



ECONOMIC DEVELOPMENT STRATEGIC PLAN

PASADENA ECONOMIC DEVELOPMENT CORPORATION

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INTRODUCTION

Pasadena (the City) is the second largest city in Greater Houston, the nation’s fifth-largest metro area. In this sense, Pasadena’s peer cities are not Pearland, League City, or Sugar Land. Pasadena’s role as the “second city” in one of the largest metro areas in the US puts it in the same league as Fort Worth, Texas, along with Long Beach and Oakland, California. The City is home to world-class industries, including major corporate operations representing dozens of countries. Pasadena is an international destination not only for companies, but also for people. The community’s largely Hispanic population includes a high concentration of foreign-born residents (representing more than 25 percent of the population) and supports a thriving base of local and national retail/restaurant businesses. Pasadena also benefits from a central location within the Greater Houston area (only 15 minutes from downtown Houston and from Houston Hobby Airport) and world-class infrastructure including the Port of Houston, the Beltway 8 corridor, and SH 225.

Despite these advantages, Pasadena lags behind competitor cities in the region in key economic indicators, such as housing development, labor force growth, and amenities that attract and retain young people. Part of Pasadena’s challenge for economic development is the fact that few sites remain to support from-the-ground-up new development. Pasadena’s future economic development efforts will spur growth in existing areas. Further, the City has a limited set of tools to shape future growth (Pasadena is the second largest city in the US with no zoning, after the City of Houston).

In response to these challenges, the Pasadena Economic Development Corporation (EDC) engaged TIP Strategies, an Austin-based economic development consulting firm, to create a 10-year road map to guide Pasadena’s growth. The first step in the planning process was to establish a common understanding of assets and challenges. This discovery phase included valuable roundtable discussions and interviews with dozens of community and business leaders in Pasadena. During this phase, the consulting team also analyzed a wide range of demographic and economic data for Pasadena and the Houston metro area with comparisons to Texas and the US. The economic research also compared the 10 largest cities in the metro area (other than Houston itself) to shed light on how Pasadena’s economy stacks up against its regional competition.

The resulting plan includes a set of goals and strategies designed to generate new private sector investment, business growth, job creation, and a growing local tax base for the City. The plan focuses primarily on the core functions where the EDC holds the greatest potential to affect positive change, starting with the traditional areas of marketing, business retention and expansion, and domestic/international business recruitment. Collectively, the six goals add up to a much more aggressive and diverse approach to economic development. If community leaders embrace the recommendations detailed in this plan, Pasadena can raise its profile within Greater Houston and establish itself as one of the nation’s leading destinations for new investment, employment, and business creation.

STRATEGIC PLAN SUMMARY

GOALS

1. Marketing and Image
2. Business Development
3. Workforce
4. Catalyst Projects
5. Tourism and Retail
6. Support Structures for Economic Development

TARGET INDUSTRIES

- Petrochemicals
- Logistics and Distribution
- Professional and Technical Services
- Hospitality and Tourism
- Aerospace Manufacturing and R&D
- Healthcare

PERFORMANCE MEASURES

- High-wage job growth
- Capital investment and tax base growth
- Increased educational attainment levels

STRATEGIC PLAN

GOAL 1. MARKETING AND IMAGE

Perceptions are not reality, as the old marketing adage would have us believe, but they certainly matter. Pasadena's image does not adequately reflect the City's wealth of assets or its economic potential. The negative image of Pasadena (internal and external) as a center for "smokestack industries" is largely a relic of the past. Today, Pasadena's midstream and downstream petrochemical industries continue to be dynamic, global leaders, but they are cleaner, safer, and more technology-driven than in the past. More important than the specific negative perceptions about Pasadena (held by some)

is the general lack of knowledge about the City. How many people in the Greater Houston area and across Texas know that Pasadena is the metro area's largest city outside Houston? How many people know about the Armand Bayou Nature Center? How many people understand that Pasadena's Port of Houston facilities and petrochemical plants are a key driver of the regional and state economy? How many people know that the University of Houston-Clear Lake is in Pasadena? How many people are aware of El Jardin Beach or the Silver Sycamore district? We don't need an exact answer to any of these questions. The short answer is "not enough."

A successful marketing program requires highly targeted messaging aimed at specific audiences. Generic marketing and promotional efforts, focused on convincing corporate executives and other business decision-makers that Pasadena is a "great place to live, work, and play" will not be sufficient to differentiate the City for business recruitment. New marketing initiatives that use local assets to tell Pasadena's story internally, throughout the Houston area, and nationwide will help enhance the community's image over time. The internal component of Pasadena's marketing will rely on a greater level of engagement with young professionals and emerging business leaders.

FOCUS AREAS

- Internal and external marketing of Pasadena's assets
- Relationships with area real estate community
- New marketing materials and tactics focused on target industries
- Civic leadership and young professional engagement

STRATEGIES AND ACTIONS

- 1.1. Emphasize Pasadena's world-class assets in the EDC's marketing efforts. *Telling stories about these assets—and the people who make them what they are—will go a long way toward changing the Pasadena "brand." Pasadena's assets, to name a few, include the Port of Houston, the Armand Bayou Nature Center, San Jacinto College (SJC), the Houston Area Safety Council, numerous high-performing retailers and restaurants (including many authentic ethnic restaurants), and Pasadena Independent School District (PISD).*
 - 1.1.1. Begin by telling the stories internally (Pasadena business leaders and residents), then to friends and allies (partner organizations in the Houston area), and then to the rest of Texas and the world.
 - 1.1.2. Focus internal and external marketing efforts on key decision makers, such as real estate brokers, developers, and corporate executives.
 - 1.1.3. Use creative approaches to tell the Pasadena story to the surrounding region and the rest of the world. *KUT radio "Austin stories" highlight long-time Austin residents and how they developed an affinity for Austin, while simultaneously showcasing a unique local place or cultural asset. Similar "Pasadena stories" could be promoted via Houston Public Radio or other traditional or nontraditional*

media channels. A Pasadena “Tour de Taco” or “Armand Bayou Boat Tour” to promote the City’s cultural and recreational assets could be featured.

- 1.1.4.** Ensure Pasadena is “at the table” in regional economic development marketing efforts alongside the Port of Houston, Ellington Airport, Houston Hobby Airport, the Economic Alliance Houston Port Region, the Bay Area Houston Economic Partnership, and the Greater Houston Partnership. One example of a more proactive regional marketing approach is to partner with Houston Hobby Airport to launch a marketing campaign at the airport to promote Pasadena as a business and talent destination.
 - Use traditional channels, such as posters and billboards located at and around the airport.
 - Also use nontraditional channels, such as a 30-second video showcasing Pasadena’s assets in order to access free public Wi-Fi.
- 1.2.** Engage young professionals and emerging business leaders as a target audience in Pasadena’s economic development program.
 - 1.2.1.** Support the Pasadena Chamber of Commerce (the Chamber) efforts to re-establish the Leadership Pasadena program as a pipeline of engaged civic leaders who support economic development.
 - 1.2.2.** Work with the Chamber to design a survey/questionnaire to evaluate how young professionals in Pasadena and Greater Houston make decisions about where to live, work, and spend leisure time.
- 1.3.** Cultivate relationships with the regional real estate community to raise the visibility of Pasadena as a key real estate market for investment and development within Greater Houston.
 - 1.3.1.** Establish and maintain relationships with local and regional real estate brokers, developers, and site selectors by participating in regional real estate events and one-on-one meetings with area real estate professionals. Leverage the knowledge gained from these relationships to enhance Pasadena’s understanding of the area real estate market and to strengthen the EDC’s communications channels to business decision makers responsible for expansion, relocation, and development decisions.
 - 1.3.2.** Host Houston Real Estate Council, CoreNet Global, Urban Land Institute (ULI), Society of Industrial and Commercial Brokers (SIOR), and Commercial Real Estate Development Association (NAIOP) meetings in Pasadena.
- 1.4.** Enhance the visual appeal of major gateways into Pasadena through landscaping, streetscape improvements, and other tactics.
 - 1.4.1.** Focus gateway enhancement efforts on major entry points into Pasadena, such as the arterial streets that intersect with SH 225 on/off ramps (Richey Street, Shaver/Main Streets, Pasadena Boulevard, and Red Bluff Road) and major entrances into the City from the Beltway 8 (e.g., Genoa Red Bluff/Preston, Fairmont, and SH 225).
 - 1.4.2.** Leverage joint City/county funding for specific gateway and corridor enhancement projects (such as a potential road improvement project along Red Bluff Road, starting at SH 225).
 - 1.4.3.** Develop citywide wayfinding signage at major intersections to guide visitors, residents, and workers to destinations throughout the community.
 - 1.4.4.** Employ “tactical urbanism” methods for activating underutilized properties at important locations. Allow and encourage temporary art installations, street festivals/fairs, pop-up parks, and other

temporary event spaces that build a sense of awareness around the possibilities for new development and business growth in specific corridors and locations in Pasadena.

