



**DRAFT 2.8**



## **Santa Cruz County**

### 5-Year Comprehensive Economic Development Strategy (CEDS)

2025-2029 Program Year



Public Comment Period:

05/16/2025 – 06/16/2025

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# Acknowledgements

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Your input has been invaluable. Thank you for being a part of this study.

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<sup>1</sup> This WIOA Title I – financially assisted program or activity is an equal opportunity employer/program. Auxiliary aids and services are available upon request to individuals with disabilities.

# Introduction

The Santa Cruz County Workforce Development Board engaged BW Research to develop the 2025-2029 Comprehensive Economic Development Strategy (CEDS). The purpose of the 2025-2029 CEDS is to provide relevant stakeholders, decision-makers, residents, and those interested in economic development with a deeper understanding of the social and economic trends, factors, and metrics within the county. The CEDS also serves as a roadmap for future data-driven policy and decision making while outlining explicit strategies for a more prosperous and resilient future for the county.

The 2025 – 2029 CEDS analyzes Santa Cruz County’s economy through four distinct lenses:

Resilience	Industry	People	Place
an evaluation of the county’s ability to weather economic, climate, and natural disaster-related shocks.	an evaluation of industry dynamics, job quality benchmarks, and business growth rates.	an evaluation of overarching population and resident trends.	an evaluation of residential, commercial, and transportation infrastructure developments.

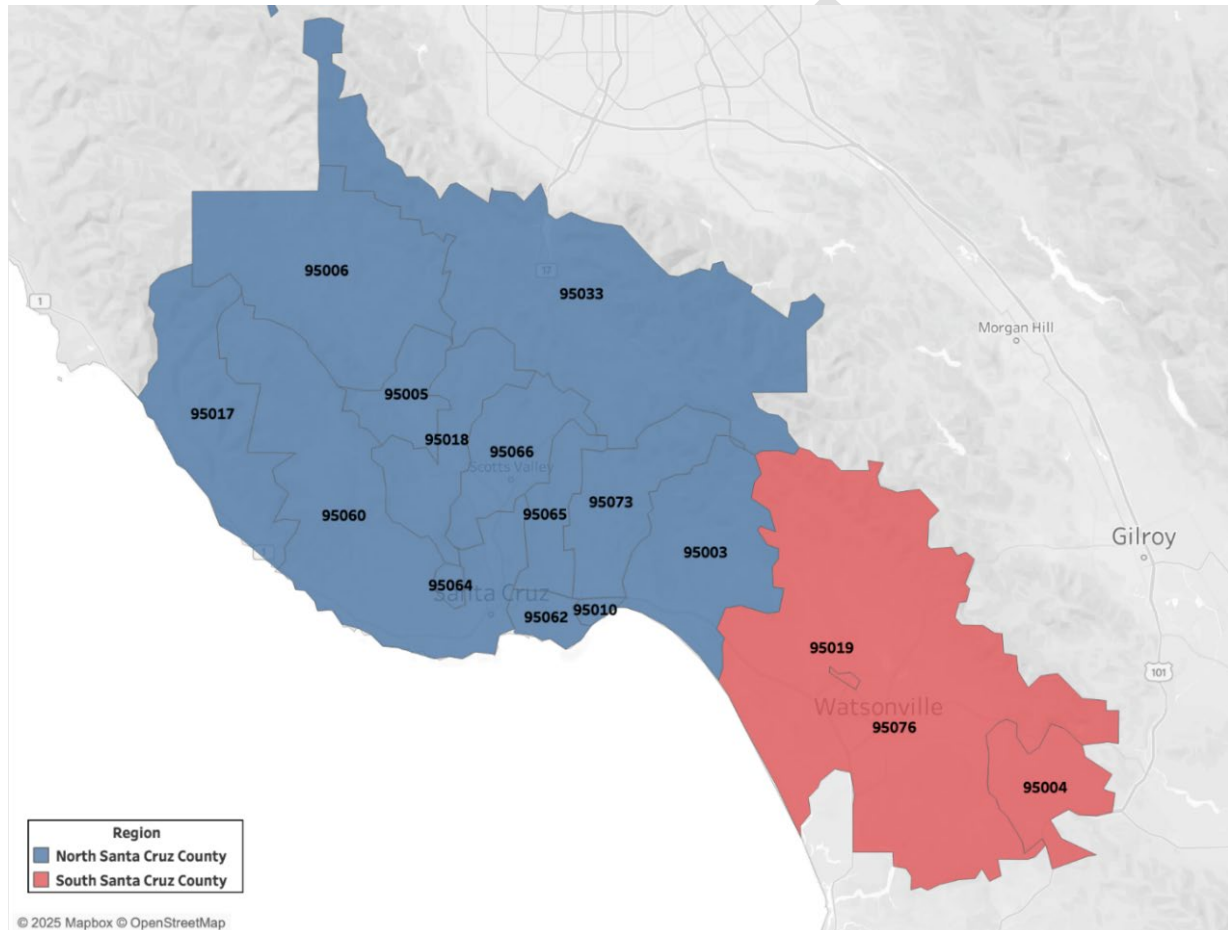
The CEDS incorporates the deep expertise of a wide range of Santa Cruz County stakeholders, including County leadership, City leadership of the four incorporated cities in the county, education providers, industry representatives, local innovators and entrepreneurs, economic development officials, and community-based organizations, to establish a comprehensive understanding of the region’s key Strengths, Weaknesses, Opportunities, and Threats (SWOT).

The CEDS also outlines a detailed Strategic Action Plan for addressing critical economic development action items identified through the SWOT analysis, in addition to providing an Evaluation Framework and associated Performance Metrics to measure, assess, and track progress in meeting the County’s Strategic Action Plan goals. The CEDS is intended to help guide regional partners in implementing coordinated economic development strategies, and to position Santa Cruz County’s communities to access funding for economic development assistance from the U.S. Economic Development Administration (EDA) and other relevant federal, state, and local sources.

Representatives from each of the four incorporated cities and the unincorporated areas within Santa Cruz County, in addition to a host of regional education providers, industry representatives, local innovators and entrepreneurs, economic development officials, and community-based organizations, provided their invaluable input in the development of this CEDS. The CEDS

Committee also includes other business entities and institutional partners from around the county. The CEDS is reviewed by a sub-committee of the Workforce Development Board (WDB) and the WDB's Executive Committee prior to being presented to the full WDB. The CEDS is then subject to a thirty-day public review period and a public meeting, which will be conducted by the County Board of Supervisors prior to submittal to the U.S. Economic Development Administration (EDA).

## Santa Cruz County and Sub-Regions



City	Zip Codes
Capitola	95010
City of Santa Cruz	95060, 95061, 95062, 95063, 95064, 95065
Scotts Valley	95066, 95067
Watsonville	95019, 95076, 95077
Unincorporated	95004, 95001, 95003, 95005, 95006, 95007, 95017, 95018, 95041, 95073



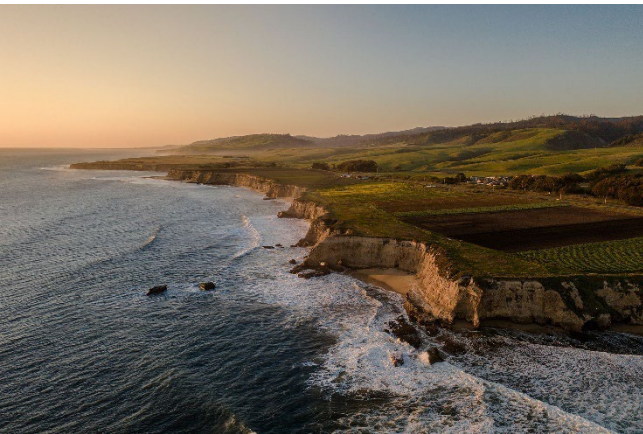


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# Executive Summary

## Regional Overview

Santa Cruz County, nestled in California's Central Coast region, is known for its natural beauty, including beaches, redwood forests, and rich agricultural farmland. The county includes a diverse community of residents and is a haven for the active lifestyle culture and cottage industries featuring creative arts, and artisanal offerings from small local businesses.



Santa Cruz County is also home to the University of California at Santa Cruz (UC Santa Cruz), a pioneer in genomics research, a strong history of academic achievement, and a close proximity to Silicon Valley. The county has a highly educated workforce, and significant opportunities to expand via innovation and entrepreneurship in areas such as green technology, agricultural technology, and defense, aerospace, and transportation manufacturing, as well as via investments in residential, commercial, and public infrastructure.

The region faces sizable challenges associated with a high cost of living, a lack of affordable housing, high childcare costs, and a large concentration of jobs in lower-wage industries. The county also faces challenges associated with changing demographic patterns, as the share of seniors within the county grows.

Other threats to the county's resilience include climate change, technological change, and natural disasters as well as the potential impact from disruptive national macroeconomic trends. However, County leadership has taken a proactive approach to facing these threats via collaborative planning efforts to strengthen its infrastructure and affordable housing supply, and to develop action plans to mitigate risks associated with demographic changes and climate-related impacts.

The County's willingness to explore new economic models and creative financing mechanisms, in conjunction with its commitment to environmental stewardship, and its vast natural and institutional assets, creates opportunities to develop effective strategies for sustainable growth that can improve the quality of life for all of the county's residents, workers, and businesses, if regional stakeholders can effectively achieve alignment of the economic development goals set forth in this 2025-2029 Santa Cruz County Comprehensive Economic Development Strategy (CEDS), and effectively advance the implementation of those goals in 2025 and beyond.



## Methodology

The CEDS was developed based on national, state, and county-level economic and workforce data for 2019 to 2024 obtained from the U.S. Census Bureau County Business Patterns, American Community Survey 5-year Estimates, and Building Permits Survey; the U.S. Bureau of Labor Statistics Quarterly Census of Employment and Wages (QCEW); the California EDD Local Area Unemployment Statistics and Santa Cruz County to County Commuting Estimates; and the California Department of Finance. Data on living wages was obtained from the MIT Living Wage Calculator; and selected data on housing, infrastructure, and homelessness was obtained from the California Association of Realtors, the Santa Cruz County Assessor – Recorder 2024 Annual Report, and the Santa Cruz County Homelessness Point-in-Time Count & Report (2024).

The resiliency assessment was based on an evaluation of the County of Santa Cruz’s Emergency Operations Plan (2023), the Santa Cruz County Office of Education Emergency Response Management Plan, the City of Santa Cruz’s 2025 – 2030 Local Hazard Mitigation and Climate Adaptation Plan (2025), the County of Santa Cruz’s 2021 – 2026 Local Hazard Mitigation Plan, and the City of Santa Cruz’s 2030 Climate Action Plan.

The analyses were supplemented by a series of executive interviews with key county stakeholders in local government, education, local industry, and nonprofit organizations.

## Key Findings

### People

- 1. Santa Cruz County has experienced net population declines over the last five years, losing 3.7 percent of its residents from 2019 to 2024.** The high cost of living and a tight housing market make it difficult to afford living in Santa Cruz County and contribute to a net migration trend. The population losses sustained in the county outpace state trends during this period.
- 2. Santa Cruz County continues to be a sizable net exporter of talent,<sup>2</sup>** driven by the high quality of life in the region and its proximity to the economic opportunities offered in Silicon Valley and the greater San Francisco metropolitan area that appeals to residents who work in management, business, science, and the arts.
- 3. Santa Cruz County residents are more educated than California residents on average, and resident educational attainment**

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<sup>2</sup> A region is considered a net exporter of talent when the number of employed residents exceeds the number of residents that both live *and* work in the region. Note that residents working from home for a business located outside of Santa Cruz County are counted as working outside the County.

**rates have increased over the last five years.** Over half (53 percent) of county residents hold an Associate's degree or higher, compared to over two in five (44 percent) in the overall state. Additionally, the proportion of county residents who hold a Bachelor's degree or higher increased by four percentage points from 2019 to 2024.

- 4. While Santa Cruz County residents are more educated than the statewide average, there are significant sub-regional disparities.** Residents of the Cities of Capitola, Santa Cruz, and Scotts Valley in North Santa Cruz possess much higher educational attainment than City of Watsonville residents in South Santa Cruz, with just one in five (20 percent) of City of Watsonville residents holding an Associate's degree or higher. In contrast, the proportion of North Santa Cruz residents holding an Associate's degree or higher ranges from 58 percent in the City of Capitola to 66 percent in the City of Scotts Valley.
- 5. Santa Cruz County residents are aging.** The proportion of individuals aged 55 and older in Santa Cruz County increased by 3 percentage points from 2018 to 2023, and the county's prime-working-age population of residents aged 25-54 represented just over one-third (36 percent) of all county residents as of 2023, lower than the California average of 41 percent. However, age distributions vary significantly by subregion, with residents of the northern regions having a higher share of seniors than southern regions on average.
- 6. While Santa Cruz County households earn higher incomes than state and national averages, significant sub-regional disparities remain in the county.** Approximately one in three households in the City of Capitola and the City of Watsonville earn a middle-wage income of \$50,000 to \$99,000. On the other hand, in the sub-regions of the City of Santa Cruz and the City of Scotts Valley, more than one in three households have an income greater than \$150,000.
- 7. The median Santa Cruz County household has nearly \$2.50 in debt for every dollar of household income, and average household debt has increased by 9.0 percent from 2019 to 2024.** A higher median debt carried reduces a household's ability to generate sufficient savings to bear economic shocks, and households in Santa Cruz County carry, on average, 54 percent more debt than households statewide. This will be even more challenging for Santa Cruz County households if interest rates, borrowing costs increase.

## Industry

**8. Santa Cruz County's homeless represent an above-average and rising share of the county's population, reflecting a high and growing cost of living.**

While the county's homeless population has declined by 14.6 percent over the last five years, homeless individuals continue to represent an above-average share of the county's total population (0.7 percent) relative to the state (0.5 percent) and the nation (0.2 percent) in 2024. In addition, the county's homelessness rate rose slightly in 2024, and the proportion of homeless individuals in Santa Cruz County with access to shelter decreased by two percentage points between 2019 and 2024.

**1. Despite a shrinking population and worker supply, Santa Cruz County's unemployment rose to 6.3 percent in December 2024,** exceeding both state and national unemployment rates.

While unemployment rates in the Cities of Capitola, Santa Cruz, and Scotts Valley range from 3.1 to 4.3 percent, the City of Watsonville has a significantly higher unemployment rate of 13.6 percent.

**2. A majority of the county's highest-earning industry clusters exhibited strong growth from 2019 to 2024.** The Defense, Aerospace, and Transportation Manufacturing (DATM) industry cluster, the highest-paying industry cluster in Santa Cruz County, exhibited exceptional employment growth of 142.4 percent during this period, largely due to the growth of Joby Aviation and related firms. In contrast, the county's three lowest-paying industry clusters – Tourism, Hospitality, and Recreation; Retail; and Other Services – all experienced employment declines from 2019 to 2024.

**3. Countywide job quality outcomes have slightly improved relative to pre-pandemic levels, with approximately one in five (19.8 percent) jobs in Santa Cruz County falling into the highest-paying, highest-skilled Tier 1 classification,** compared to 19.5 percent in 2019. However, the county's job quality distribution in the lower-paying and lower-skilled jobs remains lower than state and national averages, with Santa Cruz County holding a higher share of Tier 3 jobs than California and the overall U.S. in 2024.

**4. Growth in the number of large businesses in Santa Cruz County has outpaced growth in the number of small and medium-sized businesses.** The number of businesses employing 100 workers or more increased 5.0 percent from 2017

## Place

to 2022, compared to a 2.2 percent increase in the quantity of small businesses, or businesses that have fewer than 10 employees. A growing concentration of large businesses may indicate rising market consolidation, eroding competition in local markets, and exerting increased pressure on small local businesses absent increased support.

1. **The median home price in Santa Cruz County increased by 47.5 percent from 2019 to 2024, reaching \$1.3 million in 2024, while the supply of new housing declined.** This trend in median home prices has significantly decreased the proportion of county households who can afford to purchase an entry-level home,<sup>3</sup> which dropped from just over one in three (37 percent) residents in 2019 to approximately one in five (21 percent) residents in 2024. Additionally, a 48 percent decline in the rate of permits issued for new housing units in Santa Cruz between 2019 and 2024 further contributes to housing price challenges.
2. **Santa Cruz County's commercial real estate market is constrained by low vacancy rates, which may hinder efforts to support business expansion in the region,** especially considering that nearly one in five (17.6 percent) county residents worked remotely in 2023.
3. **The future of the retail industry in Santa Cruz County remains uncertain and represents both a challenge and an opportunity for the region.** Retail vacancy rates have risen in the county, rising from 2.5 to 3.0 percent in 2019 to 4.7 percent in 2025. Retail employment has also fallen by 9.3 percent over the last five years, due in part to a sustained shift in consumer preferences toward online shopping, which increased in prominence during the pandemic; and economic factors such as inflation and high local housing costs. Demographic changes portend a sustained drop in consumer spending on retail goods over the next several years as the population continues to age, but initiatives such as the City of Santa Cruz's pop-up shops program and various storefront activation projects have been implemented to attract businesses and foot traffic, and various infrastructure projects are in the works, indicating adaptation and resilience within the county's retail sector.
4. **There are numerous affordable housing and mixed-use developments either currently under construction or awaiting**


<sup>3</sup> An "entry-level home" is defined as a home with a price equal to 85 percent of the current median-priced home.

## Resilience

**development.** These new developments could add over 700 new housing units and over 32,000 square feet of commercial real estate over the next three to five years, helping to address the countywide shortage of affordable housing and helping to constrain increases in the cost of living for county households.

- 1. Five of Santa Cruz County's largest industry clusters account for two-thirds (68.5 percent) of the county's total jobs as of 2024, but too often do not offer sustainable wages for the average worker.** Average annual wages in these five industry clusters – Healthcare; Tourism, Hospitality, and Recreation; Education and Knowledge Creation; Retail; and Professional and Business Services – range from \$42,000 (Retail) to \$84,000 (Professional and Business Services), well below the county's Living Wage determination of \$163,524 for a household with 1 adult and 2 children.
- 2. The COVID-19 pandemic's outsized impact on the county's Retail and Tourism, Hospitality, and Recreation industry clusters, which together represent over one quarter (27.7 percent) of county employment, display the importance of bolstering diversity and resilience in Santa Cruz's products and services.** The county's concentration of these two industries is 18.2 percent higher than the average share statewide, meaning pandemic-related disruptions impacted county employment and tax revenues at a higher rate than the overall state.
- 3. Santa Cruz County residents are experiencing more frequent and severe weather impacts due to climate change,** including wildfires, flooding, sea-level rise, and worsening air quality. To address these challenges, the County of Santa Cruz adopted the 2022 Climate Action and Adaptation Plan (CAAP), which is comprised of actionable steps toward reducing the impacts of climate change and ensuring the well-being of vulnerable communities. In addition, Measure Q, approved in November 2024, allocates \$7 million of annual tax revenues annually to climate resilience projects within the county.
- 4. Economic resilience is being boosted through innovation.** R&D award funding at the University of California, Santa Cruz (UC Santa Cruz), a key proxy measure for regional innovation activity, increased by 16.6 percent from 2020 to 2024, reaching a total of \$221 million in 2024. The region's entrepreneurial and innovation-related resources, including the UC Santa Cruz Innovation and Business Engagement Hub (IBE Hub) and Santa Cruz Small





Business Development Center, provide structural support for commercializing innovative activities, a cornerstone of building and sustaining resilient regional economies. However, changes in federal funding may affect R&D awards to UC Santa Cruz and comparable local institutions in the near-term and could have a detrimental impact on the region's ability to commercialize the research and innovation coming out of UC Santa Cruz.

- 5. New investments in satellite offices can strengthen regional connectivity and boost economic resiliency.** Given the county's proximity to Silicon Valley, its highly educated talent pool, access to high-quality educational institutions, natural beauty and high quality of life, Santa Cruz County has the potential to attract new investments in satellite offices from large companies headquartered in the Bay Area. New satellite offices can promote local workforce retention, reduce traffic congestion and commute times, increase local spending, and potentially increase innovative activity within the county. In addition, satellite offices can strengthen local supply chains and attract additional investments, boosting economic resilience. However, certain fundamentals must be addressed in order to boost the county's attractiveness to potential investors, including the lack of affordable workforce housing and limitations in the county's transportation infrastructure. Several countywide initiatives are currently underway which seek to address these challenges.

