



City of Napa Economic Development Action Strategy

April 2019

About this Report

This report was prepared by the Bay Area Council Economic Institute and commissioned by the City of Napa Economic Development Division. The document provides data-driven analysis that can guide the Economic Development Division's future activities. It will also feed into the update of the City's General Plan.

To complete the research, the Bay Area Council Economic Institute collected quantitative data from public and private sources, interviewed key stakeholders, and collaborated with staff within the Economic Development Division.

This document not only provides a snapshot in time of the city of Napa economy and its characteristics, but it also provides the foundation for implementing new economic development strategies within the Economic Development Division.

About the Institute

Since 1990, the Bay Area Council Economic Institute has been the leading think tank focused on the economic and policy issues facing the San Francisco Bay Area, one of the most dynamic regions in the United States. A valued forum for stakeholder engagement and a respected source of information and fact-based analysis, the Institute is a trusted partner and adviser to both business leaders and government officials. Through its economic and policy research and its many partnerships, the Institute addresses major factors impacting the competitiveness, economic development, and quality of life of the region and the state.

The Economic Institute is guided by a Board of Trustees drawn from influential leaders in the corporate, academic, nonprofit, and government sectors. The Institute is housed at and supported by the Bay Area Council, a public policy organization that includes hundreds of the region's largest employers and is committed to keeping the Bay Area the world's most competitive economy and best place to live. The Institute also supports and manages the Bay Area Science and Innovation Consortium (BASIC), a partnership of Northern California's leading scientific research laboratories and thinkers.

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Executive Summary

The city of Napa is a thriving commercial center for Napa County. Its economy's unique and diverse combination of employment in agriculture, production, and retail; world-renowned hospitality offerings; and proximity to the core of the Bay Area—a major global innovation center—make Napa a city unlike any other in the world. With a robust hospitality sector and healthy production industry, Napa can play to its existing strengths, while building a more diversified economy in the future by attracting businesses and utilizing available space in innovative ways.

While the city of Napa on its own has a vibrant and thriving local economy, it also plays an important role in the larger Bay Area, which across its nine counties is the 18th largest economy in the world by gross domestic product. Napa is also positioned to take advantage of regional trends occurring throughout the Bay Area. This report will explore how best it can do so. Examining and understanding the data on Napa's current economic trajectory can help the City to leverage its existing assets and move the city of Napa further toward economic diversification and sustainable growth.

and Food Services sector, with the Arts, Entertainment, and Recreation sector comprise 15% of the city's employment base (Exhibit 2), and they serve as a driving force behind the city's economy. These sectors have benefited from Napa Valley's reputation as a premier hospitality and viticulture destination, which has produced an increase of 600,000 visitors to the area between 2012 and 2016. Given growth in visitors to the city and spending by residents, Accommodation and Food Services is one of the fastest growing employment sectors in Napa.

Napa's Economy Today

The city of Napa's economy can be defined by several key factors:

- **Five key sectors lead employment within the city of Napa, with small businesses providing the majority of the city's jobs** — Employment in Public Administration, Accommodation and Food Services, Healthcare, Retail, and Manufacturing made up more than 60% of the jobs located within the city in 2017 (Exhibit 2). Employment is also concentrated in establishments with fewer than 10 employees. Approximately 72% of the city's jobs are within these types of business establishments (Exhibit 13).
- **Bustling tourism, hospitality, arts, and entertainment industries** — The Accommodation and Food Services sector, with the Arts, Entertainment, and Recreation sector comprise 15% of the city's employment base (Exhibit 2), and they serve as a driving force behind the city's economy. These sectors have benefited from Napa Valley's reputation as a premier hospitality and viticulture destination, which has produced an increase of 600,000 visitors to the area between 2012 and 2016. Given growth in visitors to the city and spending by residents, Accommodation and Food Services is one of the fastest growing employment sectors in Napa.
- **The percentage of agricultural and production employment is higher in Napa than other Bay Area locales** — the percentage of the population employed in agriculture is 7.1% in the city of Napa, and 12.1% of the city of Napa's residents are employed in the manufacturing industry (Exhibit 9, using employment of city of Napa residents). Manufacturing is a growing industry in the North Bay, one that Napa can potentially tap into to a larger degree. On the other hand, the Professional and Information sectors are significantly smaller in Napa than in the rest of the nine-county Bay Area, making up 4% of employment in the city of Napa, compared to 19% in the Bay Area overall (Exhibits 2 and 6, using employment located within the city of Napa).
- **Healthcare is a large and growing industry** — Napa's growth in the healthcare sector mirrors

trends seen elsewhere in the region and the country. The city is home to St. Joseph Health's Queen of the Valley Medical Center, which draws in other healthcare-related companies and workforce from across the county.

- **The city is the county's hub for living, working, and hospitality** — the city of Napa is home to 62% of the county's employment (Exhibit 3) and is also home to 57% of the county's residents (comprising 80,403 of the county's 141,294 residents). Additionally, the lodging industry has made Napa the gateway for Napa Valley visitors. Four more hotel properties are estimated to be completed in the next six years, with three more hotel expansions coming online as well. According to NapaCA.opengov.com, lodging tax revenues have grown by 97% since 2010, increasing from \$9.8 million in fiscal year 2010-2011 to \$19.5 million in fiscal year 2017-2018.
- **A more attainable living option compared to other Bay Area counties** — Napa, much like the rest of the region, struggles with housing affordability, with

39% of Napa County residents spending more than 30% of their income on housing costs—the federal definition of housing cost burdened (Exhibit 19). However, the city and county offer comparatively lower median home costs than San Mateo, San Francisco, and Santa Clara counties. Napa County's median home price is \$665,000—approximately half of the median home prices of those three counties.

- **A lower concentration of out-commuters** — 42% of city of Napa residents work outside of the county (Exhibit 15), which is a relatively low number when compared to other places around the region, such as Fairfield, which has a 62% out-commute. This reflects an ability for Napa residents to find work close to home and yields low commute times compared to other cities. However, the majority of out-commuters are concentrated in professional industries, with 73% making over \$100,000 (Exhibit 16).
- **Opportunities to grow commercial and industrial jobs with cost of doing business advantages** — along with relatively lower housing costs compared to the nine-county region, the city of Napa has lower-priced office space for both Class A and flex space. The average asking rent for Class A space in the city of Napa is \$2.85 per square foot, compared to \$4.60 per square foot in Oakland (Exhibit 21). Additionally, given the lower cost of living, labor costs also present opportunities for business attraction.

EXHIBIT 1

The city of Napa and the Bay Area region



Recommendations for Napa's Future Sustainable Growth

This report draws on the findings presented above to provide recommendations that will assist the City of Napa in supporting its economy. The recommendations can focus the City's economic development efforts on certain sectors, provide different ways to attract and retain new businesses, and create a more diverse set of employment opportunities.

Rethinking Economic Development Strategies

A promising strategy for economic development in

Napa could focus on the growth of clusters around some of the city's anchor institutions, which include St. Joseph Health's Queen of the Valley medical center and Napa Valley College. Strategic efforts could encourage growth in healthcare and research and innovation. There is also room to grow and diversify the city's hospitality industry, such as the attraction of hospitality-related technology to the area in the form of business-to-business services.

The City of Napa could utilize a range of incentives and programs to attract business and development to the city, as well as target growth in the specific areas or industries mentioned.

- **Financial Incentives** — The City of Napa could draw on models used in other California cities to attract new businesses and encourage expansion of existing businesses. Examples include the City of Fremont's reduction in impact fees, the City of Dublin's Small Business Assistance Program, and the City of San Jose's reduction in construction-related taxes for higher-density commercial development.
- **Business Assistance, Streamlining, and Marketing** — Other types of tools potentially available to the City of Napa to spur economic development include providing locational assistance to businesses, marketing the area more heavily to businesses, and simplifying and shortening the permit process. Relevant examples include the business assistance and marketing partnership between the Santa Monica Chamber of Commerce and the City of Santa Monica, as well as the fast-track permit process in the City of Cerritos.

Reinforcing Local Production

This report identifies production industries as a sector that is gaining employment in the North Bay sub-region and could take greater hold in Napa given the right strategy. In particular, Napa is uniquely positioned to develop small-batch, artisanal production—a growing trend in manufacturing—given its existing strength as a global destination. This report explores two potential options to spur this type of manufacturing activity:

- **Create a Priority Production Area within city limits** — the City could streamline permitting for new construction and redevelopment in this area and waive some fees. It could also create a plan for sustaining growth in local manufacturing employment.
- **Look for ways to partner on industrial development** — the City of Napa could utilize its participation in the Bay Area Urban Manufacturing Initiative and spur partnerships with industrial developers by identifying underutilized real estate.

Creating Spaces for Innovation

This report recommends that the City of Napa pursue strategies to create new spaces for innovation. Three such possibilities include collaborative workspaces, business incubators/accelerators, and maker spaces. These sorts of spaces have had great success elsewhere in the Bay Area and could present new opportunities for Napa. Across all these models for innovative spaces, the City can look for potential partners such as academic institutions and philanthropists to move these types of initiatives forward.

Utilizing Lodging Tax Receipts for Economic Development

The hospitality, arts, and entertainment industry brings a large amount of revenue to the City of Napa, mainly in the form of Transient Occupancy Tax (TOT) receipts. This money goes into the City's general fund and with voter approval of a housing measure in November 2018, an additional percentage of TOT may now be used for affordable and workforce housing. There may be opportunities to use more of TOT for economic development purposes. For example, enhanced business attraction activities geared toward growing regional businesses or additional downtown place-making investments could bring more firms to grow employment within the city. Other options may include direct services and incentives to small businesses that are navigating the City's permitting processes. However, the City must balance its need to fulfill its obligations to residents with any potential new use of TOT receipts.

Introduction

The economy is the lifeblood of any city. Jobs not only fuel the spending power of households, the fiscal revenues they generate also give cities the ability to enhance quality of life. This can create a virtuous cycle in the most strategic cities, whereby population grows and employment numbers increase hand in hand—forming a path to long-term, sustainable economic growth. The city of Napa has charted a similar economic trajectory, which makes it one of the most desirable places to live in the Bay Area and the center of one of the most-visited hospitality destinations in the United States. Through data and policy analysis, this report can support the City's future economic trajectory: informing the City's General Plan update, but also as an information source and toolbox for the City's Economic Development Division to implement.

The city of Napa, with its approximately 80,000 residents, is the hub of economic activity for Napa County. Over 57% of the county's residents live in the city of Napa (comprising 80,403 of the county's 141,294 residents), while 62% of the county's employment is concentrated here (Exhibit 3). While Napa County is the smallest county in the Bay Area in terms of population and economic output, the county remains subject to regional and megaregional influences.

This study intends to better understand the economic drivers that are underpinning the economy in the city of Napa, paying special attention to the city's unique positioning in the North Bay and regional economies. With a focus on uncovering the city's existing assets and understanding how they can position the city for future growth, this report will make recommendations that can inform the city's economic development planning. This report will seek to understand current economic trends and developing future trends in order to assist the City of Napa in its strategies to provide more diverse economic opportunities. While multiple aspects play into a comprehensive economic development plan—including housing, infrastructure, and education—this report will focus on the strategies that the City's Economic Development Division can pursue.

This report will be used to inform the City's General Plan update, answering questions about current employment sectors in the city, workforce characteristics, hospitality and other industries, and real estate assets. By placing the Napa economy into the context of its North Bay neighbors and the broader Bay Area, the first chapter uncovers areas where Napa is uniquely positioned to capture economic opportunities. The second chapter of this report will provide recommendations and case studies from other similar cities that the City may consider putting into action.





Context Setting – Previous Plans And Key Data Points

This chapter will focus on creating a better understanding of the city of Napa economy by looking at previous economic studies that have been completed and by analyzing current economic data. The data provides the necessary context to uncover the city's economic strengths and opportunities. These strengths and opportunities can then feed into the recommendations put forward in Chapter Two.