- 1.5.** Actively manage and influence Pasadena’s image as portrayed through online and social media channels. *Efforts should start with a new/updated EDC website but should involve a comprehensive approach. For example, the EDC must also ensure Pasadena’s entry on Wikipedia is regularly updated with accurate and positive information, because this is often the first (and sometimes only) source of information people use to learn about a community. Additionally, various local organizations use Facebook, Twitter, and other social media tools—in addition to their websites—to provide up-to-date information about local businesses, developments, upcoming events, and other relevant information. All of these different communications channels should be working together to promote positive messages about Pasadena as a place to live and work.*
- 1.5.1.** Launch a new EDC website with marketing materials that tell compelling stories about Pasadena as a destination for investment and business development. Focus information and messaging on the website to promote the community’s assets to target audiences, including decision makers within target industries.
- 1.5.2.** Encourage collaboration and coordinated messages for social media sharing, newsletters, and other marketing channels for the EDC, the City, the Chamber, and other partners in Pasadena.
- Collaborate with regional economic development partners (such as the Port of Houston, CenterPoint Energy, the Economic Alliance Houston Port Region, the Bay Area Houston Economic Partnership, and the Greater Houston Partnership), educational institutions (PISD, San Jacinto College, and the University of Houston-Clear Lake), and other local organizations with a large audience, including major employers.
 - Coordinate with partners to ensure online messages related to economic development are consistent and positive across each entity’s online presence (including their websites, their social media channels, and other online communications channels, such as their Wikipedia pages).
- 1.6.** Lobby at state and federal levels to rename the Houston metro area, currently designated as “Houston–The Woodlands–Sugar Land” to “Houston–Pasadena–Sugar Land.” *This strategy is not as unreasonable as it might sound. Other metro areas have been renamed as a result of shifting economic dynamics. Austin–San Marcos became Austin–Round Rock as a result of Round Rock’s emergence as the second largest population and employment center in the metro area. San Antonio became San Antonio–New Braunfels because of the rapid growth in New Braunfels over the past 10–20 years. The official names of metro areas are used in thousands of lists published in traditional media publications and online sources. These lists create name recognition over time for cities that are part of the metro area name. The name change will highlight the City’s role as a major employment center in the Houston area and enhance its ability to attract and grow new business. The US Office of Management and Budget (OMB) has a set of standards for delineating official metropolitan areas and how they are named. As the second most populous city in the region, Pasadena may qualify to be included in the metro name.*

GOAL 2. BUSINESS DEVELOPMENT

Economic development programs often prioritize business recruitment above business retention and expansion (BRE). However, a strong BRE program is just as important as a recruitment program. The US Small Business Administration estimates that roughly 60 percent of new jobs in a community are created through the expansion of existing businesses. While this figure is often debated, there is no debate about the fact that Pasadena’s existing employers are the foundation of the local economy and must be supported through a strong BRE program. The community’s existing large cluster of midstream and downstream petrochemical companies, port-related businesses, and healthcare employers (anchored by Bayshore Medical Center) are the backbone of Pasadena’s economy. Efforts focused on supporting the City’s existing companies offer the potential for job creation similar to a business recruitment program, and they also help create a climate that is more supportive of business growth generally. Stated another way, it is difficult to recruit a new company if existing businesses are not thriving, especially if current businesses have a negative attitude about the local business climate. In addition to creating a supportive business climate, a robust BRE program must also help mitigate risks and vulnerabilities facing existing employers. This includes identifying businesses that are at risk of downsizing or relocation, such as those that have been recently acquired by other companies. Over time, a focus on existing business growth has the potential to generate more economic benefits than strategies aimed at bringing in new companies from outside the area.

FOCUS AREAS

- Business retention and expansion (BRE)
- Target industry recruitment
- International business development
- Entrepreneurship and small business development

Beyond supporting Pasadena’s existing employers, the City must also attract new investment and job growth through business recruitment. Since the Great Recession, competition has accelerated business expansion and relocation projects in communities across Texas and nationally. Communities and states with aggressive recruitment programs are reaping the rewards. New business attraction efforts focused on a set of target industries will help Pasadena compete successfully for expansions and relocations. It is worth noting, in the context of business recruitment, that being a “business friendly” community to some types of businesses may hinder the development of other types of businesses. Pasadena’s business attraction program—including both the EDC’s marketing initiatives and the City’s development review processes—must prioritize the recruitment of responsible, high-quality businesses that will contribute to the local economy and also enhance the community’s overall appeal as a place to live, work, and do business.

International business development is another valid option for Pasadena. The City is already home to foreign-based firms from more than a dozen countries in the petrochemical sector alone. The Port of Houston is in Pasadena’s backyard, connecting Greater Houston to the global economy. The City is within a 30-minute drive of two international airports (Bush Intercontinental and Houston Hobby), providing access for international business travelers, including nonstop flights from Bush to more than 50 destinations in Latin America (including Mexico, Central America, South America, and the Caribbean). More than 25 percent of Pasadena’s population was born outside the US, about twice that of the nation. And Pasadena has the largest Hispanic population (as a share of the City’s total) among any Greater Houston city. Given the City’s assets and characteristics, Pasadena is well-positioned to attract additional foreign direct investment in three distinct categories: 1) petrochemical and related businesses; 2) Port-related businesses; and 3) Latin American-based business development.

STRATEGIES AND ACTIONS

- 2.1.** Work closely with the Economic Alliance Houston Port Region and the Chamber to launch a formal BRE program to stay in close communication with Pasadena’s large employers.

- 2.1.1.** Create and maintain a database of existing businesses in Pasadena.
 - Expand the database continually, with a focus on companies in Pasadena’s target industries.
 - Build a geographic information system (GIS) component into the database so that it can be map-based and easily understood spatially by internal and external partners.
- 2.1.2.** Launch a business visitation program to better understand and address the needs of major employers and target industries. Prioritize employer visits, using criteria such as employer size and growth rates (revenue and jobs), target industries, lease expiration dates, and recent mergers/acquisitions.
- 2.1.3.** Structure the business visits to achieve several outcomes.
 - Educate the employer about the EDC and its services;
 - Collect answers to a standard set of questions about the employer’s challenges, and identify ways the EDC can help address those challenges;
 - Identify employers who are expanding their operations in Pasadena and Greater Houston or are considering a relocation outside the community;
 - Uncover supplier recruitment opportunities that would benefit existing employers; and
 - Capture testimonials from employers about why they chose Pasadena as their business location.
- 2.1.4.** Build an understanding of companies targeted as part of the BRE program through multiple sources (in addition to direct contact with leadership at each target company). Develop relationships with relevant professional service providers (such as accounting firms, marketing/PR firms, and commercial real estate brokers) to provide a more detailed understanding of the company’s needs and challenges.
- 2.2.** Aggressively pursue domestic and international business recruitment targets within a set of target industries (described in more detail in the separate Target Industry Analysis report).
 - 2.2.1.** Focus Pasadena’s business recruitment and marketing efforts on six target industries, which represent the most promising opportunities for new jobs and investment.
 - **PETROCHEMICALS:** petrochemical plant operations, construction, maintenance, equipment, and finished plastic products manufacturing.
 - **LOGISTICS AND DISTRIBUTION:** port-related transportation, warehousing and distribution, and logistics consulting/support services.
 - **PROFESSIONAL AND TECHNICAL SERVICES:** engineering services, software and IT services, and other support services for the petrochemical sector.
 - **HOSPITALITY AND TOURISM:** festivals and events, hotels, retail, and restaurants.
 - **AEROSPACE MANUFACTURING AND R&D:** aerospace component manufacturing, aerospace engineering services, and research/testing and product development.
 - **HEALTHCARE:** medical specialties, healthcare suppliers and service providers, and health technology firms.

