



— CITY OF RIVERSIDE —  
**POISED FOR  
PROSPERITY**  
— ROADMAP —

**An Economic Development Strategic Framework for the  
City of Riverside and its Community and Regional Partners**

Based on research and stakeholder engagement by  
Michael H. Shuman, Local Analytics, LLC





# EXECUTIVE SUMMARY

The City of Riverside has the distinction of being the cultural, civic, educational and economic heart of the Inland Empire. It has a population of over 330,000, making it the 12th largest city in the state and the 6th largest city in Southern California. The City is home to three renowned universities, a strong community college, world class healthcare, a burgeoning Innovation District and a permanently protected agricultural greenbelt. Riverside's dynamic Downtown features some of the most prominent historic assets and entertainment hot-spots in the region.



Current economic indicators are strong, with unemployment at 4.2% as of July 2019. In addition, Riverside is experiencing phenomenal growth and development marked by \$1.5 billion in private investment documented in the past five years. While Riverside ranks near the top one-third of the Inland Region's housing market based on price per square foot, residential real estate is still affordable when compared to the coastal communities in Southern California. This cost of living advantage results in higher disposable incomes and strong consumer spending.



The City of Riverside commissioned Mr. Michael Shuman with Local Analytics, Inc. to provide advice and inform the City in the creation of an Economic Development Strategic Framework. This body of work contributed to the resulting *Poised for Prosperity Roadmap*: six strategic goals and principles for implementation that create a framework from which to determine specific, measurable actions moving forward and target opportunities for growth in sectors such as sustainability, clean & green and high technology. In addition to recommendations from Local Analytics, Inc., the *Roadmap* is intended to align with the City's two year budget cycle, Riverside's 2014 City Council defined Strategic Priorities and the four pillars of *Seizing Our Destiny*, a public-private collaboration for the prosperous future of the City.



The six goals identified in the *Roadmap* aim to build on strengths and tackle challenges while leveraging unique local assets.

1.

**Prioritizing attraction and retention efforts that support a diverse and resilient economy**

Identifying industry gaps and economic “leaks”, which lead to dollars, jobs and talent lost to the local economy, and targeting industries that reduce these challenges.

2.

**Creating an inclusive entrepreneurship ecosystem**

Acting to ensure that the City of Riverside provides a foundation for entrepreneurial success including creative work spaces, adequate training, access to capital, mentoring and partnerships, and programs to support the inclusion and growth of local business assets.

3.

**Retaining, developing and attracting local workforce talent**

Identifying local workforce gaps and acting with initiatives that support talent retention, continuing education, future workforce preparation and living wage job development.

4.

**Creating a welcoming investment climate**

Riverside is committed to continued action toward streamlining regulatory processes, enhancing a business-friendly atmosphere and leveraging Riverside's advantages for investment.

5.

**Supporting an exceptional quality of place**

Identifying and acting to maintain and grow the collective components that make Riverside an exceptional place to live including developing diverse housing options, supporting local arts & culture, growing our diverse local assets, preparing for future infrastructure and transportation needs and advancing Citywide sustainability and resiliency measures for a better future.

6.

**Implementing effective marketing and storytelling**

Telling the Riverside story effectively for the promotion of all other goals through targeted multi-purpose and niche marketing that utilizes various technologies and engagement efforts.



## THE VISION

As a world-class city of Arts and Innovation, Riverside is the city of choice in Southern California:  
A place where entrepreneurs and businesses choose to locate and invest,  
and people of diverse talents choose to work and live.

# FOCUS GROUP RECOMMENDATION SUMMARY

Research for the *Roadmap* included significant local stakeholder engagement. A citywide survey was conducted and twelve focus groups representing different sectors of the business community were engaged in roundtable discussions. Multiple recommendations consistently surfaced during this engagement process and are integral to the Economic Development Strategic Framework.

1.

## **Focus on existing assets**

Protect and strengthen Riverside's cultural diversity and unique assets.

2.

## **Keep recruitment targeted**

Focus on industry sectors that diversify the local economy by plugging industry gaps, reducing commuting, providing living wage jobs, or contributing to a vibrant quality of place.

3.

## **Promote Riverside's advantages**

Focus recruitment and retention efforts on selling the City's natural advantages and streamlining customer service.

4.

## **Spread development efforts city-wide**

Continue efforts to establish Riverside's Downtown as an Inland destination of choice, but also encourage the kind of place-making efforts that discourage gentrification and support cultural enrichment, employment, entrepreneurship, gathering spaces and amenities across all sectors of the City.

5.

## **Focus on mindful growth**

Provide affordable, diverse housing and business development that reflects the needs of the future.

6.

## **Tell Riverside's story**

Do more to tell the real Riverside story to a broader audience.

7.

## **Keep, nurture and attract workforce talent**

Leverage local amenities, educational partnerships and business development to grow Riverside's talent pool.

8.

## **Seek inclusiveness**

Form partnerships, programs and strategies that create opportunities for all Riversiders.

9.

## **Continue local policy reform**

Ensure that doing business in Riverside is easy, welcoming and profitable.

10.

## **Plan for future growth and mobility**

Expand and modernize infrastructure and transit options.

11.

## **Encourage resources for business capital**

Improve the flow of capital for entrepreneurs.

# IMPLEMENTATION PRINCIPLES



**The six implementation principles are intended to guide the way in which the City and its community partners achieve economic prosperity**

## **Practice Mindful Growth**

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Mindful Growth calls for looking at economic growth not as an end in itself, but as a means to achieving greater goals such as economic resiliency and a unique and welcoming quality of place.

## **Leverage Partnerships**

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Riverside is rich in partnerships that allow the City to accomplish more with limited resources, strengthen community ownership and maximize local assets. Whether partners take the lead, stand as champions or act as conveners on an initiative, goals can be advanced more effectively by mobilizing public, private, non-profit and citizens groups that share common goals and identified success metrics.

## **Promote Inclusiveness and Equity**

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Riverside is comprised of a diverse population and an equally diverse set of abilities, ideas, experience, can-do and knowhow. For the City and its community partners to realize the benefits of economic prosperity equitably requires a strategy of inclusion. Incorporating meaningful, inclusive community engagement into the development of programs and long-term initiatives helps to ensure that the full diversity of the City is represented in the decision-making process and provides a forum for addressing issues of equity.

## **Lead Regionally**

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The Riverside-San Bernardino-Ontario Metropolitan Statistical Area (MSA) has a population of over 4.5 million people. As the heart of the Inland Empire and its largest and most populous city, Riverside and its community partners must continue to lead by example, striving for collaborations that strengthen the region's economy and raise the prominence of our political and social voice.

## **Encourage Sustainability**

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The City of Riverside has a long history of innovative, sustainable policy. This ongoing commitment to creating a more sustainable community is evidenced by the adoption of numerous policies including three iterations of the Green Action Plan and the Riverside Restorative Growth Print. Riverside seeks to continually improve internal practices and spur economic development through encouraging innovations that reduce environmental impact and by working with community partners to support the growth of industry sectors that contribute to a more sustainable future.

## **Explore New Capital Sources**

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Outside funds for Economic Development activities through grants, funding mechanisms such as Opportunity Zones, and local investment funds can improve the local entrepreneurial ecosystem.

# GOALS & OBJECTIVES

## GOAL I. PRIORITIZE RETENTION AND ATTRACTION EFFORTS THAT SUPPORT A DIVERSE AND RESILIENT ECONOMY

### Actions

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- 1. Targeted Attraction:** Develop and promote efforts focused on businesses that fill industry gaps and promote diversification
  - Examples: Growth industries that present opportunity such as sustainable, clean/green and high technology; target companies looking to expand/create second locations, reduce commuting for residents, create living wage jobs, draw regional talent, or plug spending leaks
  - Lead: City; Team: City & Community Partners
- 2. Outreach:** Grow local business relationships through dedicated regular outreach
  - Examples: Business visitation programs, business outreach events, public presentation opportunities; maintaining active participation on relevant boards and committees
  - Lead: Community Partners; Team: City & Community Partners
- 3. Communication:** Develop, market and maintain effective channels for information sharing with the business community to provide access to knowledge and resources
  - Examples: A Riverside-focused, business-friendly website, online business development tools, interactive mapping, brochures, newsletters, an annual business development report card and surveys
  - Lead: City; Team: Community Partners
- 4. Partnerships:** Strengthen partnerships that contribute to a cohesive economic development approach Citywide
  - Examples: Support for the Greater Riverside Chambers of Commerce, representation on economic development boards and commissions, facilitation of initiative-based partnerships for collective impact, creation of an Economic Development Corporation to oversee citywide economic development
  - Lead: City; Team: Community Partners

## GOAL II. CREATE AN INCLUSIVE ENTREPRENEURSHIP ECOSYSTEM

### Actions

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- 1. Spaces:** Encourage co-working, flexible and creative office space concepts, and facilitate development and reuse efforts in appropriate areas to focus on creative spaces and mixed-use environments for entrepreneurs
  - Examples: Mind and Mill, Women in Tandem, Spark Tank, Riverside ExCITE, UCR Multidisciplinary Wet Lab, coffee shops, libraries, underutilized public spaces, "Pink Zones" that facilitate meet-up places, and temporary use permits that allow pop-up uses for vacant properties
  - Lead: City; Team: Community Partners
- 2. Training and Education:** Identify, promote and empower community partners to implement local and online educational and vocational training programs which strengthen the business community
  - Examples: Small Business Development Centers, UC Riverside EPIC, UC Riverside ExCITE startup incubators, Vocabademy, Small Business Support Series, Non-profit Bootcamps, NextGen Farmer Training Program, on line tools such as business-to-business directories and resource link navigators



- Lead: City; Team: Community Partners
- 3. Access to Capital:** Foster and support relationships with microlenders, local credit unions and banks, as well as private and institutional investors
    - Examples: Accion, Altura Credit Union, UCR Highlander Venture Fund, Tech Coast Angels, SBIR Grants
    - Lead: Community Partners; Team: City
  - 4. Mentors and Partners:** Develop and support programs and events that provide mentorship and partnership connections
    - Examples: EPIC, 1 Million Cups, STEP Conference, LEAP/PULL Bootcamps, Innovation Week, pitch events, California Baptist University Deans Leadership Council, Digital Inclusion, industry liaison services, internship opportunities, RCCD CTE programs
    - Lead: Community Partners; Team: City

## GOAL III. RETAIN, DEVELOP AND ATTRACT LOCAL WORKFORCE TALENT

### Actions

- 1. Workforce Gaps:** Identify talent gaps facing various sectors of the business community and support innovative apprenticeship, internship and corporate engagement programs
  - Examples: RCCD PTAC, UCR Extension, Riverside County Workforce Training Programs, NextGen Farmer Training Program
  - Lead: Community Partners; Team: City & Community Partners
- 2. Future Workforce:** Support a culture of continuous learning through programs and partnerships that expand skills and prepare for evolving workforce needs
  - Examples: Adult education and retraining, high school career academies, project-based learning collaborations, bootcamp training programs, soft skills training programs, MOUs with CARB, UCR, RCCD, AUSD and RUSD for workforce training
  - Lead: Community Partners; Team: City & Community Partners
- 3. Local Talent:** Advance programs that encourage the retention of workforce talent
  - Examples: First-time home buyer programs for targeted professionals, forgivable student loan opportunities, job placement programs, community integration (welcome) programs, job fairs
  - Lead: Community Partners; Team: City & Community Partners

## GOAL IV. CREATE A WELCOMING INVESTMENT CLIMATE

### Actions

- 1. Streamline Business Services:** Continue to improve City services and promote the One Stop Shop and business liaison services for business expansion and development
  - Examples: Promotion of the One Stop Shop, Conceptual Design Review, pre-development meetings, Build Riverside Inspection Program, innovative permitting software, site selection assistance, research, resource referrals, permitting guidance, welcome packages, online business license portal
  - Lead: City; Team: Community Partners

# GOALS & OBJECTIVES

2. **General Plan:** Update to reflect innovative planning models, simplify processes for development and better align with Citywide economic development goals
  - Lead: City; Team: Community Partners
3. **Capital:** Identify and promote a variety of resources for encouraging local investment
  - Examples for entrepreneurs: microfinance, Community Development Financial Institutions (CDFIs), Angel Investors, Cooperatives, UCR EPIC, SBA Micro-lending programs, Grants
  - Examples for large developments: promoting Opportunity Zones, considering California Revitalization Investment Authority Districts (CRIA), Enhanced Infrastructure Financing Districts (EFID), Federal grants
  - Lead: Community Partners; Team City & Community Partners
4. **Innovation:** Create and implement a development strategy for the first and any subsequent Innovation Districts that establishes it as a testing ground for innovative economic development and investment concepts.
  - Lead: City; Team: Community Partners
5. **Riverside Public Utilities (RPU):** Leverage our local utility advantage by continuing to expand RPU programs and services that advance sustainable development and growth
  - Examples: Economic Development Rate, energy rebates, water rebates, construction rebates, establishment of an RPU team focused on agriculture and the GrowRIVERSIDE Initiative, reframing customer engagement to include an RPU team focused on business development
  - Lead: City; Team: Community Partners

## GOAL V. SUPPORT AN EXCEPTIONAL QUALITY OF PLACE

### Actions

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1. **Elevate Awareness:** Develop and implement a Citywide Strategy to support local arts & culture
  - Examples: Festival of Lights, Emerging Artist Grant Program, creation of Citywide arts & culture destinations, developing a cultural tourism platform, citywide cultural resource mapping, supporting local events, and creating unique gathering spaces in both public and private developments that reflect Riverside's cultural diversity
  - Lead: Community Partners; Team City & Community Partners
2. **Engagement:** Develop and implement a Citywide Community Engagement Policy as part of the General Plan update process that serves as a toolkit and resource for consistent engagement expectations
  - Lead: City; Team: City & Community Partners
3. **Housing:** Implement strategies to diversify housing options and reduce the housing shortage to attract, and retain talent and families
  - Examples: implement re-zoning in appropriate parts of the City, continue to work with faith-based and additional partners on affordable housing solutions, incentive-based zoning for infill development, easing requirements for accessory dwelling units, seeking opportunities for re-funding the City's Down Payment Assistance Program
  - Lead: City; Team: Community Partners



4. **Transportation:** develop and implement an Active Transportation Plan to improve mobility options and public safety
  - Examples: Complete Streets Program, expanding infrastructure for electric vehicles, investments in public transportation, policies for alternate transportation
  - Lead: City; Team: Community Partners
5. **Sustainability & Resiliency:** create and implement a Citywide policy and committee to oversee the adoption and advancement of sustainability goals and a Resilient Riverside Strategic Framework to ensure that the City is prepared to survive and recover from natural and human caused disasters
  - Examples: implement stormwater capture projects, bio-methane utilization projects, fuel cell energy productions, usable food diversion, recycling education, waterwise landscaping incentives

## GOAL VI. IMPLEMENT EFFECTIVE MARKETING AND STORYTELLING

### Actions

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1. **Multi-purpose Marketing:** create “Tell the Riverside Story” campaigns to capitalize on Riverside's assets and raise community awareness
  - Examples: cultural resource mapping, local procurement promotion, destination marketing, ShopRiverside campaign
  - Lead: Community Partners; Team: City & Community Partners
2. **Niche Marketing:** create marketing campaigns around target audiences and distribution networks
  - Examples: specific industry sectors, entrepreneurs, workforce talent sectors, specialty developers, commercial brokers, minority owned businesses
  - Lead: City; Team: Community Partners
3. **Engagement Programs:** implement and support programs and events that engage developers, businesses and community leaders in becoming local storytellers
  - Examples: Riverside Ambassador Program, broker luncheons, City tours, Chamber speaking engagements, and identifying marketing messages that can be shared consistently among all community partners
  - Lead: City; Team: Community Partners
4. **Showcase Assets:** seek opportunities to partner in bringing conferences, trainings and events to the City that showcase the city and region
  - Examples: economic forecasting conferences, industry mixers, investment symposiums, California Economic Development (CALED) Ambassador Programs, Statewide Planning Conference (CalAPA), International Downtown Association Conference
  - Lead: Community Partners; Team: City & Community Partners
5. **Promote Development Opportunities:** incorporate a public-facing portal into the City's website to promote investment
  - Examples: showcase a Citywide land inventory for both commercial and residential investors, highlight opportunities to invest in the first Innovation District



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CITY OF RIVERSIDE

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# POISED FOR PROSPERITY

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APPENDIX

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By Michael H. Shuman | November 2019

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## Acknowledgments

My involvement with the City of Riverside began five years ago when a resident, Janice Rooths, asked for copies of my most recent book, *The Local Economy Solution*, to distribute to key local decision-makers. That book made the case for communities to forego expensive business attraction strategies and instead to develop self-financing programs that expand local entrepreneurship.

As these concepts circulated, Joyce Jong, director of Grow Riverside, invited me to keynote the City's Grow Riverside Conference in 2016. I met with several city staff, including Al Zelinka, now the City Manager, about how "local economy-building" ideas might be implemented in Riverside. After many rounds of conversations and proposal drafts, we agreed in May 2018 that I would draft the City's Economic Development Action Plan.

This Plan reflects the views of literally hundreds of other Riverside residents. Some, like the mayor and city council members, provided input through one-on-one meetings. Others, like the Chamber of Commerce, in group meetings. And still others, like local businesspeople, through focus groups and surveys. Many thanks to all these people for generously sharing their thoughts and recommendations.

And special thanks to Nathan Freeman and Sherry Shimshock, both of whom work for the City, for serving as steady and helpful liaisons in the preparation of this report.

Michael H. Shuman

## **Summary of Recommended Economic-Development Principles**

1. Focus on entrepreneurship.
2. Attract talent, not businesses.
3. Grow mindfully, not for growth's sake, but to meet other priority objectives (below).
4. Plug economic leaks through diversification of the economy and import substitution.
5. Focus on businesses that model sustainability.
6. Focus on businesses that support local resilience.
7. Make economic development more inclusive.
8. Promote City vibrancy through youth entrepreneurship and placemaking.
9. Mobilize businesses, business-support organizations, and civic groups as partners.
10. Develop “enterprise pollinators” which can transform economic development from costs to profit centers.

## **Summary of Recommended Actions**

### **Goal #1 – Grow Priority Local Businesses**

- Identify priority businesses through a rational scoring system.
- Develop a Tiger Team to assist priority businesses.
- Identify and remedy challenges with the One Stop Shop.
- Overhaul municipal procurement to favor local goods and services.
- Promote local procurement by major anchor institutions.
- Spread the “Grow Riverside” model to other, non-food sectors.
- Study Riverside’s home-based businesses.
- Create a City portal promoting grassroots local investment.
- Create a City portal promoting local charitable giving.
- Give City employees an invest-local option.

### **Goal #2 – Attract, Retain, and Nurture Talent**

- Create a City job-placement portal.
- Create a City portal easing access to services for entrepreneurs.
- Convene periodic meetings of key businesses to identify local-talent gaps.
- Incentivize talented newcomers by funding part of their home purchases.
- Reward adults who participate in adult learning programs.
- Provide more low-cost or no-cost spaces for promising entrepreneurs.
- Help excluded groups find quality jobs and launch their own businesses.

### **Goal #3 – Create an Inclusive, High Quality Place**

- Expand the Riverside Public Utility’s role in economic development.
- Promote opportunities for reducing, reusing, or recycling local materials.
- Improve the mobility of residents beyond cars.
- Get more residents to work locally, and more local workers to live locally.
- Overhaul zoning to promote small businesses and affordable housing.
- Study the possibility of creating a land trust for affordable housing.
- Prepare a comprehensive inventory of local land uses.
- Promote B Corps and other social metric tools for business.

### **Goal #4 – Market the Diverse Assets of Riverside More Effectively**

- Develop a placemaking plan for every neighborhood.
- Gather business success stories and market them.
- Sponsor more events that reinforce the City’s branding.
- Create more great destinations like the Food Lab and the Fox Theater.
- Expand advertising on the highways that run through the City.



## Summary of Implementation Strategies

1. **Partnerships** – Rely on partnerships wherever possible, especially with the Chamber of Commerce.
2. **Grassroots Funds** – Create City-run funds that accept investments from local grassroots investors, and then use the funds to support business start-ups, “Arts and Innovation” businesses, enterprise pollinators, student loans, and talent recruitment.
3. **Enterprise Pollinators** – Support the creation self-financing private businesses that carry out some of the high priority economic-development actions. An example of an existing pollinator is the Vocado, a maker space and education center that largely finances itself from fees it charges.
4. **Grassroots Engagement** – Continually tap the wisdom of businesses, business groups, and residents to sharpen the City’s economic development priorities. Hold regular sector-based and neighborhood-based review sessions. Publish an annual “State of the City” report and improve the City’s virtual communication.
5. **The Innovation District** – Reframe the Innovation District by downsizing it (initially), making it a hub for start-ups and entrepreneurs, and include non-tech features like local-food restaurants and night-time entertainment. Also, use it as a demonstration site for affordable housing models and non-car transportation.

