



# Prosperity Strategy Framework

February 2019



**GREATER SACRAMENTO**  
ECONOMIC COUNCIL



**metrochamber**  
SACRAMENTO METROPOLITAN  
CHAMBER OF COMMERCE



**valley vision**  
Community Inspired Solutions

# Brookings Market Assessment: A Regional Call To Action

**The Sacramento region is a dynamic place to work, live, and play. Historically the region has enjoyed a high degree of prosperity relative to other mid-sized metropolitan areas. Yet the Great Recession exposed structural vulnerabilities in the regional economy that have hindered a full recovery, including an expanding gap between rich and poor, between access and opportunity.**

A key component of our region's success through time has been the ability to revisit shared priorities as conditions change. The time is right to revisit our region's near-term goals and priorities given the economic trajectory and pace of change of the last decade.

Answering this question requires a comprehensive look at the region's economic performance and assets, as well as a framework to ensure a strong, inclusive, and equitable economy that works for all residents and communities over the long term. In 2018, Valley Vision, Greater Sacramento Economic Council, Sacramento Metro Chamber, and Sacramento Area Council of Governments launched the Prosperity Partnership on behalf of the region to take on this candid self-assessment of the global economic competitiveness of the Sacramento area. The team worked with the Brookings Institution and its globally-recognized research and policy model to produce an economic market assessment for the full six-county Sacramento capital region of Sacramento, El Dorado, Placer, Sutter, Yolo, and Yuba counties.

The result, *Charting a Course to the Sacramento Region's Future Economic Prosperity*, brings forward rigorous data and analysis from an impartial national expert to highlight challenges and opportunities in the six-county Sacramento regional economy.

The Brookings market assessment reiterates the region's strong starting point of relative prosperity and productivity, yet calls attention to alarming indicators suggesting the region is on a troubling trajectory that, if not addressed, could erode economic competitiveness. Notably, Brookings shows how over the last decade (specifically, between 2006 and 2016) the Sacramento region has trailed most other largest metropolitan areas in the nation across aggregate measures of change in growth, prosperity, and inclusion:

- **Growth**- the Sacramento region ranked 67th of the nation's 100 largest metropolitan areas in job growth, change in gross metropolitan product, and job growth at young firms
- **Prosperity**- the region scored 71st out of 100 for changes in productivity, standard of living, and average annual wage growth relative to 2006 levels
- **Inclusion**- over the last decade, greater Sacramento ranked 84th out of 100 in improvements to median wage and employment rate, and reducing relative poverty

## Prosperity Partnership Definitions

### **Prosperity Partnership**

A collection of civic and business groups organizing the six-county Sacramento region around a shared economic development vision

### **Brookings Market Assessment**

A candid evaluation of the strengths and vulnerabilities in the regional economy

### **Prosperity Strategy**

Work underway to translate the market assessment findings into targeted, near-term actions



A deeper exploration into these decade-long trends demonstrate how the Great Recession was deeper and more sustained in the Sacramento region compared to most other parts of the nation, and a full recovery has therefore taken longer here. More recent data has looked much more promising, showing how the region has rebounded from the recession and is reestablishing its historical competitive positioning: in the last five years the Sacramento region has flipped from the bottom third to the top third of the largest metro areas in the same metrics of changes in growth, prosperity, and inclusion.

Notwithstanding recent growth, the Brookings assessment points to challenges the region faces in a new economy of rapid technological transformation, further global integration, environmental and demographic change, and new leadership. Like many other metro areas, more than one-third of residents in the Sacramento region struggle to make ends meet. The share of struggling families is disproportionately concentrated in communities of color and individuals with lower levels of education. Employing an inclusive economy framework, the market assessment notes that a region cannot be economically prosperous if it fails to provide access to growth and opportunity for all.

In short, the findings from the Brookings market assessment point to several important themes. First, the Great Recession was longer and more pronounced in the Sacramento region compared to its peers. Second, the economy looks significantly different now than in the pre-recession boom, and will need to continue to adapt in the face of rapid technological, economic, environmental, and societal change. And third, existing vulnerabilities and disparities will only be exacerbated unless the region takes deliberate action.