- 2.2.2.** Partner with San Jacinto College (SJC), the Economic Alliance Houston Port Region, and area petrochemical companies to leverage SJC’s new Center for Petrochemical, Energy, and Technology for business attraction.
- 2.2.3.** Recruit high-growth firms within the petrochemical value chain and other suppliers and service providers for large employers in the petrochemical cluster. *PinnacleART is a great example of a high-growth firm based in Pasadena that fits into the broader petrochemical cluster. It is the only Inc. 5000-listed firm in the City. There are dozens of similar rapidly growing companies in Greater Houston that could expand or relocate to Pasadena.*
- 2.2.4.** Brand and promote the cluster of hospitals and healthcare facilities in Pasadena as the Pasadena Medical District. These facilities stretch from the main Bayshore Medical Center campus at Spencer Highway and Burke Road to the various healthcare clinics at Crenshaw Road and the Beltway 8.
 - Provide City and EDC incentives for new medical investment in this district.
 - Work closely with Bayshore Medical Center, other healthcare providers, and the area real estate community to recruit additional medical facilities to this district and to encourage the development of new medical office space in this area. Develop joint commercial office projects that include a combination of medical office space and Class A commercial office space.
 - Recruit compatible businesses and development to the Pasadena Medical District, including additional retail, restaurants, hotels, and residential uses.
- 2.2.5.** Work with developers and industrial real estate brokers to capitalize on the increasing demand for industrial and warehousing space in Greater Houston, especially with proximity to the port and to major transportation corridors, like Beltway 8 and SH 225.
- 2.3.** Refine and narrow industry recruitment targets. Use this information in collaboration with regional partners, such as the Port of Houston, the Economic Alliance Houston Port Region, the Bay Area Houston Economic Partnership, and the East Harris County Manufacturers Association, to market and promote Pasadena for business expansion projects.
 - 2.3.1.** Continue working with the Port to encourage reuse of the Bayport Cruise Terminal for automotive warehousing and distribution, while also pursuing higher-value business recruitment targets that could locate in the Cruise Terminal.
 - 2.3.2.** Take advantage of the “reshoring” (a countertrend to globalization) by recruiting finished plastics products manufacturers that would benefit from proximity to the petrochemical plants.
 - 2.3.3.** Highlight Pasadena as a key component in the Houston region’s bid to compete with Miami as the “Hub for the Americas” from a port and air freight standpoint.
- 2.4.** Attract investment from multinational corporations and foreign businesses in Pasadena.
 - 2.4.1.** Work with the Port of Houston, the Economic Alliance Houston Port Region, the Bay Area Houston Economic Partnership, and the East Harris County Manufacturers Association to establish a set of protocols for evaluating and pursuing foreign direct investment opportunities that are a good fit for Pasadena.

- 2.4.2.** Develop guidelines for leveraging Foreign Trade Zone (FTZ) Number 84 (which includes Pasadena and is the largest FTZ in the US ranked by merchandise received), including a payment in lieu of taxes (PILOT) policy for Pasadena.
- 2.4.3.** Cultivate relationships with existing Pasadena companies with global reach, including foreign-owned firms and US firms with international expansion plans.
- 2.4.4.** Create new avenues for trade and investment by participating in trade missions and international conferences and events, such as a Pasadena-led effort in partnership with the Greater Houston Partnership and the Port of Houston.
- 2.4.5.** Develop business intelligence and international expertise around Pasadena’s major industries, starting with the petrochemical ecosystem. Build this expertise through a combination of working with area companies and resources, such as *The Economist* magazine’s Economist Intelligence Unit and its country reports (which provide analysis of political and economic trends for nearly 200 countries, including a 2-year forecast).
- 2.4.6.** Build strategic relationships with foreign consulates in Greater Houston that might result in stronger ties to countries with a growing portfolio of investments and companies in Pasadena.
- 2.5.** Encourage entrepreneurship and small business development. *Elevate small business support within City government, including assigning designated liaisons to connect local business owners to appropriate City departments and services. (This is especially important for Hispanic and other non-English-speaking business owners.) Also, create more opportunities for business mentorship programs, connecting seasoned business executives with emerging small business owners and entrepreneurs.*
 - 2.5.1.** Encourage the City to evaluate its procurement processes and make any changes that promote the growth of local businesses.
 - 2.5.2.** Explore the potential for a City or an EDC-bonded program for small businesses (such as construction firms) that require bonding.
 - 2.5.3.** Collaborate with the Chamber to push for a City policy change that enables bars, restaurants, breweries, and similar businesses to sell alcohol citywide.
 - 2.5.4.** Support the Chamber’s efforts to create new mentor programs that link area business executives with entrepreneurs to expose emerging business leaders to the expertise of seasoned executives.
 - 2.5.5.** Work with the Chamber to establish Pasadena as a regional hub for Hispanic business owners, investors, and real estate developers, starting with nearby communities such as Pearland, La Porte, Deer Park, and neighborhoods on the east side of Houston.
 - Position the Pasadena Chamber as the regional primary local organization and a key regional partner for Hispanic business networking and support.
 - Partner with other regional organizations to support the growth of Pasadena’s Hispanic businesses.
- 2.6.** Work with the City to evaluate and improve the development review process to ensure a higher level of efficiency and consistency in the decision-making process for business owners and property owners making investments in real estate and facilities.
 - 2.6.1.** Create and implement a GIS (map-based) system permitting performance tracking to provide more transparency of the City’s development review process. This system should track the progress of a

permit and allow the applicant to understand which departments are reviewing the permit at any point in the process.

- 2.6.2.** Provide a regular report with detailed information from the tracking system to City staff, local business owners, and real estate professionals.
- 2.6.3.** Each quarter, create a publicly available map-based report (with supporting details) that highlights all major real estate development projects in the City, including major renovations of commercial/industrial buildings.
- 2.6.4.** Work with the City and the Chamber to create a one-page summary document to promote the City's *Business Start-Up Guide* as a resource for new and expanding businesses in Pasadena.
 - Develop the summary document to answer basic questions, such as "Whom do I need to contact from the City?" for anyone starting or expanding a business in Pasadena.
 - Using the summary document as a starting point, create a one-stop City webpage for all development questions, processes, and contacts.
- 2.6.5.** For complex and unusual development projects, continue offering predevelopment meetings in which all City departments involved in the development review process attend a meeting with a Pasadena business owner or landowner who is moving forward with a new real estate development project (including new construction and major rehabilitation projects of existing space).
 - Create a two-pronged "Should I attend a predevelopment meeting?" checklist to help business owners and developers understand the purpose of predevelopment meetings and whether they should attend. Post this checklist on the City one-stop development webpage.
 - Standardize predevelopment meetings so that they take place once a week at the same time (e.g., Wednesday mornings from 9am to noon) with the same designated "Permitting Team" of City staff from relevant departments. Ensure each department has a primary duty staff member that regularly attends predevelopment meetings, in addition to a designated backup staff person.
- 2.6.6.** Invest in new City technologies and protocols to enhance the customer service experience for business owners engaged in a development review process. This should include new protocols, such as text messages notifying applicants of upcoming inspections and referrals for small businesses to the Chamber for specific services (such as development consultants) that help businesses with permitting and starting a new business.
- 2.6.7.** Offer an expedited permitting option for business owners and developers who are willing to pay a separate fee to the City in exchange for having their permitting plans reviewed within a pre-determined amount of time.
- 2.7.** Enhance the EDC's research capacity, so it can serve as the go-to source for economic data in Pasadena.
 - 2.7.1.** Hire a full-time research manager to develop a deep knowledge of real estate, business intelligence, industry trends, demographics, and other important aspects of Pasadena's economy.
 - 2.7.2.** Invest in data subscriptions and analytical tools (such as Emsi, Esri Community Analyst, and CoStar) to support the EDC's research and marketing activities.
 - 2.7.3.** Maintain local data (such as employer and industry-specific data) not tracked by paid subscription services.