## Introduction

The City of Riverside, California, sits roughly 55 miles east of downtown Los Angeles, and derives its name from the Santa Ana River running through it. Established in the early 1870s, Riverside quickly became the hub of California's burgeoning citrus industry. By 1882, of the 500,000 orange, lemon, and lime trees growing in California, half were in Riverside. At the turn of the last century, Riverside was one of the wealthiest cities in the United States. Many of its landmarks—the Fox Theater, the Mission Inn, Mount Rubidoux—drew tens of thousands of visitors annually not only from Southern California but from across the United States.

While remnants of citrus industry remain, Riverside has diversified its economy over the past century with world-class manufacturers, universities, health care, and governmental institutions. Riverside's single largest employer is the County of Riverside, with almost 12,000 workers. Of the other top-ten employers, two are governmental (Riverside County Office of Education and the City of Riverside), three are health-related (Kaiser Permanente, Riverside Community Hospital, and Parkview Community Hospital), and six are educational (University of California-Riverside, Cal Baptist University, La Sierra University, Riverside Unified School District, Alvord Unified School District, and Riverside Community College). The presence of some 50,000 college and university students helps define the City as a creative, knowledge-based economy.

Riverside currently has a population of about 330,000, making it the 12th largest city in California and 59th largest in the United States. As of May 2018, its unemployment rate fell to 3.4%, a remarkably low rate that was better than the unemployment rates of Riverside County (3.8%), the Riverside-San Bernardino-Ontario metropolitan statistical area (MSA) (3.7%), and the state of California (4.2%).

Given these successes, it's tempting to declare victory and just continue past practices of economic development, business as usual. Yet, for three reasons, this would be unwise.

First, the benefits of this strong economy are not enjoyed equally across the City. According to the American Community Survey in 2016, nearly 55,000 residents – one in six – live in poverty, and a third of these are children. And for tens of thousands living just above the poverty line, there is a pressing need to raise income and wealth levels.

Second, Riverside's good times are largely reflective of today's strong national economy. But the national economy is inherently cyclical, and memories of the financial crash of 2008, which stripped many residents of their houses and savings, counsel caution. Looming over the national economy right now are student debt bubbles, trade wars, a growing national debt, and a volatile stock market. Good times are moments, not to squander, but to prepare for future challenges.

Third, future challenges are plentiful. Automation and globalization may be making many areas of work obsolete. Climate change is creating environmental stresses and water shortages that could adversely affect Riverside's agriculture and habitability. And

the long-term persistence of poverty, homelessness, and inequality poses significant economic and political threats.

This report aims to articulate ways in which Riverside can strengthen its economy for all its residents, present and future. In mid-2018 the City of Riverside commissioned Local Analytics to review the City of Riverside's economic development (ED) strategy and to draft a comprehensive action plan. The result is this report, *Poised for Prosperity*.

While many recommendations follow, the big message is simple: Riverside should aspire to become the most entrepreneurial city in the country. It should be a place where every person who wants to start or grow a business—especially its 50,000 students—can find the support, mentorship, capital, and space to succeed.

A focus on entrepreneurship does not mean abandoning existing businesses. To the contrary, existing businesses are best understood as those run by later-stage entrepreneurs. Nonprofit and government agency leaders also should be seen as local entrepreneurs. Reshaping local policies and initiatives to favor entrepreneurs naturally will inure to the benefit of all businesses in Riverside, regardless of their size or stage. It's the best way of retaining existing businesses.

A focus on entrepreneurship also does not mean being indifferent to the attraction of outside companies. But the classic form of corporate attraction – giving subsidies to nonlocal behemoths like Amazon, Apple, or Toyota – has proven to be a failure for most communities. (See adjacent box.) To its credit, Riverside has largely resisted this kind of economic development. Except for modest electricity discounts given to some companies by its municipal utility, Riverside sells itself to outside companies primarily by highlighting its assets, such as the talent in its colleges and a lower cost of living than Los Angeles, Orange County, or San Diego County. This is smart. A city teeming with young entrepreneurs and supportive companies, infrastructure, and financial institutions is what most outside companies seek anyway.

One of the virtues of Riverside focusing on entrepreneurship is that it results in an expanding universe of locally owned companies. *And there's a growing body of evidence that regions with higher densities of local business have superior economic performance.* For example:

- A 2010 study appeared in the *Harvard Business Review* under the headline “More Small Firms Means More Jobs.”<sup>1</sup> “Our research shows that regional economic growth is highly correlated with the presence of many small, entrepreneurial employers—not a few big ones.” The authors further argued that the major preoccupation of economic developers – how to attract global companies – is fundamentally wrong-headed. “Politicians enjoy announcing a big company's arrival because people tend to think that will mean lots of job openings. But in a rapidly evolving economy, politicians are all too likely to guess

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<sup>1</sup> Edward L. Glaeser and William R. Kerr, “The Secret to Job Growth: Think Small,” *Harvard Business Review*, July-August 2010.



wrong about which industries are worth attracting. What's more, large corporations often generate little employment growth even if they are doing well."

- Another study published shortly thereafter in the *Economic Development Quarterly*, a journal long supportive of business attraction practices, similarly finds: "Economic growth models that control for other relevant factors reveal a positive relationship between density of locally owned firms and per capita income growth, but only for small (10-99 employees) firms, whereas the density of large (more than 500 workers) firms not owned locally has a negative effect."<sup>2</sup>
- A paper published in 2013 by the Federal Reserve in Atlanta, which performed a regression analysis of counties across the United States, found statistically significant "evidence that local entrepreneurship matters for local economic performance . . . [T]he percent of employment provided by resident, or locally-owned, business establishments has a significant positive effect on county income and employment growth and a significant and negative effect on poverty...."<sup>3</sup>
- A study published in 2018 by the Upjohn Institute for Employment Research, another institution that has historically supported the use of incentives for corporate attraction, compared the economic-development impacts of jurisdictions that deploy attraction subsidies with those that do not. "When we examine the overall effectiveness of state incentive grants on firm-level performance, we find little evidence that they generate new jobs and other direct economic benefits to the states that employ them."<sup>4</sup>

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<sup>2</sup> David A. Fleming and Stephan J. Goetz, "Does Local Firm Ownership Matter?," *Economic Development Quarterly*, 2011.

<sup>3</sup> Anil Rupesingha, "Locally Owned: Do Local Business Ownership and Size Matter for Local Economic Well-Being?," monograph, August 2013.

<sup>4</sup> Mary Donegan et al., "Striking a Balance: A National Assessment of Economic Development Incentives," Upjohn Institute Working Paper 18-291, 2018, p. 14.

## BOX: Why Corporate Subsidies Usually Fail

One of the sharpest analysts of corporate attraction policies has been Professor Ann Markusen, director of the Project on Regional and Industrial Economics at the Humphrey Institute of Public Affairs, based at the University of Minnesota. Several years ago, she assembled the best analysts in the field to explore the validity of these critiques and to offer reforms. The resulting book, *Reining in the Competition for Capital* (Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, 2007), remains the best assessment of the efficacy of corporate attraction. In the opening essay, Markusen and Katherine Ness of the University of Illinois at Urbana-Champaign set out the problem by writing: "Incentive competition is on the rise. It is costly, generally inefficient, and often ineffective for the winning regions."<sup>1</sup> Markusen and her colleagues then review a number of troubling problems with economic-development attraction practices.

- Companies attracted rarely stay for very long and often under-deliver the jobs they promise.
- The jobs delivered pay poorly and have few benefits, and therefore have the potential to drive down local labor costs and reduce family incomes.
- About 80% of the jobs created, particularly for very large projects, are taken by workers who learn about the new project and move to the community to take the new positions.
- Many of the costs that a community promises to subsidize – for capital improvements, for example – turn out to be much greater than originally projected.
- The finder's fee structure of site-selection representatives' compensation gives them an incentive to represent community interests poorly—that is, to overstate the benefits, understate the costs, and exaggerate the packages other communities are putting on the table.
- The secrecy surrounding much of the deal-making facilitates ill-informed decision-making and short-circuits much needed democratic accountability.
- The packages are such a small fraction of a corporation's bottom line that they actually have very little impact on its siting decision.
- Most communities engaged in global attraction wind up losing any given bid, which means they are draining precious civic time, money, and goodwill.

Another criticism of corporate attraction strategies is the "opportunity costs." Compared to costs of corporate attraction that are often \$50,000, \$100,000, or even millions per job, entrepreneurship initiatives typically cost \$1-2,000 per job created. It's irrational for the public to spend five, ten, or a hundred times more for a job.

The case against corporate attraction has become so powerful that it's exceedingly difficult to find any economist prepared to defend the practice.

This paper makes the argument for Riverside adopting an entrepreneurship strategy of ED through the following sections:

- Section I summarizes basic data about the City's economy.
- Section II performs a leakage analysis of the economy, which suggests some underlying weaknesses the City should endeavor to remedy.
- Section III assesses the strengths and weaknesses of the economy, based on interviews, focus groups, and surveys.
- Section IV: suggests implementation principles for the City's Economic Development initiatives based on the analysis of Riverside's economy and assets.
- Section V makes detailed recommendations for an ED action plan.
- Section VI describes cross-cutting strategies for implementation.
- Section VII recommends metrics for measuring progress in implementing the plan.

## I. The Economy of Riverside

Economic development (ED) aims to nurture and expand businesses within a given jurisdiction. A healthy business ecosystem should provide residents with a diversity of goods and services and with high-paying jobs, and should enable residents, visitors, and businesses to pay the taxes that support high-quality public services.

A good starting point for understanding Riverside's economy is to provide a snapshot of existing businesses—their sectors, jobs, wages, and tax contributions. We then provide an overview of recent economic trends and long-term challenges.

### A Current Snapshot of the City's Economy

The best statistics on local business activity come from various federal agencies that survey employers on their employees, wages, and sales. Most of these reports are organized by county and zip code. This presents a challenge for analyzing Riverside's economy, however, because the City is made up of eight zip codes (92501-08), most of which have some areas outside City limits. The analysis that follows is based on these eight zip codes, and thus covers an area somewhat larger than the City.

A good tool for analyzing the Riverside economy is an input-output model called IMPLAN, which is commonly used by economic developers across the United States. The model has two virtues. First, it integrates disparate federal data concerning population, wages, consumption, businesses, employment, and other characteristics into a consistent picture of the entire economy. Second, it allows the user to gain insight into how one set of changes, say expansion of local banking by 100 jobs, might affect the rest of the local economy.

Chart 1 provides a snapshot of the Riverside economy, drawn from the most recent IMPLAN data available. It shows that the eight zip codes include 373,910 residents in 109,246 households, with an average household income of \$124,644. Note that household income represents more than one income earner. The surprisingly high average reflects a small segment of higher income earners averaged against a much larger segment of lower income earners.<sup>5</sup>

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<sup>5</sup> IMPLAN's household income number is higher than that reported in the Census for two reasons. IMPLAN looks at average income, while Census looks at the 50th percentile. IMPLAN also includes non-wage sources of personal income, including self-employment income, rents, dividends, interest, income supplements, retirement, and transfer payments. For further explanation, see: [http://support.implan.com/index.php?option=com\\_content&view=article&id=383#qualitative-differences](http://support.implan.com/index.php?option=com_content&view=article&id=383#qualitative-differences).



**Chart 1**  
**Overview of the Riverside Economy (2016)**

Gross Regional Product	\$14,983,819,723
Total Personal Income	\$13,616,860,000
Total Employment	198,782
Population	373,910
Total Households	109,246
Average Household Income	\$124,644

Chart 2 shows the total supply and demand for the economy in Riverside. IMPLAN is constructed like an accountant's balance sheet, so the two sides, production and consumption, roughly equal one another. Local consumption is met by local production plus imports. Local production supplies local consumption and exports. The size of each side, what is called "gross regional product," is roughly \$15 billion per year.

**Chart 2**  
**Supply and Demand in the Riverside Economy (2016)**

**Supply (Value Added)**

Employee Compensation	\$8,346,995,157
Proprietor Income	\$1,100,180,140
Other Property Type Income	\$4,376,660,224
Tax on Production and Imports	\$1,159,984,203
<b>Total Value Added</b>	<b>\$14,983,819,724</b>

**Final Demand**

Households	\$11,982,792,541
Local/State Government	\$3,139,083,443
Federal Government	\$327,452,807
Capital	\$4,717,576,558
Exports	\$8,754,833,892
Imports	-\$13,164,640,497
Institutional Sales	-\$773,279,029
<b>Total Final Demand</b>	<b>\$14,983,819,716</b>

There are two important points to highlight: First, because Riverside County is administered from agencies based in the City of Riverside, local government constitutes a significant part of the local demand. Second, annual imports (from everywhere outside Riverside, domestic and foreign) are more than \$4 billion greater than exports. This means that Riverside is running a serious annual trade deficit. Were Riverside a country, it might devalue its currency to bring its trade back into balance. But the City has no control over the U.S. dollar, so a trade imbalance means that local wealth is steadily disappearing. What's needed to reduce a trade deficit are more exports, fewer imports, or both.

Chart 3, drawn from IMPLAN, presents a more detailed breakdown of the jobs, wages, and output in Riverside. It shows a workforce of 192,732 earning \$8.3 billion and generating an output of \$27 billion. The largest sectors of employment are, unsurprisingly, government services (24,114 workers), health and human services (33,622), and professional services (32,224).

**Chart 3**  
**Jobs, Output, and Wages in Riverside, by Sector (2016)**

IMPLAN Sector	Employment	Output	Employee Compensation	Proprietor Income	Other Property Type Income	Indirect Business Tax
Farming, Ranching, & Forestry	1,632	\$161,594,022	\$44,356,591	\$19,676,102	\$23,707,919	\$411,143
Mining, Oil, and Gas	114	\$25,471,822	\$973,948	\$10,181,972	\$606,419	\$2,693,708
Energy & Utilities	199	\$199,220,808	\$25,347,028	\$1,049,803	\$37,238,660	\$27,720,310
Construction	14,561	\$2,334,648,666	\$602,433,602	\$204,037,430	\$359,934,294	\$17,904,914
Manufacturing						
* Food, Beverages, & Tobacco	1,386	\$839,215,601	\$91,268,594	\$2,891,123	\$50,833,435	\$24,742,370
* Fibers, Textiles, & Clothing	142	\$21,273,113	\$5,133,602	\$488,853	\$1,183,007	\$625,951
* Wood and Wood Products	427	\$87,933,418	\$19,501,242	-\$201,151	\$11,436,244	\$351,923
* Paper, Paper Products, & Printing	572	\$110,195,096	\$22,296,573	\$6,898,125	\$10,374,264	\$672,465
* Petroleum-Based Products	1,612	\$688,688,868	\$98,030,987	\$9,962,242	\$110,385,843	\$5,147,341
* Rubber, Glass, Stone, & Concrete Products	128	\$40,047,262	\$6,148,991	\$648,475	\$3,408,498	\$447,668
* Metals	276	\$204,466,406	\$20,965,339	-\$1,360,507	\$9,011,086	\$3,439,084
* Metal Products	1,254	\$314,279,022	\$82,009,759	\$1,361,477	\$28,881,409	\$2,261,008
* Machinery & Equipment	255	\$82,238,114	\$16,983,939	\$520,481	\$9,565,367	\$681,251
* Computers, Electronics, & Appliances	351	\$94,774,379	\$21,160,254	\$41,284	\$9,550,253	\$1,494,593
* Vehicles, Boats, & Planes	2,061	\$826,935,639	\$122,096,883	\$1,630,682	\$55,565,838	\$4,318,946
* Furniture	244	\$45,965,247	\$11,045,279	\$558,306	\$1,565,948	\$88,274
* Health Equipment	1,699	\$803,624,557	\$226,471,909	\$125,339	\$178,048,350	\$7,494,439
* All Other Manufacturing	575	\$76,597,738	\$22,545,663	\$441,930	-\$701,858	\$2,878,549
Wholesale Trade	7,428	\$1,563,098,267	\$411,385,712	\$7,622,661	\$215,392,365	\$329,658,051
Retail	17,768	\$1,535,739,475	\$540,761,165	\$66,526,483	\$132,884,178	\$289,995,105
Transportation	5,005	\$622,672,177	\$151,315,339	\$89,660,389	\$51,587,220	\$3,570,385
Warehousing & Storage	3,448	\$324,382,324	\$147,829,910	\$1,856,461	\$39,202,301	\$3,336,270
Services						
* Information Businesses	1,980	\$1,145,322,232	\$114,842,270	\$25,892,209	\$291,520,027	\$15,020,763
* Banking & Finance	8,247	\$1,775,493,307	\$350,911,808	\$6,708,362	\$324,304,971	\$85,528,168
* Real Estate & Leasing	7,484	\$2,725,937,526	\$90,688,795	\$76,340,343	\$1,405,608,958	\$215,296,789
* Professional Services	32,224	\$2,278,516,964	\$837,393,196	\$198,744,966	\$202,797,257	\$34,274,352
* Private Education	3,261	\$186,108,524	\$94,225,798	\$4,856,542	\$8,071,931	\$5,603,149
* Health & Human Services	33,622	\$2,738,191,776	\$1,373,778,186	\$120,988,430	\$153,445,324	\$30,458,730
* Entertainment, Tourism, & Food Services	15,511	\$1,063,020,551	\$336,923,670	\$38,640,613	\$176,561,901	\$61,231,919
* Personal Services	9,281	\$648,932,816	\$178,633,780	\$201,024,409	-\$3,629,904	\$66,738,800
* Churches, Nonprofits, & Unions	1,396	\$87,047,983	\$61,228,874	\$2,366,305	-\$14,930,617	\$4,099,857
* Household Operations	520	\$10,362,093	\$10,362,093	\$0	\$0	\$0
* Government Services	24,114	\$3,446,287,154	\$2,207,944,378	\$0	\$493,249,337	-\$88,202,068
	198,782	\$27,108,282,948	\$8,346,995,157	\$1,100,180,140	\$4,376,660,224	\$1,159,984,203

How does Riverside's economy compare with the U.S. economy? Chart 4 compares the percentage of jobs in various sectors of the Riverside economy with those in these same sectors in the United States overall. Many of the City's sectors, including governmental services, track closely with the national average. Among those sectors where Riverside has a much higher percentage of workers are health services (reflecting its hospitals and medical school), the manufacturing of health equipment (supplying health service businesses), construction (reflecting high population growth in recent years), and warehousing (reflecting the historic judgment of many Southern California businesses that Riverside had "cheap dirt"). Among the sectors smaller than the national averages are: agriculture (reflecting the shrinkage of Riverside's citrus industry); energy & utilities (reflecting the immature realization of the area's solar energy potential); entertainment & tourism (reflecting that many residents seek their pleasures elsewhere); and finance (underscoring the challenges early-stage businesses have in obtaining capital). Additionally, most categories of manufacturing are significantly lower than national averages.

The Riverside economy is highly dependent on trade. Chart 5 shows the City's 20 most important exports. The single largest export is water and electricity in a sector called "other local government enterprises" – that is, the City's municipal utility. Three of the next four most valuable exports are manufactured products: surgical and medical instruments; motor vehicle parts; and bottled soft drinks and water. Further down the list are other manufactured items like iron, steel, and aircraft. Also high on the export roster are the City's contributions to the movement of goods, with significant nonlocal sales for its warehouses, wholesalers, and haulers. The City exports many of its services, including telecommunications (wired and wireless), outpatient care, physician services, employment services, and investigative services. The one retail sector with substantial nonlocal sales is automobiles.

The above view of the economy is static—that is, a snapshot of the economy. It's also worthwhile to review trends over time affecting the Riverside economy, both short-term and long-term.

### **Short-Term Trends in the Regional Economy**

John Housing is a local economist who regularly reports on trends in the Inland Empire, the region where Riverside is located. Among the key points in his recent reports:

- *Job Growth* – Jobs have grown steadily in the Inland Empire by more than 45,000 over the past six years. The current job growth rate is about 3.5% per year. Among the fastest growing sectors in the region—responsible for half the growth -- have been distribution and transportation, construction, eating and drinking, and healthcare.

