

REPORT No. 2  
Highlights from Cluster Employer  
Meetings

Economic Strategy  
for San Luis Obispo County

PREPARED FOR



**Economic Vitality Corporation**  
of San Luis Obispo County

**June 2010**

PREPARED BY

**COLLABORATIVE ECONOMICS, INC.**



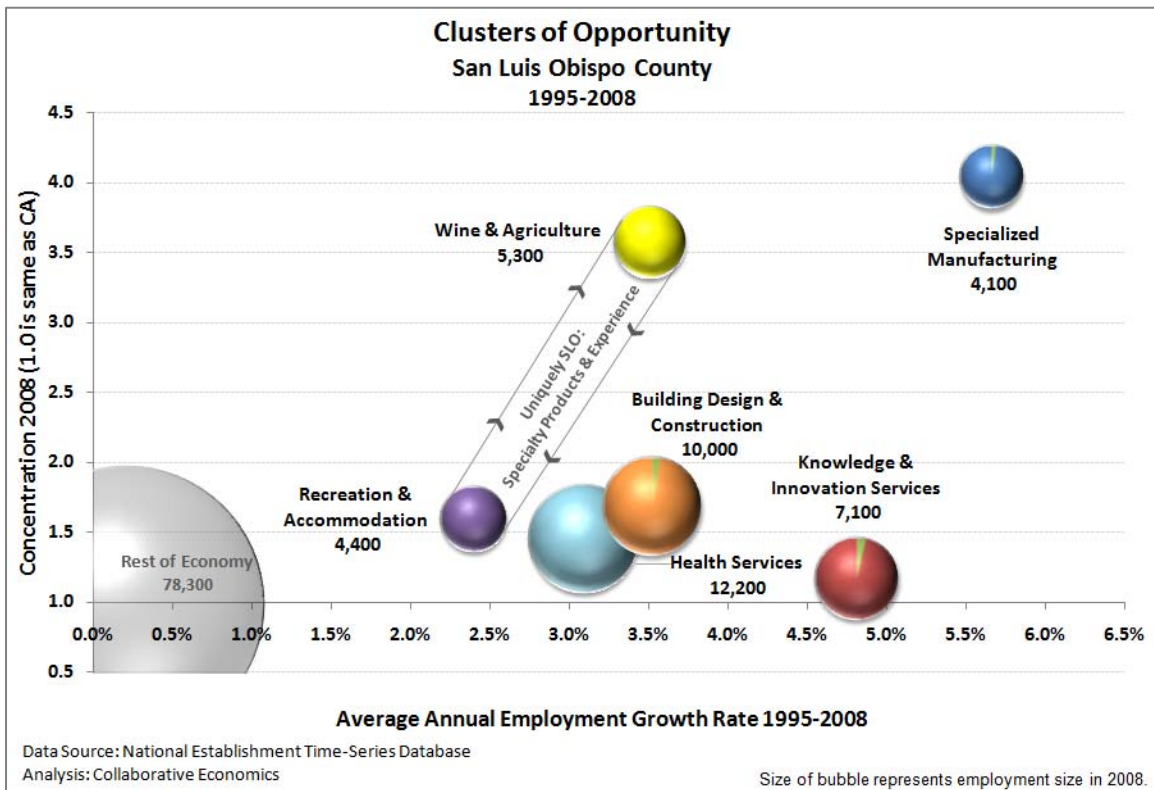
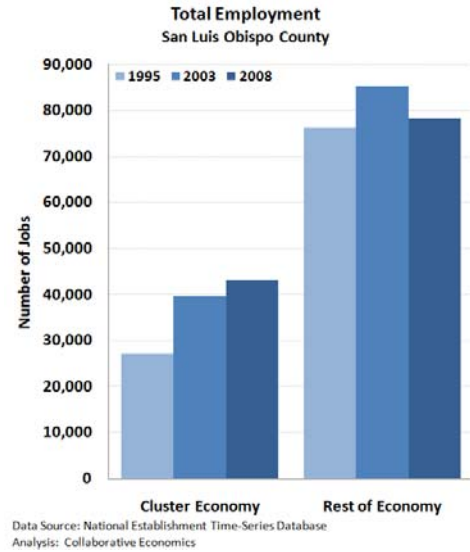
# Economic Strategy for San Luis Obispo County

## Highlights from Cluster Employer Meetings

### Overview

On May 19-20, more than 100 senior business executives gathered to discuss opportunities and requirements for their industries to prosper in San Luis Obispo County. These business leaders met in five industry cluster groups: Building Design and Construction, Health Services, Knowledge and Innovation Services, Specialized Manufacturing, and “Uniquely SLO County” (a combination of agriculture, wine, recreation, accommodation, restaurants, and other specialty products and experiences).