Previous Economic Studies and Initiatives Overview

It is important to recognize that this is not the first study of the city's economy, and previous efforts can reinforce the data findings presented herein. While this report is very forward-looking, it is necessary to use the past as a way to better understand the trajectory of the economy and to inform a vision of the future. In particular, three previous reports and one past initiative have been utilized as the starting point to the analysis. These do not represent the full catalog of studies completed by the City; they were chosen for their ability to inform this report and for their importance to policymaking within the city.

1. July 1999 Economic Strategic Plan City of Napa

The 1999 strategic plan represents the last time the City undertook a comprehensive economic development planning effort. While not all of the recommendations have been implemented, they are shown here to better understand the key economic drivers from 20 years ago—some of them still apply today, others do not. Prepared by Applied Development Economics in 1999, this plan presented a framework for commercial hub development while preserving Napa's small-scale charm and cultural heritage. The main findings from this report are as follows:

- Napa's limited land supply is its key constraint. Much of the future job growth was predicted to occur through redevelopment of developed properties. One reason for this limited land supply is the city's Rural Urban Limit line, which was adopted in 1975 to limit development in unincorporated areas. While the Rural Urban Limit line can be adjusted through a vote, the city's Sphere of Influence (where it can extend services to) is managed through the Local Agency Formation Commission of Napa County, and thus requires more administrative hurdles to make changes. A limited land supply remains a key constraint for the city's future economic growth.

- Napa should build on its strength as the commercial hub of the county by strategically building its retail base.
- The downtown retail experience should cater to visitors and residents, while highlighting products and services that are uniquely Napa.
- Soscol Avenue is the gateway to the city and should be considered for more high-value economic uses (studies of Soscol Avenue were subsequently commissioned around traffic and an economic vision for the area).
- Central Soscol and the Oxbow area can serve as a complement to downtown with cottage industries and small business incubators.
- Napa should create a stronger image as a premier destination for visitors to Napa Valley, generating demand for more hotel rooms that can spur hospitality-related employment.

This strategy document largely focused on building out the retail component of the Napa economy, with hospitality as a pillar and a future business park providing a more diverse set of higher-paying jobs. With more employees and visitors within the city, the report called for Napa to become a more vibrant retail destination. Today, hospitality industries and retail are a large part of the foundation of the Napa economy, as detailed in the data analysis to follow.

2. Napa River Flood Control Project

In 1998, Napa voters approved a half-cent flood control tax with the money dedicated to flood control measures for the Napa River near the downtown area. Projects completed as part of the measure have reshaped downtown Napa's economic trajectory. An area that was once prone to floods has since seen numerous properties developed along the river. The project included plans to breach dikes and levees, widen the river channel in downtown Napa, remove contaminated soils, rebuild bridges to allow for higher floodwaters, buy out residences and businesses in areas that regularly flood, restore tidal action to the southern

portion of the river, and construct the Oxbow Bypass, an excavated channel and park area that allows water to move safely through downtown during high river flows.

To date, a significant number of project components have been completed, such as the 600+ acres of restored wetlands in the South Wetlands Opportunity Area, the replacement of numerous bridges, the cleanup of contaminated properties, the Downtown Riverfront Floodwall and Promenade, renovation of Veterans Memorial Park, and the Oxbow Commons Bypass Channel.

Remaining components include floodwalls, levees, and trails both north of the Downtown and Oxbow District and to the south of Downtown Napa on the river's west bank. The Napa County Flood Control and Water Conservation District is continuing to work with the U.S. Army Corps of Engineers on assessing the costs and benefits of the project to move it forward.

3. 2016 Visit Napa Valley Visitor Profile

Given Napa Valley's global recognition as a travel destination, it is not surprising that visitors inject a significant amount of spending into the local area in the form of hotel stays, shopping, restaurant visits, and wine tasting. In 2016, the Napa Valley had 3.5 million visitors, with 35.5% of those visitors staying overnight. Hotel guests spent an average of \$400 per person per day, compared to an average of \$146 per person per day spent by those making a day trip.

Importantly, the 2012 iteration on the same subject found that 2.9 million people visited Napa Valley, with roughly the same breakdown of day-trippers and overnight stays. From 2012 to 2016, visitation grew by 4.8% annually. For comparison, California's gross domestic product (measuring total economic output) grew at 5.5% per year over the same period, meaning that tourism numbers are growing slightly more slowly than the total economy. While total visitors are a key indicator of the strength of the hospitality sector, the total amount of spending by these visitors is the critical piece for the success of the broad Napa Valley hospitality sector, which includes hotels, restaurants, wineries, tasting rooms, retail, entertainment, and arts.

4. 2018 Napa Valley Lodging Market Study

This study is the third in a series of hotel studies completed by the City to guide policy for the lodging industry. Previous studies were done in 2000 and 2007, which show that lodging has been an important component of the Napa economy for some time. The most recent study, completed in May 2018 by Cushman & Wakefield and BAE Urban Economics, analyzed the current hotel room inventory in Napa County, reviewed demand generators for lodging, and forecasted occupancy by lodging product type.

The research indicated that Napa County contains 135 lodging properties with 5,074 guestrooms; approximately 60% of the properties have 20 rooms or fewer, with an average of 7.5 units. Conversely, only 17 properties have 90 guestrooms or more. Since 2007, the number of guestrooms has grown by 2.5% per year, with the majority of this growth occurring within the city of Napa.

Most notably, the study shows a strong level of demand for lodging in the city of Napa. According to data from NapaCA.opengov.com, lodging tax revenues have grown by 97% since 2010, increasing from \$9.8 million in fiscal year 2010-2011 to \$19.5 million in fiscal year 2017-2018. Further exemplifying this strong performance and a perceived future demand is the pipeline of hotel projects: four new lodging properties and three expansions are estimated to be completed in the next six years; 1,000 rooms have been entitled but not yet constructed; and there are numerous lodging applications in the preliminary design phase.

While these reports do not provide the full economic context for the city of Napa, they do provide important details. They also help to understand the city's past—especially as it relates to retail growth, the hospitality sector, and strategies for development. Recognizing this past is a critical first step in uncovering Napa's present economy. In the remainder of this document, the focus moves to current and future trends that the city can capitalize on to shape its economic trajectory for years to come.

Economic Data Analysis

Using the previously completed studies as a backdrop, this section will dive into aspects of the Napa economy—specifically looking at how the city's economic characteristics compare to regional trends. This section is divided into the following parts:

- Local employment in the city of Napa
- Hospitality industries as an employment driver in the city of Napa
- City of Napa comparisons to other Bay Area cities
- Housing markets and commute patterns link Napa to the region
- Available space in the city of Napa
- Connecting Napa's key assets to data trends

These areas of focus were chosen for their ability to explain the dynamics of the Napa economy. Local employment, and its divisions by sector, helps to explain how economic growth is occurring. One of the main objectives of this report is to provide opportunities for future employment diversification, thus understanding the current state is key. Given existing employment data and anecdotal evidence, an analysis of the hospitality sector is warranted to drive better understanding of its importance to the Napa economy. Next, this section moves to comparisons to other cities, which can illuminate certain regional trends and place the city of Napa's data into better context. Lastly, analyses of housing markets, commute patterns, and available commercial and industrial space all help to create a better understanding of some of the critical characteristics that shape Napa's current economy, but they also present opportunities for thinking about the future.

1. Local Employment in the City of Napa

Understanding the current employment base in the city of Napa is a key building block in uncovering the local economy's existing strengths and opportunities. The numbers presented in Exhibit 2 are for jobs located within the city (an aggregation of zip codes 94559 and 94558). The analysis compares the city of Napa's 2017 employment by sector to 2008, which captures both recession and subsequent recovery.

EXHIBIT 2**City of Napa Employment (Jobs Located Within City) by NAICS Sector**

	2017	2008	% of 2017 Total	Annual Change
Public Administration	8,289	8,158	17.45%	0.18%
Accommodation and Food Services	6,258	4,412	13.18%	3.96%
Health Care and Social Assistance	5,983	4,824	12.60%	2.42%
Retail Trade	4,569	4,433	9.62%	0.34%
Manufacturing	4,063	4,830	8.56%	-1.90%
Administrative and Support and Waste	3,299	2,969	6.95%	1.18%
Construction	3,061	2,825	6.45%	0.90%
Agriculture, Forestry, Fishing and Hunting	2,793	1,980	5.88%	3.90%
Other Services (except Public Administration)	1,500	1,726	3.16%	-1.55%
Professional, Scientific, and Technical Services	1,469	1,599	3.09%	-0.94%
Finance and Insurance	1,195	1,313	2.52%	-1.04%
Transportation and Warehousing	1,173	966	2.47%	2.18%
Wholesale Trade	990	993	2.08%	-0.03%
Arts, Entertainment, and Recreation	795	576	1.67%	3.65%
Real Estate and Rental and Leasing	588	620	1.24%	-0.59%
Management of Companies and Enterprises	512	461	1.08%	1.17%
Educational Services	465	601	0.98%	-2.81%
Information	336	565	0.71%	-5.61%
TOTAL	47,488	43,910	N/A	0.87%

Data Source: California Employment Development Department

Analysis: Bay Area Council Economic Institute

Note: Data presented is for jobs located within the city of Napa. It is not comparable to data in Exhibit 9. Includes zip codes 94559 and 94558.

Key takeaways from Exhibit 2 include the fact that a large proportion of the city's employment is in the public sector, which is not surprising given that it is a county seat. Accommodation and Food Services is notable in that it is the fastest growing sector in the city and also one of its largest. Health Care is another growing sector for Napa, with St. Joseph Health's Queen of the Valley medical center acting as a hub for other healthcare-related businesses, including a Kaiser Permanente medical facility.

One other key takeaway from this overview is that Napa's employment in many "tradeable" sectors has been trending negative or has tracked below the 0.87% average annual growth experienced in employment across all sectors in the city, shown at the bottom of Exhibit 2. Many economic development researchers focus on areas of the economy that can bring in dollars from outside the local area, also known as "tradeable" sectors. These sectors include: Retail Trade; Manufacturing; Construction; Professional, Scientific,

and Technical Services; Transportation and Warehousing (the latter of which is growing at an above average rate in the City of Napa); and Information. While these sectors have driven some of the substantial economic growth experienced across the Bay Area, a few of them have actually been declining in the city of Napa. This is a key trend for the City to monitor, as these traded sectors provide added economic value due to their relatively higher wages and their ability to provide resilience during recessions because customers are spread over a much larger geographic base.

When looking to how the city of Napa compares with sector employment data at the county level, Exhibit 3 finds that many key sectors in the city make up between 65% and 80% of the county's total. The large viticulture industry across the county shows up in the city's relative underrepresentation in Manufacturing, Agriculture, and Wholesale Trade, while the city of Napa's commercial dominance leads it to have a high proportion of the county's Finance and Insurance employment.