**Chart 4**  
**Composition of Riverside Economy vs The United States**

<b>IMPLAN Sector</b>	<b>US (2015)</b>	<b>City of Riverside</b>	<b>Difference</b>
Farming, Ranching, & Forestry	1.8%	0.8%	45%
Mining, Oil, and Gas	0.8%	0.1%	7%
Energy & Utilities	0.3%	0.1%	32%
Construction	5.4%	7.3%	136%
Manufacturing			
* Food, Beverages, & Tobacco	1.1%	0.7%	64%
* Fibers, Textiles, & Clothing	0.2%	0.1%	30%
* Wood and Wood Products	0.2%	0.2%	91%
* Paper, Paper Products, & Printing	0.5%	0.3%	58%
* Petroleum-Based Products	0.8%	0.8%	104%
* Rubber, Glass, Stone, & Concrete Products	0.3%	0.1%	22%
* Metals	0.3%	0.1%	52%
* Metal Products	0.7%	0.6%	84%
* Machinery & Equipment	0.6%	0.1%	21%
* Computers, Electronics, & Appliances	0.7%	0.2%	24%
* Vehicles, Boats, & Planes	0.9%	1.0%	121%
* Furniture	0.2%	0.1%	55%
* Health Equipment	0.2%	0.9%	531%
* All Other Manufacturing.	0.2%	0.3%	145%
Wholesale Trade	3.4%	3.7%	109%
Retail	9.5%	8.9%	94%
Transportation	2.9%	2.5%	88%
Warehousing & Storage	0.5%	1.7%	320%
Services			
* Information Businesses	1.8%	1.0%	56%
* Banking & Finance	5.3%	4.1%	79%
* Real Estate & Leasing	4.3%	3.8%	87%
* Professional Services	15.2%	16.2%	107%
* Private Education	2.0%	1.6%	84%
* Health & Human Services	11.2%	16.9%	151%
* Entertainment, Tourism, & Food Services	9.9%	7.8%	79%
* Personal Services	3.8%	4.7%	123%
* Churches, Nonprofits, & Unions	1.7%	0.7%	40%
* Household Operations	0.7%	0.3%	36%
* Government Services	12.5%	12.1%	97%



**Chart 5**  
**Top Exports from Riverside**

	Domestic Exports	Foreign Exports	Total Exports
Other local government enterprises	\$780,893,074	\$5,915,201	\$786,808,274
Surgical and medical instrument manufacturing	\$469,341,389	\$199,004,571	\$668,345,961
Wireless telecommunications carriers (except satellite)	\$340,840,656	\$2,268,373	\$343,109,029
Other motor vehicle parts manufacturing	\$252,981,725	\$71,624,612	\$324,606,337
Bottled and canned soft drinks & water	\$280,653,965	\$5,822,903	\$286,476,868
Warehousing and storage	\$222,716,053	\$16,827,765	\$239,543,818
Canned fruits and vegetables manufacturing	\$215,122,881	\$18,368,813	\$233,491,694
Wholesale trade	\$14,409,829	\$216,079,071	\$230,488,900
Individual and family services	\$223,855,163	\$0	\$223,855,163
Limited-service restaurants	\$208,849,463	\$1,224,677	\$210,074,140
Outpatient care centers	\$195,913,971	\$17,299	\$195,931,270
Iron and steel mills and ferroalloy manufacturing	\$151,220,830	\$10,866,504	\$162,087,334
Other aircraft parts and auxiliary equipment manufacturing	\$119,310,286	\$35,811,351	\$155,121,637
Wired telecommunications carriers	\$145,168,674	\$3,280,268	\$148,448,942
Employment services	\$132,182,678	\$673,763	\$132,856,441
Insurance carriers	\$117,107,643	\$14,790,661	\$131,898,304
Retail - Motor vehicle and parts dealers	\$129,984,970	\$0	\$129,984,970
Marketing research and miscellaneous professional services	\$125,008,419	\$1,340,691	\$126,349,110
Offices of physicians	\$119,419,199	\$109,743	\$119,528,942
Investigation and security services	\$118,014,691	\$238,865	\$118,253,556

- *Energy Costs* – Among Western states, California has the highest electricity rates, the highest industrial diesel fuel costs, and the fourth highest natural gas costs, which makes the region relatively unattractive for energy-intensive industries. But California's significant advances in efficiency and conversion to renewables could provide a comparative advantage in the future. The City of Riverside, by controlling its own utility, can deliver electricity cheaper than is available in much of the rest of California.
- *Office Space* – The Inland Empire vacancy rate for offices peaked in 2010 at 24% and is now down to 9.7%. This is slightly lower than what one finds in coastal counties. The average lease space in the Inland Empire is \$1.93 per square foot, compared to \$2.90-3.55 in the coastal counties.
- *Home Values* – Home values have been steadily rising and are now higher than the highs before the 2008 recession. The effects on economic development are mixed. On the one hand, resales of existing homes are only affordable to 43% of the City's residents. On the other, home values in Riverside are significantly lower than those in nearby San Diego, Los Angeles, and Orange County.

- *Educated Workforce* – Over the last fifteen years, the share of adults 25 or older with bachelor's degrees or higher has risen in the Inland Empire from 16.3% to 21%. While this is below 34.1% for Southern California, it reflects steady progress.
- *Trade Vulnerability* – Housing points out that the logistics sector, which has been a significant source of new jobs from the handling of imports, could be adversely affected by looming trade wars.

John Housing's analysis also has one significant gap: He does not comment on, or even note, Riverside's yawning trade deficit.

Another important snapshot of the market is through the lens of the labor market. U.C. Riverside's School of Business recently completed an analysis of the local labor market.<sup>6</sup> Among its principal conclusions:

- *Low Unemployment* – Superficially, the labor market in the region has been remarkably effective. Between 2006 and 2015, the City's population grew by 10%, and since 2010 the City has added 30,000 new jobs. Riverside County is the fastest growing area in the Metro Los Angeles Region. This helps to explain the City's low unemployment rate of 3.8%. This achievement is all the more remarkable given that this rate hit 15.8% after the financial crisis hit in 2008.
- *Diverse Demographics* – In recent years, Riverside has become a majority minority City, with 51% of the residents being of Hispanic origin. Since 2005 the white population has declined to 33%. Compared to other nearby counties, the average age of residents is younger—31.8 years old.
- *Low Incomes* – Many of the jobs added, however, do not pay well. The average salary paid in Riverside in 2017 was \$48,816, while the state average was over \$63,000. One explanation is that the City specializes in areas with relatively low wages, including educational services, warehousing and storage, and specialty trade contractors.
- *Housing Challenges* – While housing costs are lower than those in coastal counties, Riverside residents are not necessarily better off because of their lower salaries. When housing costs are subtracted from incomes, Riverside homeowners fare more poorly than homeowners in Orange and Ventura Counties.
- *Labor Market Changes* – Since 2008, the four sectors in Riverside that lost the greatest number of jobs were all relatively high paying: government (-1,265 jobs), information (-840 jobs), management of companies and enterprises (-814 jobs), and manufacturing (-557 jobs). The four fastest growing sectors pay less: health care and social assistance (+5,465 jobs), construction (+3,988 jobs), accommodation and food services (+2,322 jobs), and educational services (+1,101 jobs).

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<sup>6</sup> U.C. Riverside School of Business, Center for Forecasting and Development, "Riverside Labor Analysis," November 2018, monograph.

- Intensive Commuting – A remarkable number of people who live in Riverside do not work there, and vice versa. An estimated 73% of the residents leave the City for work (and most of them leave Riverside County), while 77% of the workers in the City live elsewhere.

These data underscore the rationale for Riverside to diversify its economic base. Continuing to grow existing sectors, many of which pay lower wages, will not necessarily grow incomes in the City. Instead, Riverside must seek to grow high-wage sectors, especially those where it's heavily dependent on imports.

The U.C. Riverside's School of Business report suggests that Riverside's "locational quotients"—the density of certain sectors relative to the national average—disfavor expansion in many high-wage sectors. But this kind of analysis also reflects past choices, not the future. Fifty years ago, Silicon Valley, San Diego, and Seattle also had low "locational quotients" in technology industries. A concerted effort to nurture talent and entrepreneurship can change what's possible.

Some additional insight can be gleaned from a regional perspective. U.C. Riverside's Center for Social Innovation recently published a report on the "State of Work in the Inland Empire." Using MIT's calculator for living wages, the study found only 38% of the jobs in the Inland Empire Region paid enough for a family with two working adults to meet basic household expenses.<sup>7</sup> Females are less likely than men to achieve this standard (32% vs. 43%), and Hispanic and Black workers less likely than Whites (28% and 39% versus 49%). The poverty rate in Riverside County of 15.3% is greater than that of California (14.4%) and the United States overall (14%). While the white poverty rate in the Inland Empire is 11.7%, the rate for Latinos is 19.3%, for African-Americans 22.2%, and for Native Americans 27.3%.

Clearly there is a need for ED initiatives to spread income and wealth in the region more evenly.

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<sup>7</sup> Each parent in a two-working-adult household must earn \$18 per hour or \$36,000 per year to meet this standard. U.C. Riverside Center for Social Innovation, "State of Work in the Inland Empire," Part II, November 2018, p. 8.

## Long-Term Challenges

An ED plan must be mindful of the challenges the Riverside economy may face in the future. Among them are:

- *Technological Change* – Automation and robots could un-employ or significantly lower the wages of the area's workforce. A recent presentation by Johannes Moenius of the University of Redlands School of Business and Christian Staack of SEI Consult argued that “63% of the jobs [in the Riverside-San Bernardino-Ontario metro region] could be automated in the next 20 years.”<sup>8</sup> (See adjacent box.)
- *Population Change* – While current national policies are tamping down levels of immigration, this could change in the future. Waves of immigrants have been a predictable part of American history, and the impacts—good and bad—are particularly pronounced for border states like California. Cities like Riverside, where the cost of living is relatively low and tolerance for cultural diversity is high, could continue to see a dramatic increase in population. Newcomers bring the potential benefits of new talent and tax dollars, but also the potential costs of more housing, more infrastructure, and more burdens on natural resources.
- *Climate Change* – The climate worldwide is changing and these changes are readily apparent in the form of more severe draughts, wildfires, and storms. Coupled with depletion of California's underground aquifers, these changes will challenge not only agriculture in Riverside but any production activities that require significant inputs of water.
- *Other Threats* – The list of other plausible threats to which Riverside must be attentive is a long one: global pandemics, species extinction, depressions, wars, nuclear accidents, and so forth.

Taken together, these long-term challenges underscore the need for economic diversification. As we enter a world where it's hard to predict which challenges will manifest first and hardest, perhaps the best the City can do create a diversify of skills and industries that can insulate it from unexpected calamities and enable it take advantage of unexpected opportunities. The more that Riverside can meet its citizens basic needs with its own goods and services, produced from its own resources, the less vulnerable it will be to outside threats. Put another way, self-reliance and sustainability are critically important ways of increasing local resilience.

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<sup>8</sup> Johannes Moenius and Christian Staack, “The Threat of Automation,” Powerpoint Presentation, 2018, p. 23.



## Will the Robots Snatch Riverside's Jobs?

At a recent conference on inequality, Princeton economist Paul Krugman reported that “one thing that struck me was how many participants just assumed that robots are a big part of the problem—that machines are taking away the good jobs, or even jobs in general. For the most part this wasn’t even presented as a hypothesis, just as part of what everyone knows.” (“Don’t Blame Robots for Low Wages,” *New York Times*, 14 March 2019.)

It's not just robots, of course, that are triggering these worries. Artificial intelligence, edge computing, big data analytics, expanding fields of biotech, nanotech, and high tech—all these advancements are making many old jobs obsolete. As Johannes Moenius and Christian Staack point out, we can see these changes all around us: bank tellers are being replaced by self-service cash machines; grocery clerks by self-checkout registers; and Amazon warehouse workers by mobile fulfillment robots that work in the dark. Elon Musk warns, “There certainly will be job disruption. Because what’s going to happen is robots will be able to do everything better than us.”

These kinds of worries about the deleterious effects of technology are not new. In the 19th Century, the Luddites in Britain smashed textile machines that they feared would end their jobs. In the 1960s, the *New York Times* published a front-page manifesto warning of “The Triple Revolution,” which included dire predictions about the impact of “cybernetics.” The spread of computers in the 1980s sparked similar worries of massive unemployment.

In all these epochs, workers went through difficult transitions to new jobs, and some who couldn’t adapt lost out. But jobs themselves never disappeared. The machines the Luddites feared wound up producing so much cheap fabric for the world that Britain experienced a dramatic expansion in textile employment. When Henry Ford automated the assembly line for his Model T, millions more Americans—including those on the assembly line—could afford cars.

As Kevin McCullagh argues, “[T]he general pattern is that machines take over mundane tasks, and humans move on to do more sophisticated work that machines can’t do. And the net effect in a buoyant economy is job growth. A long view reveals that each round of automation brings similar fears—when the first printed books with illustrations began to appear in the 1470s, wood engravers in the German city of Augsburg protested and stopped the presses. In fact, their skills turned out to be in higher demand than before, as more books needed illustrating.” (“Don’t Fear the Robots,” *Iconeye.com*, 26 January 2018)

## Robots (con't.)

Skeptics still insist that now is different—that technology is accelerating at an unprecedented pace. Nonsense, says Krugman: “If robots were really replacing workers *en masse*, we’d expect to see the amount of stuff produced by each remaining worker—labor productivity—soaring. In fact, productivity grew a lot faster from the mid-1990s to the mid-2000s than it has since.”

Many economists believe that automation actually will *expand* jobs and wages. A report from McKinsey Global says that more workers will find their jobs augmented by robots than replaced by them. Harry Holzer, writing for the Brookings Institution, finds: “[A]n ‘old middle’ consisting of production and clerical jobs for workers with high school or less education is being at least partially replaced by a ‘new middle’ set of jobs in healthcare, advanced manufacturing, information technology, transportation/logistics, and many services that pay reasonably well but require some postsecondary education.” (“Will Robots Make Job Training (and Workers) Obsolete?” A Brookings Research Report, 19 June 2017)

To transform the challenge of these technology advances into an opportunity, Holzer argues that “students should receive strong general education in ‘21st century skills’ whenever they receive occupation—or industry-specific—training....[S]tudents in high school and beyond should receive strong training in problem-solving and other forms of critical thinking.” For adults who are displaced, “we should have more robust models of ‘lifelong learning’ available to such workers to provide them with better retraining options than now exist.”

Automation will affect different groups differently, but those effects don’t necessarily mean greater inequality. “If robots drive inequality,” asks McCullagh, “how is it that Sweden has three times as many robots as the UK as a proportion of manufacturing workers—and much lower levels of inequality?”

So why, then, has inequality become so pervasive in the United States? “There’s a growing though incomplete consensus among economists,” says Krugman, “that a key factor in wage stagnation has been workers’ declining bargaining power—a decline whose roots are ultimately political.”

For Riverside, the solutions to the challenges of technological change are to improve technical education in the high schools, deploy more models of lifelong learning for all adults, and embrace worker-friendly policies and businesses.

## II. Leakage Analysis

Economic developers often argue that the best way to grow an economy is to bring in new money, and the only way to achieve this is by selling more exports. The first part of the argument is correct, but the second part is not. There are many ways to increase the circulation of money in a local economy, and far more important than increasing exports is improving the local trade balance. That means attention also must be paid to reducing imports. And as the noted economist Jane Jacobs argued, import replacement may be a better economic-development strategy than expanding exports, because it leads to greater self-reliance, greater diversification, greater increase in human capital, and, over time, more export industries. Moreover, it tends to be easier to grow local businesses around local markets (which are well understood locally) than global markets (which are less well understood and more unpredictable).

Every time a community imports a good or service that it might have cost-effectively produced for itself, it “leaks” dollars and loses the critically important multipliers associated with them. Moreover, import dependencies – on petroleum, for example –expose a community to risks of price hikes and disruptions far beyond local control. They also deny a community a diversified base of businesses and skills needed to take advantage of unknown (and unknowable) future opportunities in the global economy.

Consider one example of the benefits of import substitution: A generation ago, Güssing was a dying rural community of 4,000 in Austria. Its old industries of logging and farming had been steadily eroded by global competition. Many of today’s economic developers would have given up and encouraged the residents to move elsewhere. But the mayor of Güssing decided that the key to prosperity was to plug energy “leaks.” He built a small district heating system, fueled with local wood. The local money saved by importing less energy was then reinvested in expanding the district heating system and in new energy businesses. By 2007, 50 new firms had opened, creating 1,000 new jobs, setting the town on an economic pathway that will reduce its carbon footprint by 90 percent.

Despite its many strengths, Riverside turns out to be a remarkably “leaky” economy, in which residents spend a stunning amount of money outside the City. A key for the City to increase its prosperity is to focus its entrepreneurship efforts on local businesses that plug these leaks. This section summarizes the findings of a leakage analysis of the County, and shows how import replacement could expand jobs, income, and the tax base. It presents the possibilities for import substitution in Riverside and offers examples of what kinds of initiatives could plug leaks in the local economy.

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<sup>9</sup> Jane Jacobs, *Cities and the Wealth of Nations: Principles of Economic Life* (New York: Vintage Books, 1985).

<sup>10</sup> Jonathan Tirone, “‘Dead-End’ Austrian Town Blossoms with Green Energy,” *International Herald-Tribune*, 28 August 2007.

## Leakage in Riverside

IMPLAN can be used to determine the degree of leakage in a jurisdiction. This calculation is important because dollars spent on non-local goods and services provide no economic benefit to the City and are responsible for its high trade imbalance.

Chart 6 summarizes our findings. For every dollar spent by Riverside residents, 51 cents leave the economy. This suggests a huge opportunity for growing the economy through import replacement.

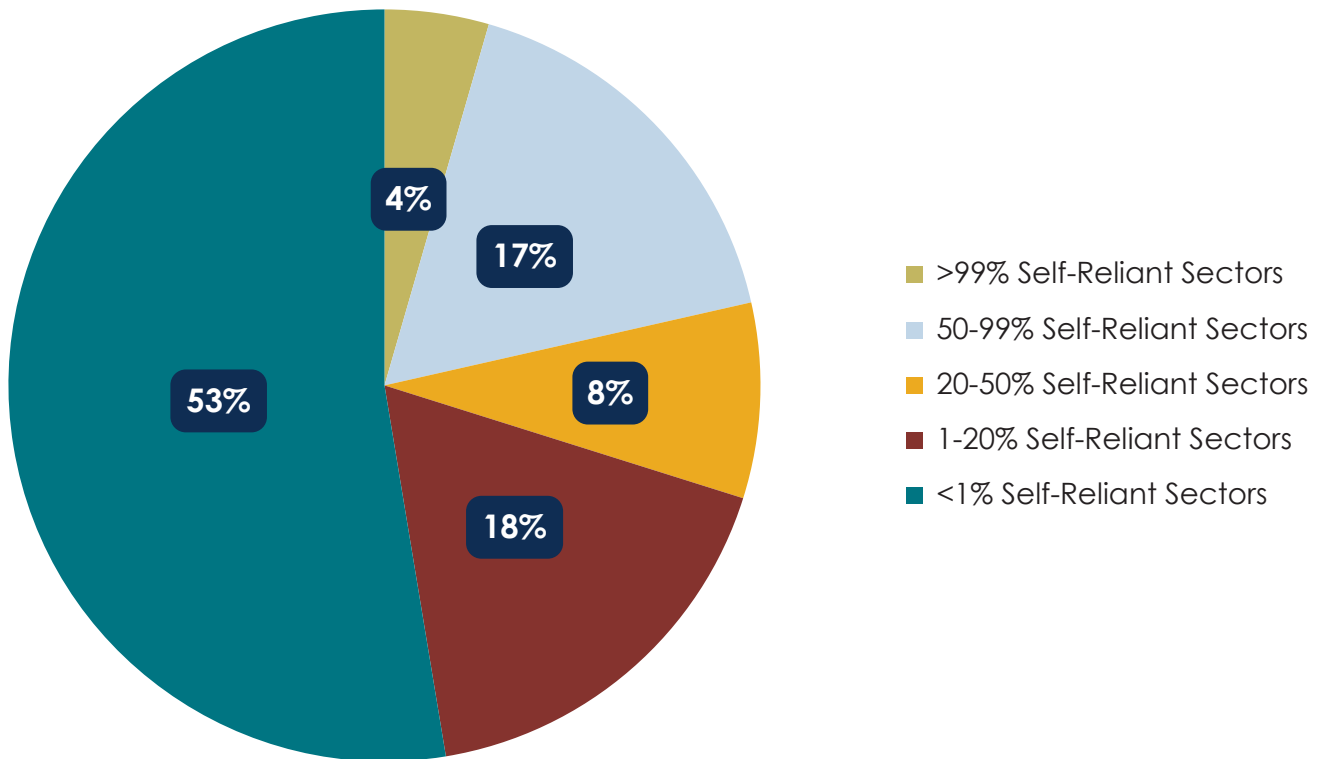
**Chart 6**  
**Leakage in the Riverside Economy**

Current Spending on Local Production	\$12,889,074,248
Additional Production for Self-Reliance	\$13,164,517,235
Total Demand for Local Production	\$26,053,591,483
Rough Level of Leakage	51%

Chart 7 reinforces this point by showing how many economic sectors lack self-reliance. IMPLAN combines many of the 1,100 sectors of the North American Industrial Classification System (NAICS) into a simpler model of 536 sectors. Riverside is self-reliant in only 4% of the IMPLAN sectors. About 71% of the sectors are less than 20% self-reliant, and more than half of the sectors have almost zero activity in them whatsoever.



**Chart 7**  
**Leakiness of IMPLAN's 539 Sectors**



Put positively, a modest effort toward import replacement that grew these under-sized sectors could have a huge potential impact. Were residents to shift 10% of their outside spending to local goods and services, the economy would generate more than 11,000 new jobs, as shown in Chart 8. Given that unemployment is now very low, these jobs could be taken by residents who are commuting to jobs elsewhere. Additionally, the 10% shift would raise local incomes by \$527 million and the state and local business tax base by \$72 million.

**Chart 8**  
**Impacts from a 10% Spending Shift**

Impact Type	Jobs	Labor Income	Value Added	Business Taxes
<b>Direct Effect</b>	5,885	\$311,824,202	\$505,415,458	\$30,935,520
<b>Indirect Effect</b>	2,774	\$117,320,775	\$197,499,829	\$20,790,158
<b>Induced Effect</b>	2,390	\$97,928,552	\$179,036,857	\$20,411,101
<b>Total Effect</b>	11,049	\$527,073,529	\$881,952,143	\$72,136,780

IMPLAN breaks down the job effects from import substitution into three different conceptual categories. The 5,885 *direct* jobs are those created by the initial change in consumer demand. The 2,774 *indirect* jobs are those created as expanding firms buy more goods and services locally. And the 2,390 *induced* jobs are those created by the increased expenditures by the workers at these expanding firms.