# 2025-2029 Economic Development Priorities

Santa Cruz County faces sizable regional challenges associated with a high cost of living, a lack of affordable housing, a large concentration of jobs in lower wage industries, and changing demographic patterns. In addition, the county faces risks associated with global macroeconomic trends, technological change, and climate change.

For the 2025-2029 Program Cycle, Santa Cruz County has prioritized the following economic development strategies aimed at mitigating risks associated with these challenges:

1

**Educate and prepare students and workers for career pathways into higher-paying jobs**, by fostering alignment between county education and training providers and local employers and supporting jobseeker skills in high-opportunity industry clusters, to build job quality and address challenges associated with the high cost of living.

3

**Help grow innovative sectors**, by increasing linkages between Santa Cruz County and Silicon Valley, to encourage cross-regional collaboration.

2

**Increase the stock of housing and commercial real estate**, by supporting the development of high-density, mixed-use residential projects through innovative financing mechanisms, and streamlining building and permitting processes, to address challenges faced by local employers.

4

**Develop more resilient communities**, by supporting healthcare education and workforce development initiatives, to help address challenges associated with a growing aging population.

# Community and Stakeholder Engagement

The 2025-2029 CEDS was developed through a collaborative process involving the Santa Cruz County Workforce Development Board (WDB) and county leaders, residents, and members of the

business community. In January and February 2025, the research team conducted 15 interviews with key stakeholders in County and City government, education, industry and businesses, as well as nonprofit organizations. The perspectives of these stakeholders helped to inform the SWOT analysis summarized in the Appendix, as well as the development of the 2025-2029 CEDS goals and metrics, to ensure that key themes, concerns, and priorities identified in the engagement opportunities were addressed within the strategic Action Plan.



Subsequently, on March 12, 2025, BW Research Partnership presented the preliminary findings and key discussion points of the draft CEDS to the Santa Cruz County CEDS Committee. Attendees included members of the following organizations:

- County of Santa Cruz
- City of Santa Cruz
- City of Scotts Valley
- City of Capitola
- City of Watsonville
- Santa Cruz County Bank

Participant feedback was collected and integrated into the CEDS.

The draft CEDS will also be released to the public for a minimum 30-day comment period prior to submission of the final CEDS, to allow for the receipt of additional feedback from county residents and stakeholders prior to submission of the final CEDS.

# Current Economic Conditions

This section of the CEDS examines Santa Cruz County through four different lenses: People, Industry, Place, and Resilience. These four categories provide a comprehensive perspective of the county's current economic conditions, which play a critical role in creating targeted policies and programs to strengthen the county's economy.

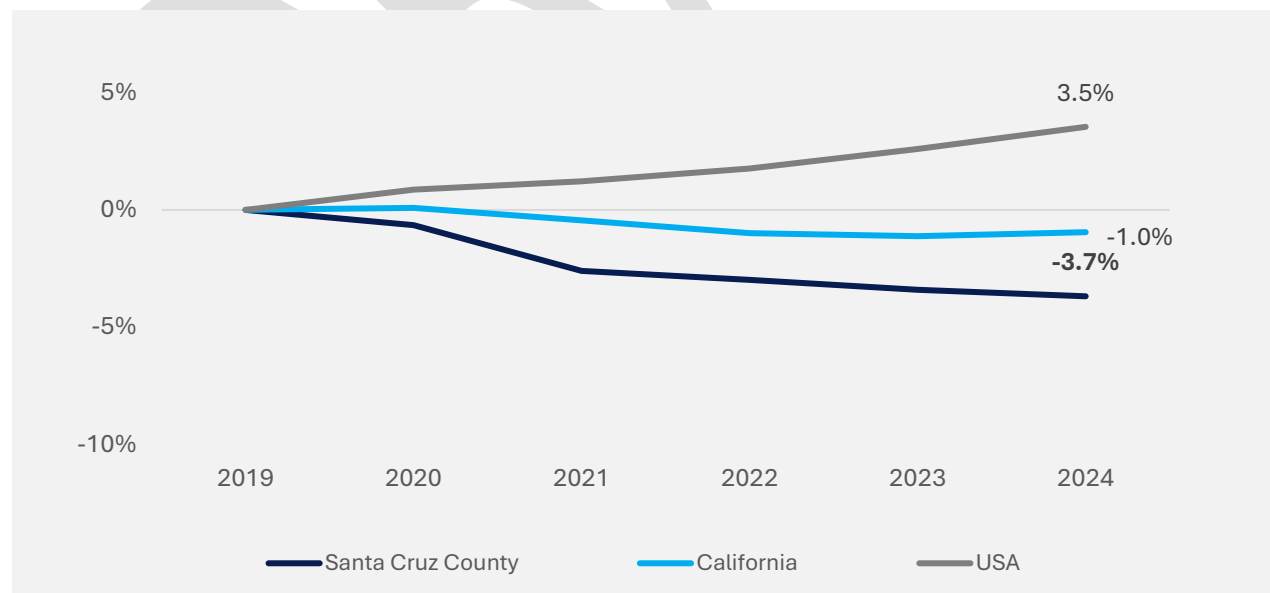
## People

The residents of Santa Cruz County are its greatest asset. An examination of the population's characteristics highlights numerous existing strengths while revealing uneven patterns of growth and recovery within the county. This section provides a greater understanding of historical and emerging trends in the county's population and workforce that inform the selection of the 2025-2029 CEDS goals and associated metrics.

### Population

**Santa Cruz County has experienced net population declines in the last 5 years**, losing 3.7 percent of its residents from 2019 to 2024. While California also experienced net population declines during this period, in contrast to the overall U.S. gaining additional residents, this trend is exacerbated within the county (Figure 1).

Figure 1. Population Growth in Santa Cruz County, California, and the U.S. (2019 – 2024)<sup>4</sup>



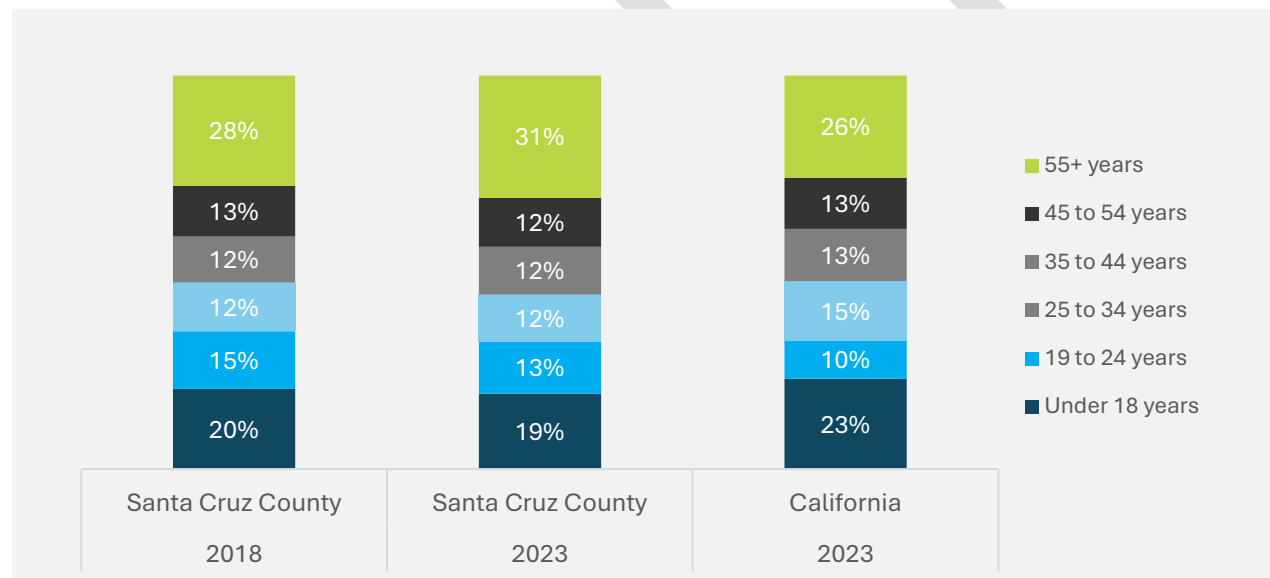
<sup>4</sup> California Department of Finance. California County Population Estimates and Components of Change by Year (2019 – 2024). U.S. Population from U.S. Census Bureau. National Population Estimates (2019 – 2024).

## Age

Santa Cruz County residents are aging, with the proportion of individuals aged 55 and older increasing by 3 percentage points from 2018 to 2023. The county's prime-working-age population of residents aged 25-54 also represented just over one-third (36 percent) of all county residents as of 2023, lower than the California average of 41 percent (Figure 2).

City of Watsonville residents in South Santa Cruz are much younger than City of Capitola and City of Scotts Valley residents in North Santa Cruz on average, with nearly one-third (30 percent) of City of Watsonville residents aged under 18 years old. This contrasts with the resident communities of Capitola and Scotts Valley, where over one in three (38 percent and 42 percent, respectively) residents are aged 55 or older. The City of Santa Cruz has a large share of residents aged 18 to 24 (30 percent), given its proximity to UC Santa Cruz (Figure 3).

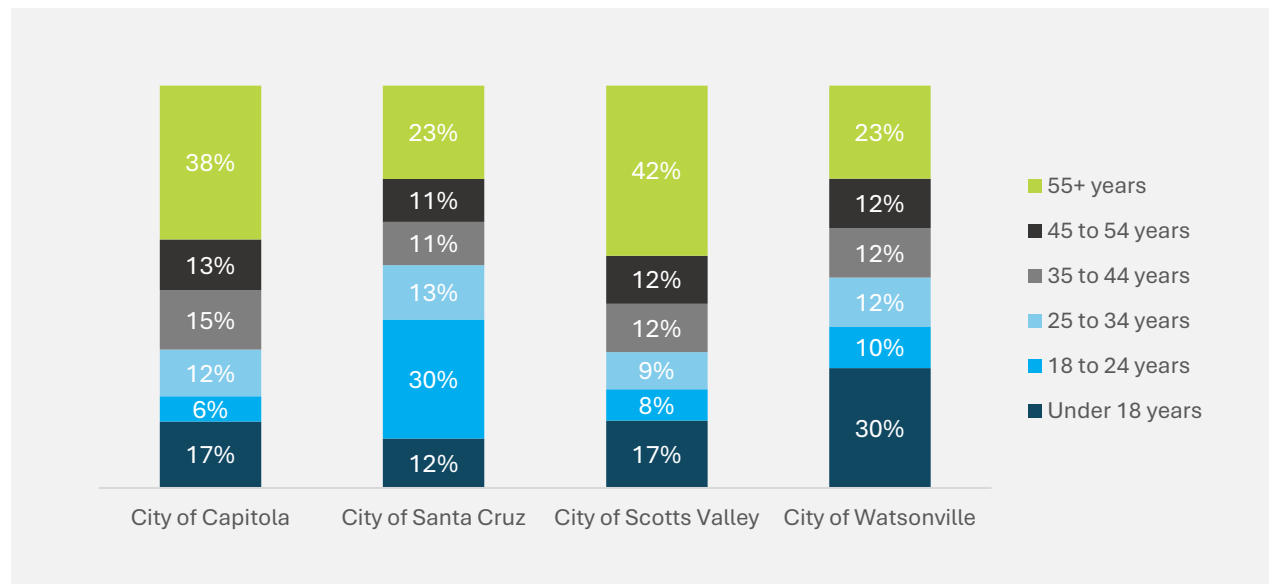
Figure 2. Age Distribution in Santa Cruz County and California (2018 – 2023)<sup>5</sup>



<sup>5</sup> United States Census Bureau. American Community Survey 5-year Estimates (2018 – 2023).



Figure 3. Age Distribution by Sub-Region (2023)<sup>6</sup>



## Resident Workforce

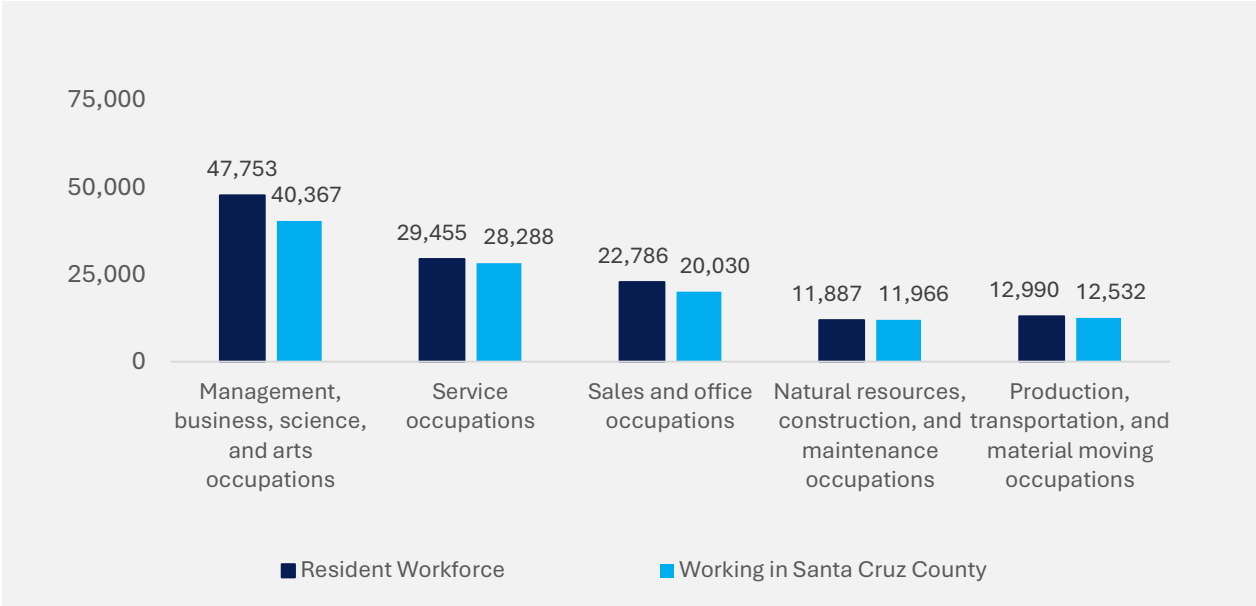
**Santa Cruz County is a net exporter of talent, meaning the county has more resident workers than jobs available in the County.**<sup>7</sup> Figure 4 illustrates the “resident workforce,” or total number of workers *residing* in the county, compared to individuals “working in Santa Cruz,” or the total number of workers that *work within* the county. The difference between the two indicates whether the region is a net importer or exporter of talent.

Across all occupational categories, Santa Cruz County exports the highest number of management, business, science, and arts occupations, with over 7,000 more residents in this field working for businesses located outside the county, relative to those working for businesses inside the county.

<sup>6</sup> United States Census Bureau. American Community Survey 5-year Estimates (2023).

<sup>7</sup> Individuals working from home for a business located outside of Santa Cruz County are counted as working outside the County.

Figure 4. Working Residents and Jobs in Santa Cruz County (2024)<sup>8</sup>



According to stakeholders, the regional wage disparity between Silicon Valley and Santa Cruz County renders it difficult to retain highly skilled workers, who can command higher salaries by commuting to jobs in the Bay Area. This exerts significant economic pressures upon local businesses and contributes to worsening traffic commutes between the two regions. Table 1 illustrates the regional wage disparities between the two regions and illustrates the significantly higher wages earned in Santa Clara County compared to Santa Cruz County within five key industry clusters.

Table 1. Average Annual Wages in Santa Cruz County and Santa Clara County (2024)<sup>9</sup>

Industry Cluster	Santa Cruz County Average Annual Wage (2024Q2)	Santa Clara County Average Annual Wage (2024Q2)	Difference
Defense, Aerospace, and Transportation Manufacturing (DATM)	\$174,122	\$409,670	\$235,548
Information, Communications, and Technology (ICT)	\$138,116	\$376,272	\$238,157
Finance, Banking, and Insurance	\$103,903	\$215,722	\$111,820
Public Services and Infrastructure	\$89,855	\$158,802	\$68,947
Biotechnology and Biomedical Devices	\$89,545	\$168,912	\$79,366
Total – All Industry Clusters	\$65,779	\$179,968	\$114,190

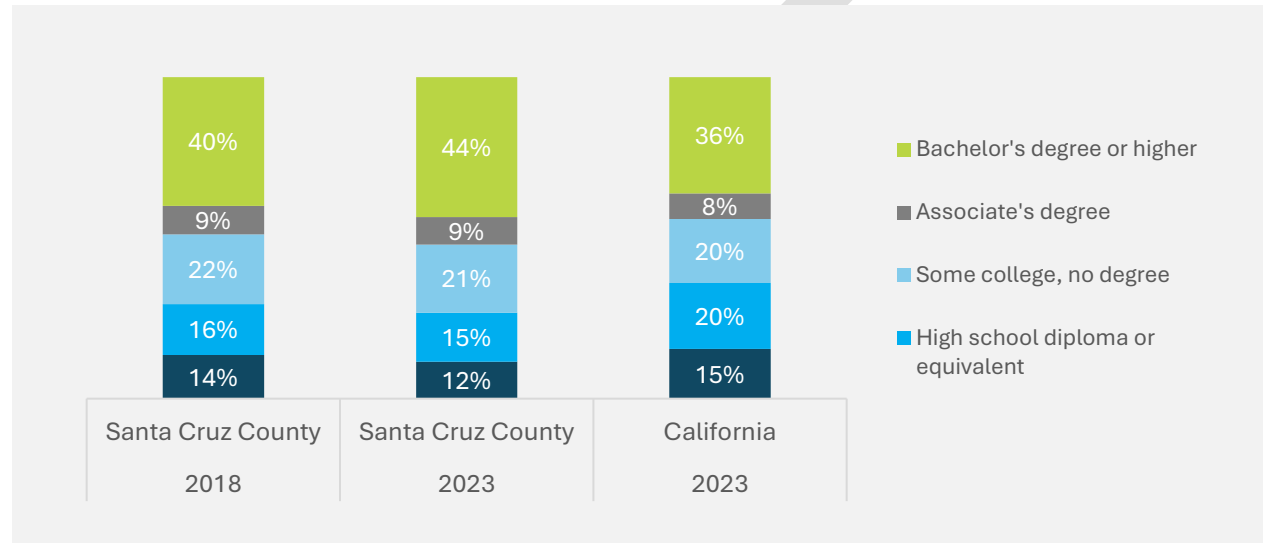
<sup>8</sup> JobsEQ 2024 Q2. Bureau of Labor Statistics. Quarterly Census of Employment and Wages (2024).

<sup>9</sup> JobsEQ 2024 Q2. Bureau of Labor Statistics. Quarterly Census of Employment and Wages (2024).

## Education

**Santa Cruz County residents are highly educated, with over half (53 percent) of residents holding an Associate's degree or higher as of 2023.** Additionally, the share of residents with a Bachelor's degree or higher increased by four percentage points from 2018 to 2023, reaching 44 percent in 2023 and greatly exceeding the California average of approximately one in three residents (36 percent) holding a Bachelor's degree or higher (Figure 5).