EXHIBIT 3**Top 10 Sectors in Napa County vs. City of Napa**

Napa County Employment by NAICS Sector		City of Napa Employment by NAICS Sector		% of County Total
Manufacturing	12,581	Public Administration	8,289	77.74%
Accommodation and Food Services	11,849	Accommodation and Food Services	6,258	52.81%
Public Administration	10,662	Health Care and Social Assistance	5,983	71.19%
Health Care and Social Assistance	8,404	Retail Trade	4,569	71.52%
Retail Trade	6,388	Manufacturing	4,063	32.29%
Agriculture	4,953	Administrative and Waste Services	3,299	76.38%
Administrative and Waste Services	4,319	Construction	3,061	74.95%
Construction	4,084	Agriculture	2,793	56.39%
Other services, except public admin.	2,138	Other services, except public admin.	1,500	70.16%
Professional and Technical Services	2,071	Professional and Technical Services	1,469	70.93%
Transportation and Warehousing	1,790	Finance and Insurance	1,195	86.47%
Wholesale Trade	1,679	Transportation and Warehousing	1,173	65.53%
Finance and Insurance	1,382	Wholesale Trade	990	58.96%
Educational Services	1,112	Arts, Entertainment, and Recreation	795	73.20%
Arts, Entertainment, and Recreation	1,086	Real Estate and Rental and Leasing	588	66.89%
TOTAL	76,762	TOTAL	47,488	61.86%

Data Source: California Employment Development Department
 Analysis: Bay Area Council Economic Institute

Under-represented sector in City of Napa
 Over-represented sector in City of Napa

The following exhibits compare the county of Napa's employment to a broader set of North Bay counties. Given the size differential between these counties, one would expect employment in Marin sectors to be

roughly 50% larger than in Napa, Solano sectors should be twice as big, and Sonoma sectors should be 2.5 times as large as Napa. Manufacturing stands out as one sector where Napa County has a larger-than-expected

EXHIBIT 4

North Bay Employment Profile	MARIN		NAPA		SOLANO		SONOMA	
	2008	2017	2008	2017	2008	2017	2008	2017
Agriculture	0	0	4,790	5,953	1,551	1,716	5,777	6,114
Mining	0	0	63	63	299	450	178	137
Construction	7,908	7,116	3,992	4,084	9,172	10,443	12,597	13,014
Manufacturing	2,113	4,807	11,942	12,581	9,460	12,224	21,881	22,762
Utilities	212	0	197	153	440	580	824	693
Wholesale Trade	2,643	2,526	1,672	1,679	4,072	4,312	7,735	7,551
Retail Trade	14,663	14,310	6,138	6,388	17,691	18,493	23,001	24,949
Transportation and Warehousing	956	956	1,411	1,790	4,363	3,695	3,632	3,288
Information	2,203	2,710	707	374	1,584	1,051	2,907	2,688
Finance and Insurance	5,447	3,630	1,575	1,382	3,224	3,545	5,650	5,133
Real Estate	2,738	2,128	970	879	1,580	1,529	2,794	3,552
Professional and Technical Services	11,638	9,177	2,025	2,071	3,390	3,741	12,598	8,451
Management of Companies and Enterprises	2,092	2,242	467	570	1,209	952	1,859	2,298
Administrative and Waste Services	6,546	6,050	3,676	4,319	6,053	5,641	8,354	10,517
Educational Services	3,118	3,845	1,246	1,112	1,496	1,840	2,195	2,001
Health Care and Social Assistance	12,718	16,539	6,158	8,404	16,046	23,727	21,050	31,601
Arts, Entertainment, and Recreation	2,861	3,125	859	1,086	2,293	2,764	3,096	3,971
Accommodation and Food Services	10,502	13,311	8,352	11,849	11,007	12,415	17,933	21,363
Other Services	5,967	6,020	2,479	2,138	5,246	3,850	8,486	6,962
Unclassified	563	674	174	225	416	320	752	803
TOTAL	94,888	99,166	58,893	67,100	100,592	113,288	163,299	177,848

Data Source: California Employment Development Department; Bureau of Labor Statistics Quarterly Census of Employment and Wages
 Analysis: Bay Area Council Economic Institute

employment base than its peers. Accommodation and Food Services shows another area of economic strength. On the opposite end of the spectrum, Sonoma and Marin counties show significantly higher numbers of Professional and Technical Services employees when compared to Napa County.

Using these numbers as a guide, as well as the location quotients in Exhibit 5 (values over 1.0 mean a sector is larger in terms of its proportion of employment relative to the North Bay average, and values under 1.0 signify a smaller representation), key differences for Napa County's economy emerge relative to its North Bay peers:

- Napa County's Retail sector is a surprisingly small part of the county's employment base relative to its North Bay peers. While retail is an important part of the city's economy, it has not been growing at a significantly faster rate than in other counties.
- Manufacturing is a key employment strength for Napa County in relation to the broader North Bay. It makes up one-quarter of all manufacturing employment in the North Bay, while in Napa County manufacturing employment accounts for 19% of the overall job base. However, manufacturing in the county is growing more slowly than in the North Bay.
- Transportation and Warehousing shows strong growth and a high employment percentage in Napa County. This is potentially less of an area of future focus for the city given its limited land availability and warehousing's low employment densities per acreage of land used.
- Accommodation and Food Services show high growth in Napa County and a significantly higher percentage of employment than in neighboring counties.

EXHIBIT 5

North Bay Employment Profile	NORTH BAY TOTAL		NAPA COUNTY CAGR ² GROWTH	NORTH BAY CAGR GROWTH	NAPA COUNTY LQ ¹
	2008	2017	2008-2017	2008-2017	2017
Agriculture	12,118	13,783	2.44%	1.44%	2.94
Mining	540	650	0.00%	2.08%	0.66
Construction	33,669	34,657	0.25%	0.32%	0.80
Manufacturing	45,396	52,374	0.58%	1.60%	1.64
Utilities	1,673	1,426	-2.77%	-1.76%	0.73
Wholesale Trade	16,122	16,068	0.05%	-0.04%	0.71
Retail Trade	61,493	64,140	0.44%	0.47%	0.68
Transportation and Warehousing	10,362	9,729	2.68%	-0.70%	1.25
Information	7,401	6,823	-6.83%	-0.90%	0.37
Finance and Insurance	15,896	13,690	-1.44%	-1.65%	0.69
Real Estate	8,082	8,088	-1.09%	0.01%	0.74
Professional and Technical Services	29,651	23,440	0.25%	-2.58%	0.60
Management of Companies and Enterprises	5,627	6,062	2.24%	0.83%	0.64
Administrative and Waste Services	24,629	26,527	1.81%	0.83%	1.11
Educational Services	8,055	8,798	-1.26%	0.99%	0.86
Health Care and Social Assistance	55,972	80,271	3.52%	4.09%	0.71
Arts, Entertainment, and Recreation	9,109	10,946	2.64%	2.06%	0.68
Accommodation and Food Services	47,794	58,938	3.96%	2.36%	1.37
Other Services	22,178	18,970	-1.63%	-1.72%	0.77
Unclassified	1,905	2,022	2.90%	0.66%	0.76
TOTAL	417,672	457,402	1.46%	1.01%	

Data Source: California Employment Development Department; Bureau of Labor Statistics Quarterly Census of Employment and Wages

Analysis: Bay Area Council Economic Institute

1. Location Quotient, defined as the percentage of employment in a given region (in this case, Napa County) divided by the percentage of employment in a broader area (in this case, the North Bay). Location Quotients are helpful in understanding sector concentrations in a region.

2. Compound Annual Growth Rate

- Other areas for business attraction opportunities may come in Management of Companies, Arts and Entertainment, and Finance and Insurance—all areas where Napa County has a location quotient below 1.0, but where the city of Napa has produced positive gains in employment.

When looking at the nine-county Bay Area economy, the analysis begins to uncover differences between the structures of the regional economy and those present within the city of Napa. It is also important to note that much of the North Bay—Marin, Sonoma, Napa, and Solano counties—have a much different job makeup by sector when compared to the rest of the region.

The Bay Area's economic strength is no doubt derived from its diversity—which the North Bay plays a role in—but its recent employment growth has been driven by high-wage jobs, like those in the Professional and Information sectors that produce high-tech products and

services. These two sectors make up nearly 19% of Bay Area employment overall, but less than 4% of the city of Napa's employment. The Professional and Information sectors have also been driving rapid productivity growth, meaning they have higher-value outputs (e.g., electronic devices, software, and consulting services) and thus create more gross domestic product (GDP) value when products and services are sold.

Where the city of Napa and the Bay Area share similarities is in their large and growing employment numbers around Health Care and Accommodation and Food Services. Another significant Bay Area sector is Manufacturing, though growth here has stalled in the past decade as many manufacturers have shifted production overseas or to other lower-cost locales in the United States. **The North Bay remains one of the few places in the region where manufacturing employment has been growing**, albeit more slowly than the economy overall.

EXHIBIT 6

Nine-County Bay Area Employment Profile

	2008	2017	CAGR ¹	% of Total
Health Care and Social Assistance	305,784	472,584	4.96%	13.92%
Professional and Technical Services	344,560	444,687	2.88%	13.10%
Accommodation and Food Services	283,578	360,121	2.69%	10.61%
Manufacturing	343,551	347,963	0.14%	10.25%
Retail Trade	334,284	344,567	0.34%	10.15%
Administrative and Waste Services	185,013	219,263	1.91%	6.46%
Information	114,889	193,137	5.94%	5.69%
Construction	178,171	192,781	0.88%	5.68%
Finance and Insurance	136,632	131,767	-0.40%	3.88%
Wholesale Trade	116,658	128,033	1.04%	3.77%
Other Services	156,925	127,560	-2.28%	3.76%
Educational Services	76,185	94,613	2.44%	2.79%
Transportation and Warehousing	54,050	93,037	6.22%	2.74%
Management of Companies and Enterprises	60,845	72,523	1.97%	2.14%
Arts, Entertainment, and Recreation	51,438	63,206	2.32%	1.86%
Real Estate	58,089	61,265	0.59%	1.80%
Agriculture	18,726	20,548	1.04%	0.61%
Unclassified	11,538	15,736	3.51%	0.46%
Utilities	5,497	10,545	7.51%	0.31%
Mining	982	1,310	3.25%	0.04%
TOTAL	2,837,395	3,395,246	2.01%	100.00%

Data Source: California Employment Development Department; Bureau of Labor Statistics Quarterly Census of Employment and Wages

Analysis: Bay Area Council Economic Institute

1. Compound Annual Growth Rate

Relatively flat employment growth in the city of Napa's Retail sector also mirrors trends regionally, as retail jobs have not recovered quickly from the recession. This may reflect a shift away from brick-and-mortar stores and is also potentially a function of the growth in Transportation and Warehousing seen across the region. If the city of Napa is to grow as a retail destination, it will be important for the City to recognize the shifting trends that technology brings to the retail market.

Given what has been uncovered in this look at employment across the region, an understanding of where Napa stands from a competitive standpoint begins to take shape. While the regional economy partially operates as a set of individual economic ecosystems that are woven together by commuter flows, goods movement, and investments, there are also ways