Chart 9 shows where all the direct jobs from a 10% shift would materialize. Broadly speaking, a sensible strategy of import replacement would prioritize the largest opportunities for job creation first. The top half dozen priorities would be as follows:

- *Professional Services* (1,691 jobs) – Expanding local professional service jobs is the highest priority, not only because these are the largest number of jobs missing from the local economy, but also because they pay well. Professional services, moreover, require low overheads and many can be carried out through home businesses, which means they are relatively fast and easy to create.
- *Local Non-food Manufacturing* (1,299 jobs) – While the potential contribution of each manufacturing sub-sector is small, the collective impact of more manufacturing and meeting the goods needs of Riverside residents is potentially high. These jobs tend to be high paying and many attract local students.
- *Local Finance and Real Estate* (761 jobs) – More local FIRE (finance, insurance, and real estate) jobs will help the economy with more jobs and with more capital for entrepreneurs.
- *Local Food* (429 jobs) – Local food is already a major feature of the Riverside economy, and food businesses are important magnets for tourists. Given limits on local land and water, significantly expanding raw production might require greenhouse growing. But many new jobs also can come from local food processing and delivery. Additionally, all kinds of food jobs—including restaurants, bars, and food services—will expand as the economy expands.
- *Information* (320 jobs) – Software and computer-related information jobs are especially attractive to young entrepreneurs.
- *Local Arts and Entertainment* (251 jobs) – If Riverside wishes to increase its draw of tourists, it must expand its arts and entertainment sector, and this could be done through greater local purchasing.
- *Churches, Nonprofits, and Unions* (208 jobs) – Riverside's nonprofit community is relatively small but could be expanded with concerted efforts to convince local residents to donate locally.

**Chart 9**  
**Direct Jobs Created in Riverside from 10% Shift**

<b>IMPLAN Sector</b>	<b>Employment</b>
Farming, Ranching, & Forestry	80
Mining, Oil, and Gas	132
Energy & Utilities	0
Construction	4
Manufacturing	
* Food, Beverages, & Tobacco	174
* Fibers, Textiles, & Clothing	123
* Wood and Wood Products	49
* Paper, Paper Products, & Printing	75
* Petroleum-Based Products	126
* Rubber, Glass, Stone, & Concrete Products	73
* Metals	41
* Metal Products	160
* Machinery & Equipment	120
* Computers, Electronics, & Appliances	164
* Vehicles, Boats, & Planes	186
* Furniture	53
* Health Equipment	37
* All Other Manufacturing.	90
Wholesale Trade	4
Retail	138
Transportation	152
Warehousing & Storage	26
Services	
* Information Businesses	320
* Banking & Finance	478
* Real Estate & Leasing	283
* Professional Services	1,691
* Private Education	96
* Health & Human Services	167
* Entertainment, Tourism, & Food Services	426
* Personal Services	72
* Churches, Nonprofits, & Unions	208
* Household Operations	50
* Government Services	85

5,885

It's worth noting that all these are potential jobs. Moving from potential to plausible requires careful attention to many other factors. Some local jobs – in certain mining categories, for example – are unavailable because the natural resource base does not exist or they would degrade natural capital. Others might require low-cost labor or nearby suppliers that do not exist. All these opportunities require creative and committed entrepreneurs prepared to seize them.

One reason to think about a 10% shift, rather than say a 20% or 50% shift, is to take into account these limitations. Only a fraction of potential jobs can be captured through local business creation. But a successful 10% shift also can lay the foundation for greater import substitution in the future.

## **Import Replacement Strategies**

Broadly speaking, import replacement can be accomplished through five different strategies:

- *Localizing Demand* – If an industry already exists, greater local purchasing – by consumers, businesses, and government agencies – can naturally expand that industry. In the category of professional services, for example, if a resident is currently using a tax attorney in Los Angeles, switching to a Riverside attorney constitutes import replacement in professional services.
- *Expanding Supply* – Sometimes, expanding supply might lead to import replacement as well. If a Riverside accountant sensed there was more local demand, she might spend more to advertise locally. This, in turn, might convince more Riverside residents to get their taxes done locally.
- *Increasing Efficiency* – Another way to accomplish import replacement is to reduce local demand through technology or lifestyle change. For example, if Riverside wished to reduce imports of gasoline, it could increase its solar electric production and fleet of electric vehicles.
- *Substituting Demands* – Reframing certain needs also can reduce imports. Many of the largest imports related to healthcare, for example, are nonlocal medical equipment and pharmaceuticals, all associated with patient treatment. Wellness programs, in contrast, are largely rooted in local initiatives around nutrition, exercise, counseling, and support. Shifting healthcare from treatment to prevention, which most public health experts urge, can reduce the leakage of healthcare dollars.
- *Localizing Ownership* – Finally, it's important to consider the ownership of businesses sited in Riverside. Studies have shown that locally owned businesses tend to spend two to four times more money locally than do chain, franchise, or other nonlocal businesses.<sup>11</sup> Returning to the accountant example, shifting from an H&R Block franchise to a local tax preparer also will reduce imports (mostly by other sectors) and boost the local economy.

All these strategies point to six P's of activities for strengthening an entrepreneurial ecosystem. Specifically:

- *Planning* – Based on leakage analysis and other studies of “place”, what are the best opportunities for starting and expanding locally owned business?
- *People* – How can entrepreneurs be trained and mobilized to lead new or expanding local businesses?
- *Partners* – How can local businesses collaborate so that they operate more effectively as a reciprocally beneficial, value-adding team than they would by themselves?
- *Purse* – How can local capital be reinvested in new or expanding local businesses with beneficial impact on the community?
- *Purchasing* – How can local purchasing power be mobilized to fortify local businesses?
- *Policy* – How can public policies be framed to eliminate the barriers many local businesses face competing fairly against global companies and incentivize entrepreneurship and local investment?

The recommended action items are all designed to be responsive to these questions.

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<sup>11</sup> Michael H. Shuman, *Local Dollars, Local Sense: How to Shift Your Money from Wall Street to Main Street and Achieve Real Prosperity* (White River Junction, VT: Chelsea Green, 2012), Chapter 2.



### III. Asset Analysis

The ability of Riverside to grow its economy, whether through exports or import substitution, depends on its assets. Economists traditionally focus on the assets of land, labor, capital, and technology, and these asset strengths in Riverside favor some industries over others. Riverside's strong healthcare and university sectors, for example, suggest that the talent and enterprises exist to grow biotech businesses. "Clusters" of certain assets point to global comparative advantages. The groundbreaking work of John Kretzmann and John McKnight on "asset-based community development" (ABCD) also underscores the importance of ecological, human, historical, and cultural assets in framing what kinds of economic development are possible.

How well do the *existing* assets of Riverside—including the City's economic development (ED) initiatives—support businesses in Riverside? To help answer this question, we convened focus groups in twelve sectors of the City's economy:

- Agriculture and Food Production
- Arts and Entertainment
- Construction and Developers
- Education
- Finance
- Health and Wellness
- Manufacturing
- Non-Profits
- Professional Services
- Restaurants
- Retail and Personal Services
- Technology and Information

For each group, we assembled 10-20 local business leaders, representing a balance of small and larger enterprises. Group participants were shown a prepared list of Riverside's assets, both strengths and challenges, and asked to comment on what items would they add, subtract, or change. They were then asked to reflect on how recent ED initiatives from the City had helped or hindered the success of their enterprises and their sector. And based on that experience, they were asked to prioritize future ED initiatives from the City.

Below we summarize the results. We begin with an integrated composite of points that came up in most of the groups. We then summarize more sector-specific comments, including recommendations about desires for new or different ED priorities by the City.

An important proviso for the reader: The statements below are largely opinions and including them does not mean that they are accurate. But perception matters. Also, the attentive reader will find many different, opposing, and inconsistent opinions expressed.

## What's Working Well?

What's working well in the Riverside economy now? What's not working well? Below we present a summary of key points made by all the groups. Each list offers a mixed picture (most of the positive and negative points have "but..." provisos), so both lists should be read together and weighed as a whole.

Starting with what's working well:

- *Pride* – Many people who reside in Riverside, especially those who have spent much of their lives here, feel considerable pride in the City's beauty, history, culture, weather, talent, and quality of life. They appreciate a collaborative culture that does not really exist in many other nearby communities. But this intimacy and familiarity is a double-edged sword. "We are the size of Pittsburgh or Cleveland," one person said, "but act like Mayberry."
- *Employment* – The unemployment rate is currently low, at a level many economists view as full employment. But some demographic groups in the City, such as African-Americans and Latinos, are not faring as well. Moreover, the statistics do not capture how many people want jobs that pay more, offer full-time benefits (many residents stitch together several part-time jobs), or do not require long commutes.
- *Diverse Economy* – Compared to many other cities in the Inland Empire, Riverside has a relatively diversified economy, with a significant presence of agriculture, arts and entertainment, colleges, healthcare institutions, nonprofits, manufacturing, and professional services. But focus group members also observed that the City's sectors were relatively thinner or more immature than those of competing jurisdictions in the nearby coastal counties (San Diego County, Orange County, and Los Angeles County).
- *Diverse Population* – Like many other California cities, Riverside is becoming increasingly diverse. The percentage of population that is white and non-Hispanic has declined from 82% in 1970 to 34% today. Half the population is Hispanic or Latino. The remainder is split evenly between African-Americans and Asians. Diversity includes an expanding array of interesting and unusual restaurants, shops, and museums, such as the Cheech Marin Center for Chicano Arts, which is expected to open in 2020.
- *Growth* – Unlike many other areas in California that oppose growth, Riverside *wants* to grow its economy, residents, and diversity. The presence of powerful public and nonprofit anchors, moreover, provide an important stabilizer during the ups and downs of the national economy that help support private economic growth. Given the large area occupied by Riverside—the City is basically the size of Los Angeles with a tiny fraction of the population—there's plenty of room for growth.

- *Natural Assets* – Riverside has several valuable natural assets that grace the City, including the legacy citrus groves in its protected Greenbelt, the waters of the Santa Ana River, Sycamore Canyon Wilderness Park, and Mount Rubidoux. All these natural assets offer opportunities for hiking and biking. With its own municipal utility, Riverside also has an unusually high degree of control over its water and energy supplies.
- *Location Advantages for Business* – For outside businesses looking to relocate, Riverside offers many selling points, including: the close proximity of nearly 20 million consumers within a two-hour drive; a large and educated workforce of recent college graduates; close linkages to numerous highways and rails; relatively low utility rates; relatively low commercial lease rates; access to inexpensive warehouses; and a relatively low cost of living. The key word, however, is *relative*. The coastal counties have a larger pool of talent that likes living there despite the higher cost of living. Riverside's costs of living and doing business are also higher than elsewhere in the Inland Empire. Other nearby cities, for example, have significantly more land available for new manufacturing and warehouse facilities.
- *Location Advantages for Residents* – A selling point for people moving to Riverside is that it's an affordable place to live, work, and play with proximity to a diversity of places including beaches, deserts, and mountains. Some residents say that it's one of the few cities in the world where, within an hour, you can go surfing, hiking, or skiing, while also enjoying an affordable quality of life. Again, however, affordability is a relative term, with the neighboring communities in Riverside and San Bernardino Counties offering cheaper housing and office space.
- *Public Schools* – Riverside has some superb public schools. They have attracted top teaching talent by paying some of the best salaries in the country, but performance is uneven within school districts. And right or wrong, the perception remains that coastal county schools offer a better primary and secondary education.
- *Food Economy* – The foundation for any economy is food security, and Riverside has worked hard to protect its agricultural land and expand local food systems through Grow Riverside. Focus group participants familiar with the program uniformly praised the City's leadership through the City's staff person Joyce Jong. But surprisingly, some focus group members were unfamiliar with the program or even the Greenbelt.

- *Anchor Institutions* – As noted earlier, nearly all of Riverside's top-ten employers are anchor institutions, including county and city government, universities, public schools, hospitals, and March Air Force Base. Besides contributing to the economy through hiring, purchasing, and investing, these anchors provide potential assets for future economic development initiatives. For example, the runways at March AF Base could be used for aerospace companies. Some focus group members were concerned, however, that all these anchors were public or nonprofit, which means that the City is missing the kinds of large private companies that anchor other world-class economies.
- *Chamber of Commerce* – Riverside has an unusually strong Chamber of Commerce, with 1,355 members and 16 full-time staff. Some suggested, however, that the Chamber is a more effective representative for the views of bigger and more established businesses.
- *One Stop Shop* – Riverside recently created inside City Hall a "One Stop Shop" that makes it easier for businesses to get various municipal approvals quickly and efficiently. On a single floor, serviced by a one-stop elevator, business people can quickly meet with the departments of planning, building, fire, utilities, public works, and licensing. As elaborated in the next section, however, this department has not fixed all the bureaucratic challenges that businesses experience.
- *Talent* – Riverside prides itself on its moniker—"The City of Arts and Innovation." It has formidable intellectual resources, starting with its 50,000 students, a growing number of which are pursuing STEM degrees. The U.C. Riverside (UCR) faculty has two Nobel-prize winners. La Sierra has a world-class orchestra. *Time* magazine recently listed the City as one of the top-25 destinations for millennials.
- *Entrepreneurship* – The story of Bourns, a small company that started in a coastal garage and grew into a gigantic local tech company, offers an inspiring example for other local entrepreneurs. Besides the One Stop Shop, Riverside has many resources supporting entrepreneurs, including incubators, shared work spaces, and maker spaces. In 2018, *MSN Money* ranked Riverside 19th in the country for cities that are good for growing businesses. In 2017, the City was named by Expert Market as the 4th best city in the country for minority entrepreneurs.
- *Tourist Attractions* – While Riverside does not have mega-attractions like Disneyland or Hollywood, it does offer a few well-regarded destinations like the Mission Inn, the Fox Theater, and several museums. Riverside also has many major events that attract tourists from across the region, such as the annual Festival of Lights and the Car Show. There could be more such events. The Citrus Park is underutilized. Some lament the loss of the Orange Blossom Festival and a once vibrant race track. Other neighborhoods in the City, besides downtown, could be brought to life with more public art, music, and events.

*Successful Projects* – Many business people point to recent projects they regard as successes in economic development. Examples include the attraction of the California Air Resources Board (CARB) headquarters, redevelopment of the Fox Theater, the creation of Food Lab and Game Lab next door to it, and the articulation of an ambitious Innovation District linking downtown with the UCR campus. These projects show the power of big thinking and multi-sector collaboration.

## **What's Not Working Well?**

In addition to the caveats mentioned in the previous section, here are the top concerns expressed by the focus groups about the Riverside economy:

- *Inequality* – The benefits of the Riverside economy are not enjoyed by all, with many significant pockets of poverty, sprawl, food insecurity, and poor health. For example, the City's African-American residents (about 6% of the population) have significantly higher unemployment, proportionally more low-paying jobs (e.g., at the warehouses), and lower levels of ownership. The economic condition of refugee populations is lagging as well, especially refugee women. One person commented that the Riverside economy has been better at producing jobs at the high and low ends of the wage/income spectrum—but not in the middle.
- *Homelessness* – In almost every focus group, the issue of the homelessness arose. While many were deeply sympathetic with the plight of the homeless, especially homeless children and those struggling with mental illness or addiction, they pointed to adverse effects on their businesses. Tourists are afraid to go into public parks, storefronts are losing customers, service providers are installing security measures, and factories are building walls. Many concede that every city in California is wrestling with this problem without success, and real solutions likely must come from the state and national levels. Focus group participants lamented that the solutions the City is pursuing, such as tiny houses, more services, and extra policing, are no match for the scope of the problem.
- *Disconnection* – Riverside is a crazy quilt of 26 neighborhoods, many geographically disconnected from one another. If you look at clusters of activity, you can identify multiple mini-cities including: Downtown, UCR, La Sierra, Magnolia, Arlington, Casa Blanca, Canyon Crest and Orange Crest/Woodcrest. The areas of strength, such as downtown and certain campuses, do not reflect the challenges faced in other areas.



- *Commuting* – Too many residents in Riverside are commuting to work elsewhere. For example, an estimated third of Boeing's work force lives in Riverside and commutes to Los Angeles. And too many people working in Riverside live elsewhere. The result is brutal traffic, myriad bottlenecks, significant lost time, auto accidents, pedestrian deaths, and air pollution. A large commuting population also leads to a mismatch between tax dollars and services provided. An important ED priority is to create more jobs for existing residents (perhaps by convincing their companies to move into town), and to provide more affordable housing options for people who work locally.
- *Transit Options* – Exacerbating the traffic problems is the fact that Riverside has almost no mass transit. Non-car options to the coast are also imperfect, with Metrolink both expensive and Riverside stations missing sufficient adjacent parking.
- *Residential Real Estate* – While Riverside's housing is cheaper than coastal communities, many people who work in Riverside and would like to live locally cannot afford to do so. As one developer put it, there is "a shortage of housing at all rungs of the ladder." That shortage expresses itself in some people leaving (like students), others never coming, seniors being underserved, and ubiquitous homelessness. To be sure, more people are moving into downtown, but their numbers could be significantly greater with more residential housing. The City could do more to make it easier for existing landlords to upgrade their properties and provide housing for more people.
- *Commercial Real Estate* – Flexible office space is in short supply. Developers are reluctant to expand this supply because of formidable City regulations and outdated parking requirements (younger people are less committed to cars). Those office spaces that do exist tend to place unrealistic demands on early-stage companies, such as five-year leases and significant parking requirements. Unless and until the City actively encourages more building, commercial real estate development will remain a trickle. Another problem: some landlords are holding onto empty buildings for speculation.
- *Infrastructure* – Many focus group participants observed that the City's infrastructure—internet, streets, utilities, and transportation alternatives—needs to be repaired, expanded, and modernized. Traffic problems, for example, are exacerbated by the absence of mass transit and the lack of grade separations between cars and trains, though fixes would require state and federal funding.
- *Warehouses* – Historically, Riverside was known as the locale in Southern California with "cheap dirt," which led many coastal companies to construct warehouses in the City. While warehouses provide employment, the jobs tend to be relatively few per acre of land and relatively low paid. As Riverside has grown, the "dirt" has gotten more expensive and other demands for land are becoming harder to meet. "Wouldn't the land be better used," one focus group member asked, "for solar energy?" Warehouses also exacerbate traffic problems noted above. The warehouse industry in Riverside may be sunsetting, as other, less developed areas in Riverside and San Bernardino Counties are the emerging targets for warehouse builders.

- *Amenities* – There's broad agreement that Riverside's downtown has more attractions than it used to: more enticing restaurants, more quality bars, more hotels, and more nightlife. But there are gaps—"you can't find Dim Sum here." Existing amenities are not drawing a significant number of local students, who are inclined to seek entertainment in the coastal counties or even Redlands. Some focus group members sense that older residents are resisting the expansion of the kinds of bars and nightlife that could attract young people (as in Austin, Texas), and older residents complain about the absence of nightlife options. More work needs to be done to develop downtown, add more activities (e.g., a movie theater), and market what's there. There's also more to Riverside than the downtown, and "placemaking" work is needed in neighborhoods across the City.
- *The Riverside Story* – The City is not telling its story well. The legacy of issues mentioned above—cheap dirt and warehouses, an unappealing downtown, heavy traffic, poor air quality—still lingers. The City clearly needs to more aggressively rebut these misinformed views and push a more accurate version of itself. The reality, according to many, is first-time visitors are pleasantly surprised by what they find here.
- *Brain Drain* – Much has been said and written about creating a pipeline connecting graduating college students with local industry, but the evidence suggests this goal remains unrealized. Too many of the 10,000+ students who graduate local colleges and universities each year leave town. The reasons given are complex – not enough jobs, not the right kind of jobs, not enough nightlife downtown, not enough affordable housing, not good enough schools. Significantly, many students who want to start their own businesses cannot find adequate support, mentorship, and funds.
- *Growth Capital* – There are limited capital resources for promising young companies. No organized system exists for introducing check-writing angels to these companies. And very little venture capital is available. Tech Coast Angels started in Riverside, but most of its money goes to companies in the coastal counties, because "there's no local deal flow."
- *Economic Development Gaps* – As will be elaborated, four full-time staff in the City's ED department, on their own, have only a limited ability to address all these problems. Their role necessarily must be to leverage other resources and partners. Even those resources that do exist (online, in brochures, in staff heads), however, are not necessarily reaching the right people. The distribution mechanisms are inadequate, and materials need to be translated for Spanish-speaking entrepreneurs.

