



Community Economic Development

Issue Brief



The Community Input Project

Silicon Valley Community Foundation is committed to the best ideas and most effective solutions—at the local and the regional levels. With those goals in mind, the community foundation has initiated the Community Input Project, a series of strategic conversations around needs and issues that matter most. The issues were selected based on a review of local data, the many excellent assessments available about the health, social and environmental concerns in the region, and issues community members and leaders have raised.

The community foundation anticipates this process will spur a greater interest in regional partnerships as well as strategic solutions for meaningful, lasting and transformative change. The community foundation's board of directors will take the results of the community input process into consideration when making decisions about future directions and strategies.

This brief represents a summary of important trends and issues related to community economic development. Similar briefs will be available in the areas of immigration, arts and culture, environment, housing, health, civic engagement, child and youth development, and education.

Major Trends

Innovation drives Silicon Valley's economy, but employment is in flux. Silicon Valley has had a history of cyclical evolution in its industries, seen most recently and most dramatically in the transition from computer hardware to software to internet over the course of the 1980s and '90s. The explosive growth of the web-based industry collapsed in 2001, resulting in the greatest job loss of any area in the nation since the 1930s. While Silicon Valley has the proven ability to rebound, as evidenced by a new emphasis on clean technologies after the dot-com bust, individual workers are often unable to easily transition from declining employment sectors to emerging ones (1).

Future workforce lacks preparedness for available jobs. A recent report released by the Public Policy Institute of California ranks the potential mismatch between the educational requirements of the state's economy and the educational attainment of its future population as one of the most threatening trends facing the state. Of particular significance is the fact that immigrants and children of immigrants will make up a large percentage of the 2025 working-age population and up to now, this group has been among the least likely to finish high school or college (2).

Economic prosperity is not evenly spread. Economic benefits in the region consistently accrue to earners and investors at the top of the income scale, while those at the bottom struggle. Over the past six years the cost of living continued to outpace stagnant earnings for low-wage workers. Impoverished neighborhoods through which investment capital rarely flows also represent a major challenge to the economic vitality of the region (3).

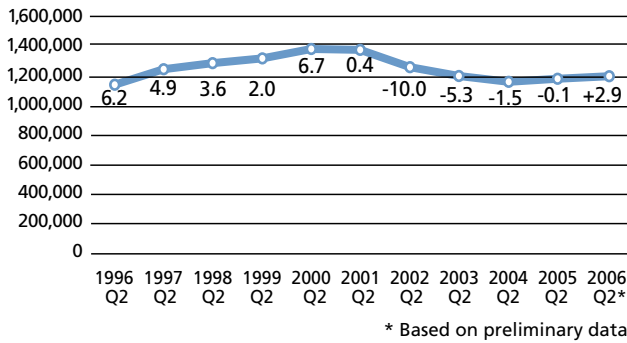
Asset-building strategies emerge to address socioeconomic inequities. In the past decade, a national asset-building movement has been working to increase opportunities for low-income families to build financial assets—cash savings, stocks, bonds, home, business and real estate equity. Increasingly, practitioners and funders are exploring ways in which economic revitalization efforts in and near low-income

neighborhoods can be a catalyst for asset building so that residents have the capacity to participate, as consumers and investors, in their local economy.

Regional Indicators

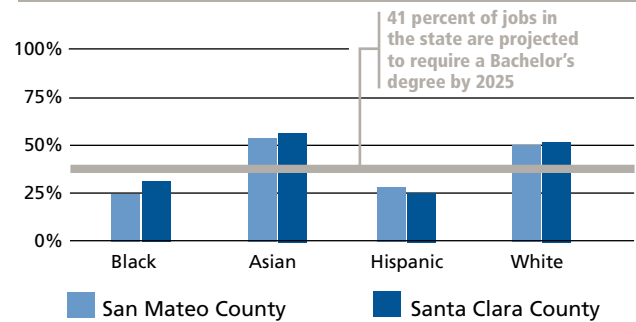
- Six of the top 10 cities in the nation for patent registrations are located in Silicon Valley, and in 2005, the region's share of total U.S. patents continued its gradual climb (1).
- Silicon Valley has emerged as one of the top regions in the country for clean technology investment (1).
- The total number of jobs in the Silicon Valley has been declining since 2001, however there was a net increase of 33,252 jobs between 2005 and 2006 (1). *See Figure 1.*
- Twenty-two percent of all households in Silicon Valley earned less than \$35,000 in 2005, falling two percent from 2004 (1). *See Figure 2.*
- Over one in five San Mateo and Santa Clara County residents are asset poor—do not have enough cash reserves or equity in their home or businesses to meet basic needs for three months during a period of joblessness, health emergency, divorce or other unexpected financial hardship (4). *See Figure 3.*
- Silicon Valley is one of the most highly educated parts of the country—44 percent of adults have a bachelor's degree or higher level of education. However, educational attainment differs widely by racial and ethnic groups (1). *See Figure 4.*
- Community colleges in Silicon Valley are overenrolled, particularly in high-demand occupations such as health care (1).
- Quality child care is in short supply for working families. In 2004, licensed child care was available to only 30 percent of children in San Mateo County and 26 percent of such children in Santa Clara County (5).