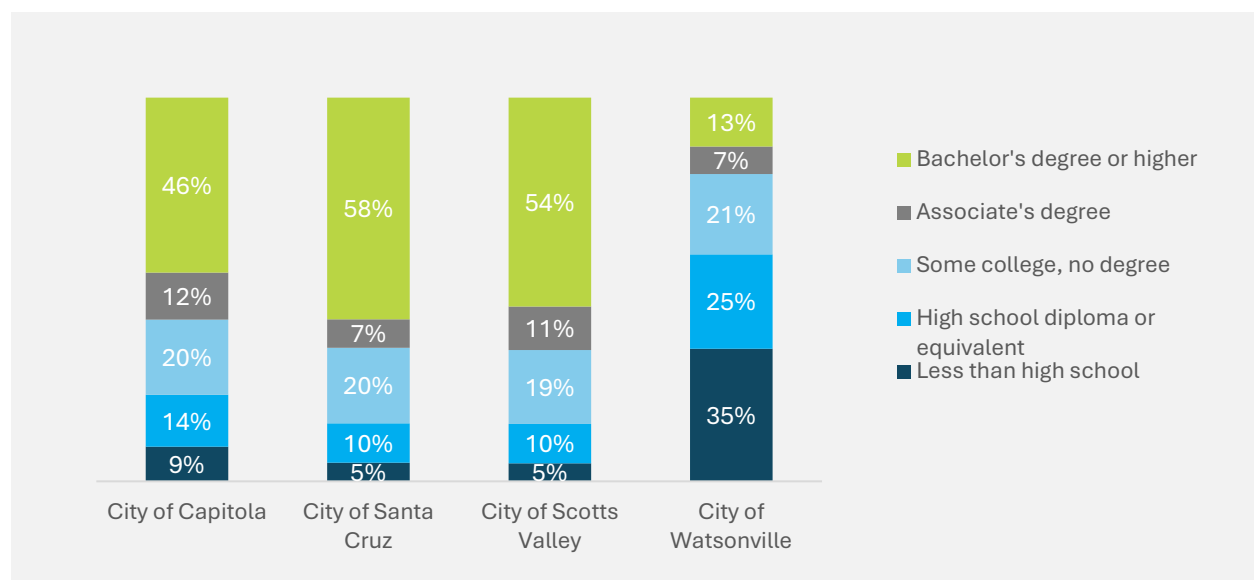
Figure 5. Educational Attainment of Populations Aged 25 and Older in Santa Cruz County and California (2018 – 2023)<sup>10</sup>



However, notable educational disparities exist across Santa Cruz County sub-regions. Residents of the Cities of Capitola, Santa Cruz, and Scotts Valley in North Santa Cruz possess much higher educational attainment than City of Watsonville residents in South Santa Cruz, with just one in five (20 percent) of City of Watsonville residents holding an Associate's degree or higher. In contrast, the proportion of North Santa Cruz residents holding an Associate's degree or higher ranges from 58 percent in the City of Capitola to 66 percent in the City of Scotts Valley (Figure 6).

<sup>10</sup> United States Census Bureau. American Community Survey 5-year Estimates (2018 – 2023).

Figure 6. Educational Attainment of Populations Aged 25 and Older by Sub-Region (2018 – 2023)<sup>11</sup>



While Santa Cruz County residents are more highly educated than California residents on average, representatives of local educational institutions warn that state budget cuts and new funding formulas for community colleges in 2025 have impacted hiring and budgets, posing a growing threat to the continued success of the education system.

Community college representatives believe that the county’s education system could be strengthened via new micro-certificate programs and programs granting academic recognition of existing skills, increased investments in career and technical education opportunities, streamlining of dual enrollment processes between local high schools and community colleges, and the creation of pathways to attract highly educated, underemployed “early empty nesters” back into the workforce.

## Income Distributions and Disparities

**Santa Cruz County households possess higher incomes than the state and national averages,** with over one in three county households (36 percent) having an income greater than \$150,000 in 2023, a share higher than in both California (31 percent) and the overall U.S. (22 percent) (Figure 7). However, when considering the county’s income distribution in conjunction with the region’s living wage of \$163,524 for 1 adult, 2 children, more than 64 percent of county households possess incomes below the living wage (Table 2).

**Significant sub-regional disparities exist within the county,** with approximately one in three City of Capitola and City of Watsonville households having a middle-wage income of \$50,000 to \$99,000, in contrast to the City of Santa Cruz and City of Scotts Valley, where over one in three of households have an income greater than \$150,000 (Figure 30).

<sup>11</sup> United States Census Bureau. American Community Survey 5-year Estimates (2023).

Figure 7. Annual Household Income Distribution in Santa Cruz County, California, and the U.S. (2023)<sup>12</sup>

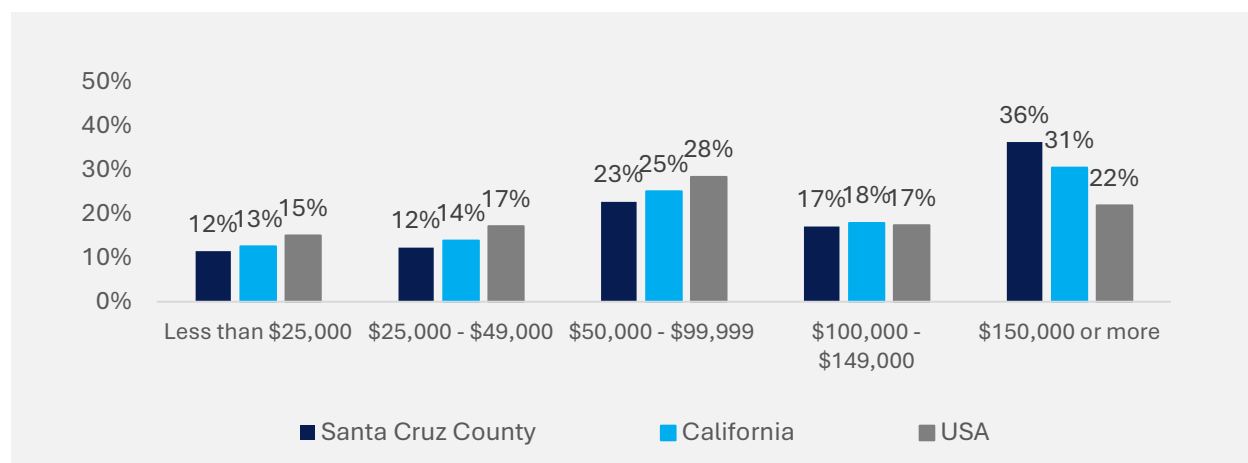


Table 2. Living Wage Determination by Family Size (2024)<sup>13</sup>

Family Size	Santa Cruz County Living Wage (Annual Salary)	California Living Wage (Annual Salary)
1 Adult & 2 Children	\$163,524	\$133,475
2 Adults (1 working) & 2 Children	\$133,433	\$106,401
2 Adults (both working) & 2 Children	\$86,778	\$71,868

## Homelessness

**Santa Cruz County's homeless represent an above average and rising share of the county's population, reflecting a high and growing cost of living.** While the county's homeless population declined by 14.6 percent from 2019 to 2024, in contrast to statewide and regional trends (Figure 8), homeless individuals represent approximately 0.7 percent of the county's total population as of 2024, compared to 0.5 percent in California and 0.2 percent nationally. The proportion of homeless individuals in Santa Cruz County with access to shelter slightly worsened during this period, decreasing two percentage points from 2019 to 2024 (Figure 9).

Nearly three in four (72.0 percent) homeless individuals reside in the City of Santa Cruz or the City of Watsonville, as of 2024, and just 5.1 percent of homeless individuals reside in the City of Capitola and City of Scotts Valley. The remaining individuals live in unincorporated areas (Figure 31).

<sup>12</sup> United States Census Bureau. American Community Survey 5-year Estimates (2023).

<sup>13</sup> MIT Living Wage Calculator (2024).



Figure 8. Homeless Population Change in Santa Cruz County, California, and the U.S. (2019 – 2024)<sup>14, 15</sup>

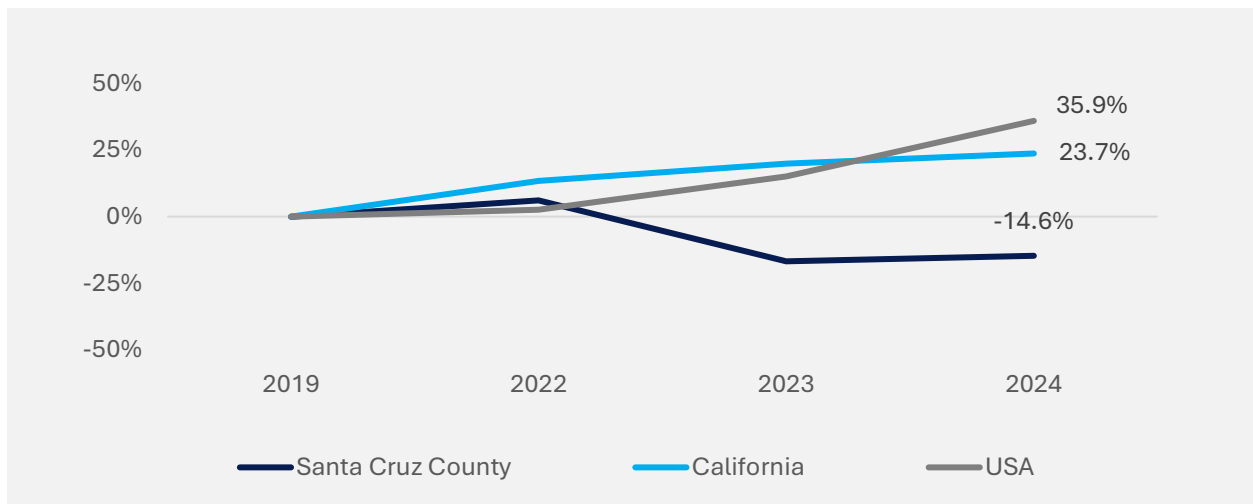
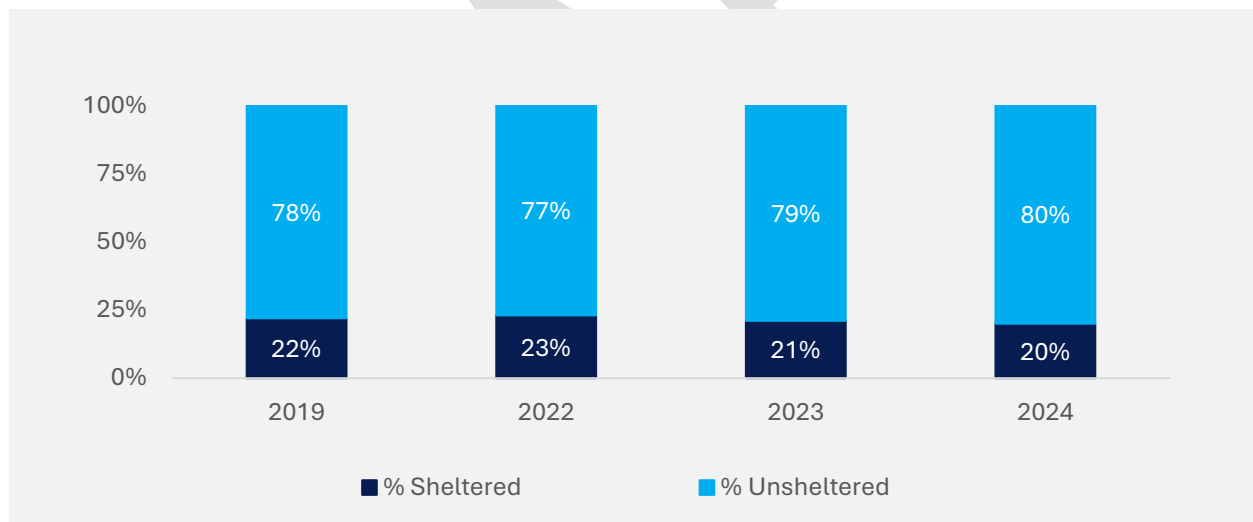


Figure 9. Homeless Population by Shelter Status (2019 – 2024)<sup>16</sup>



Homelessness emerged as one of the major concerns reported within the county stakeholder interviews, with stakeholders reporting that the “growing and visible” homeless population was causing out-migration of local businesses. Homelessness can have significant and long-lasting impacts on individuals and can also have broader economic consequences on the county as well.

<sup>14</sup> Santa Cruz County Housing for Health Partnership. Santa Cruz County Homelessness Point-in-Time Count & Report (2024) and U.S. Department of Housing and Urban Development. Annual Homeless Assessment Report (2019 – 2024).

<sup>15</sup> 2020 – 2021 data not collected by Santa Cruz County Housing for Health Partnership.

<sup>16</sup> Santa Cruz County Housing for Health Partnership. Santa Cruz County Homelessness Point-in-Time Count & Report (2024).

## Key Takeaways: People

Key trends related to the population and workforce of Santa Cruz County include:

- A high cost of living and a tight housing market make it difficult to afford living in Santa Cruz County and contribute to net migration, resulting in a **five-year net population decline**, above the statewide average.
- While Santa Cruz County residents are more highly educated than the statewide average, and earn higher incomes than the statewide average, there are **significant sub-regional disparities in wages and educational attainment**.
- County demographic patterns continue to shift, with a **growing senior population** and a **declining prime-working-age (25 to 54 year old) population**. The prime-working-age population represents a smaller share of the county's total population than the statewide average.

Economic development strategies aimed at addressing these challenges thus incorporate the following goals:

- **Educate and prepare students and workers for career pathways to higher-paying jobs** to help engage and retain potential jobseekers hailing from the county's high schools, Cabrillo College, and UC Santa Cruz, and help grow the share of the county's prime-working-age population.
- **Expand access to opportunity** to address subregional disparities in wages and educational attainment, fostering a more productive and innovative workforce and supporting resilience.

# Industry

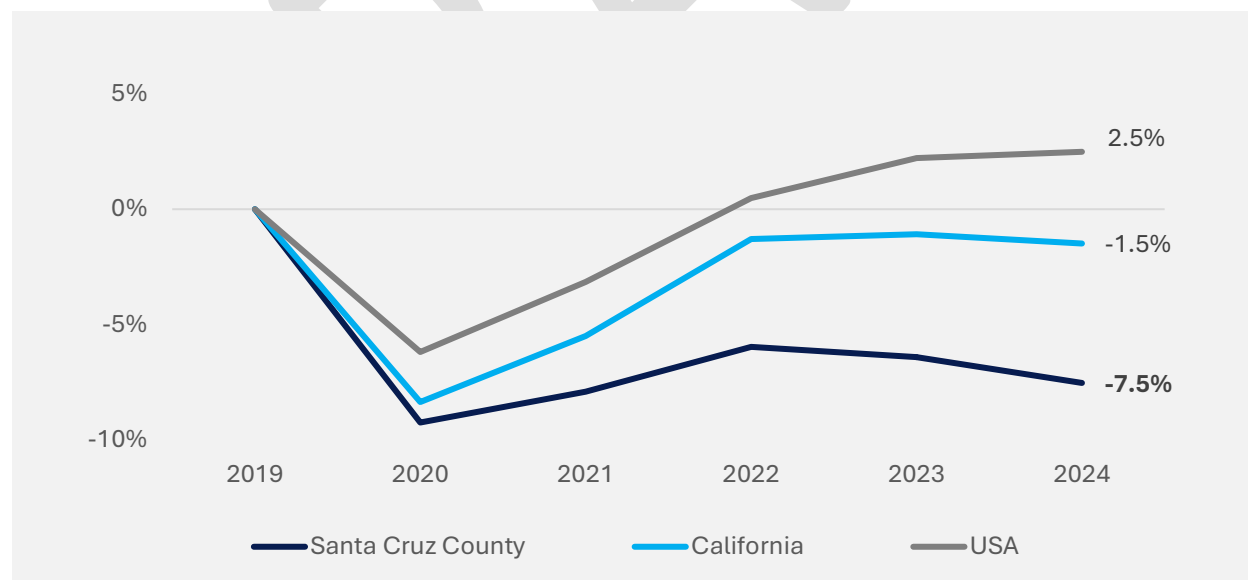
Assessing employment trends, industry clusters, job quality, and business expansion is vital to understanding the key forces shaping Santa Cruz County's economy. The indicators in this section shed light on past and present economic patterns, in addition to the potential drivers of future growth and resilience within the county.

Gaining a comprehensive understanding of the county's economy and industry drivers helps pinpoint its strengths, weaknesses, and areas of opportunity. Capitalizing on these strengths while responding to areas of weakness will be essential for fostering long-term regional prosperity and sustainable growth as well as enabling development in the areas of opportunity. This section provides a detailed overview of industry and employment outcomes through examining various economic indicators and their trends over the past 5 years.

## Employment

**Employment in Santa Cruz County has not recovered to pre-pandemic levels,** having declined by 7.5 percent from 2019 to 2024. California also experienced employment declines during this period, though similar to overall population patterns, this trend is exacerbated within Santa Cruz County (Figure 10).

Figure 10. Employment Change in Santa Cruz County, California, and the U.S. (2019 – 2024)<sup>17</sup>



<sup>17</sup> California EDD. Local Area Unemployment Statistics (2019 – 2024).

## Unemployment Rate

**Despite a shrinking population and worker supply, Santa Cruz County's unemployment rose to 6.3 percent in December 2024**, exceeding both state and national unemployment rates (Figure 11). However, examining unemployment rates at a sub-regional level reveals significant disparities between North and South Santa Cruz. The Cities of Capitola, Santa Cruz, and Scotts Valley in North Santa Cruz currently hold unemployment rates ranging between 3.1 and 4.3 percent, while in South Santa Cruz, the City of Watsonville's current unemployment rate is 13.6 percent, more than double the regional average (Table 3).

Figure 11. Unemployment Rate in Santa Cruz County, California, and the U.S. (2019 – 2024)<sup>18</sup>

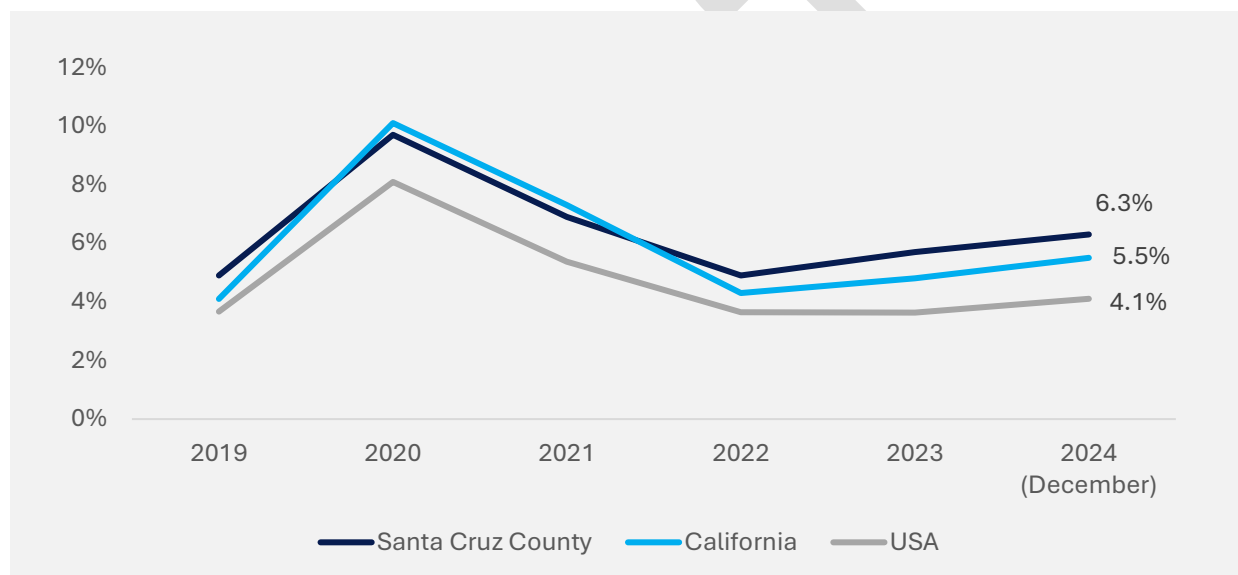


Table 3. Unemployment Rates by Sub-Region (December 2024)<sup>19</sup>

Sub-Region	Unemployment Rate (December 2024)
City of Capitola	3.1%
City of Santa Cruz	4.3%
City of Scotts Valley	3.4%
City of Watsonville	13.6%

## Employment Growth Within Industry Clusters

The following section outlines the 17 industry clusters in Santa Cruz County, categorized by worker earnings. High-wage clusters offer an average annual wage of more than \$75,000 and represent approximately one in five (19.1 percent) county jobs, while mid-wage clusters provide annual wages

<sup>18</sup> California EDD. Local Area Unemployment Statistics (2019 – 2024).

<sup>19</sup> California EDD. Monthly Labor Force Data (December 2024).

