail is not likely to succeed (Economic Development)
3. **Property Business Improvement District:** Work with the Downtown businesses to create a Business Improvement District for property improvements and marketing and promotion for Downtown (Economic Development)
4. **High Speed Rail:** Respond to High Speed Rail's Environmental Impact Report/Study and advocate for mitigations including grade separations for traffic and circulation safety (Transportation, Advancing Regional Initiatives)
5. **Telecommunications RFP:** Commence contract negotiations with service provider to service City facilities and explore enhanced connectivity to residential and commercial neighborhoods (Fiscal Sustainability, Economic Development)
6. **Healthcare:** Assist with the County of Santa Clara's efforts to revitalize the DePaul Health Center, update the Healthcare Market and Service Needs Study and work with other healthcare providers to facilitate expansion of services in Morgan Hill (Supporting our Youth, Seniors, and Entire Community)
7. **Impact Fee Freeze Program:** Perform an evaluation of the program and develop program modifications as an ongoing City program (Economic Development)
8. **Urban Land Institute (ULI) Fall Conference:** Participate with the Silicon Valley Economic Development Alliance to host a program during the 2020 Fall ULI Conference taking place in San Francisco (Economic Development)
9. **Events, Marketing, and Promotions:** Build on the success of 2019 Choose Morgan Hill events, continue to enhance the economic development conversation at a local level. Host a second annual Speaker Series, Wine Stroll VIP business appreciation luncheon, host a Broker Breakfast Retail Runway in partnership with San Jose and Gilroy, and host annual Manufacturing Day (Economic Development)

The above work program continues the implementation of the City's 2017 Economic Blueprint, which is the City's strategy for economic sustainability. The Economic Blueprint is the result of a two-year effort that received hundreds of community inputs and was thoroughly vetted with industry experts and economic development peers to ensure the activities (actions and strategies) would have positive financial return on investment trackable by the tangible economic indicators.

An Economic Recovery Plan to support the business community and the City's economic recovery should consider the existing federal and state economic recovery programs, the local cost to address the impact of a global crisis, alignment with City goals and policies, complexity to implement, and the ability to meaningfully impact the businesses and the City's economic recovery. While there are dozens of strategies identified in Attachment 2, limited resources, coupled with an already robust work program should be considered when identifying priorities for the City's Economic Recovery Plan.

Cost	Alignment	Complexity	Impact
<ul style="list-style-type: none"> •Financial costs •Manpower requirements 	<ul style="list-style-type: none"> •General Plan •Economic Blueprint •Telecommunications •Other 	<ul style="list-style-type: none"> •Ease to implement •Timing •City Control 	<ul style="list-style-type: none"> •Measures of Success •Opportunity Cost •Prioritization

Focused Economic Recovery Plan

The Economic Development team will continue to implement 7 of the 9 key goals listed in the 2020-21 work program, including:

1. **Industrial Preservation Policy**
2. **Retail Concentration Strategy**
3. **Property Business Improvement District**
4. **High Speed Rail EIR Review**
5. **Telecommunications RFP Implementation**
6. **Support Expansion of Healthcare Facilities**
7. **Free Freeze Program Evaluation**

The team will also continue with current activities supporting businesses during COVID-19, including a) collecting and disseminating information to employers and employees, b) continue with business outreach, c) outreach to the development community, d) providing technical and financial resources in partnership with community partners, and e) continue to identify and evaluate business resiliency strategies. In addition, specific to the COVID-19 re-opening, staff will **f) develop and distribute a handbook with protocols and strategies for re-opening by industry.**

Additionally, it is recommended the following activities be added and prioritized to support recovery of the restaurant industry, retailers, and small businesses, to encourage tourism, and to support new investment.

- A. **MONTEREY ROAD IMPROVEMENTS-** Work with the Engineering Division to explore repurposing a traffic lane and on-street parking along Monterey Road through Downtown that create more space for retailers, restaurants, pedestrians and cyclists. Explore curbside pickup and other on-street parking policies that will help with deliveries, valet parking, etc.
- B. **COMPREHENSIVE PRELIM REVIEW** - Formalize City preliminary review of conceptual commercial and industrial developments. City to schedule prelim review once a month to allow developers to schedule meetings and receive immediate feedback across departments.
- C. **CITY POLICIES** - Review City policies, including conditional use permits (CUPs) (hours of operation), Planned Developments (PDs) (clarity on development), Curbside Pickup, Telecommunication requirements for commercial and industrial developments, Placemaking and landscaping opportunities that will support the City's Place Branding, and Sign Policies that will support existing and new retail development.
- D. **EVENT PROGRAMMING, DOWNTOWN PLACEMAKING** - Explore partnerships with community organizations to develop and execute events that will meet new distancing requirements and will activate Downtown. Activities could include art fairs and other placemaking opportunities like chalk art, outdoor art galleries, murals, and temporary art projects.
- E. **BUY LOCAL CAMPAIGN** - Work with partners to execute a buy local campaign, creating awareness of local retailers and goods to encourage local spending.
- F. **POP UP RETAIL/WINDOW ACTIVATION** - Work with partners to develop opportunities to activate vacant windows and create non-brick and mortar retail opportunities, either with sidewalk activation or with temporary markets.
- G. **APPLY FOR EDA FEDERAL GRANT** - Apply to EDA for funding associated with enhancing telecommunications capacity to expand infrastructure to residential and commercial areas in Morgan Hill.

COMMUNITY ENGAGEMENT: Collaborate

Community outreach during the pandemic has been done through the City's 411 newsletter, a post card to all businesses, three newsletters, email communications, and Business Resiliency Roundtables. This report serves to inform the Council and community on potential next steps.

ALTERNATIVE ACTIONS:

The Council may choose to propose alternative COVID-19 economic recovery strategies.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

In 2017, the City Council approved the Economic Blueprint that provides direction the priorities for the Economic Development work program.

On May 6, 2020, City Council directed staff to develop recommendations for an economic recovery plan that responds to the needs of the local business community.

FISCAL AND RESOURCE IMPACT:

The 2020-21 work program items are accounted for in the current Economic Development budget. To address the fiscal impacts to the City from COVID-19, adjustment to the Economic Development Budget was recommended at the May 15 Council Budget Workshop to remove the Economic Development Fellow as well as contractual services and supplies. Some of the previously planned marketing and promotions events (ULI conference, speaker series, wine stroll, broker breakfasts, etc.) are uncertain during COVID-19 and were likely not going to be feasible to implement, therefore were recommended to be suspended at this time.

The new activities listed for consideration in the Recovery Plan are not included in the proposed budget. If the Council chooses to move forward with the planning for the PBID, approximately \$45,000 will need to be allocated to that effort. The other activities will need to be evaluated based on existing work commitments and resources available after the approval of the proposed budget.

CEQA (California Environmental Quality Act):

Not a Project – the Economic Development work plan is an administrative activity of government that will not result in direct or indirect physical changes in the environment. While some projects on the work plan may result in changes to the physical environment, those projects will undergo appropriate environmental review on a project by project basis to meet CEQA requirements.

LINKS/ATTACHMENTS:

1. Business Resiliency Roundtables Findings Summary
2. CMH Covid19 Economic Recovery Strategies
3. 06 Supplement 1
4. 06 Supplement 2
5. 06 Supplement 3
6. 06 Supplement 4
7. 06 Supplement 5
8. 06 Supplement 6
9. 06 Supplement 7
10. 06 Supplement 8
11. 06 Supplement 9
12. 06 Supplement 10

13.06 Presentation
14.06 Supplement 11