The Prosperity Strategy is this regional call for action, translating the findings of the Brookings assessment into a collective framework for prosperity:

*Preserving the region's quality of life and reversing the downward trajectory of the last decade demands a renewed focus on the key factors of regional competitiveness and a shared commitment for targeted, near-term action that responds to the strengths, weaknesses, and vulnerabilities identified in the Brookings market assessment.*



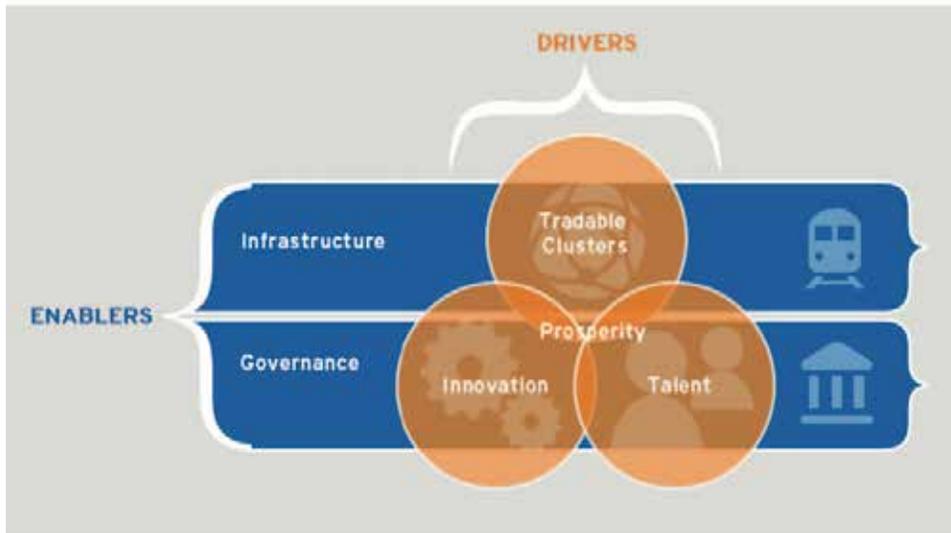
## Framework for Prosperity

**Many factors influence the competitiveness of a regional economy. Primarily, growth derives from the numerous decisions made every day by regional employers, their employees, investors, and entrepreneurs concerning investment, scale, output, and growth. Regional economies are also affected by larger forces such as global trade patterns or national and global consumption trends. However, there are also actions that regions can take collectively to strengthen competitiveness and the overall metropolitan economy. For example, investments in regional infrastructure can improve job accessibility, while clear governance reduces waste and inefficiency. Indeed, this regional economic development has emerged as an important companion to the decision making by individual firms and entrepreneurs, especially given the current era of heightened competition regions face both domestically and globally.**

So in addition to stress testing the economic trajectory of the six-county Sacramento economy, the Brookings market assessment serves an important companion purpose: The assessment gives decision makers a five-factor prosperity framework to isolate the key factors of regional competitiveness, focus action, measure results, and then gauge economic success. This new approach to regional economic development draws on Brookings' broad experience working with regions across the nation and globe on how areas best adapt to new technologies, increase resiliency in the face of global competition, empower a more diverse workforce with the in-demand skills of the new economy, and execute on key regional priorities and initiatives.

The five-factor regional prosperity framework contained in the Brookings assessment allows regions to hone in on those areas with collective institutional ownership to advance prosperity, given how many other parts of economic competitiveness are affected by exogenous factors. In other words, the five-factor framework highlights areas where regions, when prioritizing for near-term action, can make tangible progress on economic prosperity outcomes. First, this new regional economic development needs to support tradable industries, which tend to pay above average wages, bring new wealth into the region, and have a higher multiplier effect. Next, Brookings has shown how the most productive metropolitan economies in the world have key strengths in innovation capacity. The third of the five factors is talent, or the human capital that fuels productivity and growth. These three factors—tradable industries, innovation capacity, and talent/human capital—are the drivers of regional productivity and job and income growth. Infrastructure and governance, the final two factors, support and enable these three primary drivers.

## Prosperity framework



Source: Brookings Institution, RW Ventures, and McKinsey and Company

### Why should we focus on these five prosperity factors?

Prioritizing regional economic development to align with these five factors supports the overarching regional goal of an advanced and inclusive economy. As mentioned above, these are the areas where regions have the capacity to make near-term change. The drivers support an economy more resilient to adapt, respond, and create a next generation economy in the face of rapid technological, economic, environmental, and societal change. And experience indicates that without deliberate action in these drivers, existing inequity and differing access to opportunity will only worsen.

It is important to note that the five economic prosperity factors do not cover every facet of economy activity. This is not to discount the important contributions of other parts of the regional economy. Rather, the framework put forward in the Brookings market assessment, and now being championed in the Prosperity Strategy, direct our six-county region to begin with these five areas as the initial near-term priorities. The Prosperity Partnership believes that these key areas will support more broad-based and resilient economic growth across the full regional economy, and progress here will better support the efforts of complementary initiatives in other parts of the regional economy.