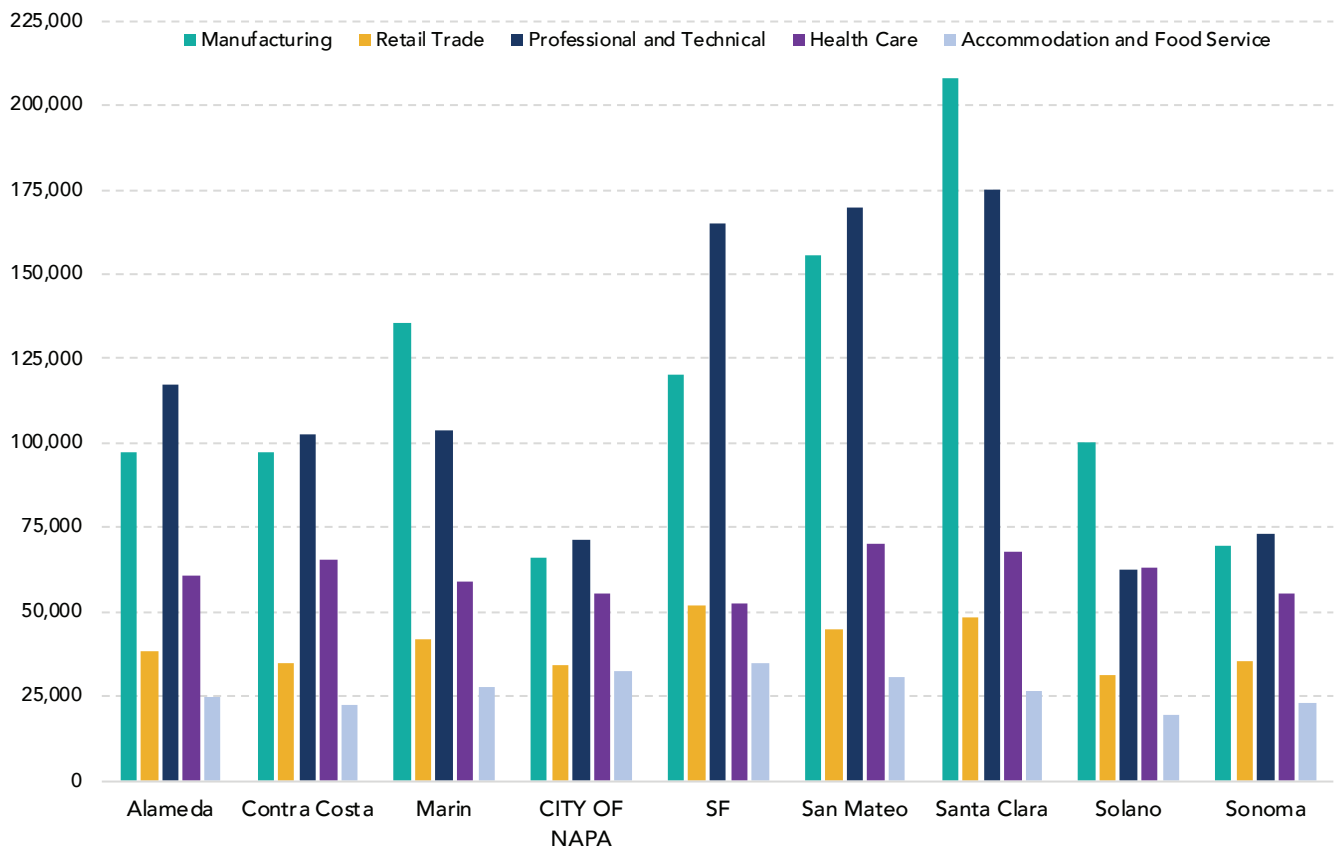
that different sub-regions can act to offset weakness in other areas.

There are also opportunities around differential costs to do business that may make certain geographies more attractive for certain sectors. In Exhibit 7, wages in five sectors chosen for their importance to the city of Napa's economy are analyzed. Some conclusions follow:

- Driven by a more affordable cost of living relative to the nine-county region, wages in the manufacturing sector can give the city of Napa a lower overall cost of doing business, which could be a key selling point for businesses looking to relocate or expand. However, it is important to realize that manufacturing employment in the city has been falling recently, so labor costs are not the only factor in location decisions.

EXHIBIT 7

Average Annual Wage for Key Sectors across Bay Area (2017)



Data Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages
Analysis: Bay Area Council Economic Institute

- Wages in Health Care and Accommodation and Food Service are in line with other counties, which may signal strength in these sectors or a tightening of the labor market.
- The difference in wages for Professional and Technical Services between the city of Napa and Bay Area counties is likely attributable to a different makeup of the jobs within each geography and differential costs of living, which often drive wage increases. These cost-related advantages can often be a deciding characteristic in the location decisions of expanding companies.

2. Hospitality & the Arts Industries as an Employment Driver in the city of Napa

This report has already noted the importance that hospitality-related sectors play for the city of Napa. From hotels being built in the city to restaurants being an important piece of the downtown experience, the city of Napa provides hospitality and entertainment opportunities that are world-renowned—and not just for visitors to the area, but for residents as well. For the purposes of this section, “hospitality and the arts” is defined as the combination of two sectors as defined by the U.S. Census Bureau: Arts, Entertainment, and Recreation and Accommodation and Food Services. These two are grouped together because they are not only important in drawing visitors into the city, they also attract economic activity from local residents.

Within the city of Napa, nearly 15% of employment is derived from these two sectors. Looking to Napa County, over 21% of employment stems from hospitality, the arts, and entertainment. Exhibit 8 depicts how Napa compares to other destination cities in the United States. This comparable set was chosen for its name recognition as destinations that combine some aspects of the following: beautiful scenery, unique culinary experiences, small-town charm, arts and culture, enjoyable weather, and access to ocean/mountains/vineyards.

Interestingly, the city of Napa’s hospitality and arts employment concentration is relatively low on the list of comparable cities. This may reflect that Napa’s economy is already fairly diverse (looking more like Boulder, Colorado than Charleston, South Carolina). It might also represent that hospitality and arts spending (and therefore employment) might be more broadly distributed across a larger geographic area than in the other cities listed. For example, visitors to Napa Valley may stay in the city of Napa’s hotels, but dine in St. Helena or even Sonoma; whereas visitors and residents of the other destination locales may concentrate their spending in a single location.

Growth in hospitality and arts sectors has also been an important contributor to the city’s economic growth coming out of the recession. With an annual employment growth of 4.0% since 2008, the hospitality and the arts sector is growing more than four times faster than the city of Napa’s overall economy, which

EXHIBIT 8

Comparable Destination Economies and Hospitality & the Arts Employment

City	Population	Hospitality+Arts Employment %
Napa County	140,973	21.1%
Charleston, SC	110,861	18.8%
Asheville, NC	91,902	18.5%
Santa Barbara, CA	92,101	16.8%
Santa Cruz, CA	65,021	16.6%
Sarasota, FL	56,994	15.9%
Ashland, OR	21,117	15.3%
City of Napa	80,403	14.9%
Boulder, CO	107,125	14.0%

Data Source: BLS, Quarterly Census of Employment and Wages 2017

Analysis: Bay Area Council Economic Institute

Note: Hospitality employment defined as Accommodation, Food Service, Arts, Entertainment, and Recreation

EXHIBIT 9

Comparative City Economic Characteristics (Percentage of Residents Employed in Key Sectors)

City	Population	% Employed Population in Top 5 Sectors					Median Income	Mean Travel Time to Work
		Agriculture	Construction	Manufacturing	Wholesale Trade	Retail		
City of Napa (Napa County)	80,403	7.1%	5.0%	12.1%	3.0%	11.6%	\$ 71,087	21.6
Fairfield (Solano County)	116,266	1.7%	6.5%	10.0%	2.1%	13.2%	\$ 69,396	30.3
Livermore (Alameda County)	90,295	0.5%	6.8%	10.3%	3.4%	11.1%	\$ 104,223	31.0
Petaluma (Sonoma County)	60,870	2.0%	7.8%	6.7%	2.9%	12.0%	\$ 80,907	29.9
San Rafael (Marin County)	59,070	0.4%	6.1%	4.7%	1.6%	10.3%	\$ 81,360	28.4
Santa Cruz (Santa Cruz County)	65,021	1.0%	4.8%	7.4%	1.9%	11.1%	\$ 62,471	22.3

Data Source: U.S. Census Bureau, American Community Survey 2016 five-year estimates

Analysis: Bay Area Council Economic Institute

Note: Data presented is for employment of city residents. It is not comparable to data presented in Exhibit 2.

had a growth rate of 0.9%. Hospitality and arts added 2,065 jobs over this period, while the overall economy added 3,578 jobs, meaning that hospitality and arts drove more than 50% of the city's job growth over the last decade. This metric illustrates the strong demand for hospitality-related services in the city of Napa.

3. City of Napa Comparisons to Other Bay Area Cities

Another way to better understand Napa's unique positioning within the regional economy is to look at other comparable cities around the region. This task is a difficult one, in that there are no other locations around the Bay Area that are commercial centers for their counties, known worldwide as hospitality destinations, and composed of a wide mix of industries from agriculture, to manufacturing, to healthcare. The list of comparable cities in Exhibit 9 represents other mid-sized Bay Area cities that are known for their high quality of life and commercial attributes. We present data on sector mix, household income, and travel time to work for Napa, Fairfield, Livermore, Petaluma, San Rafael, and Santa Cruz above. These cities were chosen because of their large size within their respective counties, while still being medium-sized cities in the broad regional economy.

Of note, the city of Napa's large agricultural and manufacturing workforce sets it apart from its peers, while its retail workforce is largely in-line with regional averages. Napa's median household income levels are at the lower end of the peer group, though this reflects cost of living variation across the region rather

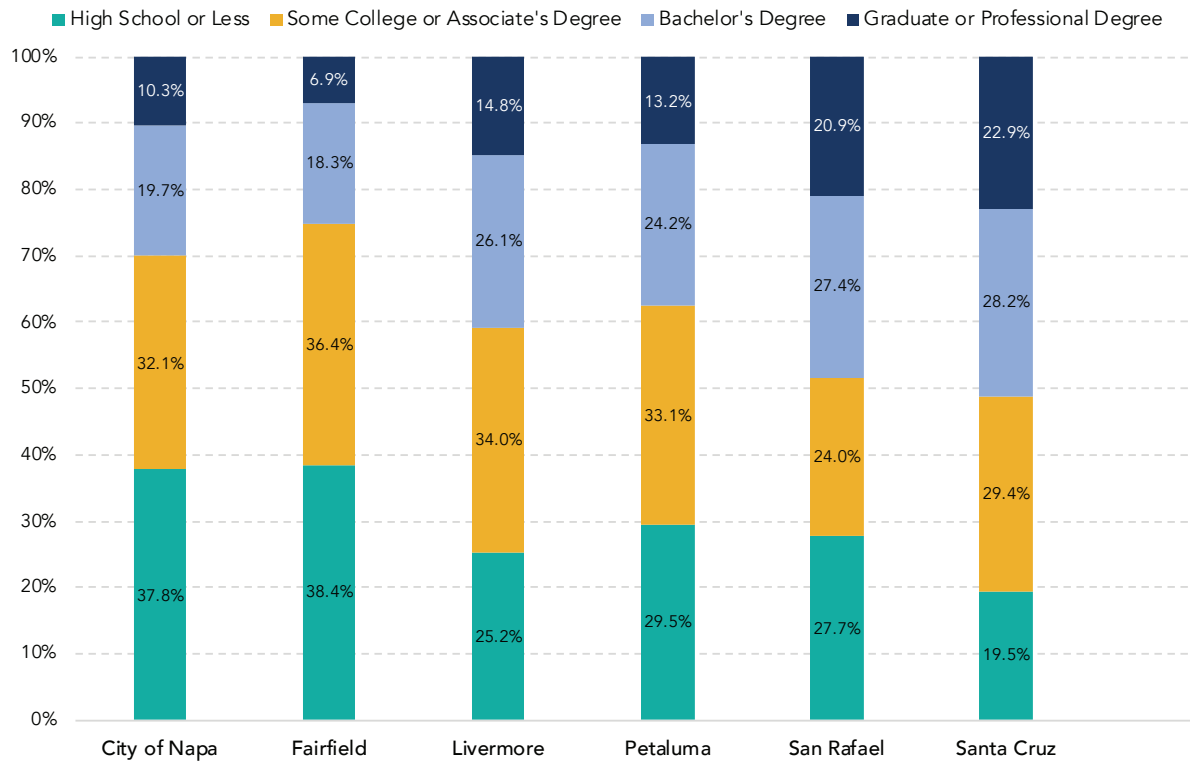
than a significantly different occupational mix. Lastly, Napa's lower travel times to work show that many of its residents work close to home, a subject explored later in this chapter.

Another important metric for understanding and projecting the trajectory of a local economy is the educational attainment of its workforce. While workers do commute regionally, locally available talent can guide future economic development planning efforts. In the city of Napa, approximately 30% of residents have a bachelor's degree or a graduate degree. It is important to understand the city's economic and geographic positioning when analyzing these data against the peer set. Places like Napa and Fairfield, which have a great reliance on middle-skilled occupations in agriculture, manufacturing, and retail are likely to have lower educational attainment than places that have greater commute accessibility to more diverse job markets, such as San Rafael and Petaluma. Livermore and Santa Cruz also provide interesting comparisons as their anchor institutions, Lawrence Livermore National Laboratory and UC-Santa Cruz, respectively, are magnets for highly-educated workers.

