

October 2019

The Future is Fresno: Exploring the Valley to Valley Opportunity

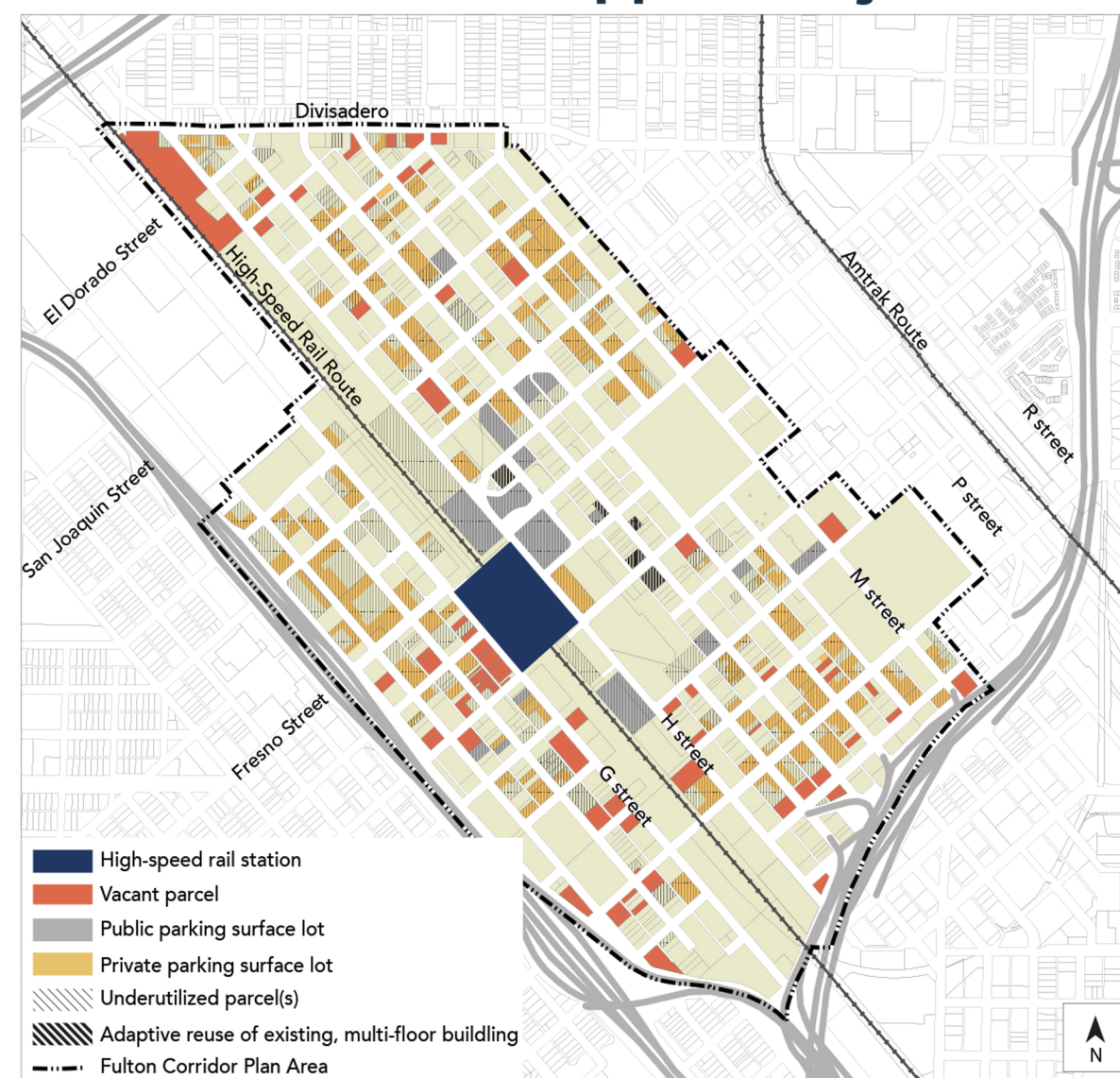


People & Places

In recent years, the Central Valley has produced its own economic success stories, as households and companies have been attracted to an affordable quality of life that is increasingly unavailable on the state's coasts. Given this confluence of momentum and opportunity, the Central Valley—and particularly, Fresno—is ripe for an economic transformation.

The Valley to Valley connection via high-speed rail can be the push that moves Fresno beyond its economic tipping point—where it becomes a key part of company re-location conversations, lands on lists of top destinations for new companies, and drives new investment into its downtown and surrounding areas. High-speed rail can unlock all of these possibilities by shrinking the physical distance between the Central Valley and Silicon Valley.