- 2.7.4.** Publish regular reports with relevant information on the Pasadena economy.
- 2.7.5.** Use this new research capacity to support economic development initiatives led by partners (including the Economic Alliance Houston Port Region, the Bay Area Houston Economic Partnership, CenterPoint Energy, and the East Harris County Manufacturers Association).

GOAL 3. WORKFORCE

Access to a skilled workforce consistently ranks at or near the top of the list of site-selection factors ranked in the *Area Development* magazine’s “Annual Survey of Corporate Executives.” Communities capable of attracting, retaining, and developing a skilled workforce have a competitive advantage in today’s economy. Businesses in Pasadena and throughout Greater Houston employ thousands of skilled workers and rely on a steady supply of talent to support their ongoing operations, including new jobs and replacement positions for workers who retire or move outside the area. Some of these new workers can be supplied by new talent moving into the region, but the majority will be filled by local talent.

FOCUS AREAS

- Leveraging San Jacinto College and its new Center for Petrochemical, Energy, and Technology for economic development
- A new career and tech center in North Pasadena
- Stronger engagement with University of Houston-Clear Lake

San Jacinto College is the one of Pasadena’s strongest assets for economic development. SJC is a major employer and driver of the local economy. But more important, it is a critical piece of Greater Houston’s network of community colleges that are working to solve one of the region’s biggest long-term challenges: cultivating a skilled workforce to support the region’s growing economy. The major investments in SJC’s upcoming (set to open in 2019) Center for Petrochemical, Energy, and Technology will create new opportunities to leverage the college for business development and further growth of the region’s petrochemical cluster. In addition to SJC, the role of PISD and the University of Houston-Clear Lake (UHCL) as key partners in workforce development needs to be a focus for Pasadena’s economic development program.

STRATEGIES AND ACTIONS

- 3.1.** Continue supporting the excellent work of local educational institutions to develop a talented workforce in Pasadena.
 - 3.1.1.** Work with UHCL and SJC to provide professional work experience for college students through internships at Pasadena-area employers.
 - 3.1.2.** Support the growth and success of the new UHCL mechanical engineering degree program to create a local talent pipeline for engineering functions in Pasadena’s petrochemical and related businesses. *UHCL is currently undergoing its own strategic planning process, which provides a good opportunity for the EDC, the City, PISD, and SJC to evaluate how they can each partner with UHCL more deliberately to support economic and workforce development initiatives.*
 - 3.1.3.** Explore partnerships with the Houston Area Safety Council to provide more support to the region’s petrochemical industry.
 - 3.1.4.** Encourage more partnerships between Texas Chiropractic College and the community (e.g., community health classes, leveraging its 750-seat auditorium for PISD events and other community functions).

- 3.1.5. Engage regional labor unions to promote apprenticeship programs and other initiatives to build a larger pipeline of skilled workers.
- 3.1.6. Engage Pasadena’s broader group of local organizations, such as churches and other faith-based organizations, community development organizations (such as BakerRipley), and nonprofit service providers in workforce development initiatives, including “wraparound services,” such as child care, transportation, housing, and healthcare.
- 3.2. Support efforts to connect the large youth population in Pasadena with existing and future employment opportunities in the petrochemical sector and related industries.
 - 3.2.1. Work with PISD, SJC, and other partners to explore the potential for an expansion of the PISD career and tech center on the north side of Pasadena.
 - 3.2.2. Work with SJC, PISD, and other organizations to establish new programs to encourage K–12 students in Pasadena to pursue gainful employment in local industries.
- 3.3. Support workforce development initiatives that assist local employers’ recruitment and retention of skilled workers from outside the community.
 - 3.3.1. Reach out directly to university programs in Texas and surrounding states (the University of Texas at Austin, Texas A&M University, Rice University, Louisiana State University, University of Oklahoma) that specialize in high-demand degree programs, such as chemical engineers, chemists, and petroleum engineers. Research these programs and present information about the number of positions available at companies in Pasadena.
 - 3.3.2. Set up a community tour or “welcome wagon” program to support existing employers with key personnel recruitment. (See Fargo, North Dakota, Smart Move website as an example.)

GOAL 4. CATALYST PROJECTS

Like many inner-ring suburban cities within major metro areas, one of the primary challenges facing Pasadena is the fact that the City is largely built out. With the exception of a handful of undeveloped properties in the southeastern section of the City, mostly between Red Bluff Road and the Pasadena Convention Center, there are no remaining large sites available for development. The City is fast approaching a 100 percent developed state, where any new development will come in the form of redevelopment. The City’s future growth will, by necessity, depend on a combination of two strategies: (1) strategic development of the few remaining undeveloped sites to ensure they support new opportunities for business and employment growth; and (2) redevelopment of existing sites in ways that will bring new energy, investment, and business growth into underutilized areas. Implicit in both of these approaches is the understanding that the City’s tax base can grow only by maximizing the value of the community’s real estate to encourage higher-value capital investments.

FOCUS AREAS

- Pasadena Convention Center district development
- Pasadena Town Square redevelopment
- Commercial corridor development/redevelopment
- New EDC and City resources for catalyst projects

Two geographic areas that will be critical to Pasadena’s future growth are the Pasadena Convention Center and its surrounding City-owned properties and the Pasadena Town Square district (including surrounding properties adjacent to the mall).

In its current state, the Pasadena Convention Center does not contribute much to the local economy. It currently struggles to compete for conferences and events in the Houston area, despite the growing need

for event space in the region. The conference building itself is small (20,000 square feet) and outdated. The types of events hosted at the center range from gun shows to hobbyist meetups. The economic impact of these events to Pasadena is minimal, partly due to the small size and profile of events and also due to the lack of commercial amenities (hotels, restaurants) in proximity to the area. The rodeo grounds on-site are also aging and in need of reinvestment. Additionally, the Convention Center faces a locational barrier: it is not directly adjacent to a highway. Beltway 8 is about 2 miles to the west.

However, the Convention Center's current state is not a good measure of its economic potential. The investments at SJC's Center for Petrochemical, Energy, and Technology—adjacent to the Convention Center on the north side of Fairmont Parkway—will create a world-class facility right across the street. The City of Pasadena owns roughly 300 acres surrounding the complex, providing an opportunity to reimagine the area as a cohesive district with consistent design standards. This approach will require new investments to upgrade or redevelop the existing event space. It will also require thoughtful development of infrastructure and design standards to visually and physically link the complex with the SJC's Fairmont Parkway campus. It will also involve a focused business development effort, both to bring in new development and to regularly attract events and conferences. The convergence of factors, including ongoing investments from the SJC and the City's large real estate holdings, provides a unique opportunity to create a new destination, build a strong identity for Pasadena, and raise the City's profile in the minds of residents and visitors.

Pasadena Town Square is a failed mall. The majority of the mall sits vacant, and the few stores that remain are in a tenuous situation. None of this speaks ill of Pasadena as a community or of the mall's future rebirth into a new destination. Hundreds of malls around the country have undergone a similar transition. It is also important to remember that before the Pasadena Town Square area was redeveloped as a mall in the early 1980s, it was a residential neighborhood. The mall and its surrounding properties were something else before, and they will be something else again. The question is not whether the mall will transition to a different use than its current big-box destination retail model. The question is, "What will the mall become over the next 5 to 10 years?" And will the next phase in the district's life provide a higher economic impact to Pasadena?

