

# Sustaining Our Prosperity: The San Francisco Economic Strategy

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January 28, 2008



# What is the San Francisco Economic Strategy?

- Authorized by the voters with Proposition I in 2004.
- Provide a comprehensive analysis and way forward for the San Francisco economy – "a general plan for the economy".
- Research conducted by a team of consultants in 2006 and early 2007.
- Final report released by the Mayor's Office in November, 2007.

# The Framework: Sustaining our Prosperity

Economic Performance		
Jobs	Wages	Inequality
Population	Business/Asset Ownership	

The economic outcomes people care about and want to affect: the ultimate goals of the strategy.

Economic Drivers	
Export Sectors	Local-Serving Business

The industries that drive the City's economy and its role in the global economy:

Economic Foundations	
Education / Training	Infrastructure
Quality of Life	Cost of Doing Business
Small Business Support	Technology

The local assets and business barriers that shape the competitiveness of the economic drivers.

Policy & Action
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The actions governments can take to strengthen the economic foundations.



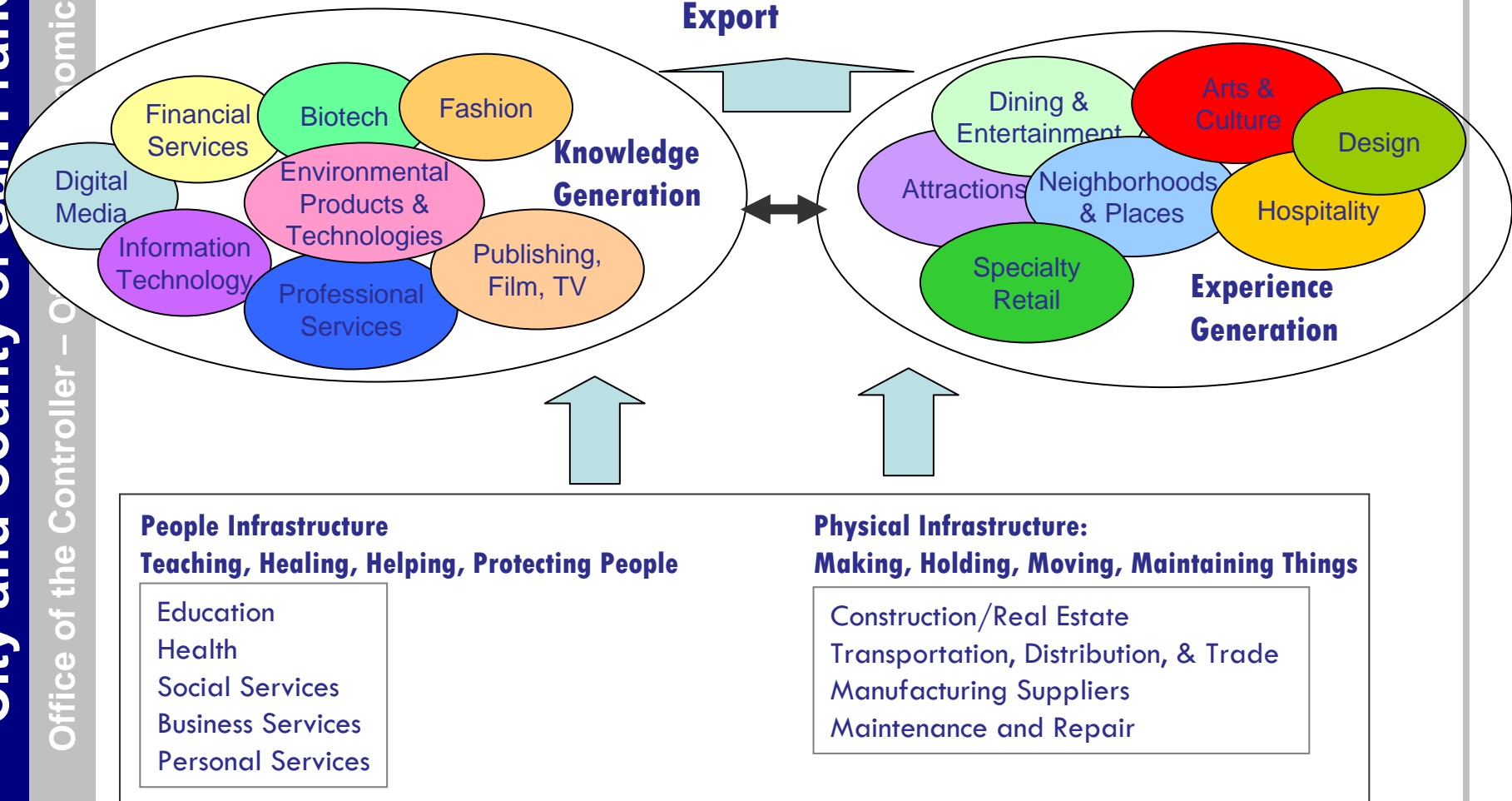
# Economic Performance

- **Job Numbers:** Since the 1970s - the slow-growing center of a dynamic regional economy.
- **Types of Jobs:** Some growth at the high end – a little growth at the low end – job losses in the middle.
- **Income Inequality:** Rising, following the job situation.
- **Migration and Population:** Out-migration of low- and middle-income rising, following the job situation.
- **Small Business and Asset Poverty:** Opportunity and challenge.
  
- **Bottom Line:** Slow job growth is a significant factor in many of San Francisco's economic and social challenges.

# Goals of the Economic Strategy

- **Competitiveness is a requirement for any city in the global economy**
- **But competitiveness is a means to an end: what are we trying to accomplish?**
- **What we learned from our outreach:**
  - More economic development and opportunity
  - More and better jobs for middle- and lower-income residents
  - Stable and growing tax revenue to fund City services

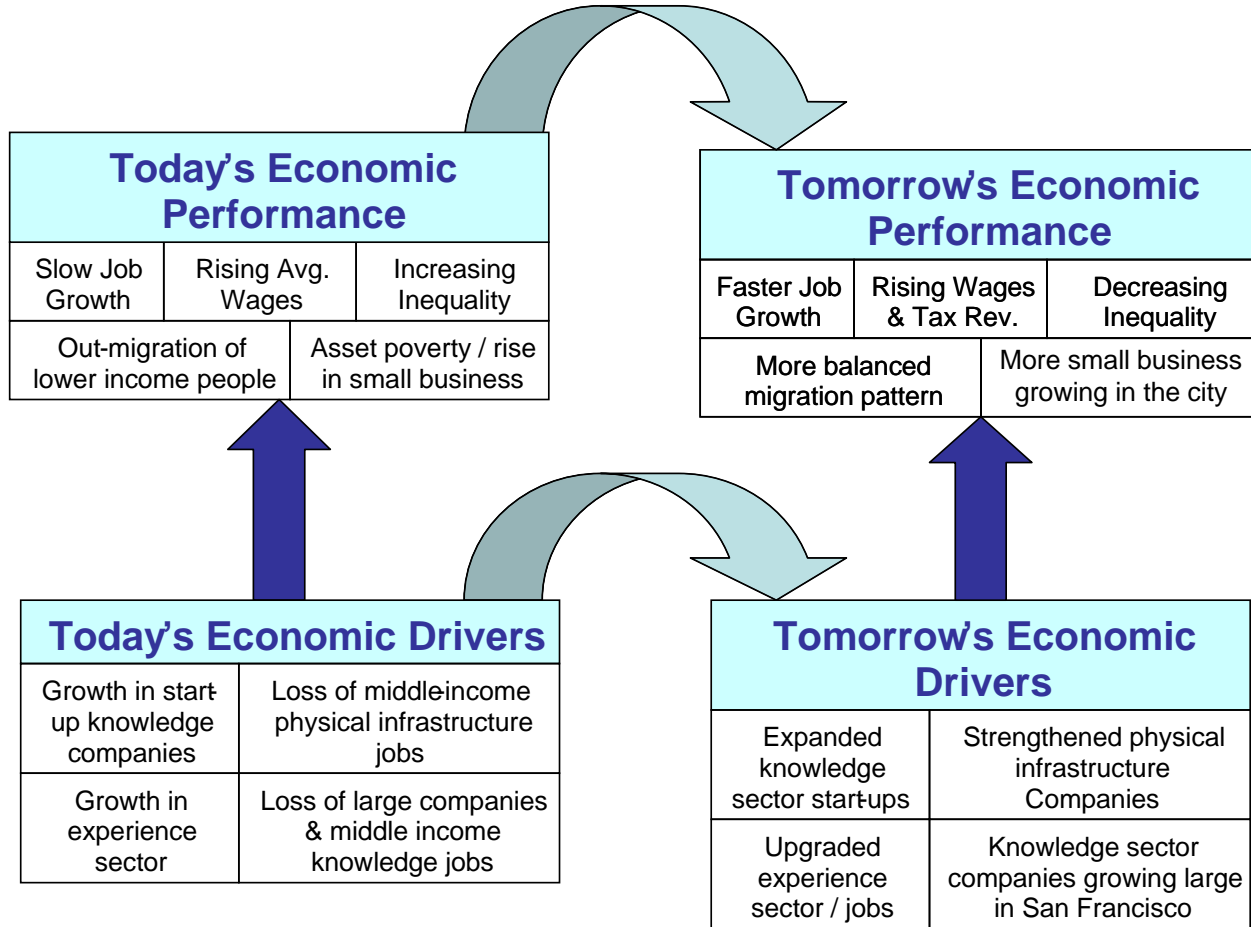
# Economic Drivers: An Economy Driven by Knowledge and Experience