Downtown Fresno Opportunity Parcels



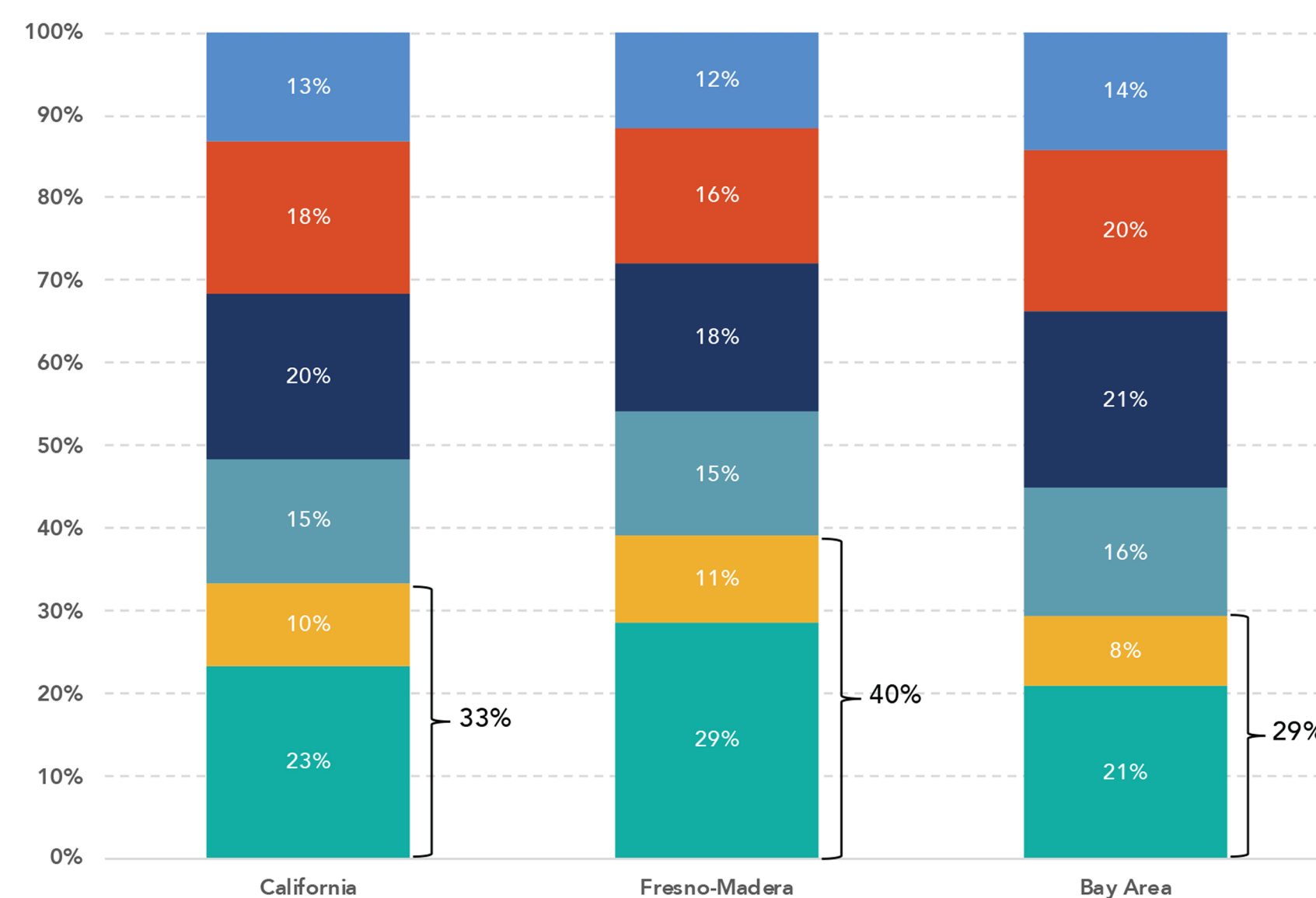
\$243,700
median home price in Fresno,
while Santa Clara County's
median home price is
\$1,066,200

1.0% annual population growth
from 2015-2018 in Central Valley
vs. **0.6%** in Silicon Valley

2040 Population Estimates

Fresno/Madera: **1.47 million**
+25.4% from 2018
Silicon Valley: **4.32 million**
+19.4% from 2018

37.5%
increase in residential
building permits in Fresno
in 2018 from 2017



Source: U.S. Census Bureau, American Community Survey Five-Year Estimates
Analysis: Bay Area Council Economic Institute