Each cluster of industries was identified through an assessment of economic data, which showed that each one had been prosperous over a long period of time and that together they had been responsible for much of the economic vitality of the County since the 1990s (see charts below).



The region's clusters, which contain 36 percent of the region's jobs, have driven 89 percent of its job growth. From 1995 to 2008, the number of jobs in San Luis Obispo County's cluster-based economy grew 59 percent, while the number of jobs in the rest of the region's economy increased by less than one percent. Moreover, while the number of jobs in non-cluster industries decreased eight percent from 2003 to 2008, the cluster-based economy grew nine percent.

Based on these results, senior executives from companies in each cluster were invited to the May 19-20 meetings. At these meetings, each cluster group first identified the top opportunities for continued prosperity in San Luis Obispo County, followed by the top requirements to ensure prosperity. Below are highlights of these cluster group discussions.

## **Building Design and Construction**

Business leaders in the Building Design and Construction cluster identified opportunities to serve growing markets in energy efficiency (including retrofits), renewable energy production and applications, and green design and building. They also identified retirement housing, especially those linked to active lifestyle, health, and related services. Other opportunities included serving the need for workforce housing, infill development, and community infrastructure.

To capitalize on these opportunities in San Luis Obispo County, business leaders focused on increasing incentives for green design, building, and upgrades, as well as improving the efficiency of the permitting process. There is a need to identify and help connect companies to existing incentive funding (e.g., energy efficiency upgrades), strengthen policies that encourage production and use of renewable energy (including procurement policies of government and other large purchasers in the County), and leverage the world-class architectural and engineering strengths at Cal Poly to expand green design and building.

To enable the cluster to serve new and growing markets, improvements to the permitting process that would provide flexibility, increase speed, reduce fees, improve predictability, and prioritize high-quality development projects is required. This could include a regulatory process redesign initiative, involving both government and cluster leaders, to identify specific improvements and infrastructure (e.g., electronic permitting) that support economic vitality while also maintaining high quality development standards in the County. It could also include creation of a public-private "green team" to ensure that businesses in the five clusters that drive the County's economic vitality have assistance in working through the permitting processes and meeting related needs in an expeditious manner.

## **Health Services**

Business leaders in the Health Services cluster identified opportunities to serve growing markets in destination health care, wellness, medical specialties, health information technology, telemedicine, and medical and social support for a growing elderly population. In addition, business leaders identified opportunities to have more residents make use local specialties rather than look outside the County for

these services. The implementation of national health reform was also viewed as a potential driver, with the expansion of health insurance to those previously lacking coverage.

To capitalize on these opportunities in San Luis Obispo County, business leaders focused on an integrated approach to becoming a recognized center of excellence in destination health care. This approach would include a well-connected and well-publicized continuum of medical specialties, wellness services, social support, and other services, as well as an infrastructure of electronic health records and specialized retirement housing and communities. This approach would reduce residents' use of outside health services, as well as meet growing demand for a broader array of services that would make the County a desirable destination for active baby boomer retirees.

The cluster would need to work together to develop the destination health care strategy, including educating the community on existing specialties, connecting different parts of the service continuum, working with the building design and construction industry on specialty housing and communities, and collaborating with local institutions to ensure that there is sufficient talent for the wide variety of occupations required to staff the growing demand for services across the continuum.

## **Knowledge and Innovation Services**

Business leaders in the Knowledge and Innovation Services cluster identified opportunities to serve growing global markets for knowledge, engineering, and other technical services, enabled by rapid innovation in mobile technologies and platforms. Because of this enabling technology, firms can deliver their services in education, medical, and other technical fields, able to reach global markets without having to be located in a major metropolitan area. In this vein, business leaders identified the County as a good place to incubating and launching new services and entrepreneurial companies.

