

**BUSINESS OF THE COUNCIL OF THE CITY OF HALF MOON BAY**

**AGENDA REPORT**

For meeting of: **March 5, 2024**

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**TO:** Honorable Mayor and City Council

**VIA:** Matthew Chidester, City Manager

**FROM:** Karen Decker, Economic and Community Vitality Manager

**TITLE:** **Introduction to Coastside Venture Studio**

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**RECOMMENDATION:**

Receive an update on a new business incubator, Coastside Venture Studio.

**FISCAL IMPACT:**

There is no net fiscal impact to the City. The total amount of the professional services agreement is funded through a \$2,500,000 grant from the County of San Mateo.

**STRATEGIC ELEMENT:**

This recommendation supports the *Fiscal Sustainability, Healthy Communities and Public Safety, and Inclusive Governance* Elements of the Strategic Plan.

**BACKGROUND:**

Despite its beauty and abundance of natural assets, the Coastside region has limited industry and job growth. It lacks economic diversity, which undermines its prospects for long-term economic growth and makes it vulnerable to external shocks. This is especially true for tourism, with Transient Occupancy Tax (TOT) contributing about 40-percent of the City's General Fund. TOT for the City plummeted between fiscal years 2019-20 and 2020-21 and the Ritz Carlton, one of the largest hotels on the Coast, had to cut back on 138 jobs. Agriculture has suffered too with a 30-percent drop in total production value between 2019 and 2020, and production values have remained flat throughout 2022, according to the most recent San Mateo County Annual Crop Report.

The lack of a diverse economy limits residents' prospects for local job opportunities. More affluent residents tend to commute to jobs (or have the option to work from home) that provide higher wages, better benefits, and opportunities for advancement while less affluent residents are stuck in low-wage jobs that dominate the Coastside economy and find it difficult to afford the region's high cost of living.

Limited industry and higher-paying job opportunities make the region less competitive and attractive to the next generation of workers who are more likely to leave the area after they finish high school.

In response to these challenges, the Coastside Recovery Initiative produced a set of strategic recommendations detailed in a public report, *Building a More Equitable, Vibrant and Resilient Coastside Economy*. One of the recommendations called for the creation of a business incubator for new start-up and early-stage companies aligned with the Coastside's unique natural assets. The extraordinary coastal environment is poised for innovation and growth in key opportunity industries such as ag-tech and regenerative farming, sustainable fishing, renewable energy, disaster mitigation and natural resource conservation, among others. This effort is well timed as climate science, consumer, and corporate interests, decreasing technology costs, and the policy environment all point toward opportunity for innovative climate technology projects. The City and its partners believe this incubator is uniquely positioned to be the only incubator-through-accelerator program in the nation entirely dedicated to climate resiliency and resiliency tech.

Since the release of the report in March 2022, the San Mateo County Board of Supervisors approved a \$2.5 million funding allocation to support the development of an economic advancement center (the Opportunity Center of the Coastside) to provide supportive services for job seekers, small businesses, and entrepreneurs.

A physical location has been acquired for the Opportunity Center in the heart of downtown (637 Main Street) with access to public transit and proximity to City Hall, local nonprofits, and the College of San Mateo's upcoming new facility. A lease agreement has been signed with the property owners, tenant improvements are underway, and the Half Moon Bay Coastside Chamber of Commerce and Renaissance Entrepreneurship Center have been conducting some services at the new location. Job Train will soon be joining the team, pending the hiring of new staff who will be dedicated specifically to serving this location. A ribbon-cutting event is being planned for March, pending completion of tenant improvements.

**DISCUSSION:**

The City released a Request for Qualifications inviting qualified individuals and organizations to develop and operate a business incubator that would serve Half Moon Bay and the surrounding Coastside communities. Three proposals were received in early January, and the review committee unanimously approved American Energy Society (AES) to lead this important effort. AES is a professional association for innovators and experts that provides news and information, events, and business development services for those working to solve the most urgent challenges in human history. The organization has more than 135,000 members and is the largest professional society for energy and sustainability in the world. Eric Vettel is the President of AES, a resident of Half Moon Bay, and a volunteer for the Half Moon Bay History Association.

AES will work with an advisory board to select six startups as the inaugural cohort of CSVS. These startups will focus on solutions that help communities become more resilient to disruptions caused by changing climate in the areas of food, water, and the built environment. These three subsectors align directly with the region's natural assets – agriculture, harbor and waterways, and coastline infrastructure. AES will encourage and actively recruit underrepresented startup founders including women and people of color.

Each year, a new cohort of startups chosen through a competitive process will be invited to participate in Coastside Venture Studio. The cohorts will consist of startups in each of the three focus areas (food, water, and the built environment), with some slots set aside for local startups with Coastside ties. Entrepreneurs and start-up founders will be selected based on shared values around a social ethos of people, planet, and profit – a triple bottom line.

Recognizing that 80-90 percent of startups and small businesses fail in the first 10 years of operation, Coastside Venture Studio will address the challenges that all entrepreneurs face with a sharp focus on women, immigrants and minority-led start-up and early-stage businesses. These businesses are not yet competitive for venture funding, but still have needs that go beyond capital such as workspace, legal, accounting, human resource, marketing, and other business planning services. Our model will also provide industry-specific programming and services keeping work adjacent issues in mind like the need for flexible scheduling and childcare.

CSVS's physical address is 633 Main Street, which includes a suite in the Opportunity Center. With prior authorization from Council, the City entered into an Agreement with AES in February, and the recruitment of advisory board members, startups, and investors is underway.

**ATTACHMENT:**  
Scope of Work