The Future of California is Growing Up in the Central Valley:

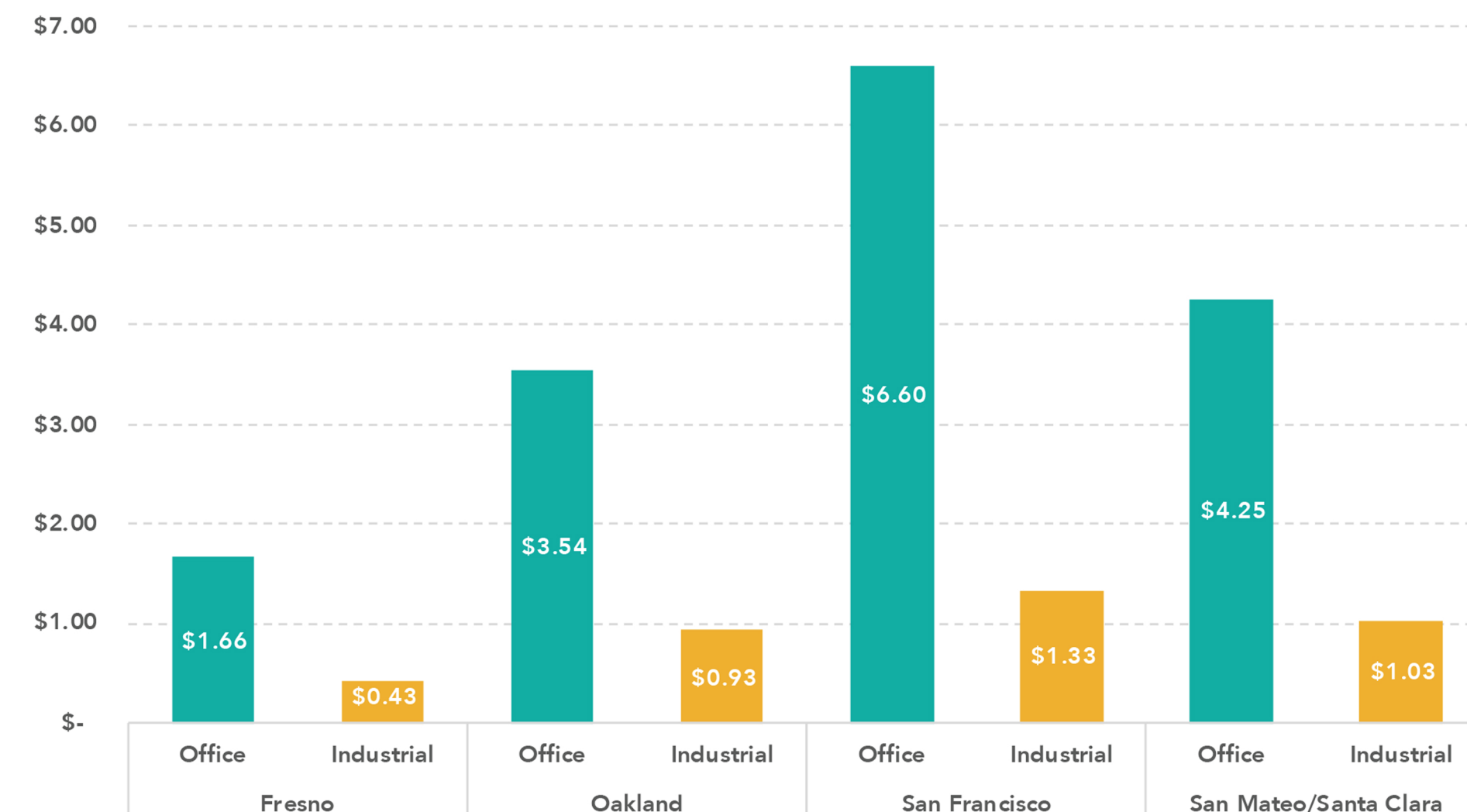
Age
distributions
show that
**40% of the
Fresno area's
population
is under the
age of 24**

Promoting economic success in Fresno will benefit California tremendously. With growth slowing in the large coastal metros, the Central Valley is perhaps the region of California most primed for growth. With each household or company that leaves for a lower-cost location—Nevada, Oregon, Texas, or Arizona—California loses a potential future innovator or

entrepreneur. Fresno provides important strengths to the state that should not be overlooked. Its large and growing population, lower costs of doing business, affordable housing, and untapped opportunities for innovation can be the building blocks of a dynamic economy if targeted infrastructure investments and policy innovations encourage the region's growth.