- *Rapid Growth* – Almost everyone in the focus groups wanted to see the City's economy and population grow, but many concerns were raised about the type of growth and pace of growth, and how growth might affect the quality of life. If the local population grows faster than local jobs, the previously mentioned traffic, pollution, and safety problems could worsen. If housing does not expand to meet the expanding population, housing prices will continue to rise and affordability challenges could worsen.
- *NIMBY'ism* – Riverside is not immune to attitudes of "Not in my backyard!" Change, whether in the form of a new affordable housing project or the proposed Innovation District, is distrusted and resisted. But there's also an appreciation that Riverside's civic culture values dialogue and that can break through this resistance. The City's efforts to engage businesses in multiple sectors before articulating a new economic development strategy were noted and appreciated.
- *Hype versus Reality* – Some focus group members worried that Riverside undermines even its positive initiatives by overselling them. Grow Riverside has helped raise awareness about local food systems but has not yet significantly expanded the local agriculture sector. The Innovation District offers an intriguing vision for growing parts of the City, but the absence of funding, staff, or a clear plan makes it seem, to some at least, utopian. Too many City plans wind up disappearing from an overreliance on volunteers.
- *Insiders versus Outsiders* – A theme expressed in many of the focus groups is that partnerships and coalitions tend to be built around power players and large institutions. Those on the periphery feel excluded. Smaller businesses feel less welcome at the Chamber, smaller universities feel less welcome in educational initiatives, alternative medicine practitioners feel shunned by public health coalitions, and African-American and Latino entrepreneurs feel marginalized in multiple places. A new ethos of inclusivity is needed.
- *Long-Term Challenges* – Riverside faces several long-term challenges that threaten the prosperity of not only its own economy but that of the state, the country, and the world. Rising protectionism looms ominously over economies like Riverside's that depend heavily on trade. Climate change threatens water shortages that could imperil Riverside's remaining agriculture. Crop diseases are already threatening what's left of the local citrus industry. Automation will eliminate many existing jobs in both the goods and services sectors. And unfunded public pension mandates are likely to grow and put greater fiscal stress on all California cities, including Riverside.
- *Taxation* – Business people predictably complain about taxation. Our focus group members were especially prickly that the state's taxes are among the highest in the country. While Riverside's taxes are not markedly different than those of neighboring jurisdictions, the recent passage of Measure Z, to increase sales taxes for the City, has exhausted the local appetite for increased taxes. Consequently, whatever is done to address the above challenges must be accomplished in a way that does not increase taxes.

## More Detailed Sectoral Perspectives

ED can be understood to be a set of City-led initiatives, projects, or policies that augment what's working in the City's economy and remedy what's not working. To evaluate Riverside's ED policies, we asked each focus group to comment on City initiatives in recent years. We invited comments not only on City actions that bore the name "economic development" but any initiatives that significantly affected business. We asked: What were the ways in which the City was helping their business, institution, or sector, and what were the ways in which the City was not helping? Below, we summarize key comments made by each group.

## Agriculture & Food Production

### What's Working

- The City's support for Grow Riverside has been invaluable for the agriculture and food sectors—and a model for how the City might help other sectors.
- The school district has an exemplary program for purchasing local food.
- Through the One Stop Shop and other work, the City has facilitated the licensing of many new restaurants and bars, and brought the downtown to life. Greater foot traffic is making downtown safer than it used to be.
- All the initiatives above have facilitated greater collaboration among local farmers and other food-related groups.
- The City has shown a willingness to lease some of its land for farming, but farmers have not been ready to seize the opportunity.

### What's Not Working

- Awareness of the Greenbelt and related agriculture assets is still limited.
- The positive impacts of Grow Riverside and other local food initiatives have been poorly documented, as have the potential benefits that could come from greater food localization.
- Dedicating so much land to warehouses maintains the City's "cheap dirt" reputation and stymies possibilities for expanding agriculture and ecotourism.
- Whatever the success of Grow Riverside, it has not substantially expanded agricultural activity outside the Greenbelt and within the city (through, for example, urban ag and rooftop gardens).
- The one City staff person who runs Grow Riverside needs more staff and funding to help the local food system reach its full potential.

- Outside the school district, anchor institutions in the City are not buying as much food (or other goods) locally as they could and should.
- Better “buy local” campaigns are needed, perhaps through billboards, events, and labeling.
- Local food programs are riddled with weaknesses. The Food Lab purchases its food non-locally from Sysco and relies on environmentally unsound plastic and Styrofoam containers. Ditto for most restaurants in the City. Development initiatives like Riverside Plaza promote chain stores that weaken the local economy. Despite the local citrus industry, there’s no local orange juice available.
- Even successful local food programs and initiatives lack local capital to scale up.
- Attracting outside companies takes precious time, energy, and money away from growing local farms and related local food businesses.
- The cost of farming in California is high, especially for young, startup farmers, and the City has not done enough to reduce those costs. One possibility is to set future water prices for farmers at a reduced level.
- The City’s collective marketing thus far has failed to deliver a significant new audience for ecotourism.
- The City’s entrepreneurship resources are not being shared effectively with young farmers and local food entrepreneurs.
- Generally, Riverside has not done enough to “green” its land uses. The City continues to allocate scarce land to warehouses, mismanage storm water, and not capture carbon.
- The retirement of Council Member Chris MacArthur, who had provided real leadership on agricultural renewal, poses a new challenge for the sector.
- There’s a need for an agriculture initiative on the scale of CARB.
- Among the projects the City might consider supporting are: a community kitchen; more farmers markets; a low-interest loan fund for agriculture projects; better projects for food access; and projects mobilizing ethnic communities in the City.



## Arts & Entertainment

### What's Working

- The schools are commendably investing millions of dollars into the performing arts.
- Local per capita spending on arts and entertainment overall is increasing.
- Some events are terrific though the City needs to advertise better neighborhood events like the Sawdust Festival.
- The Fox Theater is a welcome addition to the City's nightlife, but for too long the City tried to control its events. Bringing in Live Nation to manage the Fox's programming was smart.
- The City has an excellent sister city program, but local arts programs are disconnected from it.
- Many parts of the City are looking nicer.

### What's Not Working

- The City is too institutional in its approach to art, entertainment, style, and aesthetics. Its role should be to foster many kinds of expression, serving many audiences.
- The City should encourage more free-wheeling artistry like public murals.
- The City does not fully appreciate the economic impact of the arts. The typical person attending an event spends \$29 on top of admission.
- Food purchases that accompany the arts sector is an unappreciated driver of the economy, especially downtown, and the eating-out options for many parts of the population—like moderate income families—are too limited.
- The City needs more breweries.
- The Greenbelt has enormous potential to drive more tourism and arts, but it's too heavily regulated now.
- Because the streets are important for public arts, the City cannot “lose the streets” to the homeless.
- Entertainment, vendor, and food licenses are too expensive and complicated.
- The City should allow food trucks.
- Sports teams could drive more traffic to the arts.
- The City needs to deploy better media, including better social media, to mobilize more foot traffic for its events. The only dedicated promotional tools for Riverside's events are two magazines and several web sites. Riverside would benefit from having its own television station or its own phone “app.”
- There's too little for young children to do in the City. The City might consider starting a Children's Museum or a theme park.
- The downtown needs more definable places for events and gatherings, and the Santa Ana River could be an anchor, much as the Riverwalk has provided an important economic-development anchor in San Antonio, Texas.
- Some important arts institutions, like the ballet and symphony, are struggling financially.

- Outdoor events are limited by the unavailability of large spaces.
- Expansion of this sector is limited by a thin philanthropic sector. Donating per capita in Riverside is about a third what it is in Los Angeles.
- Riverside residents apply a “bargain hunting” mentality with arts programs, rather than recognizing that the sector really requires higher-price tickets.
- The arts sector could benefit from greater collaboration among its participants.
- The City should design new strategies for bringing finance into arts related businesses (note the success of Meow-Woof in Santa Fe, thanks to crowdfunding).

## **Construction and Developers**

### **What's Working**

- Downtown development is working, and more people are moving in there, though significant parts remain “dead” at night.
- Despite the criticism, warehouses make an important contribution to the City's economy.
- When asked, City staff have helped shepherd projects quickly through the bureaucracy. But generally, smaller businesses lack the connections or bandwidth to do this.
- The City should continue to sell off its properties. It does not belong in the “real estate game.”
- The City commendably approved “Housing First,” which encourages the use of older structures for housing.
- The One Stop Shop has helped the sector, though more needs to be fixed.
- Generally, the City is friendlier to developers than many neighboring cities. Especially helpful are review committees during early stages of projects.

### **What's Not Working**

- City codes require too much parking for new buildings, and the City's overall design is too dependent on cars.
- Eliminating fee reductions for senior housing is a poor policy choice. As the population continues to get older, the need for senior housing will get more severe.
- More variances are needed.
- Too many fees are assessed on developers.
- The City needs to attract or help start “cooler” retail establishments.
- The City cannot fix the homelessness problem on its own, though it could pour more funds into the successful Paths to Life program.
- The City should create one position to help channel graduating students into emerging jobs.
- The City should continue to try to develop some mass-transit options, even though NIMBY'ism defeated a proposed streetcar program.
- The City might give young people a housing allowance to encourage them to stay.

## Education

### What's Working

- The Riverside Unified School District recently surveyed parents and found a high level of satisfaction with the school system.
- There are excellent partnerships among universities that could be further deployed for ED.
- The City has some good support institutions for educating entrepreneurs. For example, it has given helpful grants to Vocadoemy, a popular maker space.
- Riverside has good systems for educating people with disabilities, including an excellent school for the deaf.
- The City has an exceptional community college.
- Many City staff have been accessible and helpful as educational challenges have arisen.
- Grow Riverside has tapped the local universities and colleges reasonably well.
- The public schools are trying to address inequalities by setting up a dedicated charitable foundation.

### What's Not Working

- The City should do a better job marketing the virtues of its schools.
- Local businesses do not fully appreciate the talent here, and do not know how to tap into it.
- Students care deeply about the homelessness, and the City should take advantage of the "youth energy" committed to solving the problem.
- The City should create an electric-car infrastructure, as part of its commitment to innovation.
- More resources are needed to help local students transition to college, especially kids who are poor, homeless, or Spanish-speaking. Ditto for helping the non-college-bound of these communities move directly into trades and professions.
- The population of public-school students is declining, which is leading to budgetary and other problems in the near future. The City should aggressively market millennials to stay.
- Free WiFi needs to be brought back.
- There are limits to some of the available places for educating entrepreneurs. The coworking space, Mind & Mill, is too pricey for many entrepreneurs. The incubator, Excite, is only open to entrepreneurs who receive UCR's blessing.
- The City should create a mentorship network to help students find professional grounding here.
- The City should underwrite more internships and externships with STEM companies if it's serious about promoting the next generation of Bourns Electronics.
- The City needs to address the inequalities of the educational system.

- Professional training programs at the colleges need to be brought into better alignment with local job opportunities. Diversifying the economy would help. So would diversifying job training programs.
- Smaller educational institutions, such as Brandman University, are not recognized or included in partnerships.
- Students need more affordable housing.
- Too many faculty members do not live in Riverside, and strategies should be developed to bring them here.
- A forgotten part of the homeless problem is the universe of school-age kids without homes who need special support to transition into the workforce.
- An appropriate role for the City is to break down sectoral and geographical silos.
- The City needs to weigh better its priorities. Does it really make sense to invest \$10 million in a museum rather than in job training?
- The City should set up an accessible, online clearinghouse for skills.
- Too many City services depend on who you know, and among those who lack access to these services are poor kids.
- The City should consider converting or closing some of its airports (which are barely used). These airports impose zoning restrictions on many activities on the surrounding land, and recently prevented the siting of a school.
- The City needs to work alongside the Chamber more, and rationally divide economic-development responsibilities.

## **Finance**

### **What's Working**

- Overall, the finance sector has more than recovered from the housing crash in 2008.
- The City's attraction of CARB brought high-wage jobs, and that should be the exclusive focus on any future attraction efforts.
- Partnerships with ACCION have brought new capital into the City.
- ACCION has launched programs in Spanish to reach Latino entrepreneurs, and other entrepreneurship programs need to do likewise.
- The City has commendably supported the Small Business Development Center and Score, both of which promote entrepreneurship.
- An estimated \$250 million has been committed to downtown development now (though no comparable commitments have been made for other areas of the City).

### **What's Not Working**

- The combination of California's and Riverside's regulations make property development projects difficult. "Putting in the first nail requires an act of God," said one focus group member. "The City needs to understand that time is money for developers."

- The City's ED initiatives are not reaching low-income, home-based businesses.
- The City needs to better serve small, local businesses if it wishes to retain talented young people. Increasingly, they locate based on the quality of their experience.
- The City could help financial institutions educate low-income borrowers about the essentials of finance.
- The City could help weave a more effective network between financial institutions and entrepreneurship programs.
- A key to the City's success is figuring out which programs it should lead and which the Chamber should lead.

## **Health & Wellness**

### **What's Working**

- The City has been very supportive of UCR's new medical school and helping new physicians settle in the area.
- The Chamber of Commerce has been a reliable partner in implementing helpful programs like the STEM Academy.
- Through Riverside Renaissance, the City has successfully rebuilt and beautified many areas, but more must be done to bring these benefits to all parts of the City and to maintain the beauty.
- The 311 system is positive, but requests and complaints need more systematic follow-up.
- Hospitals and other major medical anchors work well together.
- Some hospitals are conscientiously doing local purchasing—of lab testing, for example—but more needs to be done to encourage this behavior. Hospitals are not purchasing local food, for example, and they can and should learn from the school district's local food purchasing programs.

### **What's Not Working**

- The City should work alongside hospitals and other medical institutions to help connect young residents with emerging jobs.
- Generally, the City needs to be more aware of the social determinants of health, and how changes in Riverside's demographics will require new public health strategies. Neighborhood strategies should be emphasized.
- Certain groups, like chiropractors, feel excluded and underutilized in solving various public health challenges such as high-school concussions and opioid abuse.
- The City should establish mentorship programs in every sector, whether for white- or blue-collar jobs.
- The City needs to mobilize more funding for mental and physical health to support the un- and underinsured.



- The City needs to work more closely with medical institutions to help them satisfy state regulations so that construction of new facilities can proceed more quickly.
- The City should work with health and other institutions to raise more state and federal funds to cope with its homelessness problem. The City is not doing enough to claim its fair share of nonlocal funds.
- To provide more incentives for talented professionals like nurses to move and stay here, the City might provide them with tax breaks.
- The City needs to work harder to bring certain amenities to Riverside that are important—whether symbolic or real—for the lifestyles of a talented workforce, such as Whole Foods and the Apple Store.
- The City needs to engage other partners to better meet the needs of seniors, especially women, through more senior centers.
- The City could do more to promote exercise and recreation. It's not helpful that there are no major sports teams in the City.

## **Manufacturing**

### **What's Working**

- The City has many assets that could be attractive to potential manufacturers, including warehouses, good logistics, talent, and a relatively low cost of living.
- The Fire Inspector has been easy to work with.
- City staff, particularly Sherry Shimshock and Nathan Freeman, have been helpful to existing manufacturers.
- The City is taking the homelessness issue seriously by appointing Emilio Ramirez to focus on the problem and by working closely with Paths of Life.

### **What's Not Working**

- The Planning Department is exceptionally difficult to work with. It would be helpful to shift staff attitudes from "stopping" and "slowing" projects to "facilitating" them. This will require more training by department leaders.
- The City needs a "Tiger Team" who can help move companies through the "One Stop" and other regulatory hurdles faster. This would facilitate communication, reduce duplication, and allow more rational budgeting and planning.
- Traffic backups at rail tracks are serious, and the City needs to build more underpasses.
- The City could help businesses through the challenges of hiring certain target groups like local students, seniors, or disabled vets.
- The City should create designated land areas for homeless residents and provide them with expanded services like Paths of Life.
- The City cannot hold companies financially responsible for dismantling homeless encampments made on their property.

- The City should build more vertical parking facilities (near the train station, for example).
- The City needs to identify, zone, and make available more land for manufacturing.
- The City should cover upfront costs (fees, licenses, taxes, etc.) of starting or moving in a new business.
- Whatever incentives the City provides should be made available, equally, to all businesses.

## **Nonprofits**

### **What's Working**

- The City is filled with successful and impressive non-profit institutions, indicative of a strong civil society.
- Town-gown relations between the City and its universities are exceptionally good.
- Riverside is a "dementia friendly" city, and an active part of the Purple City Alliance.
- The City has responded well to businesses interested in moving to Riverside, but less well with others that might be interested.
- Habitat for Humanity has been a key partner in building tiny homes and providing one emerging solution to the homelessness problem.
- The One Stop Shop has been helpful for new business, but there's still a need for better communication between departments.
- The City was a great partner in getting the Yeager Center at California Baptist University (CBU) built quickly and on a tight schedule.
- The City has some good programs for seniors, grounded in strong nonprofit partnerships. The expanding presence of seniors in the population, however, will require substantial expansion of these programs.

### **What's Not Working**

- The City's marketing efforts for local events are failing to reach not only outsiders but also many residents. It needs to use social media and other marketing tools more effectively.
- The City must improve, not just downtown, but its neighborhoods, to induce graduating talent to stay.
- With tweaking, the public utility could be a revenue generator for the City.
- The City needs to appreciate better the potential for cooperatives to grow business and engage otherwise overlooked communities in business.
- The City needs an office and officers to help settle refugees.
- Different departments of the City are sometimes not talking with one another. A street repair crew might show up at the same time and place as a major City event.
- Because the City has only a few staff for each task, better planning is needed for when one staff person is sick, on jury duty, or on vacation.

- A Riverside culture of charitable giving needs to be nurtured. Currently, giving is below the levels one sees in the coastal counties, and only a handful of local businesses and big donors are engaged. Moreover, it's important that foundations and philanthropists understand the virtues of donating locally.

## **Professional Services**

### **What's Working**

- That the City has brought the downtown back to life suggests that it can do this, with resolve and resources, in other parts of the City.
- "When I ask for help, I usually get it."
- Sectoral focus groups like these are very helpful. They also should be done regularly at the neighborhood level.

### **What's Not Working**

- Certain parts of the City are unsafe, and thus unwelcoming for new residents, businesses, and tourists.
- It's hard to recruit top talent to come and work here.
- The Chamber of Commerce needs to figure out how to translate participation in its activities into more business for its participants.
- The City needs to figure out how to help more businesses, more of the time.
- When good ideas are identified, the City needs to implement them faster.
- Fundamentally new approaches to the homelessness problem are needed.
- The City should envision and build more big attractions, like a public market.
- The City needs to provide more commercial spaces with full amenities to attract and support startup companies.
- The City Council needs more diversity, and it could happen if the Council positions were paid full-time.

## **Restaurants**

### **What's Working**

- Grow Riverside has been helpful to the food economy generally, but its impact on local restaurants has been limited. Few restaurants, for example, are sourcing their food locally.
- The downtown "restaurant scene" has improved dramatically in recent years, but it still needs to diversify and appeal to a wider range of tastes.
- The expansion of CBU has increased demand for nearby restaurants.
- Some bars are finding that the ID's of young customers are coming more from coastal counties, suggesting the growing pull of downtown nightlife.
- Restaurant managers are happy that food trucks are not permitted free access to various areas, though they would be open to their presence at special events, like night markets.

## **What's Not Working**

- Awareness of the Greenbelt and related agriculture assets is still limited.
- If the City wants to bring more young people downtown, it should license more musicians and deploy fewer breathalyzers.
- While the downtown has improved, other areas have not, including the area surrounding UCR and Riverside Plaza.
- An entertainment license of \$7,000 discourages entertainment.
- When a license is sought, the City should have one opportunity to present a list of problems that need fixing (e.g., fire hazards), rather than being able to add to the list each time items are checked off the list.
- The City needs to help address a talent gap. As unemployment gets lower, it's harder for restaurants to find good workers.
- The money, time, and energy needed to open a new restaurant in the City almost is not worth it.
- Many landlords do not wish to improve their buildings.
- The restaurant business depends on the economy, and everyone fears that the next recession will be as devastating as the last one. There's a need for advanced planning for future downturns.
- The City needs to increase awareness of the ED resources it does have (e.g., the One Stop Shop), especially in areas of greater need, like Wards 6 and 7.
- UCR is not very interested in promoting local purchasing, and actually has policies and practices that seem to discourage it.
- There is little coherence about which zoning variances are granted and why.
- The City should help attract more talented people, not more chains.

## **Retail & Personal Services**

### **What's Working**

- The City's strong sense of community is helpful for businesses and artists.
- UCR's medical school is a great new addition to the City and will be helpful in nurturing and capturing talent.
- Because of the universities and local talent, Riverside offers a good culture for startup enterprises.
- The City addresses reported problems quickly, such as drug dealing.
- The Downtown Partnership has been helpful, and the concept should be spread to other areas.
- Focus groups like these are terrific. The City should hold more of them!

### **What's Not Working**

To capture talent in fields beyond medicine, the City should work with local colleges and universities to introduce new programs. For example, an estimated 20% of southern California's film industry lives in Riverside, along with some world-famous YouTubers.