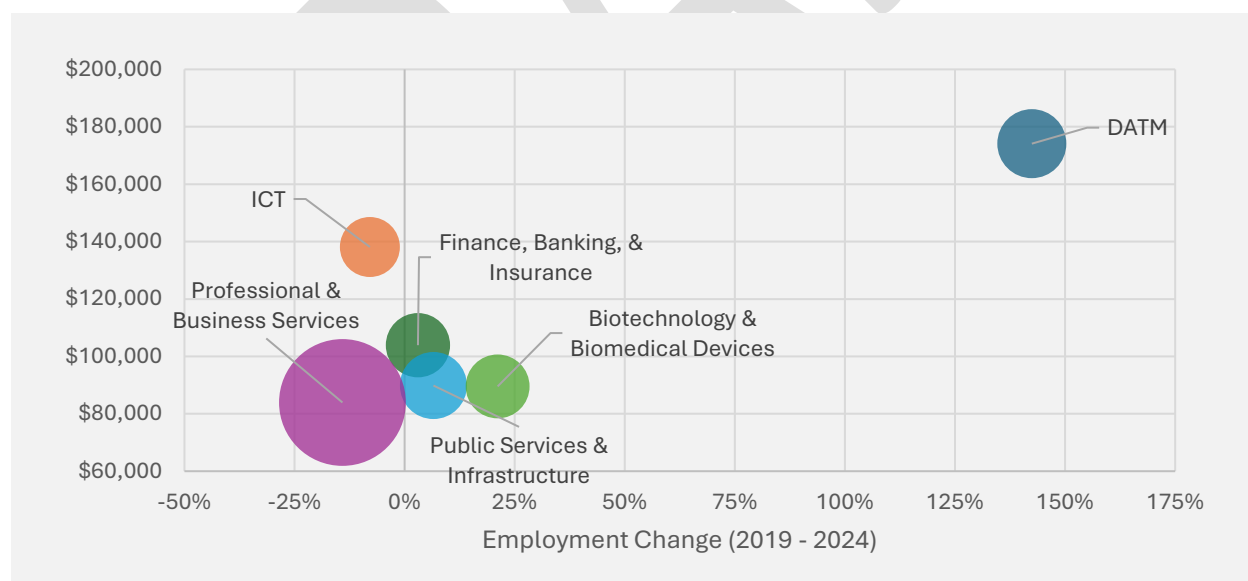
of \$50,000 to \$74,999 and represent roughly half (47.6 percent) of total county jobs. Low-wage industry clusters offer an average annual salary of less than \$50,000 and represent one in three (33.4 percent) county jobs.

**Together, these 17 clusters provide a comprehensive picture of the region’s economic drivers to inform county stakeholders of where to focus economic and workforce development efforts.** Ensuring that all clusters can collaborate and innovate with one another, while bolstering expansion in high-wage industries and accessibility to jobs in those industries, are key strategies for economic success in the county.

**The county’s highest-earning industry clusters exhibited strong growth from 2019 to 2024,** except for the Information, Communications, and Technology (ICT) and Professional and Business Services industry clusters (Figure 12). The county’s highest-paying industry cluster, the Defense, Aerospace, and Transportation Manufacturing (DATM) cluster, experienced exceptional employment growth of 142.4 percent from 2019 to 2024.

**While only accounting for 2.4 percent of overall county employment as of 2024, the DATM cluster’s robust historical growth trends and growing industry presence underscore its importance as a key economic driver for the region.** County stakeholders cited local companies such as Joby Aviation and Zero Motorcycles as significant sources of employment and innovation.

Figure 12. Highest-Earning Industry Clusters in Santa Cruz County (2019 – 2024)<sup>20</sup>



**The county’s mid-earning industry clusters exhibited mixed growth from 2019 to 2024.**

Logistics, the fastest-growing mid-earning industry cluster, experienced 12.2 percent employment growth from 2019 to 2024, while Healthcare, the county’s largest employer overall, experienced 9.7

<sup>20</sup> Bureau of Labor Statistics. Quarterly Census of Employment and Wages (2024).

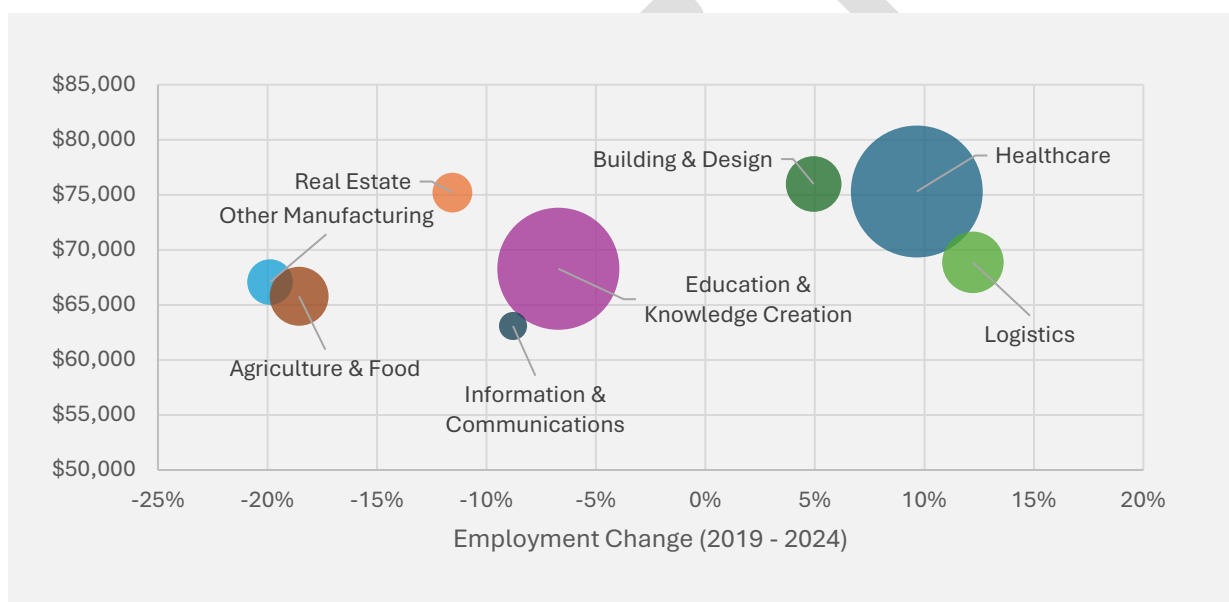


percent growth during the same period. In contrast, Education and Knowledge Creation, the county's third-largest employer, experienced a 6.7 percent employment decline (Figure 13).

County leaders within the Healthcare industry report a widespread and growing shortage of local healthcare workers following the recent Kaiser expansion, with the physician shortage forcing local Healthcare employers to expand recruitment efforts outside the county. Physician shortages also compel some residents to drive long distances for healthcare.

Healthcare staffing shortages are reportedly exacerbated by an aging physician population, long waitlists for nurse training programs at local community colleges, and rising demand for healthcare services from a growing senior population.

Figure 13. Middle-Earning Industry Clusters in Santa Cruz County (2019 – 2024)<sup>21</sup>



**The county's three lowest-paying industry clusters – Tourism, Hospitality, and Recreation; Retail; and Other Services – all experienced employment declines from 2019 to 2024.** The Tourism, Hospitality, and Recreation industry, which encapsulates sub-industries such as lodging and full-service restaurants and is the county's second-largest employer, has yet to recover to pre-pandemic activity levels, facing a 5.4 percent employment decline from 2019 to 2024.

Retail, another large employer in the county, experienced a 9.3 percent employment decline over the same period (Figure 14). Shifts towards online consumer spending and shopping preferences, catalyzed by the pandemic, have continued to drive declines in the county's Retail industry, which experienced a 2.0 percent employment decline from 2023 to 2024 alone.

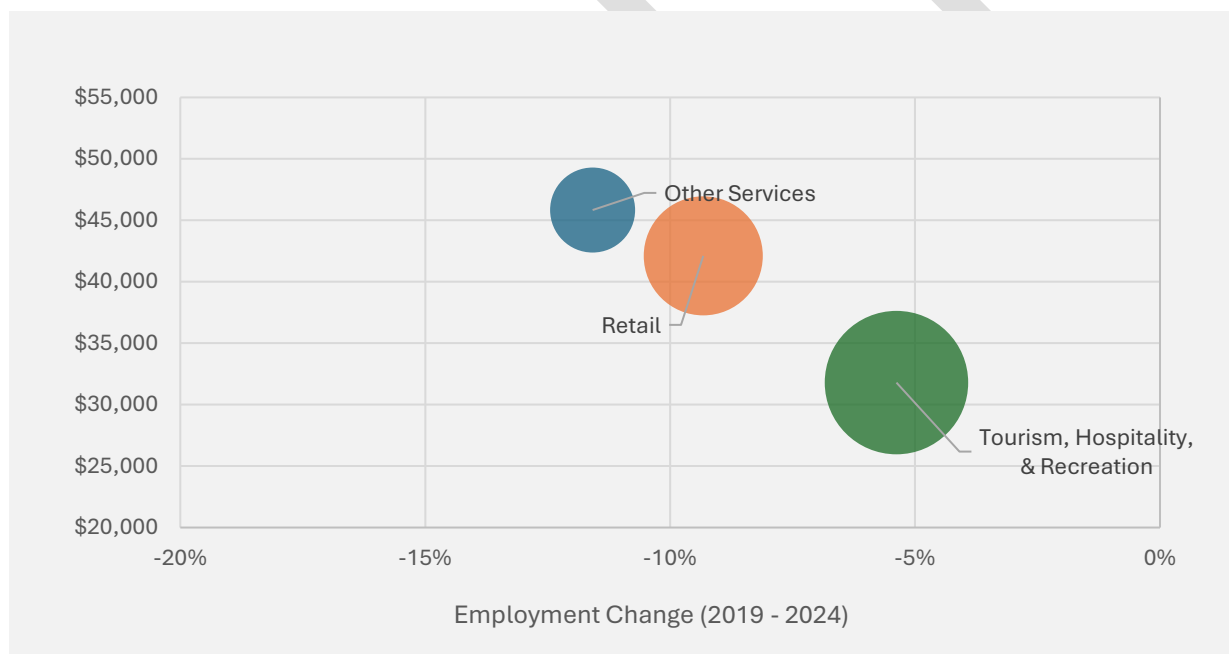
The future of the Retail industry in Santa Cruz County remains uncertain. Rising retail vacancies suggest a permanent shift in consumption patterns, and demographic changes (the decrease in the

<sup>21</sup> Bureau of Labor Statistics. Quarterly Census of Employment and Wages (2024).

share of prime working-age adults, coupled with the increase in the share of seniors) portend a sustained drop in consumer spending on retail goods over the next several years as the population continues to age. However, initiatives such as the City of Santa Cruz’s pop-up shops program and various storefront activation projects have been implemented to attract businesses and foot traffic, and various infrastructure projects are in the works, which can be interpreted as signs of adaptation and resilience within the county’s Retail sector.

Leaders within the Hospitality industry believed that high gas prices and exchange rates were eroding Santa Cruz County’s market share relative to other travel destinations, and reported difficulties in hiring and retaining qualified staff, given the high cost of living in Santa Cruz County. However, Hospitality business leaders believed that growth opportunities exist via the creation and promotion of more authentic travel experiences focused on sustainability and Santa Cruz County’s unique cultural assets, such as its local art and cuisine.

Figure 14. Lowest-Earning Industry Clusters in Santa Cruz County (2019 – 2024)<sup>22</sup>



<sup>22</sup> Bureau of Labor Statistics. Quarterly Census of Employment and Wages (2024).

## Job Quality

Job quality – which is typically measured in tiers – serves as a crucial measure of a region's economic vitality and residents' quality of life. For instance, if a region has many jobs, but most of those jobs pay less than a sustainable wage, workers will struggle to live and work in the region.

Table 4. Job Quality Tier Definitions<sup>23, 24</sup>

Tier 1	Tier 2	Tier 3
Tier 1 occupations are typically the highest-paying, highest-skilled occupations in the economy. These include managerial positions (e.g., Sales Managers), professional positions (e.g., Lawyers), and highly skilled technology occupations, such as engineers, scientists, and computer programmers.	Tier 2 occupations are typically middle-wage, middle-skill occupations. These occupations include office and administrative positions (e.g., Accounting Clerks and Secretaries), manufacturing operations, and production positions (e.g., Electricians, Machinists).	Tier 3 occupations are typically the lowest-paying, lowest-skilled occupations and tend to account for the largest share of jobs in the County. These occupations include food service and retail jobs, building and grounds cleaning positions, and personal care positions.
<b>\$124,700</b> Average Annual Salary <b>\$59.95</b> Average Hourly Wage	<b>\$74,400</b> Average Annual Salary <b>\$35.77</b> Average Hourly Wage	<b>\$48,700</b> Average Annual Salary <b>\$23.41</b> Average Hourly Wage

**Job quality has slightly improved relative to pre-pandemic levels, with approximately one in five (19.8 percent) jobs in Santa Cruz County falling into the highest-paying, highest-skilled Tier 1 classification**, compared to 19.5 percent in 2019 (Figure 15). However, the county holds a higher share of Tier 3 jobs than the state and the nation overall, as of 2024 (Figure 16).

<sup>23</sup> Tiers do not include all U.S. Bureau of Labor Statistics' SOC codes and therefore may not sum up to total County and statewide employment.

<sup>24</sup> Median annual salary and average hourly wage from JobsEQ 2024 Q2. Bureau of Labor Statistics. Quarterly Census of Employment and Wages (2024).

Figure 15. Job Quality by Tier in Santa Cruz County (2019 – 2024)<sup>25</sup>

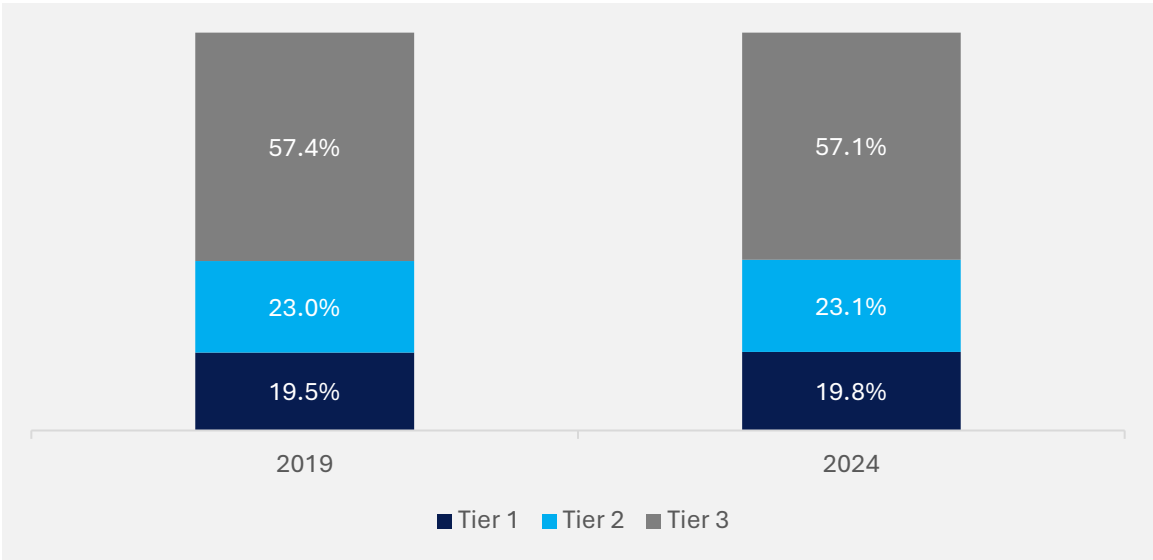
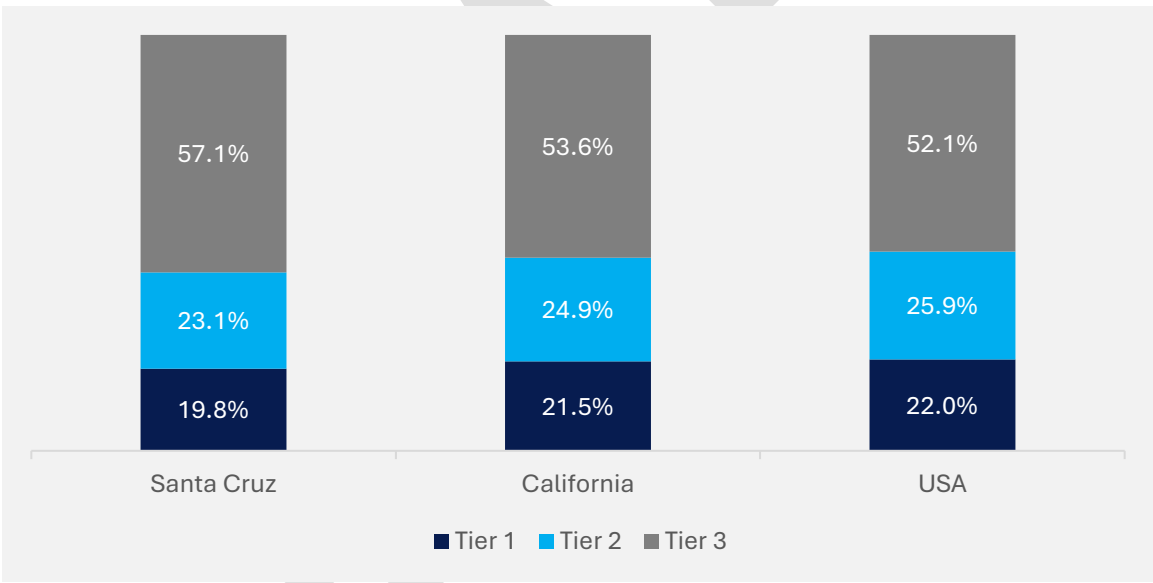


Figure 16. Job Quality by Tier in Santa Cruz County, California, and the U.S. (2024)<sup>26</sup>



Business Birthrates and Death Rates

The number of large businesses in Santa Cruz County has grown faster than the statewide average, and this growth outpaced that of small and medium-sized businesses in the county, according to the most recent estimates available from the U.S. Census Bureau. However, growth of small business quantities in the county, a crucial measure of entrepreneurial activity and overall economic resilience, is significantly lower than the statewide average. The number of small businesses in Santa Cruz County, or businesses that have fewer than 10 employees, grew by only

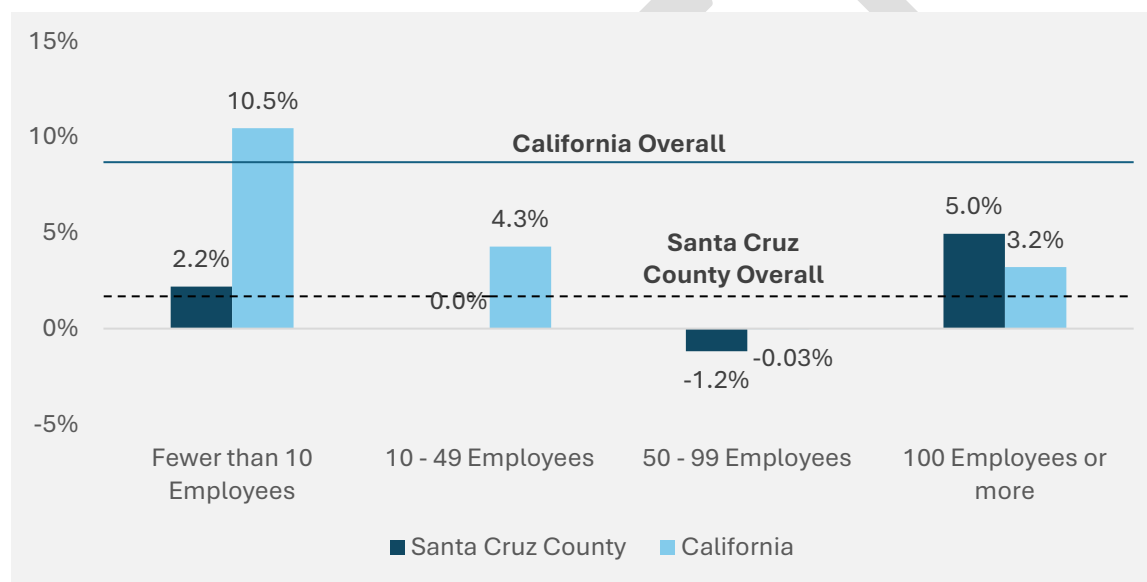
<sup>25</sup> JobsEQ 2024 Q2. Bureau of Labor Statistics. Quarterly Census of Employment and Wages (2019 – 2024).