Fresno's Cost Advantages Make it a Profitable Choice for Businesses:

**Square
footage rent
costs are
two to four
times lower in
Fresno than
in parts of the
Bay Area**



Source: Newmark Grubb Pearson, Jones Lang LaSalle U.S. Industrial Outlook, Jones Lang LaSalle U.S. Office Outlook, Colliers International
Analysis: Bay Area Council Economic Institute

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Economic Transformation

From an outsider's perspective, the Central Valley is the state's agricultural hub and a gateway to many of the national parks that make California the most visited state in the nation. However, a deeper look at the data paints an economic story that is much more varied and nuanced.

Fresno's economy shows a great deal of promise, and its employment has increased steadily in recent years. The Valley to Valley connection can help it to cultivate a resilient set of industries that can both create strong economic growth and weather a downturn.

Fresno Area Employment Profile (2015-2019)

Fresno Area Sector	2015-2019 Share of Job Growth	2019 Total Employment	2015 to 2019 Annual Productivity Growth
Healthcare & Education	43.7%	69,966	0.14%
Accommodation & Food	14.8%	31,556	-1.74%
Construction	13.7%	18,109	-1.65%
Transportation & Warehousing	13.6%	13,094	-0.97%
Administrative & Waste	6.1%	20,168	1.44%
Retail	5.9%	37,961	3.39%
Wholesale Trade	4.1%	14,356	1.28%
Finance	4.0%	9,491	-3.02%
Manufacturing	3.8%	25,309	1.02%
Professional & Technical	3.0%	11,393	1.08%
Other	1.7%	20,289	-0.13%
Information	-1.4%	3,449	7.94%
Agriculture	-13.0%	37,071	-1.93%
Total	100%	315,999	0.61%

Data: U.S. Census Bureau, Quarterly Census of Employment and Wages; Bureau of Labor Statistics; Bureau of Economic Analysis
Analysis: Bay Area Council Economic Institute

7,100

Undergraduate degrees awarded in STEM fields from CSU Fresno and UC Merced since 2014.

San Jose Diridon

3% of the share of employment in Fresno is in high-tech industries, compared to 22% in the Bay Area

\$44,000: Average annual wage in Fresno in 2018

\$98,000: Average annual wage in San Francisco

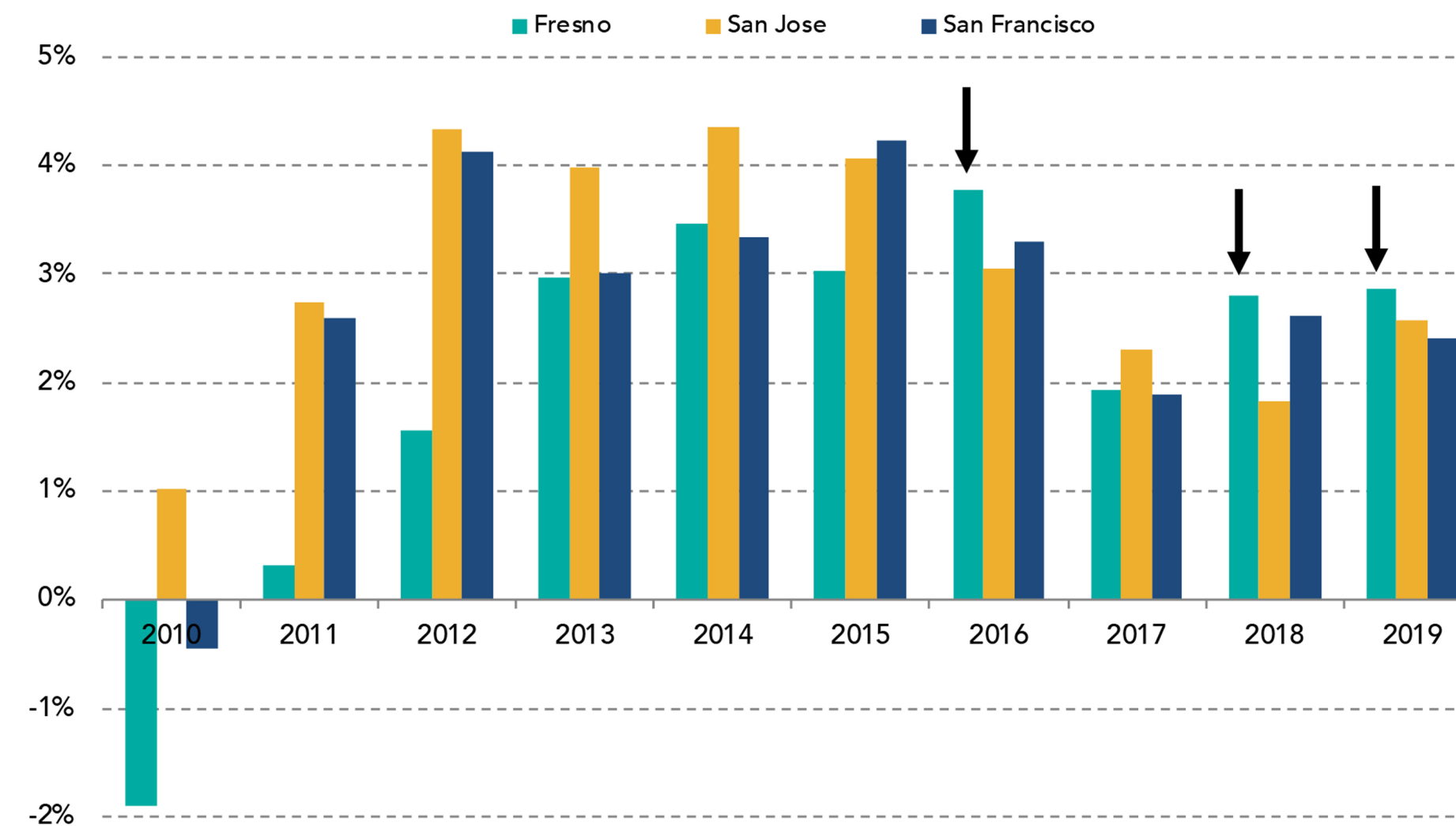
44% of the Fresno's area job growth since 2015 has been in the Healthcare & Education sectors