### How does the region currently perform on the five prosperity factors?

Like its investigation into the region's overall economic trajectory, the Brookings market assessment for the Sacramento region identifies a mix of both promising indicators and alarming trends within each of the five prosperity factors. Notably, and as reflected in the table below, the assessment tracks recent regional performance in each factor, and concludes with some broader considerations for regional action, prioritization, and implementation.

| 5 Factor Framework  | Regional performance  | Areas for focus   |
|---------------------|---|---|
| Tradable industries | Growth in tradeable industries trailing the nation. Many competitive shifts have been in lower wage, locally serving industries | Brookings found unique opportunity in food/ag cluster and health/life sciences. GSEC identified advanced automotive as emerging cluster |
| Innovation          | Region trails peers in firm scaling, and advanced industry growth   | Identify gaps that hinder business dynamism, including tech transfer  |
| Talent              | Changing labor market is more pronounced here   | Digital skills, including an emphasis on inclusion, should be regional priority   |
| Infrastructure      | Uneven mobility, accessibility, and geography of opportunity  | Factor economic objectives into spatial planning and transportation investments   |
| Governance          | High levels of fragmentation  | Momentum of civic institutions in setting priorities  |

## Where do we go from here?

The Brookings market assessment gave a candid evaluation from impartial experts on the global economic competitiveness of the six-county Sacramento region, including top level indicators of growth, prosperity, and inclusion. The assessment also offered a framework rooted in extensive practice on five factors where metropolitan areas have institutional capacity to move the needle on regional economic competitiveness and execute on near-term priorities. Finally, the assessment tracked regional performance in these five factors, and suggests some broad areas of further consideration. In short, Brookings diagnosed the economic health of the region and gave regional decision-makers the playbook on how to move forward. Now it falls to the region to execute on this new approach to regional economic development.



## Prosperity Strategy: the region's response to the Brookings assessment

**The Prosperity Strategy is the region's response to the Brookings market assessment and subsequent regional call for action. The same partnership that funded the Brookings assessment is currently working on this initiative, set to unveil in spring/summer of 2019. When completed, the Prosperity Strategy will bridge the gap between the broad considerations of the Brookings assessment and the tangible near-term actions the region will take to advance growth, prosperity, and inclusion. To accomplish this mandate, the Prosperity Strategy is completing supplemental research, analysis, and stakeholder interviews targeted towards the findings and key considerations in each of the five Brookings factors.**

The Prosperity Strategy will serve as the federally-recognized Comprehensive Economic Development Strategy (CEDS) for the region to build an inclusive, advanced economy. The strategy will translate the trends and opportunities identified in the Brookings assessment into focused, actionable initiatives that build advanced industries, human talent, and inclusive economic growth. The strategy will also clarify roles for regional leadership organizations including Greater Sacramento Economic Council, Sacramento Metro Chamber of Commerce, Sacramento Area Council of Governments, and Valley Vision.

The Prosperity Strategy operates under a set of axioms:

- First, that an economically prosperous region must tackle both growth and inclusion. As such, the strategy employs an inclusive economy framework that treats inclusion as an essential input to any decision making, instead of a separate policy consideration.
- Second, that while there are many contributors to competitiveness, the Prosperity Strategy will limit focus to the five prosperity factors identified in the Brookings assessment as the key drivers and enablers of regional economic competitiveness; these five factors are also the areas where regions have stronger institutional capacity or other authority to execute upon a shared regional vision.
- Finally, within each of the five prosperity factors the Prosperity Strategy will delineate a single near-term priority and corresponding tangible action for the first year of implementation. Once implementation is completed, the plan can update each prosperity factor on a rolling basis to cover additional components of the regional economy. However, the plan in its essence is a prioritization exercise, so many important regional efforts will not be included in the initial year one of implementation priorities.

## Prosperity Strategy principles

The Prosperity Strategy will be anchored by a set of core principles, which will evolve as the strategy comes into shape and additional stakeholders are at the table. The strategy draws on principles from a similar exercise in the Portland, Oregon region that engaged Brookings for a market assessment and then pivoted towards regional implementation activity. As part of the rollout of the Sacramento capital region's own market assessment, the Prosperity Partnership has vetted and refined these draft principles to be more relevant to our region, along with input from local elected officials (Regional Futures Forum), business (Metro Chamber's membership), and the general public (SACOG's MTP workshops), as well as an equity and other focus groups. The partners will finalize the economic prosperity principles to align with the completed Prosperity Strategy.