- The City would be smart to focus its ED resources on training and deepening the local ties of existing talent rather than recruiting new talent (e.g., through an Amazon attraction).
- To the extent the City does attract outside companies, it should focus on institutions like CARB, which pay well and are unlikely to move. High wage earners are key for the success of local retailers.
- The factors deterring startups right now are Riverside's onerous taxes, licenses, and regulations.
- Young people living in Riverside don't have a good concept of what's available to support entrepreneurship.
- There are not enough amenities in Riverside to attract and hold onto young talent. More "experiences" downtown, more big conferences, and more events can help.
- Warehouses are a dead-end ED objective. They generate a small number of jobs that are low-paying, and mostly serve the interests of nonlocal companies.
- It should not cost \$9,000 to get approvals for a playground, \$6,000 to get a utilities inspection, \$20,000 to make a urinal ADA compliant, or \$30,000 to get permits for a business opening. These costs are particularly harsh for smaller and younger companies. It would be smarter to bring down these costs of getting started and collect more business taxes later.
- In the absence of mass transit, the City should at least deploy busses that connect UCR with downtown.
- The City should encourage the universities to get the kids off campus and explore the City more.
- The City should create a serious shop-local program, perhaps through a loyalty program or a branded debit card. The program should be especially marketed to young people and seniors. If a 5% increase in local sales generates \$4 million in City revenue, that's roughly the scale of what should be spent on this kind of program.
- The City should work to secure more conferences in its Convention Center, which inure to the benefit of local retailers.
- The City didn't support an "I love Riverside" video competition, which would have been an easy, low-cost ED win.
- It's difficult for businesses to know who in the City to contact about particular problems. A regularly updated directory would be useful.
- The City needs to clean up its highways, as a way of sprucing up its image to drivers passing through, perhaps by launching an Adopt a Highway program.
- Having an elevator going directly to the One Stop Shop is great, but why does every person going there have to pass through security first?
- When City staff make a mistake, they need to learn how to apologize.
- The City's sister cities offer new opportunities for marketing. Gangnam Style, for example, refers to the Gangnam district of Seoul, which is one of Riverside's sister cities. The City could design a Gangnam block as a tourist attraction.
- The City should install security cameras in areas with high crime as a deterrent.
- The City should bring back its effort to provide free Wi-Fi to residents.

## Technology & Information

### What's Working

- The universities have a gold mine of technology talent.
- There are excellent collaborative networks in the City, and a strong culture of collaboration.
- Riverside can be proud that it was one of the first cities in the country to make computers widely available to all its residents. This partially reflects city-county collaboration in recycling e-waste and refurbishing old computers.
- One of the brightest spots in the City's economic development is medicine and medical technology.
- The City's utility company gives it unique advantages in providing priority companies access to affordable water and power.
- The City's broadband coverage is good, though it's no longer free.
- The City has some very good nonprofits that are supportive of the tech sector.
- One of the region's clear strengths in logistics, which is unfortunately not the sexiest or best paid part of the technology sector. It's also an area that will be increasingly automated.
- Companies that do make offers to students here find that they can get top talent at a relatively low cost, which reflects the smaller number of offers made.

### What's Not Working

- City employees do not appreciate the difficulties and risks associated with entrepreneurship. Their objective should be to get out of the way.
- The City's ability to keep students here will be limited until it can help bring capital into the hands of promising entrepreneurs.
- There are not enough executive jobs to attract talented people to stay long term.
- The City needs more success stories of companies launched locally. Right now, there are more stories of good companies that move elsewhere.
- Huge gaps exist in the skilled workforce (e.g., in software writing and project management) that require employers to bring in skilled nonlocals.
- Compared to Northern California, Los Angeles, or San Diego, the pipeline in Riverside for converting students into local entrepreneurs is weak. Many promising Ph.D. recipients are recruited and stolen by outside companies.
- Generally, manufacturing in Riverside is not particularly strong, beyond a few companies. CARB can help create the possibility of a stronger cluster around the environment, clean technology, and air quality.
- The City and universities need to be better at helping "one-trepreneurs"—talented people with one patent.v



- The One Stop Shop is insufficient to help early stage companies work their way through the City's bureaucracy.
- While the Chamber is good at supporting legacy businesses, it's less effective at attracting or supporting new businesses, especially those led by young people.
- ED resources are not reaching different "islands" of the population, such as the businesses in the Hispanic Chamber of Commerce.
- The City needs to recognize that if it wants to achieve success like Austin or Research Triangle (NC), it will need to make a serious investment in technology companies, perhaps through tax credits.
- While the City has a strong tech sector with respect to health and medical technology, it needs to build sectors around its other natural strengths: solar technology (taking advantage of the sunny climate), energy storage technology (complimenting solar technology), and agricultural technology (building from the citrus industry).
- The City should lead a bigger, more inclusive "Start-up Week" for young entrepreneurs.
- The City could attract more companies here by highlighting its assets through brochures and videos. It also should consider hiring an "evangelist" to educate the world about the City.
- The City should pay for internships at key STEM companies to keep students here.
- Attraction efforts probably need to be done regionally, with other cities in the Inland Empire. And they probably need to be led by industry, not government entities.
- Remember that it's cheaper and easier to retain talent and companies than to attract them.
- Regional efforts also should help Inland Empire companies expand their exports.
- A plausible leader for regional initiatives is the Inland Empire Economic Partnership, though the organization has been weakened by factionalism and a small budget.
- Most start-up companies need capital, low-cost talent, and empty buildings. The City might help with this equation by making more office space available for new companies (as Austin did), and perhaps staff and financial support for incubators.
- One easy way the City could get the attention of students is to sponsor events at breweries with free or discount drinks. Ultimately, the future of the City rests on its being what the Project on Public Spaces calls "a great place," not just to work, but to live.
- Think big! To become a true entrepreneurial ecosystem, look at how cities like Austin, Santa Monica, and Reno did it. They mobilized space, talent, mentorship, and capital.

## IV. Vision and Action Principles

The comments in the previous section could inspire an extremely long, unwieldy, and internally inconsistent action plan. Because the City's resources are limited, it's important to articulate a vision and action principles that can provide staff, and other partners, guidance on what actions are in or out and what are the priorities. It's also important that these recommendations synchronize with existing priorities, programs, and staff. We therefore begin this section with a review of the evolution of the City's current ED goals. Then we suggest elements for a new vision statement and ten implementation principles.

### Riverside's Strategic Goals

The foundation for Riverside's current thinking about ED was set a decade ago with the publication of *Seizing Our Destiny*. That report suggested Riverside should strive to achieve four overriding goals:

- Outstanding Quality of Life through Intelligent Growth
- Catalyst for Innovation
- Location of Choice
- Unified City for Common Good

Based on these goals, *Seizing Our Destiny* suggested eleven "Strategic Routes":

- A strong innovation economy that builds community.
- A well-developed, highly sought-after workforce.
- Lifelong learning for all.
- A home of next-Century healthcare.
- Becoming a Green Machine.
- Around the City, around the year, around the clock.
- Transforming spaces into places.
- Big City recreation, with a hometown feel.
- Creativity central.
- Collaborating to build community.
- Telling our story.

City managers and staff ultimately have to translate recommendations like these into realistic action plans, and they do so through an internal document called *Strategic Goals*. The most recent version (2.1) presents the following goals for the Community and Economic Development Department:

- Achieve consistency between the General Plan land use designations and zoning map designations.
- Develop the local food and agricultural economy.
- Accomplish successor agency disposition.
- Integrate neighborhood-based outreach.
- Achieve housing element compliance.
- Create a more resilient Riverside.
- Build and grow local partnerships to support tech and entrepreneurship, stimulate local investment, sustain vital infrastructure, tell the unique Riverside story and focus on a place-based economic development strategy.
- Promote and maintain a safe and desirable living and working environment.
- Reduce homelessness by providing an array of housing options and programs based on community needs.
- Enhance the customer service experience through Streamline Riverside initiatives including uniform plan check, expedited afterhours review, Development Review Committee, efficient software applications, and the One Stop Shop.

The careful reader will note that these goals mix apples and bicycles. Several of the items – housing, homelessness, “safe and desirable living” – are more about community development than economic development. Some refer to tweaks of current programs, such as the General Plan (and potential revisions) or the “successor agency” (which means disposing of properties acquired by City with state redevelopment funds). One item—increasing the City’s resilience—is a cross-cutting goal, which refers to the ability of the City to mitigate, respond to, and recover from disasters, such as fire, earthquake, water shortages, or pandemics. The item on connecting with the neighborhoods describes how ED policy should be developed and carried out. One item calls out the importance of a specific sector—food and agriculture. Perhaps the item that comes the closest to defining a business development strategy across sectors is to “build and grow local partnerships to support tech and entrepreneurship, stimulate local investment, sustain vital infrastructure, tell the unique Riverside story and focus on a place-based economic development strategy.”

In addition to the Strategic Goals above are those listed for other departments that connect with ED. For example, goals for Live Nation's shows at the Fox Theater and for various museums tie in with tourism. Attraction of entrepreneurs and businesses depends on the quality of infrastructure, schools, events, parks, and other public amenities. The public utility's performance influences the prices of water and electricity, which are of great interest to business.

To operationalize these goals, the City Manager, drawing on advice from deputies and staff, sketched seven particularly important "buckets" for ED action.

- Entrepreneurship
- Infrastructure
- Education & Workforce Development
- Telling Our Story
- Tech, Green & Sustainability
- Business Support Services
- Health
- Resiliency

The list picks up most of the themes in the Strategic Goals but still contains two incongruities. Six of buckets cut across all business sectors, while one—health—is a sector. One could read this choice as suggesting health is the most important sector in the Riverside economy, but none of our interviews or focus groups argued for this approach. The other incongruity is that four of the items are tools for creating a prosperous economy—entrepreneurship, infrastructure, human resources ("education and workforce development"), and marketing ("telling our story")—while two are goals all ED tools should serve (sustainability and resiliency).

## **Business Opinion in Riverside**

To supplement the views of Riverside leaders and staff about the right direction for ED, we also conducted and circulated a short survey to ascertain the views of the business community. The survey welcomed any Riverside business to participate, and invitations were sent to every business and business organization in the City's data base. In the end, 231 businesses participated. Below is a summary of their views captured, with the percentages endorsing each position, where relevant, noted in parentheses:

- *General Priorities* – The focus of the Riverside’s ED action plan should, first, be the start-up of new local businesses and, second, the expansion of existing companies. Attraction of outside companies is viewed as the least important priority.
- *Attraction Strategies* – When we asked respondents to rank “four strategic choices” with respect to attraction, the highest choice was to ignore it: “The City should focus its limited resources on starting and expanding local business.” The second ranking choice was that “the City should invest modestly in a substantial marketing campaign to raise awareness among outsiders of the virtues of Riverside.” The lowest ranking choice was that the City should “invest heavily in recruiting outside companies through incentives, even if it means serious budget cuts or tax increases.”
- *Paying for ED* – Nearly half of the respondents (49%) thought that expanded ED activity should be funded “primarily by facilitating private investment (e.g., through City-led investment funds capitalized by private investors).” A quarter (26%) endorsed “reallocating funds from other City budget items. Only 10% would raise taxes, which underscores another caution against the City engaging in expensive corporate attractions. The remainder (4%) thought the City should do less ED.
- *Priority Activities* – When asked respondents to rank 11 possible ED activities, from most to least important, respondents expressed no clear consensus. Activities scoring slightly higher were: “create more amenities”; “regularly engage existing businesses about their particular needs”; “encourage residents, businesses, and public agencies to buy local goods and services more often”; and “lower burdens—licenses, regulations, zoning, taxes—on businesses”. Activities scoring slightly lower were: “more aggressive ‘green’ initiatives around energy, water, and materials use”; and “identify, reward, and improve local businesses that are striving to improve their social performance for workers, the community, and the environment.” In between were: “mechanisms by which local businesses can regularly communicate with the City”; “new tools...that facilitate more investment in local businesses”; “create more travel-worthy events and destinations to bring more visitors”; and “improve transit options.”
- *Priority Needs* – Finally, we asked respondents what their own companies needed help with. The most significant response was “finding skilled workers” (28%). Also ranking high were: “managing City, County, and State regulations” (22%), “obtaining affordable space” (21%), “sales” (20%), “accessing capital” (19%), and “market analysis” (19%).

## Elements of a Vision Statement

Based on the above history—*Seizing Our Destiny*, internal planning priorities, and current business opinion—we recommend that Riverside prepare a short vision statement with the following elements:

- The City's overarching priority should be to create one of the best places in the world for entrepreneurs.
- As part of its focus on entrepreneurship the City should strive to attract talent and capital to launch and grow locally owned businesses that are key for prosperity.
- To be attentive with the aspirations expressed by leaders, residents, and businesses, the City should promote ED that's consistent with a broad range of goals, including mindful growth, diversification, sustainability, resiliency, inclusiveness, and vibrancy.
- The City's ED priorities also should flow from its moniker as a City of "Arts and Innovation," to improve the City's marketing of itself to the world.
- And to leverage its modest resources, the City should carry out as much ED as possible through partnerships and pollinators.

## Proposed Implementation Principles

Any short vision statement will be general and aspirational. Translating it into effective action requires more specific implementation principles, including definitions of the key terms highlighted above. Below, we propose ten such principles to guide the ED Action Plan. These categories, it should be said, are not neatly contained boxes, but rather overlap with one another.

(1) *Entrepreneurship* – Focusing on entrepreneurship means expanding existing businesses in Riverside and developing new ones, to take advantage of the multiple benefits of expanding local ownership. To the extent that the City gives any special advantages to companies (through tax breaks or regulatory waivers, for example), they should be conferred on companies that are locally owned and meet the other principles laid out below. The City should strive to craft initiatives that serve entrepreneurs through education, mentorship, incubation, and finance. And it should minimize obstacles to entrepreneurship, such as fees, licenses, regulations, and taxes.

(2) *Attract Talent* – Rather than attract nonlocal companies, which can leave as easily as they come, Riverside should attract talented people and incentivize them to stay. It should make it easy for local companies to recruit talented people and for talented entrepreneurs to start new businesses.



(3) *Mindful Growth* – Riverside should grow its economy, not for the sake of growth, but to ensure that all the principles here are met. This means that major new developments, even those promising to bring thousands or tens of thousands of new jobs to the City, should demonstrate their ability to achieve objectives like inclusiveness and sustainability.

(4) *Diversification* – Riverside should seek to grow not only its existing clusters of success, such as healthcare and education, but also new clusters through import substitution. Particularly promising areas of local business expansion, highlighted by the leakage analysis in Section II, are professional services, financial services, local manufacturing, local food, and local entertainment.

(5) *Sustainability* – One reason for mindful growth is to preserve and enhance the beauty of Riverside, including its historically important farmlands and citrus groves. The expansion of business and the local workforce will naturally increase stresses on infrastructure, including the provision of electricity, water, housing, schools, and transportation. With careful planning, as is currently being done by the Green Action Plan and the Recycling Education Program, these expansions can be done in a way that are ecologically friendly. The goal of sustainability also fits, hand in glove, with Grow Riverside's promotion of local food and farming.

(6) *Resiliency* – Riverside must carry out ED in a way that strengthens its ability to mitigate, withstand, and recover from foreseeable future threats such as earthquakes, wildfires, and climate disruption. This partially ties in with some of the goals mentioned already, such as diversification and sustainability, but it also places burdens on the Planning and Building & Safety departments to ensure that new buildings, infrastructure, and businesses meet higher standards.

(7) *Inclusiveness* – Another reason for mindful growth is to ensure that the benefits are shared more equally. Among the groups that have not fully enjoyed Riverside's prosperity are Latinos, African-Americans, people with disabilities, and the poor. Raising the employment and income-generating opportunities for residents in these groups is critical to the City's long-term success.

(8) *Vibrancy* – As a City of “Arts and Innovation,” Riverside should welcome what's new and risky. While residents of all ages have a role to play, ED should increasingly focus on young people. How can the best and brightest growing up in the City be encouraged to stay or return? How can the most talented students in Riverside be supported to transform their dreams into great new local businesses? Another part of vibrancy is the making of great places across the City, not just downtown. This requires finding the “soul” of each neighborhood, rooted in its ecology, history, and culture, and activating it through appropriate buildings, events, businesses, and design. Every neighborhood should be brought alive through its artists.

(9) *Partnerships* – The goal of the City's economic development is to lead, not by monopolizing the field, but by mobilizing businesses, business-support organizations, and civic groups. This requires the creation, nurturing, and support of partnerships.

(10) *Pollinators* – One strategy the City can use to expand its reach is through “enterprise pollinators,” self-financing businesses or programs that promote various ED goals. Put another way, the City should embody the entrepreneurship it seeks to inspire in its residents.

## V. Priority Actions

Consistent with the Vision Statement and Implementation Principles above, we recommend that Riverside focus its ED initiatives on the four goals articulated in *Seizing Our Destiny*. We have updated each goal, however, to reflect the current economic-development thinking and the views articulated in our interviews with local leaders, our focus groups of businesses, and our surveys. Specifically:

<b>Seizing Our Destiny</b>	<b>Posed for Prosperity</b>
Outstanding Quality of Life Through Intelligent Growth	Grow Priority Local Businesses
Catalyst for Innovation	Attract, Retain, and Nurture Talent
Location of Choice	Create an Inclusive, High-Quality Place to Live
Unified City	Market the Diverse Assets of Riverside

Below, we summarize the rationale for these four goals, present associated action items, and suggest indicators for measuring success.

### Goal #1 – Grow Priority Local Businesses

An expanding body of evidence underscores that successful ED rests on a healthy diversity of locally owned businesses. These companies thrive when there is an ecosystem teeming with business supports, local purchasing, and local investing. While all companies should feel welcome and supported in Riverside, the City's ED initiatives should especially focus its limited resources on companies that meet as many of the following criteria as possible:

- Companies that are locally owned and committed to becoming long-term residents of the City;
- Companies that plug economic “leaks” and diversify the City's economy;
- Companies that exemplify the City's “Arts and Innovation” branding;
- Companies that provide high-paying jobs and hire a diverse local workforce; and
- Companies committed to exemplary social performance—that is, companies that are not only profitable but good for workers, the environment, and the community.

## Action Items:

- *Identify Priority Businesses* – The City should develop and publicize a scoring system to prioritize which businesses will receive assistance first.
- *Develop A Tiger Team* – The City should supplement its One Stop Shop with City staff or experienced volunteers who can help priority businesses get the services they need quickly and inexpensively. The Tiger Team should run interference for priority companies to get them licenses and approvals quickly and inexpensively.
- *Identify and Remedy Challenges* – While the One Stop Shop has improved the City's provision of services for companies, problems remain. The City should continue to identify and remedy these problems.
- *Overhaul Municipal Procurement* – The City needs to give stronger purchasing preferences to goods and services produced by priority local businesses. It should actively recruit these businesses to bid on City contracts. It should raise the financial threshold for no-bid contracts. And it should ask all bidders to represent what percentage of their spending will be done within the City, estimate their likely tax payments, and award contracts rationally based on the least-cost bids.<sup>12</sup>
- *Promote Local Procurement by Anchor Institutions* – The City should spread the procurement innovations developed by its public schools (with respect to local food) to other anchor institutions (e.g., hospitals and universities) and expand these programs to all kinds of goods and services. It could facilitate this by creating and regularly updating a municipal web directory of local goods and services, and physically bringing together potential local partners for business-to-business (B2B) transactions.
- *Spread the “Grow Riverside” Model* – The City's flagship for nurturing local food and farming businesses has been Grow Riverside, a public-private partnership. The City should consider replicating this model with other priority sectors, such as the arts, health care, and education.
- *Study Home-Based Businesses* – Thousands of local businesses are flying below the City's radar, operating in basements, garages, and personal computers. These—and not just local universities—are where a significant number of Riverside's future entrepreneurs can be found. The City should commission a study to identify them, discern their challenges, and make recommendations on how to nurture and formalize them. For example, how might the licensing requirements for homebased entrepreneurs be lightened?

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<sup>12</sup> By excluding the tax proceeds from different bidders, the City (like most public entities) is actually tilting the playing field against local businesses—and against least-cost results.

- *Create A City Local Investment Portal* – The City should supplement existing sources of capital to businesses with municipal web directory listing three things: local businesses looking for capital;<sup>13</sup> or potentially looking for capital; local investment groups that businesses and entrepreneurs might contact; and local investment tools available. (A partial list of local investment tools is summarized in the adjacent box.)
- *Create A City Donation Portal* – To increase the level of local charitable giving, the City should create and update a web-based directory for local donation opportunities. It should also publish statistics on per-capita giving that might motivate improvements.
- *Empower City Employees* – The City should expand the investment options given to its employees to include the City-run funds and other local investment opportunities.

#### Suggested Indicators:

- Has the City published a scoring system to identify which businesses should receive priority assistance?
- At the One Stop Shop, is the amount of time between a case being opened and resolved shrinking?
- Is the average expenditure for licenses and permits for a startup business going down?
- Is the percentage of municipal procurement spent locally increasing? The percent of anchor institution procurement?
- To what extent has “Grow Riverside” reduced local food leakage? Have other ED initiatives reduced leakage in other target sectors?
- Is more capital flowing to Riverside entrepreneurs?
- How many businesses are listed on the City’s Investment Portal? How many investors have registered to use it? What’s the total level of annual transactions facilitated?
- How many projects are listed on the City’s Donation Portal? How many donors have registered to use it? What’s the total level of annual donations facilitated?
- How many City employees have opted to place some of their investment portfolios in local business opportunities? What’s the total level of local investment facilitated?

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To stay compliant with federal and state securities law, the listing might just say, “Riverside Companies Poised for Growth.”