Fresno

While Fresno has posted recent job gains, its GDP growth lags that of Silicon Valley

Much of Fresno's job base relies on local-serving industries that tend to have slower growth

Total Non-farm Employment, Year-over-Year Change (%)



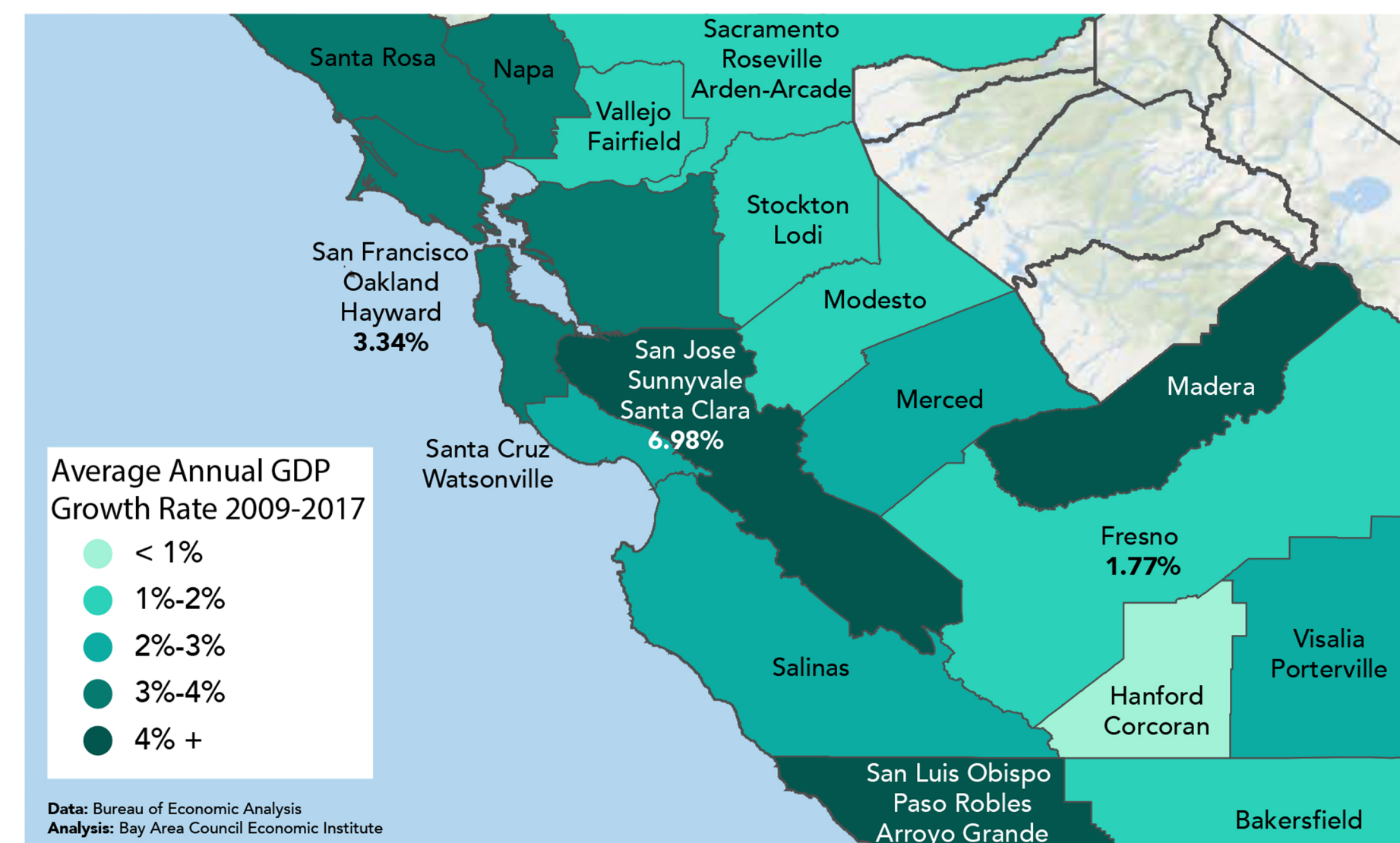
Source: Bureau of Labor Statistics (BLS), Current Employment Statistics (CES), 2019
Analysis: Bay Area Council Economic Institute