To capitalize on these opportunities in San Luis Obispo County, business leaders focused on expanding the enabling infrastructure, including “test beds” (e.g., electronic government records, a smart grid like they have in Boulder CO, electronic/paperless permitting, digital modeling) and better access to global networks (e.g., leveraging the region’s unique fiber optic “beachhead” to Asia).

In addition, better recognition and promotion of the cluster (i.e., creating a “buzz” about the County as a tech hub) inside and outside the region is needed to retain local college graduates, help residents learn about existing opportunities, and attract key technical and entrepreneurial talent (as well as provide opportunities for “trailing spouses”). This could involve marketing and positioning the County as a technology, design, knowledge worker destination, building on the tech sector “welcome mat” concept developed by the San Luis Obispo Chamber, and/or developing a stronger relationship with Cal Poly to reach students and alumni about opportunities in the County. There also needs to be more opportunities to bring cluster businesses together in the tech sectors to explore business partnerships, more forums for access to capital and support for entrepreneurial ventures, and other joint efforts.

## **Specialized Manufacturing**

Business leaders in the Specialized Manufacturing cluster identified opportunities to serve growing markets for customized, specialty equipment in such areas as sub-systems manufacturing, design, and support; aerospace and defense; energy efficiency and exploration; health technology; commercial applications of defense-originated technologies; and others.

To capitalize on these opportunities in San Luis Obispo County, business leaders focused on the critical need for skilled technical talent, and for flexibility and speed in the permitting process to enable them to make changes in their facilities in a fast-moving, competitive global marketplace. There are needs for a variety of skilled people—from software developers, IT professionals, and system engineers, to skilled manufacturing personnel (e.g., machinists, maintenance). Meeting these needs will require a better retention of local graduates, ensuring that residents know about opportunities in the cluster, and attracting key personnel. This could include creating a County-wide, web-based platform to describe cluster companies, their products and workforce, and opportunities for jobs.

Firms also need to be able to make periodic, rapid facility changes to meet changing market conditions, and would benefit from permitting processes that were more tailored to these business realities. This could include fast-track approval for changes of certain kinds or in specific locations (e.g., smaller additions/adaptations to existing facilities, designated pre-approved zones or tech parks).

## **Uniquely SLO County (Agriculture, Wine, Recreation, Lodging, Dining, and other Specialties)**

Business leaders in the Uniquely SLO County cluster identified opportunities to serve growing markets for unique regional products and experiences. In particular, growing interest in unique blends of wine, agricultural, educational, and culinary tourism could be drivers of prosperity for the industries in this cluster. The cluster would benefit from expansion of: tours that involve multiple destinations (including those outside County), new and diverse attractions, meet the farmer opportunities and on-site sales (beyond wine), winery events, growing specialties (e.g., abalone, olives, walnut oil). Business leaders also noted that by connecting these elements and making them more visible to County residents would create better understanding and support for the maintaining the future prosperity of this cluster.

To capitalize on these opportunities in San Luis Obispo County, business leaders focused on taking a Countywide approach to branding and promoting the Uniquely SLO cluster, not only for tourism, but to increase local spending on local products and experiences as well as develop higher visibility in domestic and global markets for SLO County grown products of all kinds. This could take the form of marketing materials and a unified campaign, showcasing and connecting the diverse elements of the cluster brand. In addition, to enable more people to experience these unique products and experiences, some changes in local policies would be beneficial, such as creating less restrictive rules for events and sales to encourage ag-tourism, working with wineries proactively on facility and other changes that will improve competitiveness and enrich the experience of visitors and residents alike, and improving regulatory processes that make it difficult for agricultural production and processing to adopt innovations (including adding missing infrastructure, such as a shared facility for nut shelling).

## **Next Steps**

The next step is to reconvene these cluster groups as “Cluster Action Teams” to translate the top requirements for prosperity into specific strategies, with measurable outcomes and implementation commitments. All five cluster teams will produce Action Plans, which will be combined into an overall Economic Strategy for San Luis Obispo County.

## Economic Strategic Plan

EVC wishes to thank the following sponsors on this project



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