Figure 1: Number of Silicon Valley Jobs in Second Quarter with Percentage Change Over Prior Year



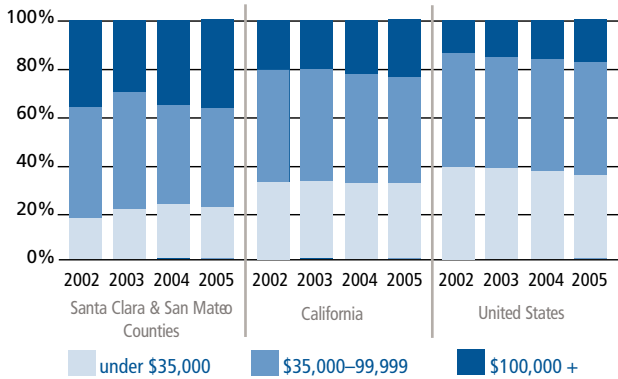
Source: 2007 Silicon Valley Index. Joint Venture: Silicon Valley Network.

Figure 3: Percentage of Adult Population Aged 25 and Older with a Bachelor's Degree by Race



Source: Can California Import Enough College Graduates to Meet Workforce Needs? Public Policy Institute of California, 2007. U.S. Census Bureau.

Figure 2: Distribution of Households by Income Ranges



Source: 2007 Silicon Valley Index. Joint Venture: Silicon Valley Network.

Figure 4: Asset Poverty Versus Income Poverty for Bay Area Counties, 2005

County	Asset Poverty Rate	Income Poverty Rate
Alameda	29.0%	9.1%
Contra Costa	19.9%	6.1%
Marin	18.2%	5.7%
Napa	24.0%	7.2%
San Francisco	37.4%	10.6%
San Mateo	22.8%	4.4%
Santa Clara	22.8%	5.4%
Solano	25.0%	6.9%
Sonoma	22.8%	5.8%

Source: Local Asset Poverty Index (LAPI), produced by the Asset Policy Initiative of California, 2005.

Issues for Discussion

Private Industry and Investment

The role of the private sector remains critical to community economic development, particularly in the areas of drawing investments into economically depressed communities, investing resources for double bottom line returns and implementing regional economic development strategies.

Regional economic development

strategies. A region-wide vision for economic prosperity in Silicon Valley is needed to improve conditions in its low- and moderate-income neighborhoods. Today, strategies are needed that blend free market approaches to economic development—in which large multinationals are the primary engines of change—with more regional planning and decision-making are needed. At the center of this approach is strong community commitment to create regional integration rather than regional competition (6).

Key to regional integration is sharing lessons learned, promising economic development strategies and resources across communities to build “social clusters”—networks and relationships among individuals, institutions and businesses that will propel more equitable economic growth. Also playing into this approach is the role of “industry clusters” as engines of regional growth and development. One of the most widely discussed strategies in community and economic development today, cluster industries are networks of firms in the same industry that work together to promote their field and the regional economy (6).

Social entrepreneurship. The Bay Area Council identifies the increasing rate of concentrated poverty as one of the top five challenges to long-term economic prosperity and quality of life in the region. At the same time, significant amounts of capital flow through the region but rarely reach impoverished neighborhoods. There is a need to build on Silicon Valley’s innovative private sector and encourage public-private approaches to improving economically depressed communities in ways that directly benefit their residents (7).

Across the U.S., businesses, civic organizations, community leaders, nonprofits and government agencies are exploring ways to attract private investment into low and moderate-income neighborhoods. The New Market Tax Credit program, as one example, is designed to stimulate investments in commercial real estate and business ventures by providing investors with a significant tax credit over a multi-year period. This program, and others like it, is also designed to produce double bottom line returns—risk-adjusted market rate financial returns along with substantial social returns—in priority neighborhoods.

Profit sharing. Encouraging profit sharing in the private sector is another strategy to create wealth for lower-wage workers in the region. Socially-responsible investment funds could promote wealth-sharing opportunities among their portfolio companies. Regional leaders could also play a role in encouraging the private sector to offer employer stock ownership plans and other wealth-sharing strategies.