The Central Valley is one of the few remaining places in California where it is still possible to envision and plan for significant growth. With thoughtful planning and a proactive economic development strategy, Fresno has the potential to become California's next rapidly-growing economic hub. Without a proper strategy, the Valley to Valley connection will only

serve to shuttle workers out of the Central Valley every day to their jobs in Silicon Valley, with little change to the mix of industries represented in Fresno. The new proximity to the Bay Area that high-speed rail creates will make it easier for Silicon Valley executives to visit satellite locations, for venture capitalists to explore new opportunities, and for workers to commute in multiple directions—to the benefit of not just Fresno, but California as a whole.

Recent job growth rates in Fresno are higher than in the Bay Area

In the last 12 months, Fresno's 2.9% employment growth rate is the highest of all large California metropolitan areas



Data: Bureau of Economic Analysis
Analysis: Bay Area Council Economic Institute

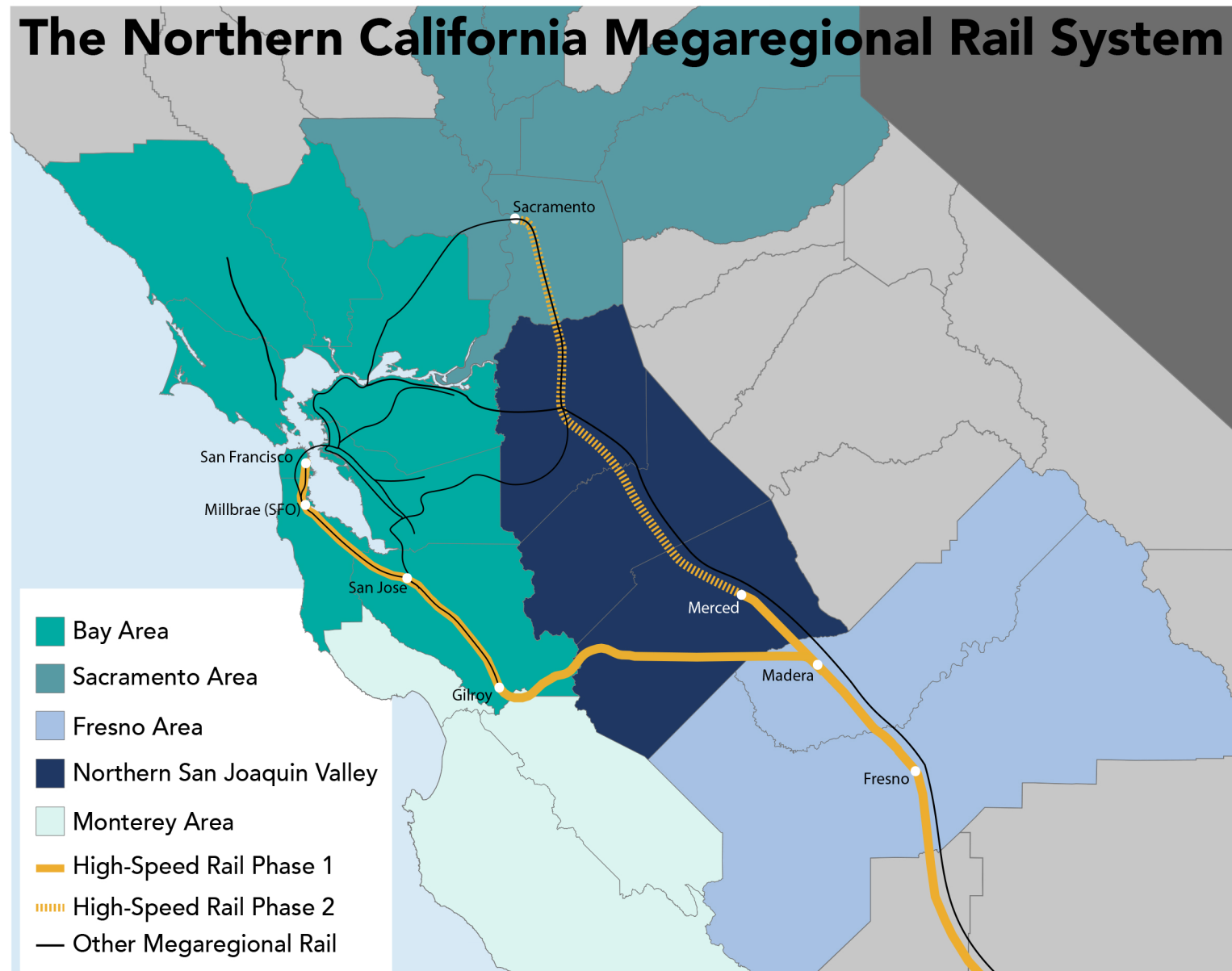
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Policy and Partnerships