One final comparison of Napa to other Bay Area cities focuses on the size of its business establishments. Most cities rely on small businesses to drive a large share of employment, and this is especially true in places without large corporate campuses or headquarters offices. In the city of Napa, the top 50 employers by size employ just under 10,500 people, or 22% of the city's total employment. The remaining 78% of the city's employment is in establishments with fewer than

EXHIBIT 10

Educational Attainment Comparisons, Age 25+ Population



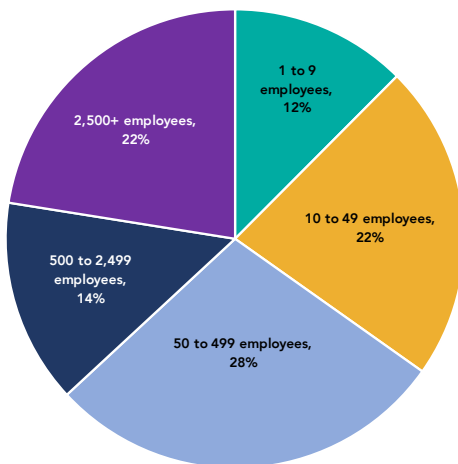
Data Source: U.S. Census Bureau, American Community Survey 2016, Five-year Estimates

Analysis: Bay Area Council Economic Institute

EXHIBIT 11

Napa County Employment by Firm Size, 2014

By Total Number of U.S. Employees



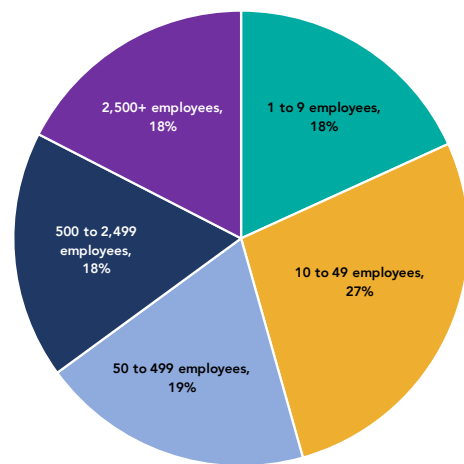
Data Source: Longitudinal Business Database

Analysis: Bay Area Council Economic Institute

EXHIBIT 12

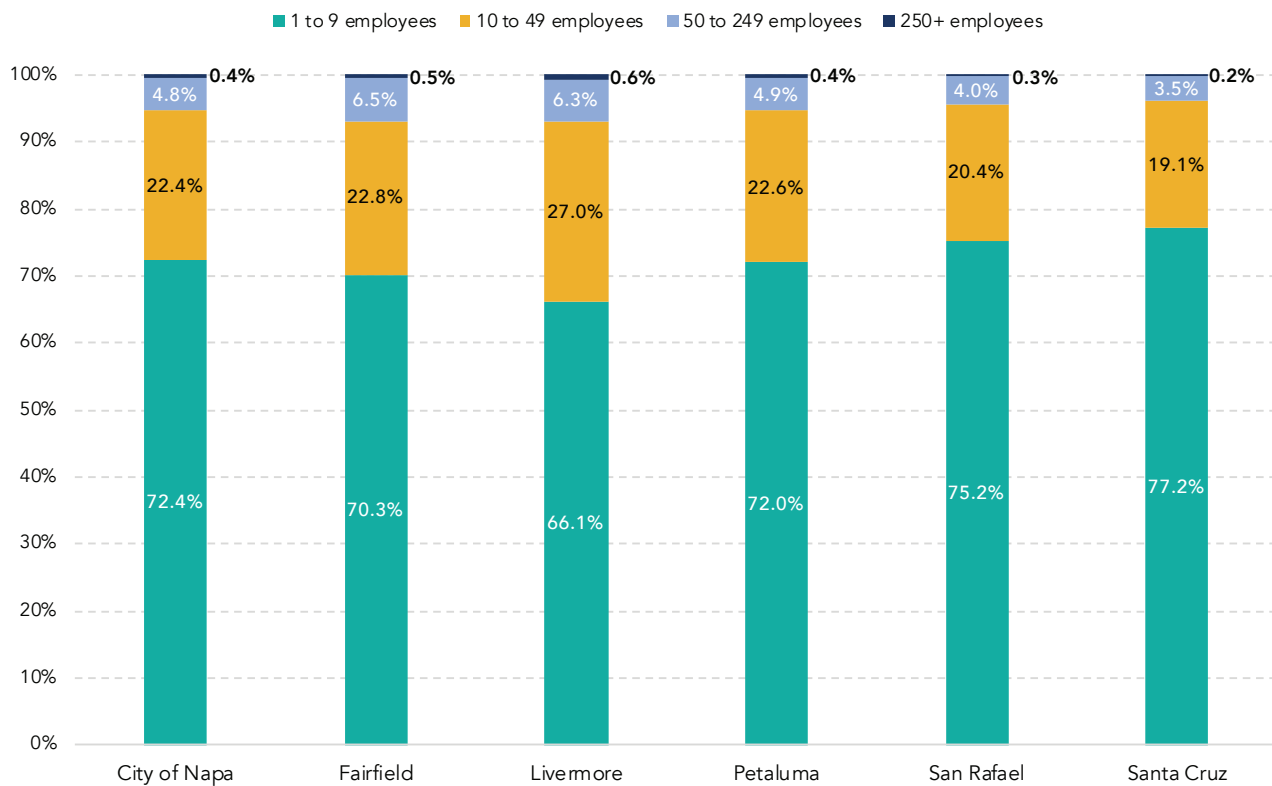
Napa County Employment by Firm Size, 1994

By Total Number of U.S. Employees



Data Source: Longitudinal Business Database

Analysis: Bay Area Council Economic Institute

EXHIBIT 13**Business Establishments by Number of Employees, 2016**

Data Source: U.S. Census Bureau, Zip Code Business Patterns
 Analysis: Bay Area Council Economic Institute

50 employees. Exhibit 13 shows that the city of Napa is comparable to its peers in terms of its breakdown of big and small businesses. While establishment size represents the number of employees at a single address, firm size analyses can also be indicative of a local economy's attractiveness to businesses with a national footprint versus those that can truly be deemed local small businesses. Exhibits 11 and 12 on the previous page shows the city of Napa's breakdown of employment by firm size.

4. Housing Markets and Commute Patterns **Link Napa to the Region**

The city of Napa's economy does not operate in isolation. Many of its residents commute to other places for work, while many people also commute into Napa. This commute shed is partly driven by Napa's

attractiveness (i.e., many people want to live in the city) and partly by home prices across the region (i.e., workers in the city may not be able to afford to live there). Napa's connectedness can be illustrated by its commuter data, displayed in Exhibits 14 and 15.

Just more than half of the city's workers commute from within the county, while 57.8% of the city's residents commute out of the county each day. Work destinations for Napa residents show fairly high percentages for Sonoma County, Solano County, and Contra Costa County (Exhibit 14). On the in-commute side, a high percentage of Napa workers come in from Solano County each day. Relatively less in-commuting from other parts of the region shows that Napa may be well connected to other North Bay locations, but commutes from San Francisco, Alameda, and Santa Clara counties are less feasible.

When comparing these commuting patterns to other cities around the region, we show that Napa generates and receives in-bound and out-bound commutes at a slightly lower rate than other locations. Only Santa Cruz, which is separated from San Jose by mountains, has lower overall movement into and out of its county. A high percentage of in-commuters (in teal in Exhibit 15) is likely to signal an abundance of job opportunities so that people are willing to accept longer commutes for higher pay. A low percentage of out-commuters (in gold in Exhibit 15) is likely to signal:

- (1) Opportunity for the local workforce to attain high-paying jobs in the local economy,

- (2) Access to affordable housing and an accessible overall cost of living, and
- (3) Concentration of high-growth sectors with job opportunities that match local talent profile.

One key finding from Exhibits 14 and 15 is that Napa's economy is relatively less connected regionally than other places. That is, more people live and work within the county boundaries than in other parts of the region. The residents who do leave, however, can highlight areas of opportunity. Given preferences for working close to home, these out-commuters might keep their talents within the city boundaries if certain

EXHIBIT 14

City of Napa Commute Patterns, 2015

WHERE WORKERS LIVE THAT ARE EMPLOYED IN NAPA

By City	Count	Share
Napa	10,920	37.8%
Vallejo	1,813	6.3%
Fairfield	1,468	5.1%
American Canyon	1,180	4.1%
Vacaville	780	2.7%
Santa Rosa	471	1.6%
San Francisco	364	1.3%
Suisun City	333	1.2%
Petaluma	266	0.9%
San Jose	255	0.9%
All Other Locations	11,054	38.2%

By County	Count	Share
Napa County	14,634	50.6%
Solano County	4,925	17.0%
Sonoma County	2,087	7.2%
Contra Costa County	1,093	3.8%
Sacramento County	853	3.0%
Alameda County	745	2.6%
Santa Clara County	474	1.6%
Marin County	443	1.5%
Yolo County	413	1.4%
San Francisco County	364	1.3%
All Other Locations	2,873	9.9%

WHERE NAPA RESIDENTS WORK

By City	Count	Share
Napa	10,920	30.5%
St. Helena	1,267	3.5%
San Francisco	1,189	3.3%
Yountville	1,087	3.0%
Fairfield	749	2.1%
Vallejo	690	1.9%
Santa Rosa	685	1.9%
Petaluma	422	1.2%
San Rafael	392	1.1%
Sacramento	367	1.0%
All Other Locations	18,026	50.4%

By County	Count	Share
Napa County	20,694	57.8%
Sonoma County	2,979	8.3%
Solano County	2,178	6.1%
Contra Costa County	1,450	4.1%
Alameda County	1,220	3.4%
San Francisco County	1,189	3.3%
Marin County	1,080	3.0%
Santa Clara County	825	2.3%
Sacramento County	731	2.0%
San Mateo County	493	1.4%
All Other Locations	2,955	8.3%

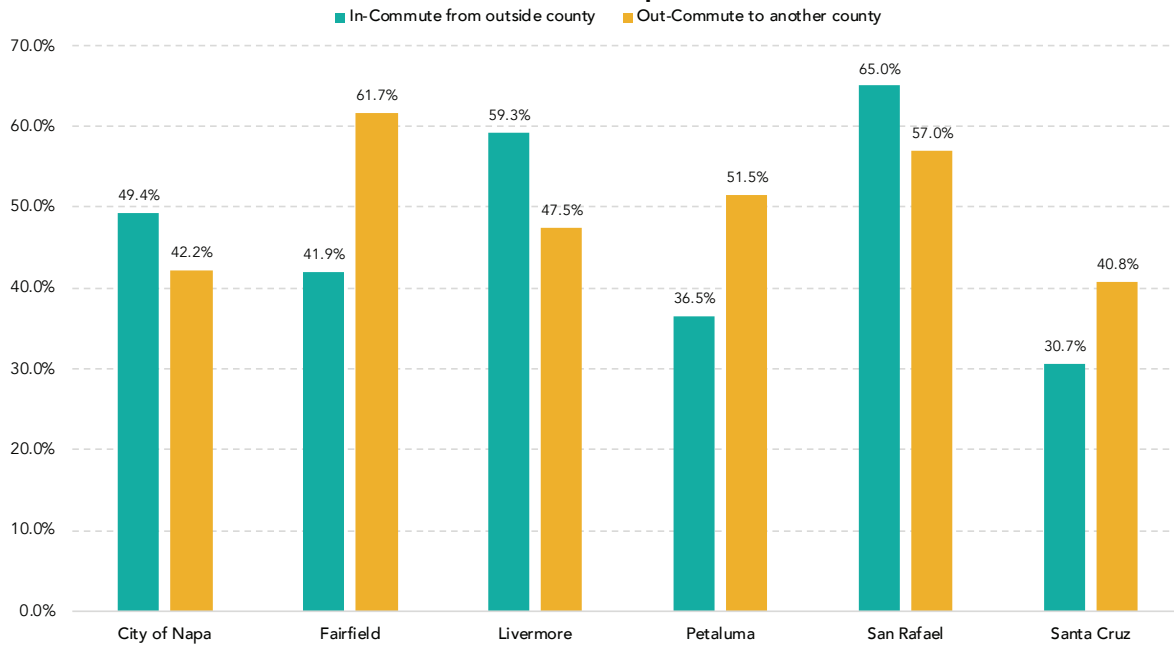
Data Source: U.S. Census Bureau, Longitudinal Employer-Household Dynamics

Analysis: Bay Area Council Economic Institute

Note: Other Napa County cities that fall outside of the top 10 are counted in "All Other Locations."