# Why Do We Have These Drivers? Our Economic Foundations

- Knowledge Sector: Strength in Small Firms, mainly high-wage jobs only
  - Education: Most educated workforce in the U.S. – but mainly migrants
  - R&D: Most academic R&D in the U.S.
  - Venture Capital: Largest venture capital pool in the world.
  - Quality of Life: Mercer ranks us #2 in the U.S.
  - Cost is a negative: We lose companies as they grow, and larger companies provide the balanced mix of jobs.
- Our Large-firm knowledge sector has been leaving, and not being replaced.
  - Critical to provide opportunities for knowledge sector companies to grow *in San Francisco*.
- Experience Sector: Strong competitiveness and growth potential...but mainly low wage jobs
  - Quality of Life: Climate, culture, arts, hospitality
  - Infrastructure: regional and international personal transport node
- Physical Infrastructure: Continuing Challenges
  - Infrastructure & costs are not conducive to traditional manufacturing.
  - Weakening linkages between local suppliers and local markets.

# We Can Work to Change the Economic Drivers to Achieve the Strategy Goals...



## ...But This Requires Investing in the Economic Foundations

- Align workforce and strategic industries
- Getting the local business tax right
- Supporting entrepreneurs and the city's small business economy
- Make land use decisions that promote the strategy objectives
- Use quality of life, procurement, infrastructure, and technology investments strategically.

The Strategy includes both broad goals, and detailed recommendations, for moving these economic foundations in the right direction.

# Aligning Workforce With Key Industry Sectors

- San Francisco's workforce system is fragmented and disconnected from its economic strategy priorities.
- *The City needs a new workforce strategy* that links youth, dislocated workers, and people with multiple barriers to employment to living-wage job opportunities in promising industries, including:
  - Biotechnology
  - Clean Technology
  - Digital Media
  - Transportation
  - Health Care
  - Construction
  - Retail / Accommodations

# Getting the Local Business Tax Right

- San Francisco's average business tax burden far exceeds that in nearby Bay Area cities to which we have lost companies.
- It's no coincidence that we have higher business taxes *and* slower job growth than these places.
- In addition, the *way* we tax business – through a payroll tax – is widely seen as a job-killer.
- *The City needs to take a long-run view of its business tax and consider the long-term growth impacts of a more competitive business tax rate.*

# Supporting Entrepreneurs and the City's Small Business Economy

- San Francisco's knowledge and experience sectors thrive on new business creation and an overall climate that is attractive to risk-taking entrepreneurs.
- Small business employ an increasing share of the city's workforce.
- Permitting and regulatory challenges were cited as the number one barrier to business growth from all small businesses– even more than high taxes.
- *The City needs to link 311, the new Small Business Assistance Center, and City-funded NEDOs and CBOs into a seamless – and accountable – system of regulatory and technical assistance to small business.*

# Making Land Use Decisions That Support the Strategy's Priorities

- All four of the strategic priorities of the economic development plan have clear land use implications:
  - Knowledge-based start-ups need space to cluster near institutions that generate innovations.
  - Larger knowledge-sector businesses need to be able to expand on-site or nearby
  - Experience sector businesses need space near visitor attractions
  - Physical infrastructure businesses need space free from competition with other land uses.
- *The City needs to ensure all its planning reflects the needs of all of these economic development priorities.*

# Other Priorities in the Economic Strategy

- Quality of Life
  - Parks, open space, arts, neighborhoods as economic drivers.
- Using City Procurement Strategically
  - Growing our clean tech sector
- Local and Regional Transportation
  - Expansions and service improvements
- Technology
  - Supporting emerging technology industries and infrastructure.

# Sustainable Prosperity: A Template For Economic Change

- Achieving sustainable prosperity involves recognizing the links between:
  - Planning and policy
  - Economic foundations that enable economic development
  - The economic drivers that shape San Francisco's economy
  - The city's economic performance and goals
- The economic strategy is focused on these links:
  - Broad Policy Objectives: To ensure focus
  - Detailed Recommendations: To get started immediately