<sup>26</sup> JobsEQ 2024 Q2. Bureau of Labor Statistics. Quarterly Census of Employment and Wages (2024).

2.2 percent from 2017 to 2022, in contrast to 10.5 percent growth in the overall state. Additionally, over the same period, the county has seen a net decrease of 1.2 percent in the number of medium-sized businesses, or those with 10 to 99 employees (Figure 17).

**Supporting continued growth in the county’s business community, particularly for small businesses, can help foster entrepreneurial activity and innovation, improving wage outcomes for the county’s workers and residents.** County stakeholders reported that one of the primary barriers for startups was a lack of sufficient access to venture capital for entrepreneurs. Secondary barriers included onerous regulatory and licensing requirements, lack of available space for commercial development, and the difficulty of hiring and retaining qualified staff given the high cost of living in the county.

Figure 17. Establishment Growth by Establishment Size in Santa Cruz County and California (2017 – 2022)<sup>27</sup>



<sup>27</sup> U.S. Census Bureau. County Business Patterns (2017 – 2022).

## Key Takeaways: Industry

Employers and employees face the following key challenges associated with operating and working in Santa Cruz County:

- Despite a shrinking population and worker supply, the county's **unemployment rate** has continued to rise, exceeding statewide and national averages in December 2024. Significant disparities in unemployment rates also exist across the county's subregions.
- County **job quality** is lower than the statewide and national averages, with a larger share of employment concentrated in lower-paying, lower-skill Tier 3 jobs.

However, the county's Defense, Aerospace, and Transportation Manufacturing (DATM) industry cluster, its highest-paying industry cluster, has exhibited exceptional employment growth over the last five years, largely due to the growth of Joby Aviation and related firms.

Economic development strategies aimed at addressing industry-based challenges this incorporate the following goals:

- **Support entrepreneurship** to create jobs in the county and stimulate reinvestment, driving economic activity and job growth.
- **Help grow innovative sectors** by linking innovators and researchers in the county to nearby resources in Silicon Valley, allowing the county to take advantage of its proximity to a wealth of seed and venture capital funding and tech talent while developing its internal capacity for growth.

Supporting entrepreneurship and innovation can create **higher-quality jobs** that will be more attractive to potential jobseekers.

## Place

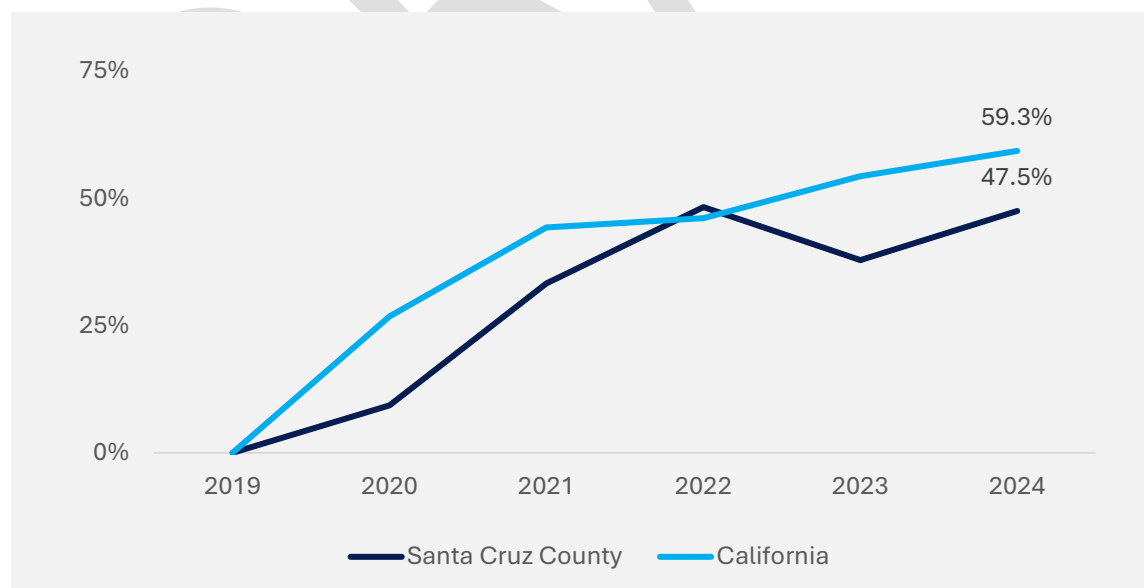
Santa Cruz County has a reputation of being a beautiful place to live, work, and play. Maintaining the high quality of life and upholding the region's appeal requires investments to improve housing access, commercial real estate availability, and transportation and telecommunications infrastructure. Studying the key metrics and emerging trends in the county's residential and commercial real estate markets, in addition to the ability for residents to connect and travel throughout the region, informs County policymakers and stakeholders of the support areas needed to drive continued economic growth.

### Housing

**Housing costs, availability, and access represent three significant challenges to countywide economic development.** Median home prices in Santa Cruz County have surged by 47.5 percent over the last five years, reaching \$1.3 million in 2024, though is outpaced by median home price increases in the overall state during this period (Figure 18). By the end of 2024, the average monthly rent in the county was \$3,345, or \$40,140 a year, 36.3 percent of the average income of Santa Cruz County residents.

This trend in median home prices has significantly decreased the proportion of county residents who can afford to purchase an entry-level home,<sup>28</sup> which dropped from approximately one in three (37 percent) residents in 2019 to just one in five (21 percent) residents in 2024 (Figure 19).

Figure 18. Median Home Price Growth in Santa Cruz County and California (2019 – 2024)<sup>29</sup>

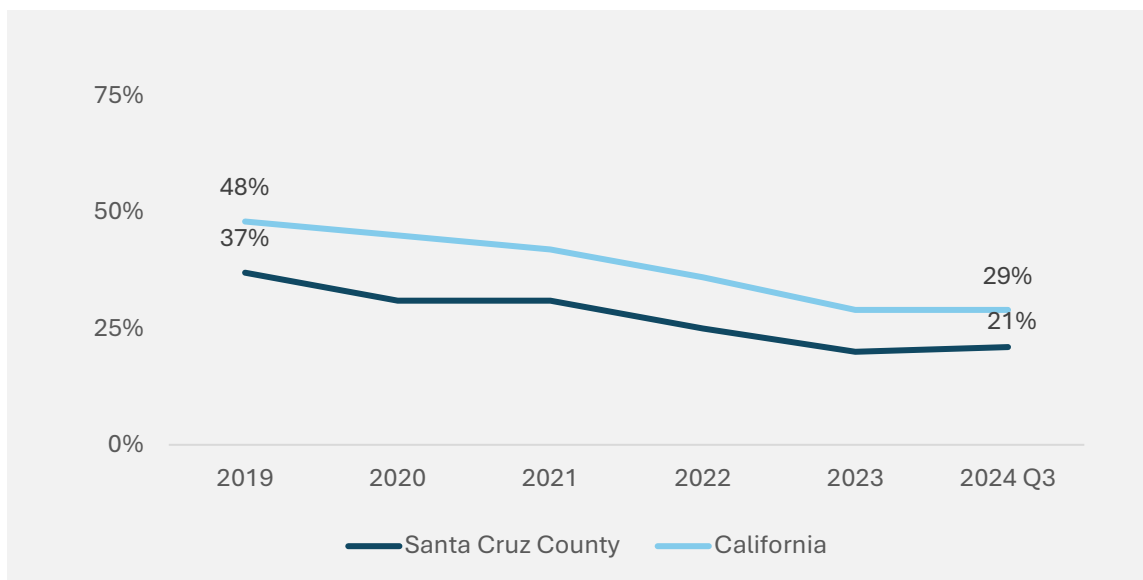


<sup>28</sup> An “entry-level home” is assumed as a home with a price equal to 85 percent of the current median-priced home.

<sup>29</sup> California Association of Realtors Historical Housing Data (2019 – 2024).

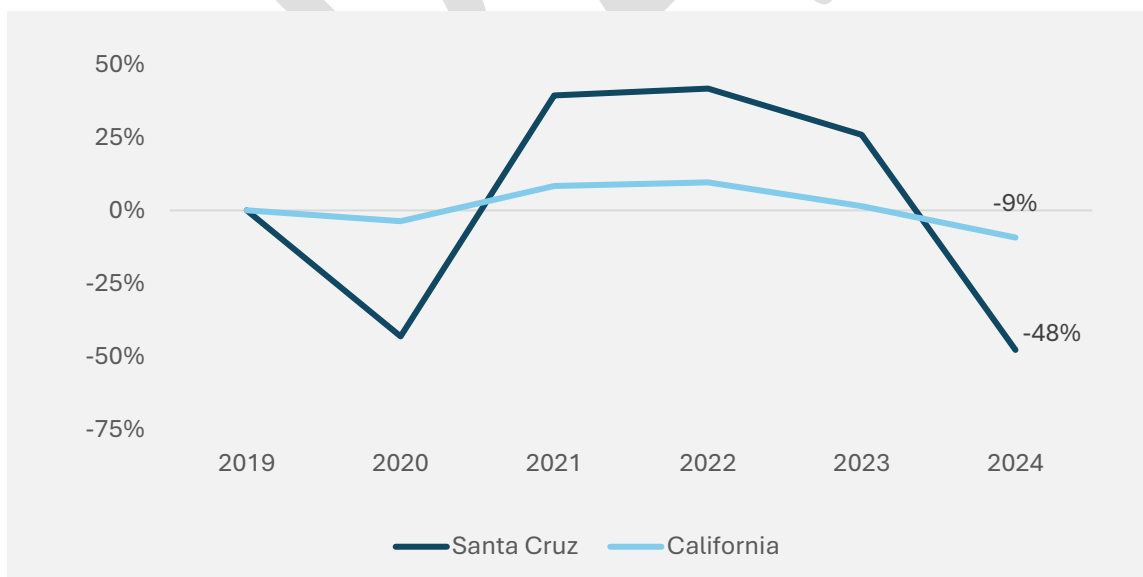


Figure 19. Percentage of Households Who Can Afford to Purchase an Entry-Level Home (2019 – 2024)<sup>30, 31</sup>



While the overall state has experienced similar declines in housing prices and affordability, these trends are more pronounced in Santa Cruz County, likely largely attributable to the sharp decline in new housing supply. Housing unit building permit issuances in the county dropped 48 percent between 2019 and 2024, compared to just a 9 percent drop in the overall state (Figure 20).

Figure 20. New Housing Unit Building Permit Issuance Change in Santa Cruz County and California (2019 – 2024)<sup>32</sup>



<sup>30</sup> California Association of Realtors. First-Time Buyer Housing Affordability Index (2019 – 2024).

<sup>31</sup> An “entry-level home” is assumed as a home with a price equal to 85 percent of the current median-priced home.

<sup>32</sup> U.S. Census Bureau. Building Permits Survey (2019 – 2024).

**The approval of Proposition 19<sup>33</sup> in 2020**, which expanded qualifying homeowners’ ability to transfer the assessed value of a current property to a replacement property, thus allowing the qualified homeowners to move to new homes without incurring higher property taxes, **resulted in a total of 741 base year value transfers from 2020 to 2024. Of these transfers, the largest share (39.9 percent) were transfers to properties *outside* of the county, while 33.9 percent were transfers from outside into properties *in* the county**, representing a net increase in the number of available properties in Santa Cruz County from 2020 to 2024 (Table 5). With this Proposition, homeowners had greater flexibility to increase their wellbeing by moving closer to family, medical facilities, or education opportunities, downsizing, or finding a more suitable home, for instance.

Additionally, the Santa Cruz County Assessor – Recorder’s Office estimates that over half (57 percent) of base year value transfers into the county originate from nearby Santa Clara, representing approximately 143 households that moved from Santa Clara County to Santa Cruz County from 2020 to 2024.

*Table 5. Proposition 19 Base Year Value Transfers in Santa Cruz County (2020 – 2024)<sup>34</sup>*

Transfer Type	2020-22 <sup>35</sup>	2022-23	2023-24	Total	% of Total
Into Santa Cruz County	80	97	74	251	33.9%
Within Santa Cruz County	80	58	56	194	26.2%
Out of Santa Cruz County	149	56	91	296	39.9%
Total	309	211	221	741	-

**To alleviate housing constraints in the county, there are numerous affordable housing and mixed-use developments either currently under construction or awaiting development.** A list of key projects incorporating affordable housing elements are included in Table 6, though it is not an exhaustive list of all current or planned projects with affordable housing in Santa Cruz County. In this selective list, the projects are expected to generate over 300 new housing units within the next year and almost 400 new units soon after, depending on when the projects currently awaiting development begin construction.

<sup>33</sup> The Home Protection for Seniors, Severely Disabled, Families and Victims of Wildfire or Natural Disasters Act. Proposition 19 (Prop 19) resulted in significant changes to property tax law in two distinct areas: Intergenerational Transfers (benefits narrowed) and Base Year Value Transfers (benefits expanded).

<sup>34</sup> Santa Cruz County. Assessor – Recorder 2024 Annual Report (2024).

<sup>35</sup> The initial reporting period is 15 months long, from the effective date 4/1/2021 through 6/30/2022.

Table 6. Affordable and Mixed-Use Housing Developments in Santa Cruz County (2025)<sup>36</sup>

Project Name	Description	Number of Housing Units	Commercial Square Footage	Status	Expected Completion Date
<b>Pacific Station North</b>	7-story Metro Station building with residential, commercial, and office space, including a SCMTD ticketing station and office.	126	6,139	Under Construction	Early 2026
<b>Pacific Station South</b>	7-story building that consists of ground-floor commercial and residential amenity space, a second-floor medical clinic, and seventy residential apartments on the upper five stories.	70	15,665	Under Construction	Tenant Occupancy starting late 2024
<b>Santa Cruz Downtown Library &amp; Affordable Housing Project</b>	2-story library building adjacent to 5 stories of affordable housing, on 3 stories of parking (with EV charging stations).	124	9,598	Approved, Awaiting Development	TBD
<b>130 Center Street (Calypso)</b>	Connecting downtown Santa Cruz and the Boardwalk, this 6-story development includes housing units atop street-level food and retail.	264	N/A (residential only)	Approved, Awaiting Development	TBD
<b>314 Jessie Street</b>	4-story affordable housing complex for people with disabilities.	50	N/A (residential only)	Under Construction	Early 2025
<b>415 Natural Bridges Drive</b>	20 affordable housing units owned by the Housing Authority of the County of Santa Cruz	20	N/A (residential only)	Completed	Late 2024
<b>Aptos Village Phase 2</b>	29 homes were under construction next to 141 Aptos Village Way in Aptos in June 2024, with more units under construction.	29	N/A (residential only)	Under Construction	Early 2025
<b>The Bluffs at 44<sup>th</sup></b>	35 affordable homes in Capitola, developed by CRP Affordable Housing & Community Development.	36	N/A (residential only)	Under Construction	Late 2025

In addition, the City of Santa Cruz's Downtown Plan Expansion project seeks to amend the City's Downtown Plan to incorporate the South of Laurel area to create space for future multi-family

<sup>36</sup> Choose Santa Cruz and City of Santa Cruz Current Planning Division (2025).

housing and commercial development. In addition to a new sports arena, public amenities such as parks and community use spaces, and improvements to pedestrian access, the Downtown Expansion Plan creates the opportunity to build up to 1,600 potential future housing units and up to 60,000 sq. ft. of potential commercial space.

The City recently released the Draft Environmental Impact Report (DEIR) for the Downtown Plan Expansion for public review and comment in January 2025.<sup>37</sup>

## Commercial Real Estate

**Access and availability in commercial real estate markets drive business expansion and operational capacity.** Given recent developments and trends in remote working policies, with companies such as Amazon<sup>38</sup> and Dell<sup>39</sup> issuing return-to-office directives for all employees with fully remote or hybrid work arrangements, demand for commercial real estate may increase through 2025 and beyond.

According to the most recent estimates available from CoStar,<sup>40</sup> **Santa Cruz County's commercial real estate market has outperformed other regional markets in office space utilization, with county office space vacancy rates averaging just 9.5 percent in 2025**, compared to 21.8 percent vacancy in neighboring Silicon Valley<sup>41</sup> and 34.2 percent in the San Francisco metropolitan area as of 2024.<sup>42</sup>

**The county's relatively high office space utilization rates will likely complicate return-to-office initiatives and constrain future firm expansion efforts in the region**, especially when considering that nearly one in five (17.6 percent) county residents worked remotely in 2023.<sup>43</sup> However, the mixed-use developments identified in

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<sup>37</sup> Santa Cruz Downtown Plan Expansion: Draft Subsequent EIR (2025).

<sup>38</sup> Amazon. Message from CEO Andy Jassy: Strengthening our culture and teams (2025).

<sup>39</sup> Business Insider. Read Dell's memo 'retiring' hybrid work and calling workers back to the office 5 days a week (2025).

<sup>40</sup> CoStar. Santa Cruz County Commercial Office Space Analytic (2025).

<sup>41</sup> Joint Venture Silicon Valley (JVS). Silicon Valley Commercial Space Report (Q3 2024).

<sup>42</sup> Cushman and Wakefield. Marketbeat San Francisco, Office (Q4 2024).

<sup>43</sup> United States Census Bureau. American Community Survey 5-year Estimates (2023).

Table 6 will add nearly 32,000 square feet of commercial office space in the next 2 years, providing much-needed real estate availability for firms to grow and expand further in Santa Cruz County. The county is also home to numerous coworking and satellite office spaces, such as Cruzioworks<sup>44</sup> and LiquidSpace<sup>45</sup>, which will be crucial in supporting firms' return-to-office initiatives and meeting resident needs.

**In contrast, county retail vacancy rates have increased notably, reaching 4.7 percent in 2025, as compared to vacancy rates of 2.5 to 3.0 percent in 2019.**<sup>46</sup> To further encourage brick-and-mortar retail presence in the area and respond to COVID-19 pandemic impacts, the City developed the Downtown Pops! pilot program, an innovative financing and cost sharing mechanism in which potential retail tenants pay a portion of sales revenue in rent, rather than a fixed lease; if the tenant does not meet a certain revenue threshold, the City supplements the remaining rent cost for that month.<sup>47</sup> The City is considering expanding the scope of this response program to provide retailers with greater support as pandemic recovery efforts continue.

*The county's four Opportunity Zones<sup>48</sup> offer incentives to spur greater investments in the county's commercial real estate markets. Located in the City of Santa Cruz's downtown area and the City of Capitola, the county's Opportunity Zones are designated as economically distressed areas where investors can receive special tax benefits for funding projects that generate a majority of its revenue from business activities occurring within the Opportunity Zone (*

Figure 21). By investing in real estate, businesses, or infrastructure within these zones through a Qualified Opportunity Fund,<sup>49</sup> investors can defer, reduce, or even eliminate certain capital gains taxes on these investments. The program, created through the Tax Cuts and Jobs Act of 2017, aims to boost economic growth and infrastructure development without the need for direct government spending.

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<sup>44</sup> Downtown Santa Cruz. Cruzioworks (2025).

<sup>45</sup> LiquidSpace. Find Santa Cruz Office Space (2025).

<sup>46</sup> CoStar. Santa Cruz County Commercial Retail Space Analytic (2025).

<sup>47</sup> More details about the Downtown Pops! pilot program are available from Choose Santa Cruz.

<sup>48</sup> Internal Revenue Service (IRS). Business Credits and Deductions, Opportunity Zones (2024).

<sup>49</sup> A Qualified Opportunity Fund (QOF) is an investment vehicle that is organized as a corporation or partnership for the purpose of investing in Qualified Opportunity Zone property (other than another QOF). Additional details on QOFs are available from the IRS.

Figure 21. Opportunity Zones in Santa Cruz County<sup>50</sup>



## Connectivity and Internet Access

**Internet access is crucial for providing residents with access to economic and educational opportunities**, especially given the increased prevalence of distance learning and remote working options following the pandemic. While significant progress has been made to expand broadband infrastructure – 93.7 percent of Santa Cruz County households had internet access in 2023, compared to 86.7 percent in 2018 – disparities in access remain. **Nearly one in five (17.3 percent) households with annual incomes of less than \$20,000 in the county lack Internet access**, compared to just 3.1 percent of households with annual incomes of \$75,000 or more (Figure 22).