STRATEGIES AND ACTIONS

4.1. Develop a district that encompasses and links the new Center for Petrochemical, Energy, and Technology (CPET), under construction on the SJC campus, with the existing Pasadena Convention Center and Fairgrounds complex. *The effort will entail renovations and upgrades (potentially including capacity expansions) for the Convention Center. It will also require a thoughtful approach to the future development of City-owned properties surrounding the Convention Center. Options for future development include additional meeting/event space, education/training facilities, youth sports facilities, restaurants, retail, hotels, commercial office space, residential, and other uses. To unify the district, carry over the same design aesthetic from the CPET to the Convention Center site. Long-term land leases could be used to encourage commercial development.*

4.1.1. Conduct a master plan for this district.

4.2. Explore options for redeveloping Pasadena Town Square. *The economic future of Pasadena's north side will largely depend on what takes place in the district currently anchored by the Pasadena Town Square. The center's days as a suburban mall are waning. Thankfully, a range of mall redevelopment options exist, and exciting models have worked in other communities. The old Highland Mall in Austin is now a flagship campus for Austin Community College, surrounded by more than 1,000 urban apartments, along with new retail/restaurant space and commercial offices for technology companies. The old Villa Italia Mall in Lakewood, Colorado, (an inner-ring suburb of Denver) was completely demolished to make way for Belmar,*

a dense, new, mixed-use development with a Whole Foods Market, retail/restaurant space, and hundreds of new apartment units. The future of Pasadena Town Square is not predetermined, but the concept of mixed-use development that includes a range of commercial office space, public amenities (such as parks, trails, and water features), residential options, new retail/restaurant space, and possibly academic facilities is worthy of further exploration. An important component of the district's future is the demolition of the old bank building (Pasadena's only high-rise structure). The City and the EDC must work together to remove this physical and emblematic barrier to redevelopment in the near future. Implosion of this vacant eyesore should be celebrated (to include media coverage) as the turning of a new page for Pasadena's urban redevelopment. A revitalized district centered on Pasadena Town Square will necessitate major private and public sector investments totaling several million dollars. Perhaps even more important, it will require a clear vision from City leadership about what the district can and should become.

4.2.1. Conduct a master plan for this district.

4.3. Leverage public investments to stimulate private sector investment along six major commercial corridors in the City, including Richey Street, Pasadena Boulevard, Red Bluff Road, Shaw Avenue, Silver Sycamore district/Pine Avenue, and Fairmont Parkway.

4.3.1. Work closely with the area real estate community and local businesses to pursue business and development/redevelopment opportunities based on the specific market opportunities along six commercial corridors.

4.3.2. Document relevant characteristics and constraints for each corridor.

4.3.3. Identify funding sources and partners.

4.3.4. Prioritize future programs and investments to support corridor redevelopment.

4.3.5. Use lessons learned from these six corridors to support future corridor projects.

OVERVIEW OF SIX MAJOR COMMERCIAL CORRIDORS

The consulting team worked with the EDC to identify the following six corridors for evaluation as potential focus areas for new public and private investment, based on factors such as available/planned infrastructure, neighboring land uses, and development potential. The consulting team conducted site visits to each corridor, discussed land uses and development opportunities with EDC and City staff, and solicited input on each corridor from real estate developers and brokers.

- **RICHEY STREET:** The Richey Street corridor—from SH 225 to Allen-Genoa Road—is already home to a range of local businesses, ranging from restaurants to grocery stores, to an assortment of services. This corridor, especially the section between Southmore Avenue and Allen-Genoa Road, could become a more walkable retail corridor with focused streetscape improvements. Additional local retail/restaurant businesses, commercial office space, and urban residential are options for new development and redevelopment along this corridor.
- **PASADENA BOULEVARD:** Pasadena Boulevard—from SH 225 to Southmore Avenue—is arguably the most important corridor on the north side of Pasadena, given its location flanking the entire western edge of Pasadena Town Square. Pasadena Boulevard's location at SH 225 could become the "formal" entrance to the community off the SH 225 corridor. The intersection of Pasadena Boulevard and Southmore Avenue, the southern limit of the corridor, is also critical to the future of Pasadena's north side. As Pasadena Town Square and surrounding properties are redeveloped into a mixed-use destination over the next 10 years, Pasadena

Boulevard is positioned to become a dynamic urban corridor with a mixture of new multiuse buildings that would house apartments, condos, and office space on upper floors and retail/restaurant space and office space on the ground floor. Streetscape enhancements to improve walkability and visual appeal (potentially including public art) at each end of the corridor will help create a sense of place.

- RED BLUFF ROAD:** Red Bluff Road has important symbolic value for Pasadena. It is by far the longest road in Pasadena, stretching about 15 miles from the northern end of the City to the far southeastern edge, near El Jardin Beach. A drive down the entire stretch of Red Bluff Road (which the TIP consulting team conducted as part of the discovery phase) tells the story of Pasadena's history and its "more-than-meets-the-eye" diversity. From north to south, the corridor begins with heavy industry, then quickly turns into an aging commercial/industrial mix. Newer retail emerges as travelers cross SH 225, transitioning to a mix of residential and commercial development north of Spencer Highway. South of the major intersection with Fairmont Parkway (just west of the Pasadena Convention Center and the SJC campus), people pass by Pasadena's primary industrial district on the left side and the 2,300-acre Armand Bayou Nature Center on the right side. This area gives way to residential districts bisected by the State Highway 146 corridor, eventually ending at Trinity Bay. Reconstruction of Red Bluff Road from SH 225 to Beltway 8 (or to Fairmont Parkway, depending on what is deemed necessary) is a major project and should not be undertaken alone by the City or the EDC. This is a project that would require financial participation from other partners (such as Harris County). However, a new road is only part of what is needed. The corridor's mishmash of commercial and industrial properties also need an upgrade. The City and the EDC should pursue a range of efforts to incentivize a higher quality of development along Red Bluff Road.
- SHAW AVENUE:** At one time, Shaw Avenue served as Pasadena's "Main Street." Those days are long gone, with the City's development patterns taking a southerly direction over the past several decades. Shaw Avenue is disconnected from the rest of the City because of SH 225, which serves as a formidable barrier. However, this barrier and "isolated" location are underappreciated assets. Shaw Avenue is close to the Houston Ship Channel and several major petrochemical plants. The corridor's convenient access to SH 225 provides good connectivity for freight and passenger traffic between Shaw Avenue and the entire Greater Houston area. The combination of these characteristics makes the area a good location for development of office and flex/industrial space for companies with functions that support the petrochemical plants and other major operations along the Houston Ship Channel. The Georgia Avenue corridor in Deer Park is a good example of a similar corridor that has successfully developed light industrial properties.
- SILVER SYCAMORE DISTRICT/PINE AVENUE:** The Silver Sycamore district is a unique place in Pasadena. It currently extends along Pine Avenue (not to be confused with Sycamore Avenue, just two blocks to the south) between Lily Street and Pansy Street. For planning purposes, this corridor should extend farther, from Preston Road on the west to the Beltway 8 on the east. The area is anchored by the Silver Sycamore wedding and event complex (which includes a boutique hotel and bed and breakfast rooms) and the Pine Street Cafe at Silver Sycamore. It also includes the Sycamore Grounds Coffee House and a handful of other small businesses. The area benefits from historic structures, quality businesses, and a quaint "off-the-beaten-path" feel that is altogether unexpected in the middle of Pasadena. The corridor mimics a small version of what is in the Gruene Historic District of New Braunfels, in Fredericksburg, or in the Texas Hill Country small-town destination of Wimberley. With additional marketing and promotion, and with streetscape enhancements along Pine Avenue and at both ends of the corridor to draw in visitors, the Silver Sycamore district could build on its unique sense of place to become a much more substantial destination in Pasadena and for the entire Greater Houston area. This could result in additional retailers, restaurants, hotels/bed and breakfasts, and could also include entertainment venues, bars, and other businesses.