EXHIBIT 15

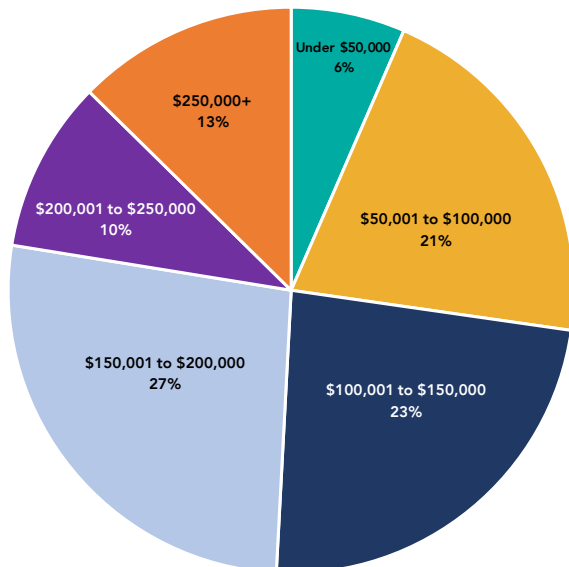
Commute Patterns in Comparison Cities, 2015



Data Source: U.S. Census Bureau, Longitudinal Employer-Household Dynamics
 Analysis: Bay Area Council Economic Institute
 Note: City of Napa data includes all commutes originating or ending outside of Napa County listed in Exhibit 14.

EXHIBIT 16

Napa County Residents Commuting Out of County by Household Income, 2017



Data Source: U.S. Census Bureau, Longitudinal Employer-Household Dynamics
 Analysis: Bay Area Council Economic Institute

EXHIBIT 17

City of Napa Market-Rate Housing Units in Pipeline

Project	Number of Market-Rate Housing Units
Current Pipeline	
Vista Tulocay, Gasser North Phase 1*	282
Pietro Place, Central Ave	171
Vista Tulocay, Gasser North Phase 2	102
Pear Tree Ln Terrace Townhouses	71
Napa Creek Condos, D St Alley	58
Register Square, 2nd & 3rd/Seminary*	51
First Street Apartments / Napa One LP	50
Napa Creek Village, 1st & Freeway*	48
Andersen Ranch	38
Napa Villas	36
Vista Grove Subdivision	27
Laurel Subdivision	27
Keller Apartments on Freeway Dr	24
Golden Gate Condominiums	17
ByWay East Apartments	10
Total Current Pipeline	1,012
* denotes project under construction	
Long-term Pipeline	
Napa Pipe	755
Total Longer Term Pipeline	755

Data Source: City of Napa, Community Development Department
 Analysis: Bay Area Council Economic Institute

EXHIBIT 18

Napa County Out-Commute by Occupation

Occupational Group	# of County Residents Commuting Out of Napa
Management (Business, Science, and Art)	3,705
Sales and Related Occupations	2,187
Healthcare Practitioners	1,950
Office and Administrative Support Occupations	1,673
Personal Care and Service Occupations	928
Construction and Extraction Occupations	810
Financial Specialists	760
Installation, Maintenance, and Repair Workers	735
Community and Social Services Occupations	646
Education, Training, and Library Occupations	614
Healthcare Support Occupations	583
Production Occupations	557
Computer and Mathematical Operations	481
Arts, Design, Entertainment, Sports, and Media	402
Protective Service Occupations	388
Business Operations Specialists	345
Food Preparation and Serving Occupations	344
Building and Grounds Cleaning and Maintenance	272
Legal Occupations	259
Transportation Occupations	118
Farming, Fishing, and Forestry	91
Life, Physical, and Social Science Occupations	50

Data Source: U.S. Census Bureau, American Community Survey 2016

Analysis: Bay Area Council Economic Institute

occupational groups or industry clusters were cultivated. Exhibit 18 shows that a large number of out-commuters are in management, sales, or administrative support occupations. Greater prevalence of commercial office space within the city of Napa—and the companies that would fill this type of space—may keep some of this talent within the city.

Many out-commuters are relatively affluent, with 73% of the out-commuters having a household income over \$100,000. The median household income for all Napa County residents is \$75,000, while the median household income for the out-commuting group is \$135,000. This signals that some of the higher-skilled workforce living in Napa County is leaving the county daily to reach high-paying jobs while still enjoying the high quality of life that Napa offers.

While these commuter flows are a product of job opportunities, they are also a product of regional

housing markets. No city will ever retain 100% of its workforce in local jobs, but cities can create goals to achieve better jobs-housing balance to give more employees the opportunity to live near their workplaces. The City of Napa has been busy approving new housing developments, most notably in the South Napa area. The proposed Vista Tulocay development will create nearly 400 multi-family units. The Napa Pipe Project, south of Kennedy Park, is one of the biggest development opportunities in the county, slated to provide over 750 units of housing potential at build-out. In total, 1,767 total market-rate housing units are in the City's current and long-term housing pipeline, as shown in Exhibit 17. Additionally, 212 below-market-rate units are in the City's pipeline. These new units will assist in filling a supply-demand gap in Napa and address a housing affordability issue that stretches across the entire region. Median home values in Napa County sit at \$665,000 according to Zillow—a number that is three times higher than

the national average, but roughly half of median prices in San Mateo, San Francisco, and Santa Clara counties. Because cost of living and wages are closely tied together, an appropriate measure of housing affordability is the percentage of households spending more than 30% of their income on housing costs

(e.g., rent or mortgage payments). This is the federal definition of “housing cost burdened.”

In Napa County, 39% of residents were cost-burdened in 2016 based on the federal definition. Because the housing market is regional in nature, it is important

EXHIBIT 19

Bay Area Home Values and Housing Cost Burden

	Median Home Price	% of Residents Housing Cost Burdened
San Mateo County	\$1,391,400	39.3%
San Francisco County	\$1,374,800	37.6%
Santa Clara County	\$1,298,300	37.3%
Marin County	\$1,153,200	40.1%
Alameda County	\$876,500	39.5%
Napa County	\$665,000	39.0%
Sonoma County	\$642,400	41.1%
Contra Costa County	\$624,700	39.2%
Solano County	\$432,200	39.7%

Data Source: U.S. Census Bureau, American Community Survey 2016 one-year estimates

Analysis: Bay Area Council Economic Institute



to also understand where Napa sits in comparison to other parts of the region. Exhibit 19 shows that Napa is clearly a more affordable option when compared to the core of the Bay Area; however, its housing affordability challenges mirror those in other more expensive counties. Policymakers across the region are working to ensure that new economic opportunity is accompanied by new housing, and the region's land use strategy, Plan Bay Area 2040, has a vision to link housing and jobs with transportation investments so that affordable housing options can be made available to a broader subset of the region's population.

5. Available Space in the City of Napa

In addition to its key employment sectors, workforce profile, and regional housing and transportation connections, the city of Napa also has physical assets from which to draw future economic strength. In addition to significant retail and commercial spaces in the downtown area, the city also has the Napa Valley Commons Corporate Park, Enterprise Business Park, and other commercial and industrial areas with spaces for light industrial and office tenants. Exhibit 20 displays the current stock of industrial and commercial buildings within city boundaries.

Vacancy rates across all uses are low, signaling a strong economy and assets that are well-positioned to drive usage. Key vacancy statistics are highlighted in Exhibit 21 for cities that have data available.

- 1) Napa's 10.3% office vacancy is healthy. It is similar to that of Dublin/Pleasanton/Livermore (11.0%) and Walnut Creek (15.4%), both areas that have recently experienced significant job growth.
- 2) At opposite ends of the spectrum, a hot economy in Oakland fuels its 6.2% office vacancy rate that is driving rents up, while Fairfield has struggled to fill space with a 23.8% vacancy.

On the industrial side, much of Napa's space is used for warehousing operations connected to viticulture and winemaking operations. Vacancy rates in warehousing are extraordinarily low, but further warehousing/distribution land uses offer little in the way of employment gains. The 4.8% industrial vacancy rate is higher compared to the peer cities: Oakland (2.1%), Dublin/Pleasanton/Livermore (2.3%), Fairfield (3.1%), and Walnut Creek (3.8%), according to data from Colliers.

Like home prices, rents for office and industrial spaces vary significantly across the region. Notably, Napa has significantly lower-priced office space (both Class A and flex space) than most other locales across the region. In the North Bay, Fairfield presents an even more economical option, but is even further removed from the core of the Bay Area where customers and other key contacts might be located.

EXHIBIT 20

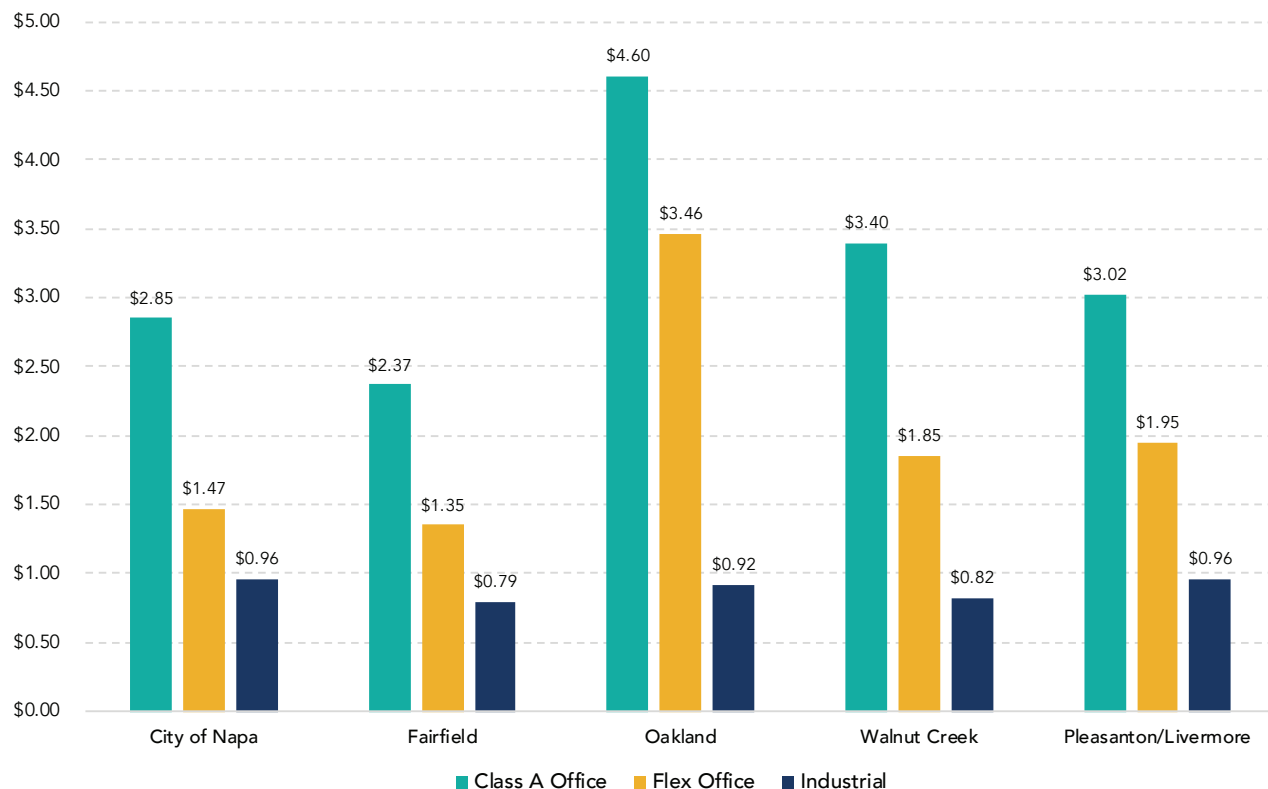
Commercial and Industrial Land Use in the City of Napa, Q3 2018