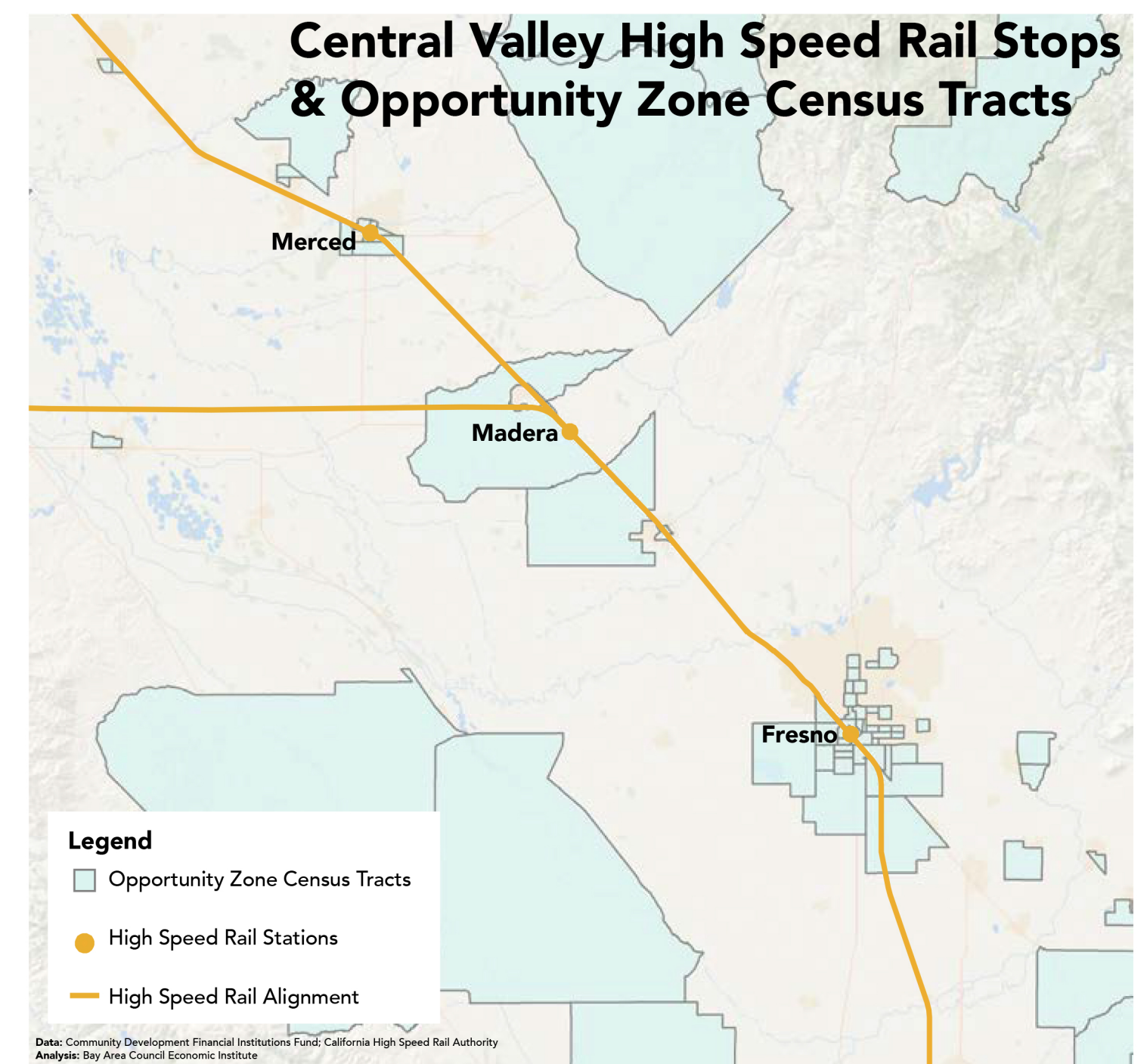
While Fresno's economy has its own unique strengths, policy and partnerships across government, businesses, universities, and other groups are needed to take full advantage of the high-speed rail connection that will bring immense opportunities to the Central Valley and the Northern California Megaregion. Many of the pieces of this strategy have already been put in place by local organizations, institutions, and leaders, but more can be done to build on this work and spur increased growth and economic transformation. To the right, we identify key recommendations and the policy or programmatic actions that can drive them toward implementation.