## Tools for Local Investing

To increase capital available to startups and expanding local businesses in Riverside, the City should create a list on its web site of all companies in the City seeking investment and make residents aware of the emerging tools for local investing. Among the tools residents should be mobilized to use:

- *Financial Education* – The easiest way for low-income or moderate-income residents of Riverside to localize their finance is to get out of credit card debt, become homeowners, and pay off their mortgages faster. The City should help residents find the right kinds of financial resources.
- *Local Banks and Credit Unions* – There are a number of important locally owned banking institutions in Riverside that put their savings to work locally. They should be listed on the City's web site.
- *Microfinance* – Microfinance is designed to help very small entrepreneurs get started, and an important source of such funding in Riverside is ACCION.
- *Community Development Financial Institutions* – CDFIs are financial institutions that, based on their commitment to assisting communities of color and communities in poverty, can receive access to federal grants and low-interest loans.
- *Pre-Selling* – One tool small business is increasingly using to avoid expensive securities filings is to presell goods and services. A coffee shop in Oakland, for example, financed its move to another location by pre-selling coffee.
- *Angel Groups* – Angel investors are deep-pocket individuals or families looking for promising early stage companies, and a growing number are looking for local investments. Local angel groups should be listed.
- *Cooperatives* – Coops have long provided a way for unaccredited investors to pool resources to capitalize critical businesses, because memberships in a cooperative are not deemed "securities." The City should list the top coops operating locally.
- *Program-Related Investments* – A growing number of charitable foundations are investing their asset bases in local business. If the investment is "related" to the foundations' mission, losses can count toward their legal obligation to give at least 5% per year away in grants. The City should list foundations offering local PRIs.



## Tools for Local Investing (con't)

- *Donation Crowdfunding* – Local businesses can take advantage of literally hundreds of web sites that promote donation crowdfunding, where a participating business often rewards a donor with a token (a tee-shirt, for example). The largest ones are Kickstarter and IndieGoGo, but there are many smaller players that focus on specific communities and specific niches (like films). The typical amount raised from businesses that use these sites is \$5-10,000. The City should have a current listing of local projects and nonprofits with live raises.
- *Peer Lending* – A number of companies facilitate lending from unaccredited investors to small businesses. KivaZip, for example, enables local lenders to make interest-free loans to local businesses. Prosper and the Lending Club allow small businesses to receive interest-bearing loans.
- *Employee Ownership* – One way to facilitate local investment is to help employees buy some or all their companies' equity. Project Equity is active in the state promoting this strategy.
- *Municipal Bonds* – More cities are selling tax-exempt bonds directly to their residents to finance municipal projects. The City should list any bonds that might be purchasable by residents.
- *Self-Directed IRAs* – Investors can expand investment opportunities for tax-deferred savings beyond Wall Street stocks and bonds if they rollover IRA money into self-directed IRAs or 401k money into solo 401ks. These options have been available for decades, but only a few financial advisers understand and recommend them to their clients.
- *Community Portals* – Under the federal JOBS Act, passed in 2012, online “portals” can be created to facilitate investments under \$1.1 million into small businesses. Unaccredited investors may participate and invest up to \$2,200 per year (with higher limits, if the investor has higher income).
- *Local Investment Clubs* – Groups of 10-20 people can pool funds and invest locally together. This helps to spread the burdens of performing due diligence and makes investing more sociable and fun. The City should list all active local investment clubs.

## Goal #2 – Attract, Retain, and Nurture Talent

Talent is an essential ingredient for ED, whether it comes in the form of creative entrepreneurs or skilled workers. Riverside should strive to nurture this talent, especially through its public schools and universities, to spur as much entrepreneurial activity as possible. And it should make it easy for talented students to find *local* jobs.

### Action Items:

- *Create A City Jobs Portal* – Much of the current activity around workforce development is occurring at the County level. The City should create and update its own website listing of job and internship opportunities in local companies. And it should work with local universities and public schools to connect talented local students to these opportunities.
- *Create A City Entrepreneurship Portal* – The City's website should be expanded to contain a comprehensive, easy-to-navigate directory of local services for entrepreneurs. Listed services would include courses, mentors, incubators, maker spaces, impact hubs, and finance sources.
- *Fill Talent Gaps* – In partnership with the Chamber of Commerce and other business groups, the City should convene periodic meetings of key business sectors to identify local-talent gaps. The findings should be conveyed regularly to local educational institutions to inform the development of new academic programs.
- *Subsidize Talented Newcomers* – The City should create a fund (elaborated below) that helps talented newcomers or university graduates become first-time local homeowners. An application process might prioritize people who fill the talent gaps noted above.
- *Promote Adult Learning* – An entrepreneurial city should seek to transform all its residents into more knowledgeable, flexible, and talented workers. The City should therefore develop incentives for motivating all residents, irrespective of age or income, to engage in continual learning. Local tax credits might be created, for example, to reward adult learning.

- *Expand Entrepreneurship Spaces* – The City should develop partnerships with local universities, companies, and commercial property owners to provide more low-cost or no-cost spaces for promising entrepreneurs. These are especially important for the Innovation District. Tax credits or lower utility rates might be given to entities that provide these spaces.
- *Focus on Disadvantaged Groups* – The City needs to do more to help Latinos, African-Americans, and people with disabilities overcome the obstacles they face in finding quality jobs and launching their own businesses. A City liaison should regularly meet with these groups to troubleshoot specific concerns. (See the adjacent box on one approach.)

#### Suggested Indicators:

- Are the numbers of businesses listing jobs and internships on the City's Jobs Portal growing?
- Are more students and other adults successfully finding jobs and internships by using the Jobs Portal?
- Are more entrepreneurs using the City's Entrepreneurship Portal?
- Are local businesses reporting fewer talent gaps?
- Are more Riverside adults taking classes?
- Are there expanded numbers of incubator spaces, impact hubs, maker spaces, and other entrepreneurship support tools?
- Are the racial, ethnic, and gender differences in poverty, income, and employment rates shrinking?

## Opening Economic Opportunities for African Americans

Even though only 6% of Riverside residents are African American, they have distinctly high levels of poverty, and low levels of income, wealth, and employment. The community is targeted by tobacco companies, and by almost every measure face more formidable health challenges than other Riverside residents. It also faces the legacy of slavery and racial injustice in the form of mass incarceration and political marginalization.

But there's another, more positive legacy as well—that of a functioning informal economy in black neighborhoods. While integration and other economic forces have weakened these small economies, African American residents are eager to bring them back. Key needs include black entrepreneurship programs, black buy-local campaigns, and black local-investment initiatives.

The time could not be better. Recent analysis from the UC Riverside School of Business finds that from 2007 to 2012, the number of black-owned businesses grew 24.3% in the Inland Empire, as compared to 8.0% growth among total businesses. "Given today's stronger economic conditions," said Robert Kleinhenz, executive director of research at the Center for Economic Forecasting and Development and one of the report's lead authors, "there is little reason to believe the expansion won't continue." (Sarah Nightingale, "Revenues, Employment at Black-Owned Businesses Growing Faster than at Total Businesses in U.S., State and Region," *UCR Today*, 1 June 2016)

Still, by other measures, black-owned businesses are lagging. While they make up 7.3% of all Inland Empire businesses, these businesses account for just 1.4% of total revenues and employ only 1.9% of the local workforce. Changing these statistics may require more focused attention by the City.

One idea that deserves serious attention is to develop a Riverside Center for Black Economic Development. "Imagine a place where elementary age children through senior citizens can go to learn how to turn their talent into profit," according to a recent proposal. "The mission of the Center for Black Economic Development is to provide effective training, support, and opportunities that grow the Black economic community. Our vision is a thriving Black business community that channels the Black Wall Street of Tulsa into 21st century Riverside."

This is one of many examples where the ED needs of certain communities in Riverside might be best supported through City grants, loans, or investments in focused initiatives.

## Goal #3 – Create an Inclusive, High Quality Place

Economic development is inextricably intertwined with community development. The talented entrepreneurs and workforce needed to support a high-wage, knowledge-based economy also want to live in a place that's fun, vibrant, sustainable, resilient, and smart. The City has already begun to craft comprehensive plans to “green” city buildings, infrastructure, policies, and program, which will not only improve the local quality of life but attract business and talent. But these initiatives need to be intensified.

### Action Items:

- *Harness the Public Utility for ED* – The City should recognize that the Riverside Public Utility is a major ED player. It should improve its performance and transform it from a cost center to a profit center, by sharpening its mission to spread efficiency and renewable supplies with respect to electricity and water. Discounts on prices should be strategically focused on priority businesses (as SMUD has done in Sacramento) and on property owners providing space for entrepreneurs.
- *Expand the Public Utility* – There are promising models for using a “public utility” framework for managing stormwater, distributing heating/cooling (beyond electricity), managing compost and other waste materials, and running high-speed dark fiber. Transforming the City's utility into a revenue generator around these various challenges will help improve the City's fiscal health. Riverside should review a wide range of designs and potential ownership schemes (public, public-private partnerships, cooperative, and private) for implementation of these ideas.
- *Promote Smart Materials Use* – With or without a utility structure, the City should identify the best opportunities for reducing, reusing, or recycling local resources. These opportunities might include downed trees, deconstruction sites, and food waste. Properly designed, these programs should become revenue generators for the City.
- *Improve Mobility* – The City needs to overhaul and improve the entire system of mobility within the city, not just to improve the quality of life, but also to make the City more welcoming to young entrepreneurs. It should provide more infrastructure to support electric vehicles. It should contract with private companies to provide more mass transit buses and look seriously at the possibilities for light rail. It should facilitate greater use of alternatives to cars, including buses, bicycles, and scooters.
- *Worker/Resident Disconnect* – The City can solve multiple problems – traffic, public health, carbon emissions, and tax leakage – by increasing the overlap between local workers and local residents. Outside companies with many resident workers should be encouraged to relocate or open a branch in the City. And workers commuting from outside Riverside to a local company should be encouraged to move here. The City should commission a study to make a concrete list of the top target companies in each category.

- *Overhaul Zoning* – As other smart growth jurisdictions have done, the City needs to rethink zoning to facilitate more uses—residential, commercial, agricultural, and light industrial—in given land parcels. It should encourage home-based businesses in residential areas. And more land should be allocated to affordable housing and to experiments with tiny houses, land trusts, and co-housing units.
- *Affordable Housing Trust* – Given the acute issue of homelessness, the City should commission a study about the promise of creating a land trust for affordable housing. Burlington, Vermont, for example, issued municipal bonds to start a land trust that now provides permanent affordable housing to more than 1,000 families and affordable rents to dozens of local businesses.
- *Prepare A Land Inventory* – A better inventory is needed of available land in Riverside, perhaps presented to the decisionmakers and the public in the form of an interactive map. Key questions to answer: What land parcels (e.g., the airport) might be available for repurposing? How much additional land is available for manufacturing? Could warehouse land be put to a better and higher use? What are the opportunities for growing food outside the Greenbelt? Where might new affordable housing be placed?
- *Spread B Corps* – The City should convince more local businesses—including landlords and other property owners—to evaluate their social performance through the B-Corp Assessment or related instruments. It might favor companies with high environmental practices by giving them preferential support with Tiger Team assistance, public contracting, and public investing.

#### Suggested Indicators:

- Is the Public Utility becoming a profit center?
- Is the City's total level of solid waste per capita going down? Per business dollar?
- Is the total level of electricity and water use per capita going down? Per business dollar?
- Is the number of cars per capita going down?
- Are commute times for residents shrinking?
- Are electric vehicles becoming a growing percentage of the local transportation fleet?
- What percentage of land has been rezoned for multiple uses?
- Are more home-based businesses operating?



- Is the level of unmanaged stormwater going down?
- How many companies in the City are using the B-Corp Assessment or some other recognized set of social metrics?

## **Goal #4 – Market the Diverse Assets of Riverside More Effectively**

Riverside needs to better communicate its virtues, history, and events to attract more tourists, businesses, and talent. The legacy of past challenges—"cheap dirt" and warehouses, an unappealing downtown, heavy traffic, poor air quality—still lingers. The City clearly needs to more aggressively rebut these misinformed views and push a more accurate version of itself. The reality is that many first-time visitors are pleasantly surprised by what they find here. A good example of rebranding is "Keep Austin Weird," which was started by that city's local business community.

### **Action Items:**

- *Placemaking* – The City should engage every neighborhood in a professional placemaking process (led perhaps by the Project for Public Spaces) and produce specific neighborhood plans for activating different areas across the City. The goal is to help every neighborhood find ways of expressing its distinct character. Plans might specify physical upgrades, walkways, district designations, and an events schedule.
- *Gather Stories* – The City should gather business success stories from every sector and every neighborhood, and spread them through multiple media. It might develop a professional marketing campaign with well-known residents (e.g., local YouTube stars) talking about the City. Talented residents who moved to Riverside recently should provide testimonials on why other talented outsiders should move in. The City should join and support the Chamber's efforts to coordinate marketing by anchor institutions based in the City.
- *Expand Events* – The City needs to conceive and implement more annual events that reinforce the City's branding and give outsiders an exciting taste of its virtues. These events need to connect, not just with Downtown, but with all its neighborhoods.
- *Create More Great Destinations* – The City's efforts thus far to create new destinations, such as the Food Lab and the Fox Theater, have paid off handsomely. More areas need to be similarly "activated." One possibility might be to look for business opportunities in Riverside's sister-city relationships as a way of expanding the City's "story." For example, there might be designated districts downtown where businesses linked with each sister city could be found.

- *Expand Highway Advertising* – The City should clean up the major roads running through the City through more “adoption” programs, and do more advertising of its public events and great destinations to people driving through the City.

Suggested Indicators:

- Is the City drawing more non-residents to local events?
- Is the tourist traffic rising? Is the tourist spend rate increasing?
- Is spending at downtown hotels, restaurants, and bars going up? Spending elsewhere in the City?
- Are different segments – students, families, retirees – spending more dollars on local eating and entertainment?
- Have all segments of the highways running through Riverside been “adopted” and cleaned up?

## VI. Implementation Strategies

The nearly three dozen action items above comprise an ambitious list. Perhaps too ambitious. Many obstacles stand in the way of implementation. Among them:

- *Inertia* – Changing long-held practices, such as traditional ideas about zoning, is inherently difficult.
- *Dissent* – Achieving true consensus around most ED activities is impossible. Residents with strong ideological views will challenge some of the proposals. Libertarians, for example, will argue that the City should play no role in business development, while Democratic Socialists will insist on ambitious public enterprises.
- *Legal* – Some of the recommendations, such as the creation of municipal funds open to retail investors or expansion of the public utility's functions, may require further legal work.
- *Leadership* – Skilled leadership will be needed to manage the challenges above and the myriad interest groups in the City.

But one barrier additional looms above all others: The City of Riverside has a limited staff and budget for implementing the action plans, and residents have little appetite for increasing local taxes. Formally the City has four full-time and two part-time staff assigned to economic development. It's true that some ED responsibilities extend into other divisions of City government, such the Departments of Finance, Fire, IT, Planning, Public Works, and Public Utilities, and the chart on the next page elaborates these connections. But the attention of these staff is divided, so whatever the exact count of City staff charged with ED, it's tiny compared to scope of the action plan.

Key to successful implementation, therefore, are strategies for exerting leverage. City staff responsible for ED must leverage partnerships, outside sources of capital, enterprise pollinators, and the power of residents and neighborhoods across the City. They also should create one place for experimentation and getting everything right—and that place can and should be the proposed Innovation District.

## **Riverside Departments Tasked with Economic Development**

Community & Economic Development Department (9 divisions)

- Administration & Finance
- Arts & Culture (responsible for Live Nation contract)
- Building & Safety
- Code Enforcement
- Community Development Block Grants
- Economic Development
- Neighborhoods
- Planning (responsible for the One Stop Shop)
- Real Property Services (responsible for City owned properties)

Finance Department (oversees Business Tax)

Fire Department (responsible for permits and inspections)

Information Technology Department (responsible for digital mapping and storytelling)

Public Utilities (responsible for electricity and water, and for some business incentives)

Public Works (responsible for safety, transportation, sewers, and recycling)

Raincross Hospitality Group (responsible for the Convention Center)

### **(1) Partnerships**

Since the nuts and bolts of business start-up and expansion ultimately must be done by thousands of businesses themselves, City staff have learned that they are most successful as facilitators and organizers. The City can provide a framework for ED initiatives—rules, policies, assistance, and information, but partnerships are then essential for implementation.

Important business networks in the City are already in place. At the epicenter of these partnerships is the Greater Riverside Chamber of Commerce, which has 1,355 businesses, civic organizations, educational institutions, and individuals as its members. Nearly nine in ten members have fewer than 50 employees, and more than half the members have five or fewer employees. With a budget of \$1.8 million per year, the Chamber has 16 full-time staff. Most members join to find business partners, marketing platforms, technical assistance, and finance. The Chamber also helps amplify the voice of local business with City, county, state, and federal decision-makers.

Significantly, Chamber staff have been assigned to several areas highlighted in the action plan:

- A communications specialist is coordinating businesses across the City to better “tell Riverside’s story.”
- A special events coordinator helps market the Festival of Lights and other big City events.
- A business projects coordinator, responsible for holding an annual Riverside Business Week, is now discussing a merger of activities with the City’s annual Business Startup Week.
- A neighborhood coordinator continually taps the views, needs, and concerns of businesses in six different geographic areas of the City. Various chamber staff also identify key businesses seeking permits and licenses, and alert City staff to activate greater assistance.
- Another staff person is working with universities and public schools to identify and fix local labor-market gaps with better targeted education programs.

Even where the Chamber is not involved, City staff should seek to recruit other businesses and business organizations to lead their peers. The box below shows that there are more than a dozen other business groups in the area.

### **Riverside Business Groups**

Art Pick Group

Downtown Partnership

Greater Riverside Chamber of Commerce

Green Riverside

Hispanic Chamber of Commerce

Neighborhoods Business Councils: Inside Arlington (wards 5 and 6);

Inside Downtown (wards 1 and parts of 2); Inside East Hills (wards 2 and parts of 4);

Inside Hunter Park (wards 1 and 2); Inside Magnolia Center (wards 3 and parts of 4);  
and Inside La Sierra (wards 6 and 7)

Northside Improvement Association

Riverside County Black Chamber of Commerce

Riverside City Minority Chambers

University Neighborhood Group

Obviously, wherever the Chamber of Commerce or another business group has staff leading a given action, the City should say “thank you” and focus elsewhere. City staff might still participate in these efforts, if only because the City’s views occasionally differ from the Chamber’s, but participation need not mean leadership. The good news, moreover, is that the City staff and these business groups have a long history of good communication and cooperation.

Mindful of the action list, these partnerships might:

- Suggest reforms of the One Stop Shop and recommendations for improving the City’s business services.
- Ensure that their talent needs are continuously presented to the City and related workforce development programs.
- Articulate where gaps in the entrepreneurial ecosystem still exist and undertake plans to fix those gaps.
- Identify parcels of land that can and should be used differently or infrastructure that needs to be improved to increase municipal prosperity.
- Develop their own plans, activities, and events for marketing Riverside.
- Create their own strategic plans for local purchasing, local investing, and sustainability.

Action Items:

- *Outsource Wherever Possible* – As City staff reflect on the Action Items above, the first question should be: Is the Chamber or another local business group doing this? If not, could they? Or are there other civic organizations that could take the lead?
- *Organize Project Partnerships* – For every major new initiative, such as the Innovation District, new transit projects, or a new museum, the City should work closely with business groups to create a project partnership that includes anchor institutions, major businesses, and other civic organizations. This is how the City should respond to “attraction” opportunities such as CARB (mindful that the best attractions are those that are publicly or locally owned).
- *Diversify Partnerships* – One important function of City staff is to ensure that the right people, representing the full diversity of the City, are sitting at the table. They need to make sure that partnerships represent each business sector (as our focus groups did) and each neighborhood.



- *Stay Connected Regionally* – The City should continue to participate in regional organizations to pursue regional ED projects and opportunities.

## **(2) New Capital Sources**

Another way City staff can exercise leverage is by raising outside funds for ED activities. This is being done already by the City's point person, Joyce Jong, for Grow Riverside, and the success of that program carries a larger lesson. Any program designed as a priority, such as the Innovation District, deserves a full-time staff person working assiduously to mobilize partners, develop concrete plans, and submit funding proposals.

Another way to raise new dollars for ED priorities is through new local investment funds open to grassroots investors. To clarify, these funds would not be giving gifts or subsidies but rather loans to promising companies that can enable the fund to achieve a reasonable rate of return. An exemption within the federal Investment Company Act of 1940 allows municipal government entities to set up funds they control. While the City could put its own seed money into these funds (the City currently manages about \$600 million), most of the funding can and should come from motivated local investors.

The City's main expense would be to hire one or more staff to run the Funds. The City might also be responsible for marketing. In addition to drawing capital from its own investment portfolio, the City might finance the funds through municipal bonds. Additionally, the City could incentivize local investors by providing property or sales tax breaks for individuals or businesses that invest in these funds.

This initiative is not completely unprecedented. Cities across the United States have set up an estimated 600 funds in support of ED objectives, primarily as revolving loan funds and most funded almost entirely by taxpayer dollars. Opening up new opportunities for grassroots investment is what an emerging local investment revolution is now doing across the United States. Very recent changes in securities laws at the national level and in 38 states (though not California) now make it substantially cheaper and easier for unaccredited investors (all but the wealthiest 1-2% of Americans) to put money into small and local businesses.