Workforce development and readiness

With the vast numbers of baby boomers preparing to retire and the declining ability of the region to attract skilled workers from other states and countries, it is critical to develop the skills of the local workforce. Additionally, the availability and affordability of transportation and child care are also necessary workforce supports.

Education and skills. The future success of the region’s young people in a knowledge-based economy will be determined largely by how well elementary and secondary education in Silicon Valley prepares its students for higher levels of education.

Yet a focus on college as the only way or even the most important way to prepare the workforce is short sighted. Other forms of workforce training, including vocational education, adult education and regional occupation programs, are important to consider in addressing the skills gap. However, training for adult learners is limited in geography and accessibility, particularly in regard to transitional skills training for dislocated workers and language and basic skills training for the immigrant population.

Transportation and child care. Successfully linking employees with jobs often demands available, affordable and reliable transportation services. Nationally, most of the recent job development has been in suburban areas, whereas low-cost housing has been concentrated in larger metropolitan cities, presenting a transportation dilemma. Many low-income workers do not own cars and face transportation challenges in finding employment and getting to work. Often working non-traditional hours and multiple jobs, low-income workers are not always able to access public transportation. Meanwhile, the availability of affordable, quality child care is especially critical to the workforce participation of low- and moderate-income parents.

Asset Building Strategies

Without savings and investment opportunities, low- and moderate-income residents lack the resources to buy homes, invest in businesses, plan for retirement and provide higher education for their children. In addition, economic development and neighborhood revitalization efforts should take into account the need to build the financial wealth of residents.

Savings Strategies

Individual Development Accounts. Saving money to build assets and gain financial stability can be difficult for people with limited incomes. Individual Development Accounts (IDAs) are matched savings accounts designed to help participants save for particular goals, such as higher education, homeownership, a small business or retirement—assets that will grow in value over time. The match incentive—similar to an employer match for 401(k) contributions—is provided through a variety of government and private sector sources. However, these funds are often limited to those at less than 200 percent of the federal poverty level, about 40 percent of the area median income in the Bay Area, even though Silicon Valley residents up to 80 percent of the area median income are in need of these services. Moreover, demand for IDA savings opportunities even amongst those who qualify outstrips supply in the region due to limited matching funds (8).

Employer-based savings opportunities for low-wage employees. Private employers can play a role in expanding savings opportunities for low-wage workers by providing benefits, such as IDAs, Children's Savings Accounts and Lifelong Learning Accounts (LILAs). LILAs are employer-matched, portable individual savings accounts used to finance education and training. Even as the knowledge-based economy continues to require higher skills, recognized credentials and postsecondary degrees, the high cost of education and training limits access for lower-wage workers who could otherwise improve their earnings and careers. With LILAs, these workers have increased opportunities to upgrade their skills to meet the needs of the regional economy and improve their personal financial circumstances (8).

Investment Strategies

Microenterprise programs and worker-owned cooperatives. Fostering entrepreneurship is a critical part of building healthy communities, especially in Silicon Valley where innovation and entrepreneurship is a foundation of the region's economic strength. Community-based microenterprise and microfinance programs are important strategies to support low-wealth entrepreneurs who need capital to start or grow a business, but cannot qualify for a traditional bank loan. These programs provide start-up loans, technical assistance, and loans to invest in equipment, vehicles, remodeling or inventory (8).

Worker-owned cooperatives present another strategy that is producing tangible wealth for worker-owners in the region. Expansion of this business model involves support for technical assistance and investment in cooperative investment funds (8).

Community Development Financial Institutions. Nationwide, over 1,000 Community Development Financial Institutions (CDFIs) serve economically distressed communities by providing credit, capital and financial services that are often unavailable from mainstream financial institutions. While CDFIs share a common mission of community development, they have a variety of structures and development lending goals (9).

Skill-building strategies

Financial management and literacy training. Preserving assets through financial literacy training is essential to the overall economic development of low- and moderate-income communities. In recent years, financial literacy programs have become more common both nationally and in Silicon Valley. These programs provide support in the areas of home buyer education, credit repair and basic money management.

Sources

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About Silicon Valley Community Foundation

Silicon Valley Community Foundation is a leading voice and catalyst for innovative solutions to the region's most challenging problems. Our mission, vision and values reflect our commitment to serving the vibrant communities in San Mateo and Santa Clara counties. We bring together diverse groups of people—nonprofits, donors, government leaders, business people, faith-based organizations—all of whom care deeply about improving the quality of life in our region. Our goal is impact and we employ a variety of strategies to achieve it, including grantmaking, community initiatives, donor engagement, convening and research.

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