- **FAIRMONT PARKWAY:** Fairmont Parkway is arguably Pasadena’s strongest retail corridor, with many of the City’s most successful retail and restaurant businesses located along the corridor. The intersection of Fairmont Parkway and Beltway 8—including a stretch of about 1 mile on either side of the Beltway—includes dozens of thriving retailers from The Home Depot and Lowe’s Home Improvement to Chipotle Mexican Grill and Starbucks. The reason for including Fairmont Parkway as a focus area for the EDC is in response to the catalyst project opportunity presented by the Pasadena Convention Center and San Jacinto College’s CPET campus. (See Strategy 6.1.) The segment of Fairmont Parkway between Beltway 8 on the west and Genoa Red Bluff Road on the east—a distance of roughly 3.5 miles—will be critical for Pasadena’s future growth, because this is the primary access point connecting the district to the rest of the Houston area.
- 4.4.** Align EDC and City financial resources to accelerate development of catalyst projects.
 - 4.4.1.** Launch an EDC bond package to generate revenue for infrastructure and other investments to support development of catalyst projects and other priority strategies in this plan.
 - 4.4.2.** Encourage the City to design a bond package (to be voted on by Pasadena citizens) that includes new investments in public infrastructure, amenities, and projects that support the development of catalyst projects and also enhance the City’s overall appeal to skilled workers and businesses. This bond package could also include projects such as youth sports (e.g., soccer, baseball) complexes to serve local needs and attract tournaments that would bring visitors in from surrounding communities in Greater Houston and throughout Texas. (See Strategy 5.3.)
 - 4.5.** Identify underutilized properties in Pasadena owned by public entities and position these properties for public-private development or redevelopment.
 - 4.5.1.** Work with PISD to redevelop its current administration building (after PISD builds its new HQ office) for commercial use.
 - 4.5.2.** Work with the City, PISD, SJC, and Harris County to identify their excess properties, including currently vacant or underutilized real estate and land with future redevelopment potential.
 - 4.5.3.** Work closely with Ellington Airport to develop properties that the City or EDC can own/control as the airport becomes a hub for commercial space exploration and aerospace manufacturing, design, and R&D companies over the next 5 to 10 years and beyond.

GOAL 5. TOURISM AND RETAIL

Tourism is not considered “economic development” by everyone in the economic development profession. Fortunately, in recent years, this narrow mode of thinking has given way to a more expansive view of what drives local and regional economies. The benefits that tourism provides to a local economy can be measured through increased visitor spending, positive impacts on local businesses, and the development of new businesses and destinations. Tourism also provides the less tangible, but still important, benefits of enhancing the image and external visibility of a community, which can support broader talent attraction and business recruitment initiatives.

FOCUS AREAS

- Growth of retail, restaurants, and hotels along the Beltway 8 corridor
- Creation of a Pasadena Convention and Visitors Bureau (CVB)
- Stronger linkages between business recruitment and event/conference promotion
- Promotion of the Silver Sycamore district

Retail is increasingly seen as a critical element of a local economy. It is an amenity without which other economic sectors find it difficult to recruit workers. While traditional theory sees retail as a spin-off effect from the manufacturing sector, many successful communities now recognize that a thriving retail sector is an important part of the community. In addition to providing an amenity for residents and visitors, the presence of shopping and entertainment destinations is often an important consideration in the recruitment of employers.

Retail growth can also have tremendous fiscal ramifications. The dependence of many Texas communities on sales tax has several consequences, not the least of which is fierce competition for retail by suburban communities. The 4A/4B sales tax directly funds suburban economic development corporations. The Pasadena EDC's ability to sustain its role as a catalyst, stimulating private investment in the community, relies on the health of the local retail sector.

STRATEGIES AND ACTIONS

- 5.1.** Evaluate the potential creation of a Pasadena Convention and Visitors Bureau (CVB). *If established, the CVB would serve as the tourism promotion arm of the community. The CVB would be responsible for programs aimed at driving additional visitor spending in Pasadena hotels, restaurants, and retailers. It would also take on the role of managing the Pasadena Convention Center (currently managed by the City), the promotion of existing events, and the creation of new festivals/events that would bring visitors to the community.*
 - 5.1.1.** Designate the EDC as the manager of the City's hotel occupancy tax (HOT) as an interim step before an independent CVB is created.
 - 5.1.2.** Create a separate Pasadena Tourism and Hospitality Board of Directors under the EDC to manage the HOT tax and to guide the community's tourism promotion efforts.
 - The Board should include leaders from Pasadena's visitor services industry, including hotel owners/managers, restaurant owners/managers, and other hospitality-focused businesses.
 - Convene this group regularly to identify and pursue opportunities for economic development associated with hospitality and tourism in Pasadena.
 - 5.1.3.** After a new/upgraded Pasadena Convention Center is built and fully operational (see Goal 4), take steps to transition the EDC's oversight of the HOT tax and the Tourism and Hospitality Board of Directors to become a separate CVB organization. The new CVB would be responsible for managing the new Convention Center, generating and booking a pipeline of events/conferences for the Convention Center, and for developing and implementing other initiatives to grow Pasadena's tourism sector.
- 5.2.** Develop linkages between Pasadena's business recruitment efforts and the community's event/conference promotion activities.
 - 5.2.1.** Regularly convene a group of leaders from Pasadena's hospitality sector to discuss opportunities to leverage the community's visitor services industry (hotels, restaurants, and other businesses) to support the EDC's business recruitment efforts.
 - 5.2.2.** Identify industry and trade associations within Pasadena's target industries and encourage these groups to hold annual events/conferences and other meetings at the Pasadena Convention Center (or other locations in the community). These meetings will bring in business decision makers, which could lead to new expansion/relocation projects in Pasadena.

- 5.2.3.** Cultivate relationships with organizations that host major conferences in Houston (such as the Offshore Technology Conference and CERAWEEK by IHS Markit) and pursue opportunities to create smaller “offsite” events in conjunction with a main event that could take place in Pasadena. Another option would be to host unofficial events in Pasadena that take advantage of main events occurring elsewhere. Many unofficial events hosted in Austin during the South by Southwest (SXSW) Interactive Conference and Festivals each year are an example of this tactic.
- 5.2.4.** Create incentives to encourage growth of Pasadena’s tourism and hospitality businesses. Options could include dedicated EDC funding for attracting events to the community. They could also include directives for businesses receiving incentives from the EDC or the City to use “commercially reasonable efforts” to place all company-managed hotel room nights, related to the company’s business activities, at hotels located in Pasadena.
- 5.2.5.** Expand the role of events and festivals as a mechanism for increasing visitor spending (including youth sports) and as a target industry recruitment tool (including trade shows and business conferences that support target industries). Efforts could involve development of new facilities for youth sports tournaments (e.g., baseball, soccer, basketball, etc.) as a visitor attraction strategy. Youth sports/training facilities could be developed in partnership with PISD, SJC, and the City.
- 5.3.** Continue expanding the City’s base of retail, restaurants, and hotels, especially along the Beltway 8 corridor.
 - 5.3.1.** Provide incentives for new retail projects that would bring in a significant amount of new retail spending into the community.
 - 5.3.2.** Partner with real estate developers and brokers to create more commercial space to house additional retailers, restaurants, and hotels at key intersections along the Beltway 8 corridor and in other parts of the City.
 - 5.3.3.** Work with human resource directors of large Pasadena employers to conduct regular surveys of their workers to gain a better understanding of specific retailers and restaurants desired by the local workforce.
- 5.4.** Support the development of the Silver Sycamore district (along Pine Avenue) as a unique tourist destination. (See Strategy 4.3.)

GOAL 6. SUPPORT STRUCTURES FOR ECONOMIC DEVELOPMENT

Goals 1 through 5 detail the core economic development activities where the EDC will focus its efforts and resources to stimulate business growth, investment, and employment growth. Goal 6 highlights a set of important factors beyond core economic development functions that affect Pasadena’s ability to grow the local economy. This section describes considerations for economic success (such as transportation, infrastructure, and housing) that stretch outside the boundaries of the EDC’s primary scope of responsibility. Nonetheless, because they affect the ability of the community to attract new jobs and investment, they need to be recognized. Collaboration between the EDC, the City, and other organizations will be essential for addressing these support structures.

FOCUS AREAS

- Transportation and infrastructure
- Housing and neighborhoods
- Urban planning tools

It is critical that communities have the appropriate infrastructure necessary to attract new businesses and support economic development opportunities. Well-functioning, basic infrastructure (water, wastewater, electricity, and natural

gas) and transportation networks (including highways, rail, public transportation, and air travel access) that allow for the efficient flow of people, products, and ideas (digital infrastructure) are essential for the long-term success of local and regional economies. Regional transportation infrastructure (existing and planned) is one of Pasadena’s largest advantages. The Houston Ship Channel, the Port of Houston, Beltway 8, SH 225, and proximity to Houston Hobby Airport and Bush Intercontinental Airport provide options for transporting goods and people efficiently, both within the metro area and to external national and international markets.