**Additional disparities in internet access exist between the county’s least educated and most educated households.** Almost all (96.7 percent) households in which the head of household has attained a Bachelor’s degree or higher have internet access, compared to 88.3 percent of households in which their head of household holds less than a high school diploma (Figure 23).

<sup>50</sup> Internal Revenue Service (IRS). Business Credits and Deductions, Opportunity Zones (2024).

Despite these proportions shrinking in the last 5 years (Figure 32), Santa Cruz County must continue its efforts to close this access gap to further encourage economic growth among the county's lowest-paid and lowest-educated households.

Figure 22. Internet Access by Household Income in Santa Cruz County (2023)<sup>51</sup>

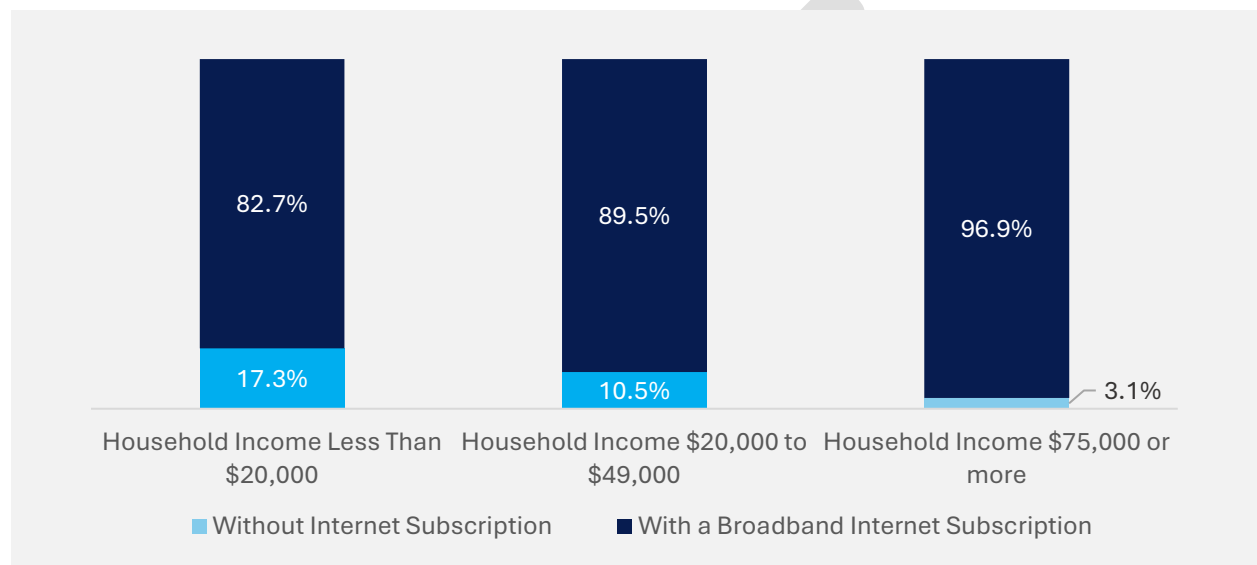
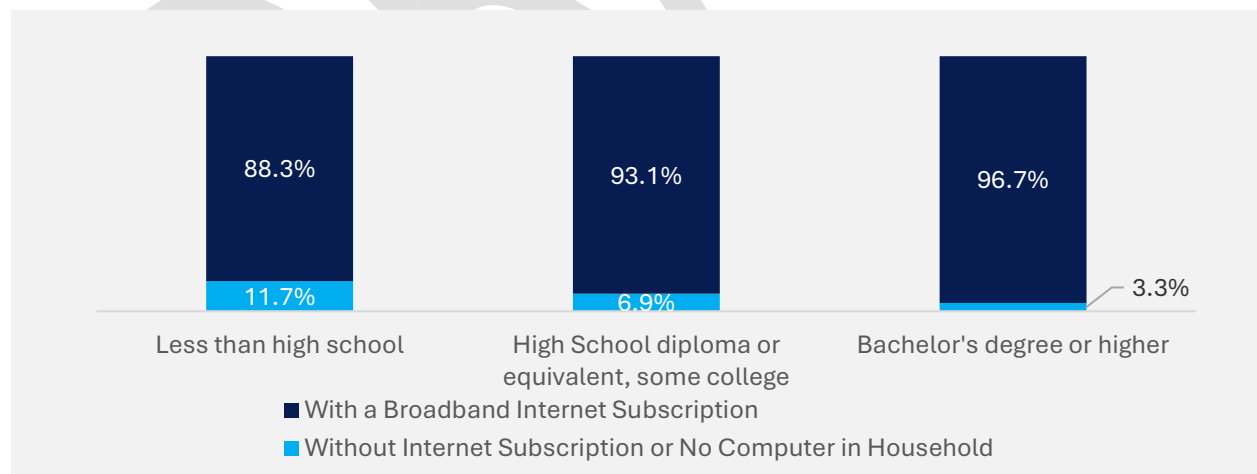


Figure 23. Internet Access by Educational Attainment of Households Aged 25 and Older (2023)<sup>52</sup>



**The County's Broadband Strategic Master Plan<sup>53</sup> provides a roadmap for closing these disparities and strengthening connectivity and internet access for all residents.** The Strategic

<sup>51</sup> United States Census Bureau. American Community Survey 5-year Estimates (2023).

<sup>52</sup> United States Census Bureau. American Community Survey 5-year Estimates (2023).

<sup>53</sup> County of Santa Cruz. Broadband Strategic Master Plan (2024).



Master Plan, released in early 2024, identifies key connectivity gaps in county sub-regions and provides recommendations on public funding streams and partnerships with private internet service providers the County can pursue to provide a strong and resilient internet grid. Numerous broadband expansion and enhancement projects are currently underway, including the CRUZIO – ARPA project, CASF Equal Access Summits to the Sea (EAS2C), and California Middle Mile.<sup>54</sup>

## Commuting Patterns

**County-wide commute times decreased by 1.5 percent between 2018 and 2023**, likely driven by the substantial increase in remote work opportunities during this period (Figure 24). Nearly one in five (17.6 percent) county residents worked remotely in 2023, more than double the share of residents that worked remotely in 2018 (7.7 percent).<sup>55</sup>

While the City of Santa Cruz currently holds the lowest average commute time of 22.7 minutes among the county’s sub-regions (

Table 7), the City of Scotts Valley saw the greatest decrease in commute times (-15.4 percent) from 2018 to 2023. However, average commute times in the City of Capitola and the City of Watsonville increased by 2.0 percent and 8.5 percent during this period, respectively (Figure 25). It is also noteworthy that over 18,000 workers commute to Santa Cruz County from surrounding regions, while over 29,000 Santa Cruz residents commute to other counties (Figure 4).<sup>56</sup>

To enhance county-wide commuting outcomes, the County is currently pursuing several transportation infrastructure development and enhancement efforts, including the City of Santa Cruz’s Murray Street Bridge retrofit project<sup>57</sup>, the County’s Coastal Rail Trail project,<sup>58</sup> and numerous road resurfacing initiatives.<sup>59</sup> The County’s Regional Transportation Commission is also actively exploring the feasibility of developing passenger rail lines that provide alternative transportation options, both within the county itself and across the greater Northern California region.<sup>60</sup>

*Figure 24. Change in Average Commute Times in Santa Cruz County, California, and the U.S. (2019 – 2023)<sup>61</sup>*

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<sup>54</sup> County of Santa Cruz. Broadband Projects (2024).

<sup>55</sup> United States Census Bureau. American Community Survey 5-year Estimates (2023).

<sup>56</sup> California EDD. Santa Cruz County to County Commuting Estimates (2024).

<sup>57</sup> City of Santa Cruz. Murray Street Bridge Seismic Retrofit and Barrier Rail Project (2024).

<sup>58</sup> County of Santa Cruz. Coastal Rail Trail Segments 10 and 11 Project (2024).

<sup>59</sup> SCC Roads. County of Santa Cruz Road Resurfacing (2024).

<sup>60</sup> Santa Cruz County Regional Transportation Commission. Regional Transportation Commission Meetings (2025).

<sup>61</sup> United States Census Bureau. American Community Survey 5-year Estimates (2019 – 2023).

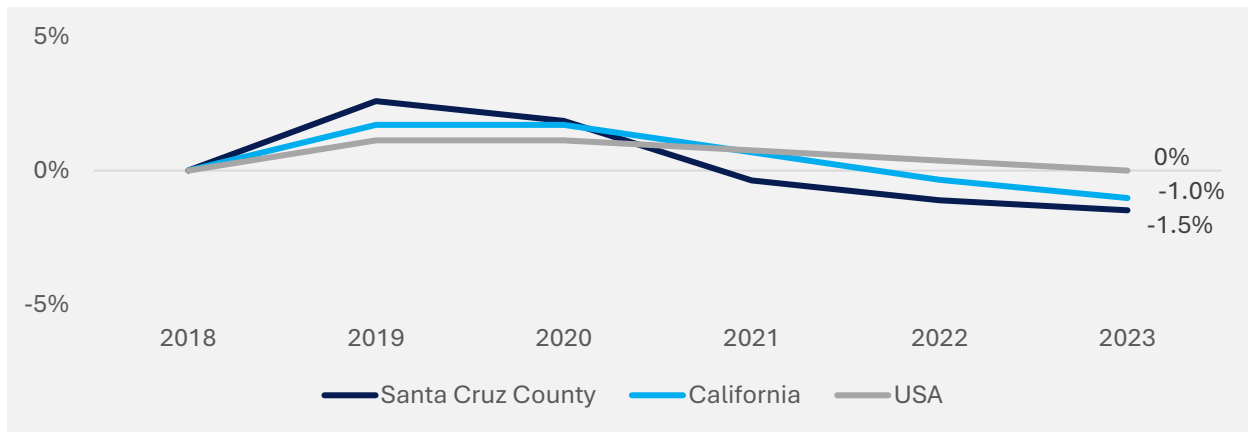
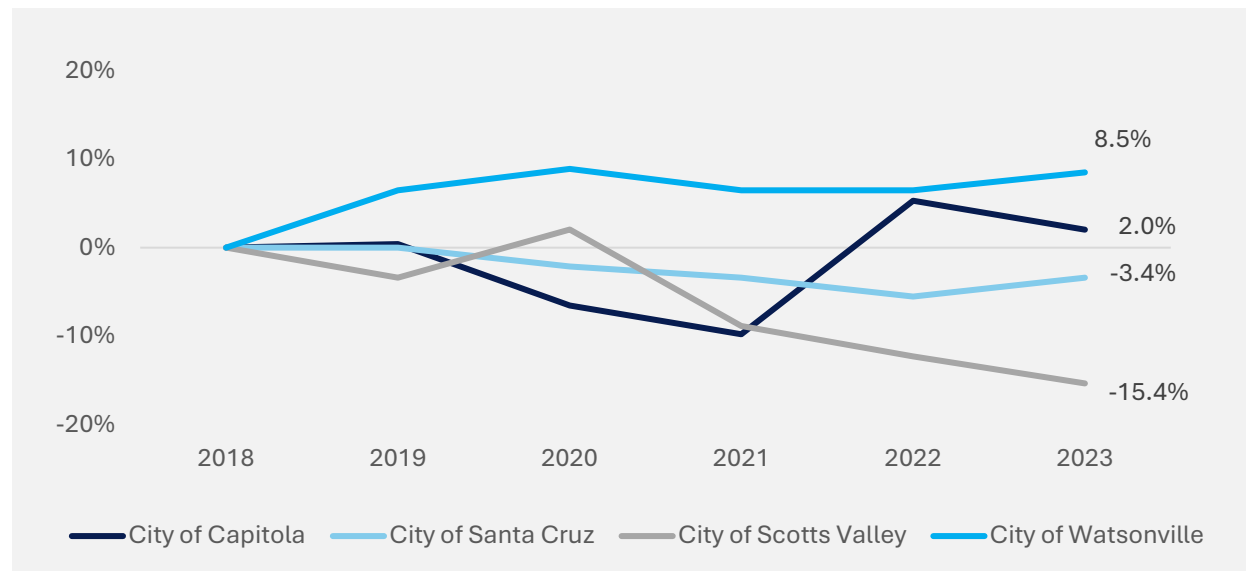


Table 7. Average Commute Times in Santa Cruz County and Sub-Regions (2023)<sup>62</sup>

Region	Average Commute Time (Minutes)
City of Capitola	25.0
City of Santa Cruz	22.7
City of Scotts Valley	24.8
City of Watsonville	26.8
<b>Santa Cruz County</b>	<b>26.6</b>

<sup>62</sup> United States Census Bureau. American Community Survey 5-year Estimates (2023).

Figure 25. Change in Average Commute Times in Santa Cruz County Sub-Regions (2018 – 2023)<sup>63</sup>



## Key Takeaways: Place

Residents, workers, and businesses face the following key challenges associated with living, working, and operating in Santa Cruz County:

- **High and rising housing costs**, and a **lack of affordable housing**, make it difficult to afford to live in the county.
- **High office space utilization rates** may complicate return-to-office initiatives and may constrain future firm expansion efforts in the county.

<sup>63</sup> United States Census Bureau. American Community Survey 5-year Estimates (2019 – 2023).

Economic development strategies aimed at addressing these place-based challenges thru incorporate the following goals:

- **Increase the stock of housing** to support the ability of households to continue to live in the county.
- **Increase the stock of commercial real estate** to support the ability of businesses to continue to operate and expand in the county.
- **Support regional connectivity** to promote cross-regional collaboration in innovative research and offer needed infrastructure space for expansion.

## Resilience

According to the EDA, economic resilience can be defined as the ability of a region to “anticipate, withstand, and recover from any type of shock, disruption, or stress” that it might experience.<sup>64</sup> Establishing economic resilience in Santa Cruz County requires the anticipation of risks, including:

- Risks associated with **broader macroeconomic trends**, which affect demand for locally produced goods and consumer spending.
- Risk associated with **specific industries** that are highly concentrated within the county.
- Risks associated with **climate change**.

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<sup>64</sup> U.S. Economic Development Administration (EDA). Economic Resilience.

Economic development strategies to mitigate these risks require a collective vision for resilience that integrates and aligns other planning efforts and funding sources within the county.

The county's resilience strategies incorporate the following elements:

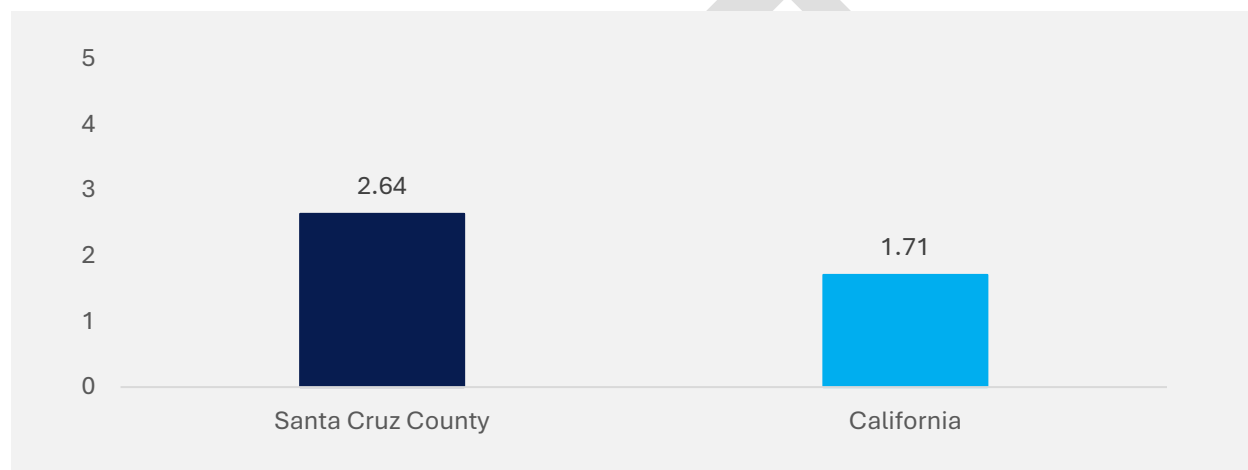
- **Building a resilient resident workforce** better able to weather economic volatility created by broader macroeconomic trends, by providing support services aimed at reducing one of the main challenges associated with living and working in the county: the high cost of living.
- **Expanding the industrial base** via diversification strategies aimed at supporting industries in higher-paying clusters with growing labor demands.
- **Fostering emerging industries** via policies supporting local entrepreneurship and innovation.
- **Developing sustainability programs** aimed at promoting public safety, business continuity and preparedness in the event of natural disasters spurred by climate change.

Looking ahead, integrating resiliency strategies into long-term planning will be essential to ensure that the people and businesses of Santa Cruz County can continue to adapt, grow, and thrive in the face of future uncertainties and challenges.

## Household-Level Financial Stability and Recovery

A household's balance sheet provides insight into its ability to weather economic volatility. One way to measure this is by using the average household debt-to-income (DTI) ratio.<sup>65</sup> **The median DTI ratio in Santa Cruz County was 2.64 in 2024, compared to 1.71 in the overall state, meaning the median county household has over \$2.50 in debt<sup>66</sup> for every dollar of household income (Figure 26).**

Figure 26. Household Debt-to-Income Ratio in Santa Cruz County and California (2024)<sup>67</sup>



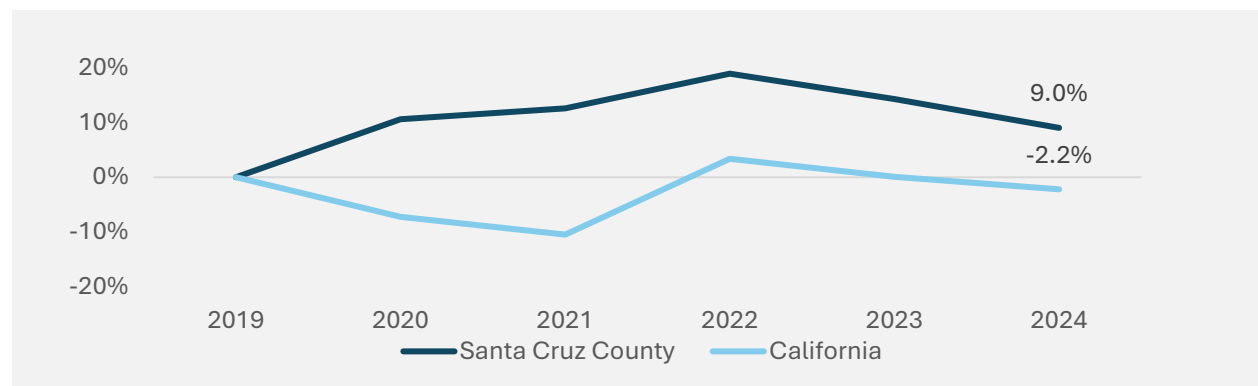
**Santa Cruz County's median DTI ratio increased by 9.0 percent from 2019 to 2024, compared to a 2.2 percent decline in the overall state (Figure 27).** If a household's income declines due to an economic recession, job loss, or general macroeconomic trends, higher debt levels may result in lower household resiliency against economic downturns. On a county level, a higher DTI can lead to worse outcomes and longer recovery in the case of an economic downturn. Leading up to the 2007-2008 financial crisis in the United States, a dramatic increase in credit availability led to a rapid increase in household debt. Both the timing and severity of the recession that followed were linked to the rising national DTI between 2002 and 2006—U.S. counties with higher DTI experienced a steeper decline in consumer spending and an increase in unemployment. Households with a high DTI and experience the effects of increasing unemployment may be required to default on their loan payments and fare worse during a recessionary period than households with a lower DTI.

<sup>65</sup> The debt-to-income ratio (DTI) is the ratio of outstanding household debt to annual household income. A household DTI less than 1 means that the amount of household debt is less than annual household income, while a DTI greater than 1 means that the total amount of household debt is greater than annual household income. On the state and County levels, the DTI is found by calculating the ratio of the region's aggregate household debt (including student loan debt) to its aggregate income.