### Draft Economic Prosperity Principles

#### *Improve Business*

1. Advance competitiveness, drive jobs and investment into the region
2. Target advanced industry and traded sector job creation, including in the food/ag and health/life science clusters
3. Support improvements to the business climate that increase innovation, university tech transfer, and business dynamism and scaling

#### *Support People*

4. Improve access to requisite education and in-demand occupational skills, making digital skills a shared workforce development priority
5. Leverage workers and entrepreneurs from all backgrounds to foster equitable wealth creation and inclusive growth
6. Increase access to community programs, jobs, capital, health care, and stable housing for vulnerable and struggling communities

#### *Develop Place*

7. Invest in infrastructure that supports regional mobility and accessibility, including affordable transportation options for low-income residents
8. Increase housing affordability through production, diversity of housing types, supportive infrastructure and community investments
9. Support healthy, safe and complete communities with place-making assets and 'next-generation' transportation options



## What happens next? Prioritizing the prosperity strategies

The next-step considerations from the Brookings market assessment purposefully remained at a broad level, and Brookings concluded by recommending additional work to vet these ideas with other local partners and hone in on the most promising concepts within each prosperity factor. The Prosperity Strategy is this bridge between the top level Brookings market assessment and near-term implementation activity. The Prosperity Partnership is conducting supplemental research targeted at the areas and questions identified in the Brookings assessment. Through this exercise the Prosperity Strategy will compile a catalogue of promising implementation strategies in each market driver, and then prioritize a single set of near-term implementation activities. As such, the Prosperity Strategy does not include every component of the regional economy (i.e., the strategy will initially not cover other important regional issues in favor of focusing on a core set of actionable priorities). The Prosperity Strategy is compiling and prioritizing these strategies and concepts based on the Brookings market assessment and supplemental targeted research.

- **Tradable industries:** The Prosperity Strategy will develop cluster initiative strategies and then prioritize the first implementation actions for the intersection of agriculture, food, and technology, and for health/life sciences.
- **Innovation:** The Prosperity Strategy will hone in on what is needed to activate a regional innovation district, including bridging the gap in business dynamism between regional strengths in knowledge creation but underperforming growth at young firms.
- **Talent:** The Prosperity Strategy will organize for a Digital Skills Initiative as the most promising near term strategy in the talent/human capital market driver to reduce disparities and recognizing the changing nature of the regional workforce.
- **Infrastructure:** While the Brookings assessment delved into various forms of infrastructure, including housing and broadband, the Prosperity Strategy will focus its year one activities on transportation infrastructure, and how to prioritize transportation investments that improve access to job centers, support growth in the region's tradable sectors, and maximize the region's economic competitiveness. Subsequent implementation activities will look to the other facets of regional infrastructure and planning.
- **Governance:** The Prosperity Strategy will serve as the region's next Comprehensive Economic Development Strategy (CEDS), the regionally developed planning process that guides regional economic prosperity. Updating the regional CEDS to align with this new economic framework will increase efficiencies, eliminate duplicative work, preserve access to federal resources, and create momentum around building an inclusive, advanced economy in the region. Further, the Prosperity Strategy will delineate a governance structure to implement the near-term actions identified within each market driver.

## Regional Prosperity Partnership

### PHASE 1

Completed May 2018



Brookings  
Market Assessment

### PHASE 2 Prosperity Strategy

Ongoing, Due Mid 2019

#### DRIVERS



Food and Ag  
Cluster



Health Sciences  
Cluster



Innovation



Workforce

#### ENABLERS



Infrastructure



Governance

### PHASE 3

Start Mid 2019



Implementation

sacramentoplan.com

## How do I get involved?

Greater Sacramento Economic Council, Sacramento Metro Chamber, Sacramento Area Council of Governments and Valley Vision—the agencies that commissioned the Brookings market assessment—are organizing the region around the development of the Prosperity Strategy. The agencies have convened an open advisory committee to guide the development of the strategy towards a spring/summer 2019 release and welcome additional stakeholder support, either through financial, in-kind, or implementation commitments.

Go to [sacramentoplan.com](http://sacramentoplan.com) to learn more about the effort, timeline, and focus on near-term implementation actions.



**GREATER SACRAMENTO**  
ECONOMIC COUNCIL



**metrochamber**  
SACRAMENTO METROPOLITAN  
CHAMBER OF COMMERCE



**valley vision**  
Community Inspired Solutions

[sacramentoplan.com](http://sacramentoplan.com)