Quality of place is closely linked to the vitality found within a community’s neighborhoods and commercial districts. These include the many “nodes” of activity located throughout the community, not just in commercial areas. A high-quality, diverse, and growing housing stock is a key ingredient for success in local economic development. Ensuring that Pasadena offers a strong mix of housing (including smallHot, single-family homes; townhomes; multifamily rentals; condos; senior living; student housing; and affordable options) will help the community maintain and enhance its quality of place.

The City does not have a comprehensive plan, zoning, or similar tools to guide future land uses and ensure quality development. Pasadena needs a community-driven planning process to guide long-term infrastructure investments and the enhancement of community facilities (e.g., parks, police, and fire facilities) that will make the City an attractive place for existing and new residents. New urban planning tools should work in concert with new economic development tools, such as tax increment reinvestment zones (TIRZ) and Opportunity Zones, to encourage investment and redevelopment in specific areas targeted for development.

STRATEGIES AND ACTIONS

- 6.1.** Preserve a portion of EDC resources as seed money for pilot projects and programs that fall outside of Goals 1 through 5 but play a role in moving the local economy forward. *When requests for EDC support arise for projects and programs that fall within Goal 6 or outside the scope of this plan entirely, work with partner organizations to identify other funding avenues from public or private sources. Examples of projects that should be funded by non-EDC sources include ongoing maintenance and operations of public facilities, mass transit, workforce training programs, and parks and trails. The EDC should support the City and other organizations to move these programs forward, but should not assume primary responsibility for implementing programs that fall outside the scope of core economic development functions.*
- 6.2.** Encourage a higher level of regional participation for major infrastructure investments in Pasadena.
 - 6.2.1.** Promote the use of interlocal agreements to share costs between the City of Pasadena, Harris County, and other entities to fund road reconstruction projects, parks, and other big-ticket capital projects needed in the community.
 - 6.2.2.** Work with the Houston-Galveston Area Council, Harris County, the Port of Houston, and other regional partners to advocate for transportation investments that expand access and mobility for freight and passenger traffic in Pasadena.
- 6.3.** Evaluate the potential benefits of establishing special districts using a range of tools to encourage investment and redevelopment. These could include TIRZ, management districts, shared parking agreements, and other tools.
- 6.4.** Work with the City to upgrade Pasadena’s visual appeal, especially along major commercial corridors and in districts targeted for new development and redevelopment.

- 6.4.1.** Encourage the City to continue its robust code enforcement program to ensure a minimum level of quality aesthetics for business properties.
- 6.4.2.** Provide a small City or an EDC funding match (such as a \$10,000–\$20,000 grant) for façade improvements and landscaping to businesses seeking to make enhancements to commercial properties in areas targeted for redevelopment.
- 6.4.3.** Create City and EDC incentive policies to promote redevelopment and reinvestment on commercial properties along the six major commercial corridors identified in Strategy 4.3.
- 6.5.** Encourage new housing development and reinvestment in the City’s existing housing stock. Programs could include new incentives to support homeowners in making improvements to their properties.
- 6.6.** Support the City in a comprehensive planning process to build a collective framework to guide and shape the community’s growth over the next 20–30 years. *A citywide comprehensive plan would serve as the foundation for additional policy changes, such as updates to the City’s development code and new land use regulations. The City’s existing code is outdated and does not align with the community’s current needs and current/future market opportunities, such as redevelopment and mixed-use, walkable development projects.*
- 6.7.** Create a City tax abatement policy to incentivize development and business expansion projects that advance the goals of this plan.
 - 6.7.1.** Establish clear and simple guidelines for the use of City tax abatements with specific outcomes for capital investment, employment growth, and revitalization of commercial areas with potential to stimulate ancillary development.
 - 6.7.2.** Create a City/EDC task force to determine specific thresholds for new jobs, capital investment, and other criteria to trigger the use of tax abatements.
- 6.8.** Work with local and regional economic development partners to evaluate City policies to identify and address any existing real or perceived “gray areas” that might cause uncertainty for investors, developers, and business owners. One example of a policy that has been identified as ambiguous is the City’s container stacking regulation. Work with the City to revise identified policies to remove uncertainties so that Pasadena does not miss out on potential business investment projects.

APPENDIX 1. ECONOMIC ASSESSMENT HIGHLIGHTS

The economic assessment completed during the discovery phase revealed important insights into Pasadena's economic potential. **The most significant findings are summarized below.**

Pasadena is growing more slowly than the region.

Since 2010, the City of Pasadena (the City) has experienced slower population growth than either Harris County or the nine-county Houston metropolitan statistical area (MSA). After exceeding national trends in the first part of the decade, the City's growth rate dropped off between 2014 and 2016 (the most recent year for which local population estimates are available). Within Harris County, natural increase (more births than deaths) was the most significant factor affecting population growth, followed by immigration. Domestic migration—typically the most volatile component of the three—was the smallest source of the county's population growth during the period analyzed, with a net loss in 2016.

Pasadena is young, largely Hispanic, and includes a high share of foreign-born residents.

The median age in Pasadena of 31.2 is 6.5 years younger than the US median and nearly 3 years younger than the Houston metro area median. Census estimates indicate 25 percent of Pasadena's residents were born outside the US, about twice the share of the US population (13 percent) and slightly higher than the Houston metro area share (23 percent). Two-thirds of Pasadena's residents identify as Hispanic or Latino, nearly twice as many as residents in the Houston metro area (36 percent). Pasadena's population is also highly mobile, with 21 percent of City residents having moved within the past year, compared with 16 percent in the Houston metro area.

Employment levels in Pasadena are substantially higher than they were 10 years ago.

In the ZIP codes covering Pasadena, the number of jobs increased from 76,000 in 2007 to nearly 87,000 in 2017. Year-over-year job growth rates in Pasadena have largely mirrored the Houston metro area, with a modest decline of 2 percent in 2009 (compared to 4 percent in the US), robust job growth from 2011 through 2015, and essentially steady employment levels in 2016 and 2017.

The petrochemical complex centered in Pasadena is a major source of employment for the City and the region.

The largest single industry in Pasadena by employment is education, with about 14,000 jobs. However, the group of industries associated with Pasadena's petrochemical plants and related support functions—mining (including oil and gas), construction, manufacturing, wholesale trade, professional services, and transportation and warehousing—collectively employ about 33,000 workers.

Pasadena benefits from specific occupational strengths.

A look at Pasadena's occupational structure confirms the dominant role played by petrochemical plants and the Port of Houston facilities in the region's employment base. Compared with the US and the Houston metro area, Pasadena has a significantly higher share of workers in construction and extraction, physical science, architecture and engineering, production, and transportation-related positions. Specific occupations with large numbers of local workers (at least 100), high concentrations (five times more than the US average), and with above-average wage rates (at least 10 percent higher than the US wage rate) include: chemical equipment workers, chemical plant and system operators, chemical engineers, petroleum engineers, chemical technicians, and crane and tower operators.

Pasadena has a relatively small share of workers in computer and math, business and finance, and legal occupations, compared to the Houston metro area as a whole.

Commuting trends indicate Pasadena is becoming an important regional employment center.

Over the last decade, Pasadena has transitioned from a partial bedroom community (with nearly 13,000 net outbound commuters in 2006) to a more balanced City with an equal number of inbound/outbound commuters. The number of people who live and work in Pasadena has remained the same (roughly 10,000) over the past decade. Pasadena benefits from a diverse tax base but increasingly relies on property and sales taxes.

Pasadena benefits from a diverse tax base but is increasingly reliant on property taxes and sales taxes.

The City receives substantial revenue from a range of sources, primarily property taxes, sales taxes, and industrial district fees, which collectively make up 65 percent of all revenue. Pasadena's industrial district fees are a unique revenue source not available to most other cities. This source has not increased as a share of total revenue over the last decade; however, the City has increased its reliance on property tax and sales tax.

Pasadena's taxable retail sales have grown at a faster pace than the Houston metro in recent years.

From 2015 to 2017, Pasadena's taxable retail sales grew at a much faster pace than that of the Houston metro area. This was largely driven by the large amount of successful new retail space recently built along Beltway 8, in the vicinity of Vista Road and Spencer Highway.