<sup>66</sup> Household debt is calculated from FRBNY Consumer Credit Panel/Equifax Data, and household income is reported by the Bureau of Labor Statistics.

<sup>67</sup> Board of Governors of the Federal Reserve System. County-Level Debt-to-Income Ratio (2024).

Figure 27. Change in Household Debt-to-Income Ratio in Santa Cruz County and California (2019 -2024)<sup>68</sup>



## Industry Diversification

**Santa Cruz County's five largest industry clusters account for over two-thirds (68.8 percent) of the county's jobs as of 2024.** Average annual wages in these five industry clusters – Healthcare; Tourism, Hospitality, and Recreation; Education and Knowledge Creation; Retail; and Professional and Business Services – range between \$42,000 (Retail) and \$84,000 (Professional and Business Services), well below the county's Living Wage determination of \$163,524 for a household consisting of 1 adult and 2 children (Table 2).

**In contrast, the county's five highest-paying industry clusters – Defense, Aerospace, and Transportation Manufacturing (DATM); Information and Communication Technology (ICT); Finance, Banking, and Insurance; Biotechnology and Biomedical Devices; and Public Services and Infrastructure – account for only one in ten (10.6 percent) county jobs.** Promoting growth in these high-paying and innovative clusters will lessen the county's reliance on the lower-paying service industries that currently represent the largest employment shares, as well as provide greater stability when faced with macroeconomic shocks.

However, the significant wage gap in the county's highest-paying industry clusters compared to nearby Silicon Valley (represented by Santa Clara County) poses a challenge for talent retention and attraction, as skilled workers may seek higher-paying opportunities elsewhere, potentially limiting local industry growth. The most significant wage gap between the two regions exists within Defense, Aerospace, and Transportation Manufacturing (DATM) and Information, Communications, and Technology (ICT), with Silicon Valley firms paying workers in these industry clusters more than double the rate of Santa Cruz County firms (Table 1).

The COVID-19 pandemic's outsized impact on the county's Tourism, Hospitality, and Recreation; and Retail industry clusters, which represent over one-fourth (27.7 percent) of county employment, also highlight the importance of furthering industry diversity. The county's concentration of these two industries is 18.2 percent higher than the statewide average, meaning pandemic-related disruptions impacted county employment and tax revenues at a higher rate than the overall state.

<sup>68</sup> Board of Governors of the Federal Reserve System. County-Level Debt-to-Income Ratio (2019 – 2024).



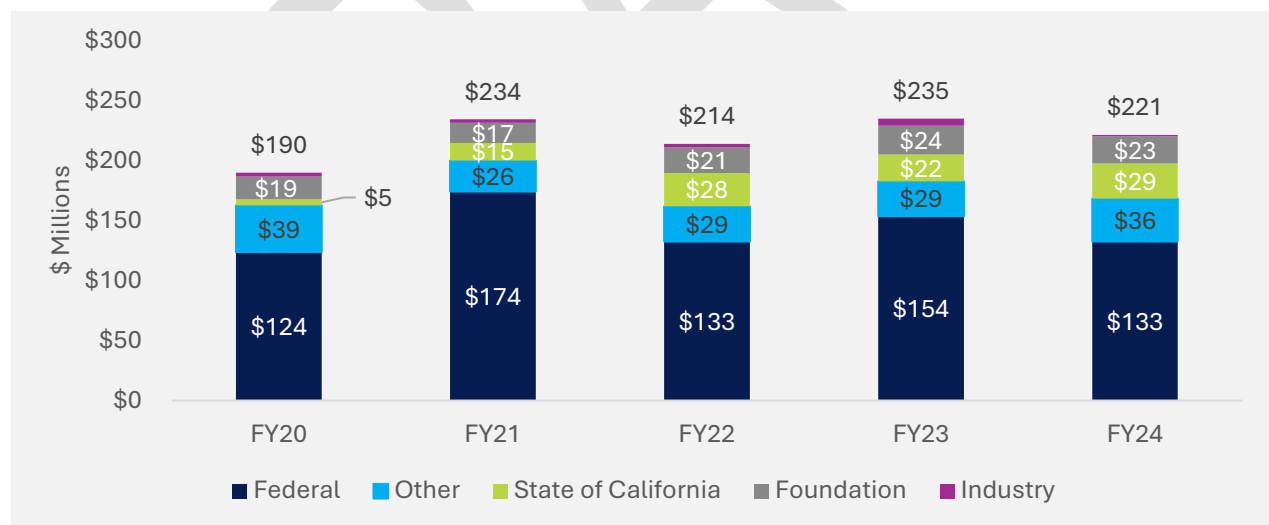
## Innovation

**Innovation remains a cornerstone of building and sustaining healthy, resilient regional economies.** As industries continue to evolve in response to rapid technological advancements, shifting market demands, and global challenges, fostering innovation is more critical than ever.

University research and development (R&D) spending provides a measure of innovation activity within a region's education system, a crucial indicator of not only innovative academic research, but also talent development and potential industry collaborations between universities and private firms. **R&D award funding at UC Santa Cruz increased 16.6 percent from 2020 to 2024, driven primarily by a 453 percent increase in funding received from the State of California,** which offset declines in private industry funding (-64.9 percent) and other sources (-8.6 percent) during this period (Figure 28).

Key research grants awarded in FY24 include an \$8.5 million award from the Department of Energy to fund advanced research in particle physics, \$5.3 million from the Defense Advanced Research Projects Agency (DARPA) to conduct wound regeneration research, and \$5.2 million from the National Institute of Health (NIC) to fund genomics sequencing research. UC Santa Cruz also received 32 patent issuances in FY24 across a variety of industries, including biomedical devices, materials sciences, communication protocols, and nanotechnology.<sup>69</sup>

Figure 28. UC Santa Cruz Grants and Contracts Awards by Funding Source (FY20 – FY24)<sup>70</sup>



**As highlighted in the 2024 Santa Cruz County Innovation Profile,<sup>71</sup> UC Santa Cruz offers a variety of entrepreneurial and innovation-related resources,** including the UC Santa Cruz Innovation and Business Engagement Hub (IBE Hub), a regional consortium comprised of UC Santa Cruz research centers and institutes, alumni and partnership networks, and innovation incubators and accelerators.<sup>72</sup> The university's Center for Innovation and Entrepreneurial Development (CIED)

<sup>69</sup> UC Santa Cruz Office of Research. Annual Report FY24 (2024).

<sup>70</sup> UC Santa Cruz Office of Research. Annual Report FY24 (2024).

<sup>71</sup> Workforce Santa Cruz County. Santa Cruz County Innovation Profile (2024).

<sup>72</sup> UC Santa Cruz. Innovation and Business Engagement Hub (2024).

is another resource that provides student-facing innovation support, such as pitch competitions, campus events, and internship connections with regional employers.<sup>73</sup> UC Santa Cruz also hosts the annual Santa Cruz Launchpad event,<sup>74</sup> a networking, job fair, and pitch competition open to the public.

**The Santa Cruz Small Business Development Center (SBDC) is another county resource that provides entrepreneurs with crucial support in commercializing and scaling innovations.**<sup>75</sup> The SBDC provides one-on-one business advising services to local startups, workshops and training resources, and access to capital via the SBDC Finance Center.<sup>76</sup>

Other entrepreneurship resources include the El Pájaro Community Development Corporation,<sup>77</sup> which operates a commercial kitchen program, a small batch/co-packing program, and a micro-lending program for qualified startups, as well as business skills training; and California FarmLink,<sup>78</sup> which provides access to capital and business skills support for qualifying agricultural businesses. Santa Cruz Works,<sup>79</sup> a local nonprofit, also operates an accelerator program that has fueled over 100 startups with \$15 billion in market valuation combined, while Community Foundation Santa Cruz County's Community Investment Revolving Fund<sup>80</sup> provides low-interest loans to local nonprofits and businesses throughout the county.<sup>81</sup>

## Natural Disaster Preparedness

With the increasing frequency and intensity of climate change-related natural disasters across the county and the broader state – evidenced by the 2020 CZU Lightning Complex fire, the partial collapse of the Santa Cruz Wharf in late 2024, and multiple flooding and mudslide events between 2011 and 2017– **natural disaster preparedness and climate resiliency planning have become more critical than ever.** Numerous regional agencies, including the City of Santa Cruz,<sup>82</sup> Santa Cruz County,<sup>83</sup> and the Santa Cruz County Office of Education,<sup>84</sup> have created Emergency Operations and Response Management Plans that outline thorough first response protocols for natural disasters, emergency mitigation, and resource deployment.

Additional planning efforts undertaken by regional agencies include the City of Santa Cruz 2025 – 2030 Local Hazard Mitigation and Climate Adaptation Plan<sup>85</sup> and the Santa Cruz County 2021 –

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<sup>73</sup> UC Santa Cruz. Center for Innovation & Entrepreneurial Development (2024).

<sup>74</sup> Santa Cruz Works. Santa Cruz Launchpad (2025).

<sup>75</sup> Santa Cruz Small Business Development Center (SBDC). SBDC Services (2024).

<sup>76</sup> The Santa Cruz SBDC is positioned to support the needs of small local businesses within the county. Other regional resources are available to support the needs of small local businesses outside the SBDC service area.

<sup>77</sup> El Pájaro Community Development Corporation (2025).

<sup>78</sup> California FarmLink (2025).

<sup>79</sup> Santa Cruz Works (2025).

<sup>80</sup> Community Foundation Santa Cruz County. Community Investment Revolving Fund (2025).

<sup>81</sup> For more information on entrepreneurship resources available within Santa Cruz County, please see the 2025 State of the Workforce Report.

<sup>82</sup> City of Santa Cruz. Emergency Operations Plan (2011).

<sup>83</sup> County of Santa Cruz. Emergency Operations Plan (2023).

<sup>84</sup> Santa Cruz County Office of Education. Emergency Response Management Plan (2023).

<sup>85</sup> City of Santa Cruz. 2025 – 2030 Local Hazard Mitigation and Climate Adaptation Plan (2025).

2026 Local Hazard Mitigation Plan,<sup>86</sup> which identify potential hazards and vulnerabilities and develop long-term risk-reduction strategies in response to these potential hazards.

The City of Santa Cruz 2030 Climate Action Plan,<sup>87</sup> developed in response to local, state, and national emission reduction goals, outlines a comprehensive strategy to reduce greenhouse gas emissions and enhance climate resilience outcomes, aiming for a 40 percent reduction in emissions by 2030 compared to 1990 levels, with a long-term goal of achieving carbon neutrality by 2035. The City of Santa Cruz Climate Action Task Force, in conjunction with the Sustainability and Resilience Committee, represents the region's sustained community engagement and involvement in Climate Action Plan implementation efforts.

The City of Santa Cruz is currently funding a variety of water infrastructure upgrades to ensure water infrastructure reliability, including the Newell Creek Pipeline Replacement Project, the Santa Cruz – Scotts Valley Intertie Pipeline, and the Beltz Water Treatment Plant Filter Replacement Project, among others.<sup>88</sup> The County is also in the early planning stages to deploy a battery energy storage system (BESS) in the Watsonville region to strengthen the county's grid resiliency and incorporate greater renewable technologies into its existing energy generation portfolio.<sup>89</sup>

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<sup>86</sup> County of Santa Cruz. 2021 – 2026 Local Hazard Mitigation Plan (2021).

<sup>87</sup> City of Santa Cruz. 2030 Climate Action Plan (2022).

<sup>88</sup> City of Santa Cruz. Water Department, Current and Upcoming Projects (2024).

<sup>89</sup> County of Santa Cruz. Major Project Applications, 90 Minto Road – Seahawk Energy Storage (2024).

## Key Takeaways: Resilience

Key threats to economic resilience faced by Santa Cruz County residents, workers, and businesses include:

- High levels of household debt, due in part to the region's relatively high cost of living.
- High concentration of jobs in lower-paying industry clusters.
- Potential decreases in federally funded R&D supporting regional innovation.
- Increasing frequency and intensity of climate change-related natural disasters.

The county's resilience strategies seek to address the challenges by adopting goals to:

- Build a more resilient resident workforce.
- Support initiatives that expand and diversify the county's industrial base.
- Foster emerging industries via policies that support local entrepreneurship.
- Develop programs aimed at supporting sustainability and climate change resiliency.



# SWOT Analysis

This section identifies the strengths, weaknesses, opportunities, and threats to economic development in Santa Cruz County. The analysis was developed based on the comprehensive analysis of Santa Cruz County's economy and workforce, in addition to the detailed feedback gained from the stakeholder engagement process.

## Strengths

- The county's natural beauty, high quality of life, and diverse ecosystems, which attract both short-term visitors and long-term residents
- Strong active lifestyle culture
- High concentration of "cottage" (creative, organic, artisanal) industries
- Highly educated and multifaceted resident workforce
- Local education institutions with world-class programs, researchers, and educational outcomes that drive innovation, entrepreneurship, and resiliency
- Proximity to the San Francisco metropolitan area (Silicon Valley, San Jose, City of San Francisco) and Monterey Bay
- A Defense, Aerospace, and Transportation Manufacturing (DATM) industry cluster that has grown rapidly over the last five years, and offers high wages
- Strong commercial real estate market

## Weaknesses

- Declining population and supply of workers
- Increasingly high costs of living, impacting even the county's highest-earning residents
- Lack of affordable housing options driving resident displacement and homelessness
- Notable lack of public transportation options, particularly in rural county areas
- Workforce concentrations in low-wage jobs
- Significant wage gap in the county's technology industry clusters in comparison to Silicon Valley
- Overreliance on cyclical and low-paying service industries, such as Tourism and Retail
- Physical constraints and limited land available for development
- The growth in the number of small businesses with less than 10 employees is limited
- High debt-to-income ratios among the average household

## Opportunities

- Expand the green technology industry to provide the workforce capacity needed to meet the region's climate and clean energy goals

- Strengthen mechanisms to grow and support the budding agricultural technology and DATM industries
- Develop cross-functional partnerships between regional entrepreneurs and established industry leaders
- Support investments in Santa Cruz County’s Healthcare education system to support the needs of a growing aging population
- Increase residential, commercial, and public infrastructure investments, focusing on high-density, mixed-use developments to minimize physical constraints
- Explore new economic models and creative financing mechanisms to drive growth in emerging high-opportunity industries and among small businesses

## Threats

- The acceleration of climate change, increasing the number of natural disasters and flooding events
- The county’s high cost of living, accelerating out-migration to other lower-cost regions
- Increasing childcare costs and lack of sufficient affordable childcare options for working parents
- The rising share of senior populations and decreasing share of prime working-aged residents, eroding regional workforce capacity and tax base
- Inflationary pressures, increasing inequality, and household debt
- Potential reductions in federally funded research grants to UC Santa Cruz and other regional research institutions, including the National Oceanic and Atmospheric Administration (NOAA) Southwest Fisheries Science Center<sup>90</sup> and U.S. Geological Survey (USGS) Pacific Coastal and Marine Science Center,<sup>91</sup> both co-located at the UC Santa Cruz campus.

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<sup>90</sup> National Oceanic and Atmospheric Administration (NOAA). Fisheries Ecology Division, Southwest Fisheries Science Center.

<sup>91</sup> U.S. Geological Survey (USGS). What We Do: Coastal and Marine Science at USGS Santa Cruz (2023).

# Strategic Action Plan for Economic Development

The following list of goals and objectives identified to support this strategic action plan was developed through conversations with economic development and other regional stakeholders. This list builds upon central themes and efforts identified by stakeholders, but it is not exhaustive of the County's economic development activities and aspirations. This list will be revisited and revised on an annual basis.

## Goal 1: Educate and Prepare Students and Workers in Career Pathways to Higher-Paying Jobs

Higher-quality jobs improve employee motivation and retention, reduce business turnover costs, and foster a virtuous cycle of economic development and innovation. The county possesses a robust pipeline of qualified high school, Cabrillo College, and UC Santa Cruz graduates, in addition to a talented resident workforce. To engage and retain these populations within the local economy, demonstrating the availability of the county's career pathways and lattices within growing and high-paying industries should be a top economic development priority.

- **Objective 1a:** Build connections between career center resources, education and training providers, and local employers to drive career pathway and cross-organization service delivery uptake.
- **Objective 1b:** Tailor graduates' skills profiles to rapidly evolving industry demands by coordinating program development and learning objectives with regional industry leaders.
- **Objective 1c:** Promote awareness of regional career pathway opportunities via collaborative outreach efforts with secondary, post-secondary, and other educational and training institutions.
- **Objective 1d:** Bolster the capacity of the county's Career and Technical Education (CTE) training opportunities by increasing the number of CTE instructors and breadth of program offerings.

## Goal 2: Increase the Stock of Housing and Commercial Real Estate

A lack of affordable housing drives prime working-age families out of the county, reducing the tax base and eroding regional talent, while a lack of available commercial real estate constrains the expansion of both new and existing firms. By working to augment the stock of affordable housing, the county can retain a greater share of its resident workforce and facilitate business growth.

- **Objective 2a:** Encourage the development of high-density, mixed-use residential projects through expansion of incentive programs or other financing mechanisms.
- **Objective 2b:** Explore the creation of a regional affordable housing trust fund in partnership with public and private entities.



- **Objective 2c:** Streamline building and permitting processes.

### Goal 3: Expand Access to Opportunity

Increasing access to education and employment opportunities in sub-regions with lower levels of educational attainment fosters a more productive and innovative workforce, driving economic growth and supporting resilience. Developing targeted strategies to increase access and usage of the county's catalog of educational and employment offerings will further develop workforce capacity and increase countywide labor productivity.

- **Objective 3a:** Establish place-based education initiatives, including satellite campuses, mobile training centers, and adult education programs in traditionally underserved areas with lower educational attainment.
- **Objective 3b:** Remove barriers to education and employment by strengthening wraparound support service delivery (childcare, ESL, digital literacy training, etc.) in underserved areas.
- **Objective 3c:** Increase access to digital learning and remote job training resources in underserved areas to reduce geographic barriers to education and employment.
- **Objective 3d:** Provide greater support to community-based organizations (CBOs) that have established relationships and trust with members of these targeted sub-regions of the county and partner with them to share information about the opportunities and resources available to residents of these sub-regions.

### Goal 4: Support Entrepreneurship

Entrepreneurship creates jobs and stimulates local reinvestment, driving economic activity and enhancing industry productivity through cross-collaborative ideation. Entrepreneurs face significant barriers to starting or growing a business due to limited capital access, mentorship opportunities, and other technical resources. Addressing these challenges will help unlock the county's full entrepreneurial capacity.

- **Objective 4a:** Develop, promote, and facilitate targeted financial assistance programs, such as the Community Foundation Santa Cruz County's Community Investment Revolving Fund, to support traditionally underserved entrepreneurs and small businesses that lack access to traditional capital sources.
- **Objective 4b:** Leverage the connections of community-based organizations (CBOs) to increase service awareness and utilization of the county's existing entrepreneurial support services.
- **Objective 4c:** Create local procurement initiatives that connect entrepreneurs to public and private contracting opportunities in the region.

## Goal 5: Support Regional Connectivity

Congestion affects access to work, school, healthcare, and recreation. Lowering the transportation burdens faced by both residents and businesses will enhance residents' quality of life, and facilitate tourism, retail, and the flow of goods and services, thereby supporting economic growth.

- **Objective 5a:** Invest in transportation infrastructure such as public transit, pedestrian, and cycling infrastructure to increase the availability of these types of multimodal and alternative transit offerings throughout the county.
- **Objective 5b:** Establish connections to nearby regions (Monterey, San Benito, Silicon Valley, San Joaquin Valley, etc.) to promote cross-regional collaboration in innovative research and offer needed infrastructure space for expansion.
- **Objective 5c:** Address bottlenecks in key commercial transit corridors by implementing timed lane restrictions and truck-only lanes during peak hours.

## Goal 6: Help Grow Innovative Sectors

Entrepreneurs establish new businesses that create jobs, generate wealth for founders, and stimulate reinvestment, all of which drives economic activity and innovation in the region. Linking local innovators and researchers to nearby resources in Silicon Valley allows the county to take advantage of its proximity to a wealth of seed and venture capital funding and tech talent while developing its internal capacity for growth.