Use Type	Buildings	Square Feet	Vacant Sq. Ft.	Vacancy Rate
Industrial	100	2,463,347	117,930	4.79%
R&D Flex	16	567,326	80,890	14.26%
Warehouse / Distribution	38	3,686,958	7,000	0.19%
TOTAL INDUSTRIAL	154	6,717,631	205,820	3.06%
Class A Office	17	688,757	25,171	3.65%
Class B Office	31	647,692	107,927	16.66%
Flex Office	14	408,187	46,707	11.44%
TOTAL OFFICE	62	1,744,636	179,805	10.31%

Source: Colliers International

EXHIBIT 21

2018 Asking Rent - Commercial and Industrial Space (per sq. ft.)



Data Source: Colliers International

Analysis: Bay Area Council Economic Institute

On the industrial side, Napa does not have the same regional cost advantages as it does in commercial space. At \$0.96 per square foot asking price, Napa is on par with the Dublin/Pleasanton/Livermore area. Based on real estate costs alone, these asking rents may reduce some of Napa's wage advantages presented earlier. Instead, producers catering to North Bay markets or those in need of less space (e.g., small batch artisanal producers) may make more sense for business attraction efforts. The city might also consider ways to break up larger vacant spaces so that they can cater to light industrial uses that require smaller land footprints.

6. Connecting Napa's Key Assets to Data Trends

When looking at the datasets provided throughout this chapter and the significant studies commissioned by the

City referenced earlier, it is necessary to view them in the context of the city's existing assets.

For example, one of the reasons for large employment concentration within the healthcare sector in Napa is the presence of St. Joseph Health's Queen of the Valley Medical Center in the northern part of the city. Surrounding Queen of the Valley are numerous outpatient facilities, medical imaging companies, assisted care facilities, and other healthcare-related companies. As a major hospital center for the county and a Level III Trauma Center, Queen of the Valley draws in its patients and workforce from across the county. In addition to Queen of the Valley, Kaiser Permanente and community health clinics, such as OLE Health, employ large numbers in healthcare-related professions. As a key sector for the city of Napa—both today and into the future—healthcare employment can be nurtured through geographically targeted initiatives.

Just across the southern border of the city of Napa, the Napa County Airport is another major regional asset. While there are no commercial flights into or out of the airport, charter services provide corporations easy access to wine country. Land opportunities near the airport can also have an impact on the city of Napa, as the possibility for developing a job hub near the airport can benefit the city.

In between these two assets sits Napa Valley College, the major higher educational asset in Napa County. Napa Valley College has more than 6,000 enrolled students in programs that range from Digital Art & Design to Viticulture & Winery Technology to Nursing. The main campus is on approximately 141 acres. Of this, approximately 95 acres are considered developed and are building sites, vineyard, athletic fields, or maintained landscape. The college has recently updated its Master Plan in order to plan for additional spaces and building modernization. Napa Valley College is a supplier of talent into the city's workforce today and can be strategically positioned to feed into industries and sectors that can grow locally in the future.

7. Key Takeaways

This section has outlined the foundational aspects of the city of Napa's economy. The following list provides the key takeaways that will be used to create the recommendations put forward in the following section.

- Five key sectors lead employment within the city of Napa, with small businesses providing the majority of jobs — Employment in Public Administration, Accommodation and Food Services, Healthcare, Retail, and Manufacturing made up more than 60% of the jobs within the city in 2017 (Exhibit 2). Employment is also concentrated in establishments with fewer than 10 employees. Approximately 72% of the city's jobs are in these types of business establishments (Exhibit 13).
- Bustling tourism, hospitality, arts, and entertainment industries — The Accommodation and Food Services Sector, with the Arts, Entertainment, and Recreation sector comprise 15% of the city's employment base (Exhibit 2). These sectors have benefited from Napa Valley's reputation as a premier hospitality and

viticulture destination, and they serve as a driving force behind its economy. Given the growth in both visitors to the city and spending by residents in these areas, Accommodation and Food Services is one of the fastest growing sectors in Napa.

- The percentage of agricultural and manufacturing employment is higher in Napa than other Bay Area locales — the percentage of the population employed in agriculture is 7.1% in the city of Napa and 12.1% of the city of Napa's residents are employed in the manufacturing industry (Exhibit 9). Manufacturing is a growing industry in the North Bay—one that Napa can potentially tap into to a larger degree. On the other hand, the Professional and Information sectors are significantly smaller in Napa than in the rest of the nine-county Bay Area, making up 4% of employment in the city of Napa as compared to 19% in the Bay Area overall. This presents an opportunity for growth in these sectors (Exhibits 2 and 6).
- Healthcare is a large and growing industry — Napa's growth in the healthcare sector mirrors trends seen elsewhere in the region and the country. The city is home to St. Joseph Health's Queen of the Valley Medical Center, which draws in other healthcare-related companies and workforce from across the county.
- The city is the county's hub for living, working, and hospitality — the city of Napa is home to 62% of the county's employment (Exhibit 3) and is also home to 57% of the county's residents (comprising 80,403 of the county's 141,294 residents). Additionally, the lodging industry has made Napa the gateway for Napa Valley visitors. Four more hotel properties are estimated to be completed in the next six years, with three more hotel expansions coming online as well. According to NapaCA.opengov.com, lodging tax revenues have grown by 97% since 2010, increasing from \$9.8 million in 2010-2011 to \$19.5 million in 2017-2018.
- A more attainable living option compared to other Bay Area counties — Napa, much like the rest of the region, struggles with housing affordability, with 39% of Napa County residents spending more than 30% of their income on housing costs—the federal definition of housing cost burdened. However, the city and county

offer comparatively lower median home costs than San Mateo, San Francisco, and Santa Clara counties. Napa County's median home price is \$665,000—approximately half of the median home prices of those three counties (Exhibit 19).

- A lower concentration of out-commuters — 42% of Napa residents work outside of the county, which is a relatively low number when compared to other places around the region, such as Fairfield with a 62% out-commute. This reflects an ability for Napa residents to find work close to their homes. However, the majority of out-commuters are concentrated in professional industries, with 73% making over \$100,000 (Exhibits 14, 16, and 18).
- Opportunities to grow commercial and industrial jobs with cost of doing business advantages — along with relatively lower housing costs compared to the nine-county region, the city of Napa also has significantly lower-priced office space for both Class A and flex space. The average asking rent for Class A space in the city of Napa is \$2.85 per square foot, compared to \$4.60 per square foot in Oakland. Additionally,

given the lower cost of living, labor costs also present opportunities for business attraction (Exhibit 20).

Overall, this section also uncovered slower relative employment growth in the city of Napa. Since 2008, the city experienced 8% employment growth, Napa County had 14% employment job growth, while the North Bay grew by 9.5%. This history reflects the city's high concentration of public administration, retail, manufacturing, and construction jobs—all sectors that experienced either steep declines during the recession or slow growth coming out of it.

Even so, the city is well positioned to capture future growth in hospitality, arts, and entertainment sectors, and in healthcare. High costs across the Bay Area can also make Napa an attractive location for a growing number of artisanal and advanced manufacturing companies. Additionally, the Napa economy could benefit by offering more opportunities for its out-commuters to work close to home, especially those people that commute out of the city for professional jobs each day.



Recommendations

In its second chapter, this report will take the findings from Chapter One's data analysis to create a set of recommendations that Napa may utilize to assist in strengthening its economy. While current economic development efforts are robust, job growth in the city has been slower over the last decade than in the county, North Bay sub-region, and the broader nine-county region. The recommendations presented below can focus the City's economic development efforts on certain sectors, provide different ways to attract and retain new businesses, and create a more diverse set of employment opportunities that match the city's talent profile and build off of existing strengths.

1. Rethinking Economic Development Strategies

A promising strategy for economic development in Napa could include the growth of clusters around the city's anchor institutions. St. Joseph Health's Queen of the Valley medical center already serves as a hub for healthcare-related businesses, and Napa Valley College (NVC) is an educational hub.

The health sector could draw on the resources and talent at Queen of the Valley to grow innovative, healthcare-related startups. There is an especially large opportunity for a cluster in this industry given the relatively quick rate of growth of Napa's healthcare and

social assistance sector. Similarly, Napa Valley College could leverage its assets to foster more research and innovation activities. Business incubators and companies engaged in research and development could target NVC students.

Additionally, Napa could draw on its already-thriving hospitality sector to create a more diverse range of companies and jobs related to this industry. One such possibility is to infuse more technology into the hospitality industry; startups could leverage the high regional demand for hospitality to create technology that specifically serves the needs of this industry.

The City of Napa could utilize a wide range of incentives and programs to attract business and development to the city, as well as to target growth in specific areas or industries, such as the potential clusters mentioned above. Cities throughout California have implemented a variety of incentive programs to attract businesses, several of which could serve as models for potential new programs in Napa. These fall into a few different types of economic development programs.

A) Financial Incentives

One such example is the City of Fremont's reductions in impact fees. In order to promote development of new properties, Fremont reduced impact fees by 50% in the Downtown District, 25% in the City Center, and 25% for all LEED Platinum development projects. Impact fee

reductions targeted in downtown areas can be a useful tool for encouraging clusters of development for retail space and other business operations. Fremont has also created a business license fee exemption for up to five years for companies that engage in either research and development or manufacturing of clean technologies or biotechnology. These sorts of specific exemptions can encourage certain industries and types of businesses to locate in a city. Napa could implement a similar exemption aimed at healthcare technology, hospitality-serving industries, or production industries.

Similarly, the City of Dublin encourages the development of small businesses through its Small Business Assistance Program. The program is supported by an annual grant of \$100,000. It helps Dublin-based businesses with the cost of complying with federal, state, and local laws, such as those that cover disability access requirements, trash enclosures, and sewer connections.

Another promising option for Napa is San Jose's temporary reduction in construction-related taxes for high-rise commercial developments 150 feet or higher. Implemented in 2014, the incentive aims to encourage the construction of high-rise buildings in the downtown area. Napa could implement a similar incentive but with different parameters — it could have a smaller height threshold or be aimed at any commercial development in the downtown area, regardless of height.

Though development incentives in the form of tax or fee reductions decrease the city's revenue, they can be a useful tool in encouraging the creation of certain types of buildings or the growth of specific industries. These may be especially useful in diversifying the types of jobs that exist in Napa.

B) Business Assistance, Streamlining, and Marketing

Some cities have found innovative ways to provide both direct assistance to businesses and marketing services to attract new companies to the area. One such example is the Santa Monica alliance, a collaboration formed jointly by the Santa Monica Chamber of Commerce and the City of Santa Monica. The partnership works together to market Santa Monica as a great place for business. It also helps businesses with opening or expanding in Santa Monica, providing assistance with permits and applications as well as ambassador outreach services.

Focusing more on simplifying and shortening the process of expanding business, the City of Cerritos offers a streamlined development/permit process. This allows for fast-track permit processing for businesses looking to expand, make tenant improvements to existing buildings, or obtain permits for occupancy. Business licensing processing averages seven to 10 days. Streamlining the permit process can attract small businesses hoping to move quickly through it.