Recommendation #1: Livable and Workable Communities

POLICY ACTION: INCENTIVE OVERLAY AROUND HIGH-SPEED RAIL STATIONS

Allowing for, or even requiring, denser and more transit-oriented development, balanced with open spaces like parks, will help Fresno to grow in a way that supports a high quality of life. Opportunity Zones (depicted to the right) provide one avenue for incentivizing this type of growth. Created in 2017 by federal legislation, Opportunity Zones are designed to create investment in low-income communities through tax incentives. Fresno County's 24 zones give it the second highest total in the state. Additionally, the Central Valley's planned high-speed rail stations all lie within or adjacent to Opportunity Zones. Given that these zones have already been identified, an additional overlay that streamlines permitting and provides incentives for certain types of development can be an economic development catalyst.



Recommendation #2: Cradle to Career Workforce Strategy

POLICY ACTION: INCREASED FUNDING AND INVESTMENTS FOR THE CSU SYSTEM

To attract companies and build new ones from the ground up, a workforce that is trained for technical careers and high-skill jobs is necessary. Local-serving universities are crucial to the economic development of the surrounding region, therefore CSU Fresno is one of the most important existing assets that the Central Valley can leverage. Another key element of a cradle-to-career workforce strategy is career preparation. Fresno area high schools – such as Career Technical Education Charter High School – and community colleges have already begun to launch renowned programs to this end, and further investment in such programs will continue to upskill Fresno's local workforce.

Recommendation #3: Homegrown Innovation Ecosystem

POLICY ACTION: FLEXIBLE ZONING FOR ADVANCED MANUFACTURING CLUSTERS

Investing in an innovation ecosystem that facilitates the growth of local companies and attracts existing companies can help Fresno build out technology clusters, especially

around industries like agriculture and water. To build momentum, downtown Fresno can be activated in a way that facilitates the networks that are the building blocks to an innovation ecosystem. A mix of residential and commercial space is key to creating a downtown that is attractive to innovators, but space for innovation is also critical. Flexible live-work space or developments that cater to growth in research and development can differentiate Fresno from other locations and allow various types of companies and organizations to take advantage of the connectivity benefits produced by high-speed rail.

Recommendation #4: Drawing in Talent, Innovation, and Capital via the Valley to Valley Connection

POLICY ACTION: DEVELOP A PHYSICAL PRESENCE FOR THE CENTRAL VALLEY IN SILICON VALLEY

Fresno's geographic proximity to the Bay Area—one of the world's foremost hubs of innovation, technology, capital, and highly-skilled workers—provides it with a unique advantage over other peer regions. High-speed rail not only connects California's regions together; it can also connect the state's universities. CSU Fresno and UC Merced can look to leverage their new proximity to the Bay Area's campuses by creating partnerships that allow for students, professors, and programs to take advantage of each campus's specific capabilities.