- **Objective 6a:** Link local innovators with the wealth of seed and venture capital funding in nearby Silicon Valley by building upon existing mentorship and networking initiatives, such as the Santa Cruz New Tech MeetUp.<sup>92</sup>
- **Objective 6b:** Facilitate collaborative programs between UC Santa Cruz and Silicon Valley tech companies, leveraging the established UC Santa Cruz Silicon Valley Campus.
- **Objective 6c:** Support the development of a regional innovation district that provides infrastructure and collaborative co-working spaces to foster startup growth.

## Goal 7: Build More Resilient Communities

Santa Cruz County faces threats associated with climate and economic resilience. By taking proactive measures to address these potential threats to the county's well-being, the County can secure a more future-proof workforce. These objectives are intended to promote development of sustainable technologies within the county, and to address threats associated with a growing aging population, as well as rising rates of homelessness in the county.

- **Objective 7a:** Coordinate with education and training providers to develop programs related to sustainability.
- **Objective 7b:** Support Healthcare education and workforce development initiatives.

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<sup>92</sup> MeetUp. Santa Cruz New Tech MeetUp (2025).

- **Objective 7c:** Create rental assistance and subsidy programs to support lower-income residents.
- **Objective 7d:** Establish dedicated workforce housing to facilitate and support growth in the county’s emerging industry clusters.

## Evaluation Framework and Performance Metrics

### Goal 1: Educate and Prepare Students and Workers in Career Pathways to Higher-Paying Jobs

Objectives	Regional Partners	Metrics
<b>1a: Build connections between career center resources and local employers to drive career pathway uptake.</b>	UC Santa Cruz, Community Colleges, Vocational and Technical Schools, School Districts, Industry Stakeholders, Local Employers, Workforce Development Board	Career Center job placement rates
<b>1b: Tailor graduates’ skills profiles to rapidly evolving industry demands by coordinating program development and learning objectives with regional industry leaders.</b>		Employment and wage growth in selected career pathway industries
<b>1c: Promote awareness of regional career pathway opportunities across secondary, post-secondary, and other educational institutions to retain a greater share of post-graduates in the region.</b>		Internship placement and full-time employment conversion rates  Number of graduates from upskilling or reskilling training providers  Graduation retention rates  Resident workforce and migration pattern data  Enrollment rates in training and education programs serving key occupations in high-earning industry clusters  Creation of marketing and informational material regarding career pathways

<p><b>1d: Bolster the capacity of the county’s Career and Technical Education (CTE) training opportunities by increasing the number of CTE instructors and breadth of program offerings.</b></p>		<p>Number of CTE training opportunities</p> <p>Number of CTE subjects available at regional educational institutions</p>
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## Goal 2: Increase the Stock of Housing and Commercial Real Estate

Objectives	Regional Partners	Metrics
<b>2a: Streamline the building permitting and approval processes.</b>	Planning and Community Development Departments, Cities, County	<p>Average permitting and approval processing times</p> <p>Number of projects approved</p>
<b>2b: Further encourage the development of high-density, mixed-use residential projects through expansion of incentive programs or other financing mechanisms.</b>	Cities, County, Economic Development Board, Regional Financing Providers, Residents	<p>Number of approved mixed-use developments</p> <p>Incentive program or financing mechanism utilization rates</p> <p>Public support</p> <p>Share of county resident income spent on rent</p>
<b>2c: Explore the creation of a regional affordable housing trust fund in partnership with public and private entities.</b>		<p>Number of affordable housing units created</p> <p>Successful feasibility and implementation analysis conducted</p> <p>Share of county residents who can afford to purchase entry-level homes</p> <p>Public support</p>

## Goal 3: Expand Access to Opportunity

Objectives	Regional Partners	Metrics
<b>3a: Establish place-based education initiatives, including satellite campuses, mobile training centers, and adult education programs in areas with lower educational attainment.</b>	UC Santa Cruz, Community Colleges, Vocational and Technical Schools, School Districts, Workforce Development Board, Wraparound Services Providers	Enrollment, completion, and graduation rates
<b>3b: Remove barriers to education and employment by strengthening wraparound support service delivery in underserved sub-regions.</b>		Employment rates among program graduates Service delivery expansion rates Wraparound services utilization rates
<b>3c: Increase access to digital learning and remote job training resources in underserved areas to reduce geographic barriers to education and employment.</b>		Enrollment, completion, and graduation rates Educational attainment by subregion Broadband access by subregion

## Goal 4: Support Entrepreneurship

Objectives	Regional Partners	Metrics
<b>4a: Develop, promote, and facilitate targeted financial assistance programs, such as microloans and grants, to support traditionally underserved entrepreneurs and small businesses that lack access to traditional capital sources.</b>	Cities, County, Economic Development Board, Regional Financing Providers	Number of businesses started or expanded 1, 3, and 5-year business survival rates
<b>4b: Leverage the connections of community-based organizations (CBOs) to increase service awareness and utilization of the county's existing entrepreneurial support services.</b>	Economic Development Board, Workforce Development Board, Community-Based Organizations	Number of CBO partnerships established Number of loans issued by the Community Investment Revolving Fund Support service utilization rates
<b>4c: Create local procurement initiatives that connect entrepreneurs to regional public and private contracting opportunities.</b>	Cities, County, Economic Development Board	Number and value of contracts awarded

## Goal 5: Support Regional Connectivity

Objectives	Regional Partners	Metrics
<b>5a: Increase availability of multimodal and alternative transit opportunities throughout the county, including expanded public transit, pedestrian, and cycling infrastructure.</b>	Cities, County, Public Works Departments, Planning and Community Development Departments, Caltrans	Amount of new multimodal infrastructure added
<b>5b: Establish connections to nearby regions (Monterey, San Benito, Silicon Valley, San Joaquin Valley, etc.) to promote cross-regional collaboration in innovative research and offer needed infrastructure space for expansion.</b>		Changes in regional commute patterns
<b>5c: Address bottlenecks in key commercial transit corridors by implementing timed lane restrictions and truck-only lanes during peak hours.</b>		Utilization rate of public transit options
		Number of joint infrastructure projects
		Joint project completions
		Average commute times for residents
		Average delivery times for commercial freight carriers

## Goal 6: Help Grow Innovative Sectors

Objectives	Regional Partners	Metrics
<b>6a: Link local innovators with the wealth of seed and venture capital funding in nearby Silicon Valley by building upon existing mentorship and networking initiatives.</b>	Economic Development Boards, Incubators, Industry Stakeholders, Local Employers	Number of networking events hosted and attendance rates
		Amount of venture capital received
		Number of start-ups that reach commercialization
<b>6b: Facilitate collaborative programs between UC Santa Cruz and Silicon Valley tech companies, leveraging the established UC Santa Cruz Silicon Valley Campus.</b>	UC Santa Cruz, Economic Development Boards, Incubators, Industry Stakeholders, Local Employers	Number of joint projects launched
		Student engagement rates
<b>6c: Support development of a regional innovation district that provides infrastructure and collaborative co-working spaces to foster startup growth.</b>	Cities, County, Economic Development Boards, Incubators, Regional Financing Providers	Economic impact (jobs, tax revenue) analyses
		Occupancy and retention rates



## Goal 7: Build More Resilient Communities

Objectives	Regional Partners	Metrics
<b>7a: Coordinate with education and training providers to develop programs related to sustainability.</b>	Cities, County, Economic and Workforce Development Boards, Educational Institutions, Wraparound Services Providers, CBOs	Number of sustainable education and training programs
<b>7b: Support Healthcare education and workforce development initiatives.</b>		Number of healthcare training programs Number of healthcare workers
<b>7c: Create rental assistance and subsidy programs for lower-income residents.</b>		Point in Time homeless count Rental assistance and subsidy funding
<b>7d: Support dedicated workforce housing to facilitate growth in the County's emerging industry clusters.</b>	Planning and Community Development Departments, Cities, County	Number of workforce housing units planned or constructed

# Appendix A: Industry Cluster Definitions

The following industry clusters were identified in Santa Cruz County based on regional labor market trends:

- **Healthcare** includes all services related to the diagnosis, treatment, and prevention of disease, illness, injury, and other physical or mental impairments. The cluster covers all practitioners in medicine, chiropractic, dentistry, nursing, pharmaceutical care, etc.
- **Defense, Aerospace, and Transportation Manufacturing (DATM)** consists of all industries that manufacture and design instruments, aircraft, space vehicles, and other engine components.
- **Information and Communication Technologies (ICT)** is the collection of industries that manufactures and distributes electrical equipment and services, including computers, audio and video equipment, semiconductors, telecommunications, data processing and hosting, etc.
- **Information & Communications** includes industries related to media production and media distribution, such as TV shows, motion pictures, books, newspapers, and radio broadcasting.
- **Biotechnology and Biomedical Devices** includes manufacturing, research, and suppliers related to biotechnology, agricultural chemicals, medical instruments, and pharmaceutical equipment intended to improve the quality of human life.
- **Finance, Banking, and Insurance** includes financial services industries, such as banks and credit unions, consumer lending, investment banking, securities trading, and insurance providers.
- **Public Services and Infrastructure** includes all industries related to public services, such as postal services and public infrastructure construction for roads, buses, and other transit systems. This also includes all industries related to grid infrastructure, electric power generation, and natural gas distribution pipelines.
- **Building and Design** includes all industries related to residential and commercial building construction, such as new single-family housing construction, residential remodelers, and heating and air conditioning equipment manufacturing.
- **Professional and Business Services** includes all professional services-related industries, such as payroll and accounting services, management consulting services, public relations agencies, and human resources management services.
- **Real Estate** includes industries such as mortgage loan brokers, real estate agents, property management services, and land appraisers.
- **Logistics** includes all shipping and freight transportation-related industries, such as truck, rail, and air transportation, wholesalers, and packing and crating services.

- **Education and Knowledge Creation** is comprised of all education-related industries, including colleges and universities, elementary and secondary schools, apprenticeship programs, and tutoring services.
- **Other Services** includes industries such as consumer goods rental services, automotive repair services, appliance repair and maintenance services, and waste treatment.
- **Other Manufacturing** includes industries such as stone and ore mining, clothing manufacturers, fabric mills, and plastics product manufacturers.
- **Agriculture & Food** includes all industries related to crops, animals, and food and beverage production. This includes agricultural support services, bakeries and other food manufacturing, as well as breweries, wineries, and distilleries.
- **Retail** includes all industries involved in retail sales, such as grocery stores, department stores, florists, bakeries, pharmacies, and jewelers, among others.
- **Tourism, Hospitality, and Recreation** consists of all business sectors that support hospitality services and recreation, including museums, casinos, accommodation services, sightseeing transportation, campgrounds, amusement parks, sports, and rental equipment. This cluster also includes full-service restaurants and bars.

## Appendix B: Additional Figures

Figure 29. Residential Workforce Gap in Santa Cruz County (2019 – 2024)<sup>93</sup>

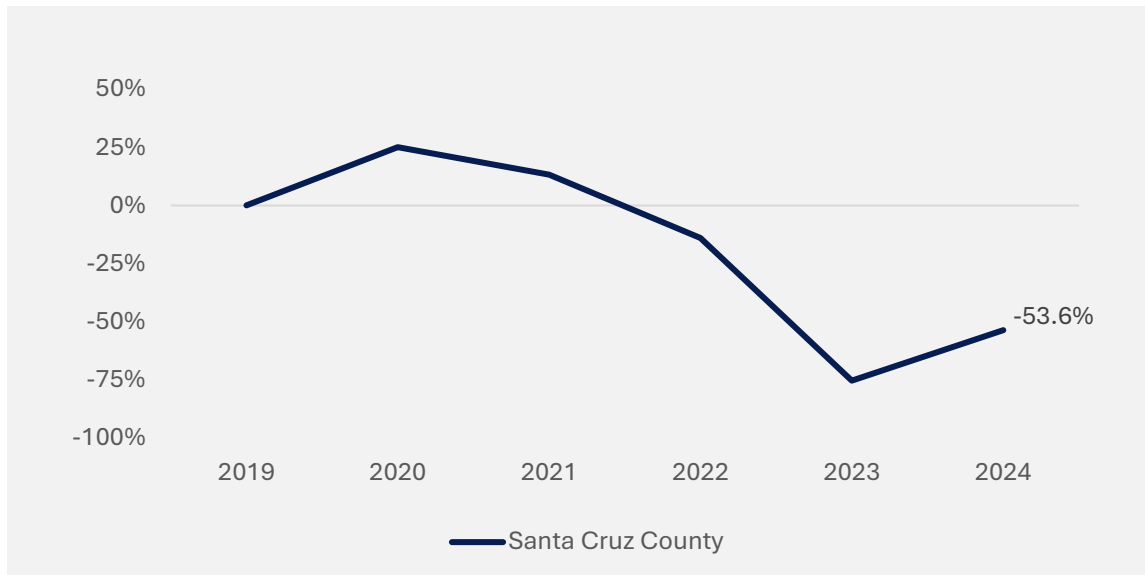
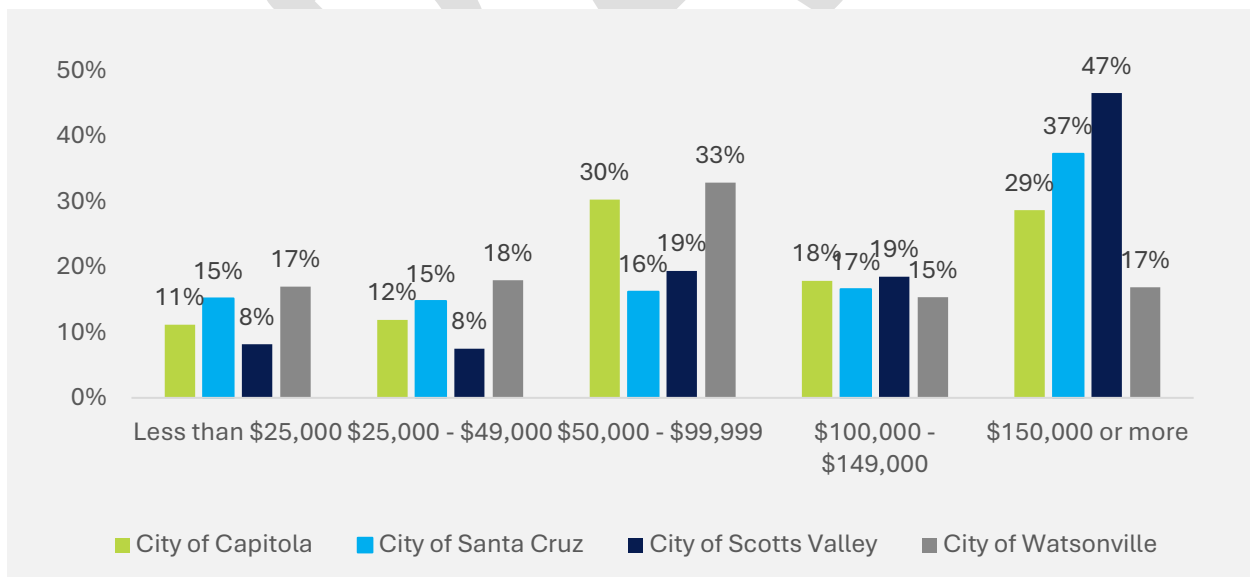


Figure 30. Annual Household Income Distribution by Sub-Region (2023)<sup>94</sup>



<sup>93</sup> JobsEQ 2024 Q2. Bureau of Labor Statistics. Quarterly Census of Employment and Wages (2024).

<sup>94</sup> United States Census Bureau. American Community Survey 5-year Estimates (2023).

Figure 31. Homeless Population by Sub-Region (2024)<sup>95</sup>

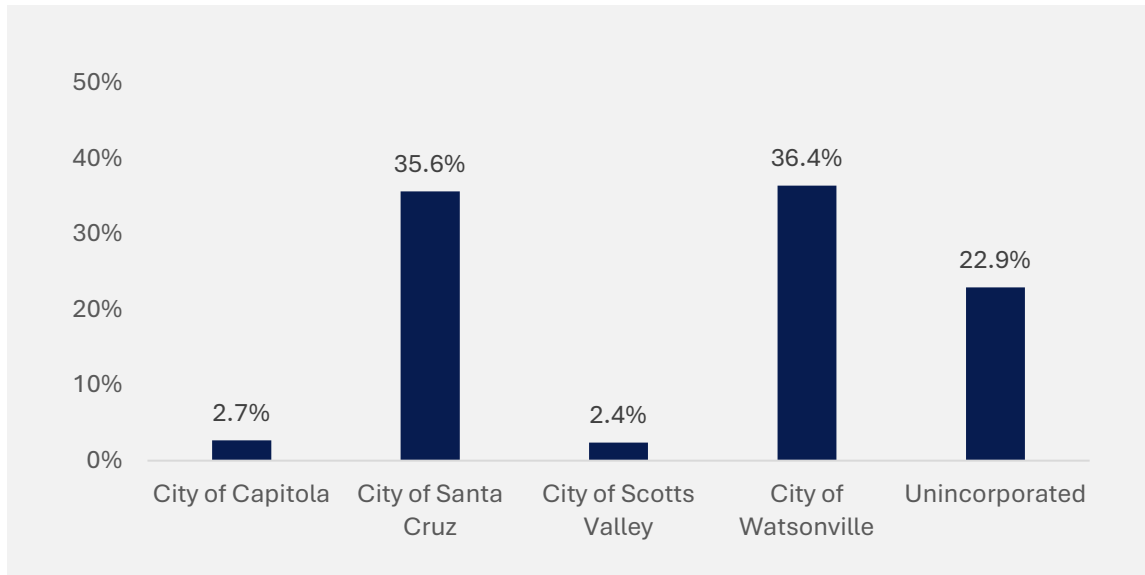
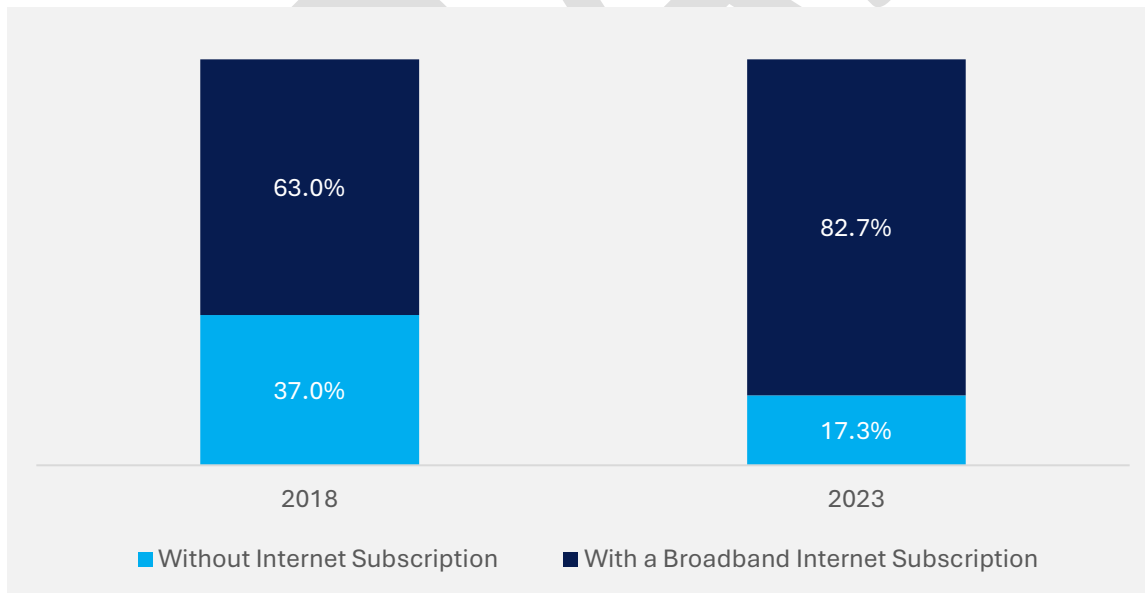


Figure 32. Internet Access for Households Earning Less Than \$20,000 (2018 – 2023)<sup>96</sup>



<sup>95</sup> Santa Cruz County Housing for Health Partnership. Santa Cruz County Homelessness Point-in-Time Count & Report (2024).

<sup>96</sup> United States Census Bureau. American Community Survey 5-year Estimates (2023).