2. Reinforcing Local Production

The previous recommendation highlighted strategies that can be employed to help attract businesses of any size and from any sector. However, economic development programs across the nation that are tailored to a specific sector or business type have proven successful. For example, tax incentives for clean tech companies in San Francisco have spurred a boom in the Mission Bay district, life science research tax credits in Massachusetts have made Boston a biotech hub, and Detroit's renaissance zone program has brought a more diverse set of heavy and light manufacturing to the city.

These economic development incentives also span across cities that are of comparable size to the city of Napa, such as Elk Grove, California (population: 170,000) and Meriden, Connecticut (population: 60,000). Elk Grove offers grants to breweries and wineries that are intended to defray the costs of city planning and building permits. Elk Grove also offers permit streamlining and incentives to new businesses that create high-quality jobs (at least 75% of median income), generate at least \$5,000 in new annual sales tax revenue, locate within a vacant building, or fall within one of the city's targeted industries. In Meriden, the city's manufacturing assistance program offers businesses up to \$15,000 for various expenses related to relocation to Meriden. Companies receiving this reimbursement are limited to having 100 or less employees and must have total annual revenue of two million dollars or more. Loans up to \$300,000 are also available under this program.

Given the data presented in Chapter One, this report has identified manufacturing as a sector that is growing very slowly in the nine-county Bay Area, but that is gaining employment in the North Bay. Since 2008, the city of Napa has actually lost jobs in the manufacturing sector, so it has not taken part in manufacturing's growth in the sub-region. However, Napa is uniquely positioned to take advantage of a growing trend in manufacturing: small-batch, artisanal production. Napa's geographic location—without a major nearby interstate—may make distribution of certain products difficult to the broader

region or nation, but locally-consumed products, or those purchased largely by residents or visitors, could find a niche by being produced locally. Specifically, food products, health- and wellness-related items, and apparel and household items already fit within the hospitality image for which the city is known.

In order to help grow production-oriented employment within the city of Napa, this report explores two potential options for action below. The first looks at how space can be set aside for industrial activities, the second explores an example from San Francisco to create a location for small-batch artisans and producers to grow their businesses.

A) Create a Priority Production Area within city limits

Prioritizing land uses is not a new phenomenon for the City of Napa. The City's Downtown and adjacent Soscol Gateway Corridor has been designated as one of two Priority Development Areas in Napa County, which identifies it as an area that can accommodate future housing and employment growth near public transportation services, and makes the city eligible for regional grant funding for these purposes. Much like Priority Development Areas were created to focus strategies around the creation of housing and transportation opportunities, a Priority Production Area would create opportunities for production-oriented uses.

A Priority Production Area designation within the city of Napa would not only protect existing spaces that are zoned for industrial uses, it would also signal the city's desire to grow its production jobs base. The City's development services divisions could streamline permitting for new construction and redevelopment within Priority Production Areas and could waive some business fees depending on the number of workers to be employed. Additionally, the City of Napa could make itself the first jurisdiction within California to create a plan around local production by combining economic development policies (e.g., permit streamlining), with land use strategies (e.g., flexible zoning for production spaces), with infrastructure programs (e.g., designated goods movement corridors), with workforce

development (e.g., partnership with training entities). Notably, more flexible regulation could allow the live-work studio spaces that are attractive to many artisan manufacturers.

B) Look for ways to partner on production-related development

While a city can put the pieces in place to make real estate development more attractive for industrial users, a city generally cannot build spaces for manufacturers on its own. This is where the City of Napa's participation in the Bay Area Urban Manufacturing Initiative can be an asset. Not only can the City forge partnerships with pro-manufacturing non-profits across the region, it can also position itself for future investment.

PlaceMade, a San Francisco non-profit, serves as a valuable example of the possibilities for urban manufacturing in Napa. A sister organization to SFMade—which advocates for urban manufacturing policies in San Francisco—PlaceMade is a non-profit developer of industrial spaces. In October 2018, PlaceMade opened the city's first permanently affordable multi-tenant manufacturing building at 150 Hooper. The four-story, 56,000 square foot manufacturing building has tall ceilings, industrial-scale power, two loading docks, indoor bike parking, a truck-accessible breezeway, and public open space. It is part of a larger mixed-use campus that includes office space leased by Adobe and light manufacturing space. Rents for tenants at 150 Hooper are about half of market rate, which was made possible because the land was given to PlaceMade as part of the for-profit developer's larger project.

Existing institutions in San Francisco made the development of 150 Hooper possible. However, the city of Napa has no such non-profit capacity to develop real estate in the city. Where city officials can begin to spur a partnership on manufacturing is in the identification of underutilized real estate—either that which is already zoned for industrial uses, could be re-zoned, or is owned by a public entity. Land could be the asset that incentivizes an industrial developer to build in a way that advances the City's economic development goals for manufacturing and/or incubator spaces.

3. Creating Spaces for Innovation

The data presented in Chapter One showed that the city of Napa has not benefited from the run-up in Professional and Technical Services jobs in the same way that other parts of the Bay Area region have. Additionally, the commuter flow analysis showed that many of the city's residents who are commuting outside the county each day have management and office-related occupations. With these two data points in mind, this report recommends that the City of Napa pursue strategies to create new spaces for innovation.

These new spaces could take the form of a collaborative workspace, business incubator/accelerator, maker spaces, or a combination of all three. The following sections highlight examples of each of these from across the Bay Area region. These examples are illustrative of the types of endeavors that other cities have undertaken, but the City of Napa's path forward may look substantially different. In all of the examples below, partnerships are the common theme, with anchor institutions or large companies forming an important pillar of a partnership.

In 2010, the cities of Dublin, Pleasanton, Danville, and Livermore created i-GATE in partnership with the two national labs in the area. i-GATE's purpose is to build a vibrant network of entrepreneurs and provide them with the resources they need to succeed. i-GATE's largest program is the operation of The Switch, a business incubator and co-working space located in Livermore. The Switch currently has 10 companies in residence, most of which are in the life sciences industry. Its primary functions are to help entrepreneurs build valuable peer relationships and to provide mentorship to startups. Startups at The Switch benefit from i-GATE's ties to local entrepreneur and investor networks, but they have had no trouble accessing capital on their own. The Switch is now on its third location, having tripled its square footage in its most recent move to a prominent space in downtown Livermore. Also, in the same building is Switch Labs, a 9,000-foot industrial space for hard tech companies.

Another example of a new creative space is in Santa Rosa, where the Sonoma County Economic Development Board, the Sonoma County Office of Education, Keysight Technologies, and North Bay Makers created a partnership to form 180 Studios. 180 Studios is a maker space that integrates education, art, and industry and offers its members access to donated (and purchased) equipment for woodworking, machining, welding, electronics, and robotics. The physical space for 180 Studios was donated to the non-profit by a developer. Members purchase time to work at 180 Studios and can be students, aspiring inventors, or people attempting to learn a new skill. As opposed to an incubator/accelerator, one of 180 Studios' main objectives is to build skills for the workforce. Specifically, 180 Studios was the host of a program that taught carpentry and framing skills to local residents so that they could help in the re-build efforts following the 2017 wildfires.

Lastly, co-working spaces have exploded across the globe, totaling over 7,800 properties as of 2017. While co-working spaces, like those from WeWork, MindSpace, and Industrious have been targeted to start-ups and millennials, the City of Napa may present an interesting opportunity as much of its out-commute workforce is highly-skilled. For example, the city of Walnut Creek in Contra Costa County is largely a commuter town with few major companies other than those in retail and banking. Victory Workspace recognized this trend and opened a location in town that has been successful to date. Workmix Coworking Lounge, which recently opened in Napa, is one space that could attract commuters.

Across all of these examples, a city benefited from a partnership with a non-profit entity or a community institution, or was the beneficiary of donated assets. Across the Bay Area, many cities are exploring the use of creative spaces to diversify their economies and keep more of their residents working closer to home. In Fremont, the city has devised plans for incubating growth-stage manufacturers—a sector where the city believes there are few available resources to build companies. The city is currently exploring various partners and financial structures to get its incubator off the ground. For the city of Napa, some combination of

incubator, maker space, and co-working might help in a push toward growing more artisanal manufacturers. A partnership with UC-Davis, which is less than an hour away, could also make sense for the incubation of health and wellness businesses and other intersections between healthcare and hospitality. The city of Napa also has a potential partner institution in its own backyard—Napa Valley College—which could provide space or support for such an endeavor.

4. Utilizing Lodging Tax Receipts for Economic Development

Chapter One outlined some of the strengths of the hospitality industry within the city of Napa. In addition to bringing in visitors and spurring spending, the lodging industry also brings revenue to the city in the form of lodging tax and assessment receipts. The Transient Occupancy Tax (TOT) rate within the city had been set at 12%—with money flowing into the City's general fund—until voters passed a 1% increase in November 2018 to fund affordable and workforce housing. Additionally, the lodging industry also pays a 2% assessment on revenues that is dedicated to tourism improvement district programs. Given that the TOT revenue goes into the City's general spending accounts, there may be opportunities to deploy this revenue in other ways.

Many large cities across the country reinvest their TOT revenues to finance tourism promotions or capital projects such as convention centers. In Napa, TOT revenue is a significant supplement to the general fund, which can pay for fire and police services, parks, and new infrastructure. A portion of the general fund also goes toward the budget of the Economic Development Division. Given the City of Napa's increase in TOT revenues during the last few years, and the expectation of new lodging and expanded hotel room capacity noted in the 2018 Napa Valley Lodging Market Study, the city might consider reinvesting a portion of TOT for economic development purposes—an investment that could yield significant future dividends in the form of a more diversified business and employment base.

Using TOT revenue for economic development is occurring in comparably-sized cities to Napa, such as Ashland, Oregon. In 2018, Ashland increased its TOT from 9% to 10% in order to improve city infrastructure to support its retail, restaurant, and entertainment sectors.

Because Napa is the only county in the nine-county Bay Area without a dedicated economic development department or public-private economic development corporation, it is important for the city to facilitate development opportunities and business retention and expansion. With additional resources, the City

could undertake a marketing campaign to attract small businesses to the city, similar to the way that advertising attracts visitors to wine country. The Economic Development Division also does considerable work around place-making and added resources could allow it to re-brand the Oxbow District to make it an outlet for growth in the downtown area, or to work on the creation of cultural assets that could encourage more Napa Valley visitors to spend time (and money) within the city. Funding could also go toward direct services and incentives to small businesses that are navigating the City's permitting processes.



Conclusion

The city of Napa is incredibly unique, with significant potential to increase its economic trajectory in the future as a key part of the Bay Area region. This future can be steered by the City's economic development planning, as it looks for ways to grow and diversify its economic activity and utilize the findings of this report. The city of Napa can build on its existing fortes: as a successful hospitality destination, a hub of retail, healthcare, and production-oriented industries, and a space for comparatively lower costs of doing business. By opting to maximize these strengths and many more, Napa can better position itself for a future of growth—one that allows Napa to continue to stand out as a vibrant place to live and work within the region.

Napa's future is strongly tied with its ability to foster continued growth in production, agriculture, healthcare,

and the hospitality industries, as well as its ability to support its middle-skilled employees and attract highly-skilled residents. As discussed throughout this report, there are several recommendations that the City of Napa can explore and implement in a context appropriate for Napa. Some of these, like creating incentives to stimulate the growth of production industries and further capitalizing on lodging tax receipts, can help the city to build from its already strong economic foundation.

Napa is in a strong place to ensure a continued bright economic future. The City can embrace ways in which the economic characteristics of Napa currently lends itself to future growth, while also opening itself up to the possibility for growth in burgeoning, innovative industries.

"Because Napa is the only county in the nine-county Bay Area without a dedicated economic development department or public-private economic development corporation, it is important for the City to facilitate development opportunities and business retention and expansion."





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