### **Action Items:**

The City should create different funds, each available for investment by Riverside residents, for the following purposes:

- *Priority Business Fund* – This fund might cover up-front all state and city costs for licenses, zoning, etc. Initially the focus would be on priority companies (as defined in Section V). These companies would pay back these costs at a low interest rate, though higher rates might apply if they leave the city.
- *Arts and Innovation Fund* – Consistent with the City's branding, another fund should focus on priority food, entertainment, arts, and technology businesses.

- *Pollinator Business Fund* – Private businesses that carry out economic development functions – like a buy-local card – could apply for loans from this fund. Other potential applicants might be for-profit entrepreneurship programs, incubators, maker spaces, or local-investment facilitators. (The concept of pollinators is elaborated shortly.)
- *Student Loan Fund* – A fund might support local kids going to non-local colleges and coming back. If you come back as a resident, your payback rate will be low; if you decide not to, your payback rate jumps to market levels.
- *Talent Recruitment Fund* – Another fund might focus on helping talented individuals buy their first homes in Riverside. Again, as long as they stay and work for a local company, the interest rates would stay low.

### **(3) Pollinator Enterprises**

Another way the City can do more ED for less money is to facilitate the creation of self-financing private businesses that carry out some of the action items. We call these businesses, whose primary business mission is ED, “pollinators.”<sup>14</sup> Just as bees exchange the appropriate generative pollens to plants and thereby create a healthy ecosystem, business pollinators exchange the appropriate nutrients for local business to achieve viability and create a healthy entrepreneurial ecosystem. And just as bees do what they do naturally, so do business pollinators – that is, they are able to self-finance their work just like other businesses.

While publicly funded economic development programs are vulnerable to budget cuts and changes in leadership, private pollinators can continue doing their work as long as there is a market for their services. Some pollinators are for-profit businesses, some are nonprofits, but all of them allow a community to undertake key economic-development functions with far greater efficacy and at a substantially lower cost than typical, taxpayer-funded programs.

Riverside actually has several pollinator enterprises operating today. For example:

- The Vocadoemy is a maker space and education center that largely finances itself from fees it charges.
- The City of Riverside Public Utilities is promoting energy efficiency and the deployment of renewable energy in a revenue-generating model (though the utility is currently not breaking even).

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The concept is elaborated in Michael H. Shuman, *The Local Economy Solution: How Innovative, Self-Financing “Pollinator” Can Grow Jobs and Prosperity* (White River Junction, VT: Chelsea-Green, 2015).

- Live Nation oversees productions at the Fox Theater that attract outsiders and tourists to come to the City.
- ACCION is a self-financing social enterprise that makes microloans and technical assistance available to small businesses.
- Local banks and credit unions in Riverside are profitably lending to local businesses.

#### Action Items:

City staff should consider implementing the two-dozen pollinator models discussed in the adjacent boxes. The City could provide very modest start up assistance to promising enterprises, perhaps through a grassroots-financed fund previously discussed. Each box is organized around a different functional area of ED described at the end of Section II: planning, people, partners, purchasing, and purse. For example:

- *Buy-Local Programs* – Local entrepreneurs should be mobilized to launch a buy-local debit card or loyalty program (such as Local Frequency).
- *Workforce Development* – Companies that receive talent from local workforce agencies might pay finders' fees that defray the costs of running the agencies.
- *Entrepreneurship* – More incubators, impact hubs, and maker spaces should be deployed on a fee-for-service basis.
- *Infrastructure and Land Use* – Greater use of land trusts could keep more of the non-public housing market affordable.
- *Telling Our Story* – The City should bring in outside companies, as it did with Live Nation, to run more of its events on a for-profit basis.

## Planning Pollinators

*Definition:* Local economic development benefits from both “spatial” planning undertaken by urban planners (which creates “great places” in which local businesses thrive) and “business” planning undertaken by consultants (which improves the locally valued competitiveness of local businesses).

Examples:

- *Business Efficiency*—The Main Street Genome Project analyzes data from local businesses to help them identify weak spots and remedy them by, for example, getting better prices from suppliers and sharing the savings with clients. [www.mainstreetgenome.com](http://www.mainstreetgenome.com)
- *Green Design*—Bazzani Associates brings old buildings back to life with green designs, and has revitalized several neighborhoods in Grand Rapids, Michigan. [www.bazzani.com](http://www.bazzani.com)
- *Placemaking*—The Village Well, based in Melbourne, is hired by public and private property owners to help stakeholders set in motion a plan to revitalize a place with many new kinds of work and play. [www.villagewell.org](http://www.villagewell.org)

## Purchasing Pollinators

*Definition:* Purchasing refers to buying by nearby consumers, businesses, and government agencies. More local purchases multiply through other local businesses and can generate increased income, wealth, and jobs.

Examples:

- *Coupon Books*—The Chinook Book, active in a half dozen cities, enables consumers to buy a book of coupons worth thousands of dollars of savings at local businesses. [www.chinookbook.net](http://www.chinookbook.net)
- *Local Business Magazines*—Edible Communities, a magazine currently licensed in 85 cities across the United States, raises consumer awareness of local farmers and local food businesses and is underwritten primarily by local advertising. [www.ediblecommunities.com](http://www.ediblecommunities.com)
- *Local Web Marketplaces*—ShopCity licenses a web platform in three dozen American and Canadian cities that draws consumers to local goods and services. [www.shopcity.com](http://www.shopcity.com)
- *Local Debit Cards*—Bernal Bucks in San Francisco has partnered with its local credit union to issue a debit card that rewards local business purchases. [www.bernalbucks.org](http://www.bernalbucks.org)
- *Local Gift Cards*—Tucson Originals provides foodies an easy “stocking stuffer” to buy for friends and relatives that can be redeemed at local restaurants. [www.tucsonoriginals.instagift.com](http://www.tucsonoriginals.instagift.com)
- *Local Loyalty Cards*—Supportland (recently rebranded as Placemaker) has 80,000 users in Portland, Oregon, who receive gifts and discounts for loyally making purchases at local stores and service providers. [www.supportland.com](http://www.supportland.com)

## People Pollinators

*Definition:* People are the human factor in local business development, including entrepreneurs, employees, and economic developers. The future of the Riverside economy is only as good as its businesspeople, so it's essential to figure out ways of strengthening them.

Examples:

- *Enterprise Facilitators* –The Sirolli Institute, based in Sacramento, has helped 300 communities worldwide deploy “enterprise facilitators” that transform local entrepreneurs with great ideas into successful businesspeople. [www.sirolli.com](http://www.sirolli.com)
- *Local Economic Developer Training*—Simon Fraser University in Vancouver runs a successful adult education course that teaches development professionals how to do local economic development. [www.sfu.ca/cscd/professional-programs/community-economic-development.html](http://www.sfu.ca/cscd/professional-programs/community-economic-development.html)
- *Youth Entrepreneurship Schools*— Fundación Paraguaya now runs three high schools in Paraguay that pay all their expenses through the revenues generated by student-run enterprises, and is working with another organization based in the United Kingdom, Teach a Man to Fish, to spread this model worldwide. <http://www.teachamantofish.org.uk/>
- *Short Entrepreneurship Courses*—ZingTrain, part of the Zingerman's Community of Businesses in Ann Arbor, Michigan, provides training through two or three-day courses to more than one thousand entrepreneurs each year. [www.zingtrain.com](http://www.zingtrain.com)
- *Maker Spaces* – Maker-Works, also in Ann Arbor, educates its members on how to use advanced industrial tools to make cutting-edge products. [www.maker-works.com](http://www.maker-works.com)
- *Co-Working Spaces*—The Impact Hub represents a worldwide network of 63 spaces where social entrepreneurs can work and cross-pollinate shoulder-to-shoulder with like-minded people. [www.impacthub.net](http://www.impacthub.net)
- *Incubators*—The Northwest Regional Planning Commission in rural Wisconsin runs a network of ten small business incubators over an area of 11,000 square miles, with “circuit riders” who move from site to site and provide various forms of technical assistance. [www.nwrpc.com](http://www.nwrpc.com)
- *Accelerators* – Each year the Seattle-based Fledge leads three cohorts of promising local entrepreneurs through intensive trainings, and funds its work by taking a small equity stake in its graduates. [www.fledge.co](http://www.fledge.co)



## Partnership Pollinators

*Definition:* Partnerships means collaborations of, by, and for local businesses. When local businesses work together, they can lower costs, expand markets, attract investment, and engage in more complex businesses.

Examples:

- *Joint Support*—Local First Arizona has grown to be the largest BALLE network in the United States (with 2,600 businesses) by providing members with technical assistance, peer support, and effective buy-local campaigns. [www.localfirstaz.com](http://www.localfirstaz.com)
- *Joint Advertising*—The Calgary-based organization REAP (standing for Respect the Earth and All People) directs consumers to local ethical businesses through ads and an online directory and finances its work by positioning itself as a one-stop marketing firm for its 120 business members. [www.reapcalgary.com](http://www.reapcalgary.com)
- *Joint Purchasing*—Tucson Originals (noted above) negotiates discounts from “preferred” local suppliers that all its food-business members can enjoy.
- *Joint Delivery*—Small Potatoes Urban Delivery directly delivers the products from small farmers and local food processors to locavore households in six metro areas in North America. [www.spud.com](http://www.spud.com)
- *Joint Selling*—The Reading Terminal Market is one of a growing number of permanent public markets that are effectively shopping malls for local food providers, local artisans, and other local businesses. [www.readingterminalmarket.org](http://www.readingterminalmarket.org)

## Purse Pollinators

*Definition:* Purse means capital for local business, including debt and equity, short- and long-term, small and large amounts.

Examples:

- *Local Banking*—Vancity is a pioneering locally owned credit union that serves 500,000 members in metro Vancouver and whose staff support 38,000 local business members with credit, partnerships, and technical assistance. [www.vancity.com](http://www.vancity.com)
- *Local Securities Creation*—Cutting Edge Capital, based in Oakland (but with one staff member in Riverside) teaches local small businesses how to jump through the legal hoops necessary to mobilize investment from non-wealthy, “retail” investors in their communities. [www.cuttingedgecapital.com](http://www.cuttingedgecapital.com)
- *Local Investment Funds*—FarmWorks is one of 60 investment funds that Nova Scotia permits grassroots groups to organize and through which locals can reinvest tax-deferred retirement savings into area food production and distribution enterprises. [www.farmworks.ca](http://www.farmworks.ca)
- *Local Prepurchasing*—Credibles, based in San Francisco, provides a platform for local food businesses to raise capital from their customers—without legal paperwork—through preselling. [www.credibles.co](http://www.credibles.co)

## (4) Grassroots Engagement

Riverside should continually tap the wisdom of its businesses, business groups, and residents to sharpen its ED priorities and carry out the action items directly.

Action Items:

- *Seek Continual Input* – Working alongside the Chamber of Commerce, the City should create and support business groups, organized by sectors and by neighborhoods, that can make annual recommendations to the City for better ED decisions and products. It should ensure that these groups are inclusive of African-Americans, Latinos, people with disabilities, and other minority groups in the City.

- *Publish Annual Report* – The City should task these groups with contributing to an annual “State of the City Report,” which will evaluate progress over the previous year and set goals for the next year. This report also would track key indicators. And the Report would capture recommendations into specific improvements for the One Stop Shop and for other City tools (e.g., the various web deployments recommended here).
- *Improve Virtual Communication* – The City should create better online mechanisms of communication between the City’s ED staff, on the one hand, and all businesses and business organizations (Chamber, downtown partnership, sector groups), on the other. It might, for example, encourage businesses to fill out quarterly reports that provide critical data and feedback.

## **(5) The Innovation District**

One major ED project under way where these implementation ideas are particularly relevant is the proposed Innovation District. Mayor Rusty Bailey introduced the concept in his 2016 State-of-the-City Address. He convened a committee led by Jack Clarke Jr. and Ted Weggeland to explore the idea. Over the next two years, the Committee held discussions and made recommendations summarized in a 2018 paper. Specifically:

- The proposed location is a three-square-mile area spanning Wards 1 and 2 that includes UCR, the planned CARB facility, the Northside and Eastside communities, the historic packinghouse district, and underutilized industrial spaces.
- The reason for the project, according to the vision statement, is that “Riverside, California, is a city that honors and builds on its assets to become known as a location of choice that catalyzes innovation in all forms, enjoys a high quality of life and is unified in pursuing the common good.”
- “Cities are using the Innovation District,” the paper suggests, “to focus attention and encourage investment in areas that have the potential to become economic engines because of their proximity to established neighborhoods, schools and colleges, business districts, and other community assets.”
- Activities in the District would: “offer a blueprint for compact, sustainable, mixed use, walkable, transit-oriented developments...”; create marketing and branding focus to attract diverse, clean, non-polluting, living-wage jobs...; “bring companies and works, entrepreneurs and residents in close proximity so that ideas, jobs, workforce training, knowledge and opportunities can be created and transferred speedily and seamlessly”; and incorporate “everyday amenities, ranging from medical offices and clinics to grocery stores and nail salons.”

The analysis presented here suggests that the City should move ahead with the Innovation District but with a slightly different framing. The District should be viewed as a place where many of the action items above can be tested and improved before they are implemented city-wide.

#### Action Items:

- *Downsize the Initial District* – One challenge facing the Innovation District right now is its size. According to a Brookings Institution analysis, the typical district is between 200 and 1,000 acres.<sup>15</sup> The preliminary vision for Riverside's district is closer to 2,000 acres. We recommend the District be prototyped in a significantly smaller area centered around CARB and UCR. If this small district is successful, the perimeter could then be expanded.
- *Make the District an Entrepreneurship Hub* – The Innovation District should be the City's central hub for entrepreneurship. It should offer the following: low-cost offices to support entrepreneurs; state-of-the-art fiber to facilitate cutting-edge enterprises; new finance through the local investment tools and funds described earlier; a network of established business leaders who can mentor and support the entrepreneurs; and myriad pollinator enterprises.
- *Don't Focus Exclusively on Tech* – A stronger Riverside economy requires new and expanded local businesses in many different sectors, not just technology. Innovation is possible in every field. For example, new food businesses and new arts centers could be powerful magnets for talent.
- *Launch Affordable Space Experiments in the District* – As much attention needs to be placed on the spaces for businesses and their workers as on the businesses themselves. The Innovation District should be the primary place where existing businesses are incentivized to provide space for start-ups. And the District also should contain affordable housing where entrepreneurs linked with the District and their employees can live.
- *Experiment with Non-Car Transportation* – To give Californians a taste of what a functional city without cars is like, the District should have no-car zones, ample bike and pedestrian ways, and perhaps even some light-rail experiments.
- *Dedicate City Staff* – To implement this project, the City cannot simply designate an area as "innovative" and expect all the pieces above to fall into place by themselves. City staff should recruit businesses and business organizations around each action above, write funding proposals, and implement appropriate pollinators. And in some instances, the City will need to rewrite policies, including the General Plan, the zoning code, and the procurement code.

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<sup>15</sup> Bruce Katz and Julie Wagner, "The Rise of Innovation Districts: A New Geography of Innovation in America (Washington DC: Brookings Metropolitan Policy Program, May 2014), p. 3.

## VII. Metrics

A critical part of a successful ED strategy is metrics. Good performance indicators will allow Riverside to see whether its strategies, policies, and initiatives are succeeding. Drivers of a Prius learn to depend on extensive dashboards that let them know their driving efficiency at any moment. Studies show that drivers exposed to this steady stream of feedback learn to increase their gas mileage. If your indicators are getting worse, you drive differently.

The best indicators should be:

- *Robust*, in providing useful information about a community's progress;
- *Quantifiable*, so that it is objectively clear whether progress in a given indicator is being made;
- *Affordable*, in the sense that the data underlying the indicators can be collected inexpensively from readily available sources; and
- *Manageable*, so that a relatively small number of indicators does not overwhelm those using the information.

Accordingly, we have already recommended indicators for the action items in Section V. But there are also big-picture indicators that cut across the action items and fall into four categories:

- *Economic Strength* – These are widely accepted indicators, such as per capita income, that communities use to measure their economic well-being.
- *Entrepreneurship Strength* – These are indicators that suggest the propensity of the community to create new jobs and businesses.
- *Business Strength* – These are indicators that suggest the overall health of the business community.
- *Economic Development Strength* – These are indicators that measure whether the prerequisites for long-term economic health – local business and diversification – are in place.

### Economic Strength Indicators

- *Unemployment Rate* – Riverside should continue to monitor this number and ensure that it stays low.

- *Median Household Income* – This is a standard measure of economic well-being in a community. Riverside should seek to grow this number.
- *Poverty Rate* – Given the significant percentage of residents living below the poverty line, Riverside should seek to shrink this number.
- *Homeless* – Given the impact of the homeless population on many sectors of the Riverside economy, the City should measure whether its homeless population is shrinking.
- *Home Ownership* – Is the percentage of residents owning their home going up?
- *Population Stability* – Key to the entrepreneurship strategy is retaining students graduating from local colleges and universities. Riverside should seek to reduce the shrinkage of population between 20-25 and 25-30.

### **Entrepreneurship Strength Indicators**

- *Total Employed* – An important indicator of entrepreneurship is the total number of jobs available. Riverside should seek to grow this number.
- *Total Self-Employed* – Self-employed individuals are an important pool of future employers. Riverside should seek to grow the number of self-employed individuals.
- *Residents with Degrees* – The more educated a community's population, the more capable it is of starting and working in a wide range of businesses. High school graduation rate is one standard measure of educational achievement for a community. Another standard measure of educational achievement is the percentage of residents with undergraduate degrees. If possible, Riverside should also measure the number of residents with associate or technical-school degrees.<sup>16</sup>

### **Business Strength Indicators**

- *Net New Jobs* – An indicator of the strength of local businesses is the number of net new jobs created each year. Firms are constantly forming and folding, but on balance a healthy business environment will grow the net number of jobs.

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<sup>16</sup> One way of accomplishing this would be to survey a statistically significant number of random residents.



- *Sales Per Employee* – Another indicator of the strength of local businesses is the level of sales per employee. In a healthy business environment, this number should be rising.
- *Sales Per Business* – Similarly, rising sales per business is a sign of the health of local businesses.

## **Economic Development Indicators**

- *% Jobs in Local Business* – As explained in the Introduction, there's a growing body of evidence that the greater the percentage of jobs in locally owned businesses, the higher the per capita job growth rate and the per capita income growth rate.
- *Leakage* – Another goal for local economic development, explained in Section II, is to minimize leakage. Riverside should seek to reduce the overall level of leakage and leakage levels in particular sectors.
- *Business Survival* – Riverside should seek to reduce the failure rate of startup enterprises. The City should measure startup survival rates based on ethnicity, race, gender, and age.

## **Evaluation and Revision**

These indicators should be part of the annual "State of the City" Report, and that report should be available online in a downloadable PDF. The Report also should include analysis of which indicators have moved in the right and wrong directions, and why.

After three years, we recommend that the City hire an independent contractor to evaluate the overall action plan. Among the questions that should be addressed:

- Has the vision statement been achieved?
- Have the implementing principles been adhered to?
- Where have the metrics shown progress? Where not? Why?
- How does the business community view the level of progress? Which sectors are pleased, and which displeased?
- How do all residents of Riverside view the level of progress? Businesses? Which neighborhoods are pleased, and which displeased?
- How do the major racial, ethnic, and social groups in Riverside view the level of progress? Which are pleased, and which displeased?
- Given all the above, how should the Action Plan be amended? Should it be less ambitious? Or more ambitious?

## About the Author

Michael H. Shuman is an economist, attorney, author, and entrepreneur. He's director of Local Economy Programs for Neighborhood Associates, and an adjunct instructor at Bard Business School in New York City and at Simon Fraser University in Vancouver. He's also a Fellow at Cutting Edge Capital and at the Post-Carbon Institute, and a founding board member of the Business Alliance for Local Living Economies (BALLE). He is credited with being one of the architects of the 2012 JOBS Act and dozens of state laws overhauling securities regulation of crowdfunding.

Shuman has authored, coauthored, or edited ten books. His most recent book is *Put Your Money Where Your Life Is: How to Use Self-Directed IRAs and Solo 401ks for Local Investing* (Berrett-Koehler, forthcoming). One of his previous books, *The Small Mart Revolution: How Local Businesses Are Beating the Global Competition* (Berrett-Koehler, 2006), received a bronze prize from the Independent Publishers Association for best business book of 2006.

A prolific speaker, Shuman has given an average of more than one invited talk per week, mostly to local governments and universities, for the past 30 years in nearly every U.S. state and more than a dozen countries.

Shuman has written nearly one hundred published articles in such periodicals as *New York Times*, *Washington Post*, *Nation*, *Weekly Standard*, *Foreign Policy*, *Parade*, and *The Chronicle on Philanthropy*. In 1980 he won First Prize in the Rabinowitch Essay Competition of the Bulletin of the Atomic Scientists on "How to Prevent Nuclear War." Shuman received an A.B. with distinction in economics and international relations from Stanford University in 1979 and a J.D. from Stanford Law School in 1982. Between 1987 and 1990 he was a W.K. Kellogg National Leadership Fellow. He is also a member of the State Bar of the District of Columbia.