Large industrial and commercial properties are an important source of tax revenue for the City.

Industrial district fees made up 13 percent of the City's total revenue as of 2016. Additionally, there are 10 taxpaying entities in the City that each have an assessed value above \$40 million and, collectively, account for nearly \$750 million dollars of assessed value—10 percent of the City's total.

Pasadena's central location within the Houston region is a competitive advantage.

With 2.3 million workers living within a 45-minute drive of Pasadena, the City is accessible to a large and rapidly growing workforce. Only Missouri City has a higher number of workers living within the same drive time.

Housing development in Pasadena has been much slower than in the competitor cities.

Since 2010, fewer housing permits have been issued in Pasadena than in any of the competitor cities, despite the fact that Pasadena has the largest population.

Pasadena has lower educational attainment levels than most of the competitor cities.

Pasadena has the highest share of adults (age 25 and over) who lack a high school diploma and the second lowest share of adults with a bachelor's degree or higher.

Pasadena has the largest Hispanic population among the competitor cities.

With 67 percent of Pasadena's residents identifying as Hispanic or Latino, the City has the largest non-white share of residents among the competitor cities. Other cities with large minority populations include Baytown (46 percent Hispanic), Missouri City (42 percent African American), and Sugar Land (39 percent Asian).

APPENDIX 2. IMPLEMENTATION MATRIX

A strong implementation strategy can be the key to bringing a plan to fruition. Identifying strategies and describing the actions needed to turn concepts into reality is not enough. Setting priorities is perhaps the most important role that a solid implementation strategy should fulfill. Having clearly established priorities is essential for effective use of public resources.

The implementation matrix provides a graphic representation of when actions should realistically be implemented and suggests potential partners to help carry them out. It is important to note that the plan includes a range of strategies and actions, some of which are intended to stretch the EDC and community leadership.

The implementation matrix is designed to be a flexible, ever-evolving document. By nature of changing conditions, some actions may become unnecessary or may become difficult to implement due to unforeseen roadblocks. The EDC and its partners will use the implementation matrix to monitor the status of all items, including actions that have already been completed, actions that are in progress, and actions not yet initiated.

A complete version of this implementation matrix is published under separate cover.

	RESPONSIBLE PARTNERS	ONGOING	NEXT 12 MONTHS	1 TO 3 YEARS	3 TO 5 YEARS
GOAL 1. MARKETING AND IMAGE					
1.1. Emphasize Pasadena’s world-class assets in the EDC’s marketing efforts.					
1.1.1. Begin by telling the stories internally (Pasadena business leaders and residents), then to friends and allies (partner organizations in the Houston area), and then to the rest of Texas and the world.	PEDC, PCC, City	●	●		
1.1.2. Focus internal and external marketing efforts on key decision makers, such as real estate brokers, developers, and corporate executives.	PEDC	●	●		
1.1.3. Use creative approaches to tell the Pasadena story to the surrounding region and the rest of the world.	PEDC	●		●	
1.1.4. Ensure Pasadena is “at the table” in regional economic development marketing efforts alongside the Port of Houston, Ellington Airport, Houston Hobby Airport, the Economic Alliance Houston Port Region, the Bay Area Houston Economic Partnership, and the Greater Houston Partnership.	PEDC	●	●	●	●
◦ Use traditional channels, such as posters and billboards located at and around the airport.					
◦ Also use nontraditional channels, such as a 30-second video showcasing Pasadena’s assets to access free public Wi-Fi.					
1.2. Engage young professionals and emerging business leaders as a target audience in Pasadena’s economic development program.					
1.2.1. Support the Pasadena Chamber of Commerce (the Chamber) efforts to re-establish the Leadership Pasadena program as a pipeline of engaged civic leaders who support economic development.	PCC, PEDC		●		
1.2.2. Work with the Chamber to design a survey/questionnaire to evaluate how young professionals in Pasadena and Greater Houston make decisions about where to live, work, and spend leisure time.	PCC, PEDC			●	

APPENDIX 3. EDC STAFFING RECOMMENDATIONS

The purpose of this section is to provide preliminary guidance on staffing additions/changes for the EDC as the plan enters the implementation phase.

ORGANIZATIONAL GAP ANALYSIS

TIP conducted an organizational gap analysis that examines the core and support functions for the 18 partner organizations (listed below) that have the strongest impact on economic development in Pasadena. These organizations have been split into two categories: those with economic development as a core part of their mission and those that play critical supporting roles. This gap analysis will inform the implementation matrix, which assigns specific organizations responsible for carrying out each strategy and action in the plan.

CORE ECONOMIC DEVELOPMENT PARTNERS

Pasadena Economic Development Corporation
City of Pasadena
Pasadena Chamber of Commerce
Harris County
Greater Houston Partnership
CenterPoint Energy
East Harris County Manufacturers Association
Port of Houston Authority
Economic Alliance Houston Port Region
Bay Area Houston Economic Partnership
Houston Real Estate Council

SUPPORTING PARTNERS

Houston-Galveston Area Council
San Jacinto College
University of Houston-Clear Lake
Pasadena Independent School District
Gulf Coast Workforce Board
Houston Area Safety Council
Houston Airport System

The matrix on the next page lists the functional areas where each partner organization currently dedicates staff and resources. The functional areas are broken into traditional economic development functions and nontraditional functions. *The matrix reflects current programs and does not account for future changes for each organization based on this plan and other initiatives in the region. For instance, the EDC will place a stronger emphasis on target industry recruitment and business retention and expansion as a result of this plan.*

ORGANIZATION	TRADITIONAL													NONTRADITIONAL			
	Target Industry Recruitment	Economic Development Marketing	Site Selection Assistance	Business Retention & Expansion	International Outreach & Trade	Incentives	Data Collection & Publication	Policy & Advocacy	Infrastructure & Transportation	Real Estate & Site Development	Small Business Development	Entrepreneurship & Commercialization	Workforce Development	Talent Attraction	K-12 Education Support	Tourism Promotion	Placemaking & Downtown Development
✓ Pasadena Economic Development Corporation	○	○	○	○					●	●				○	○		●
✓ City of Pasadena						○			●	○			○			●	●
✓ Pasadena Chamber of Commerce								●			○		○			●	○
✓ Harris County						●			●								○
✓ Greater Houston Partnership	●	●	●		●	○	●	●					○	●	○		
✓ CenterPoint Energy	○	○	○	○	○	○	●	○	○	●							
✓ East Harris County Manufacturers Association								●					○				
✓ Port of Houston Authority	○	○	○	○	○	●	●	●		●							
✓ Economic Alliance Houston Port Region	●		●	●		○	○	●	○		●		●			●	
✓ Bay Area Houston Economic Partnership	○			●		○	●	●			●		●			●	
Houston Galveston Area Council							●		○		●		○				○
San Jacinto College													●		○		
University of Houston-Clear Lake													●	○	○		
Pasadena ISD													●		●		
Gulf Coast Workforce Board							○						●				
✓ Houston Real Estate Council			○					●	○	●							
Houston Area Safety Council				○									●				
Houston Airport System					○				●	●						○	

STAFFING RECOMMENDATIONS

The strategic plan calls for a major expansion of Pasadena’s economic development efforts to capitalize on the community’s economic potential. Successful implementation will involve collaboration among the EDC, the City, and a variety of other local and regional partners. The EDC will remain the lead entity charged with promoting economic development in Pasadena. Effective implementation of this plan will require a substantial increase in the EDC’s staff capacity to guide Pasadena’s new economic development programs and projects.

On the next page, there is an outline of the **minimum estimated staffing levels needed to implement the strategies outlined in this plan.** The TIP consulting team’s recommendation is for a total of six EDC positions.

STAFF POSITION/ FUNCTION	OVERVIEW OF FUNCTIONS
Executive Director	<ul style="list-style-type: none"> • Responsible for all aspects of the EDC’s economic development program. • Leads the community’s business recruitment program. • Cultivates relationships with local and regional economic development partners. • Manages EDC budget in collaboration with Board • Oversees all EDC programs and provides strategic guidance to EDC staff.
Business Development Manager	<ul style="list-style-type: none"> • Supports the executive director on business recruitment work (e.g., marketing, research, business assistance, travel to trade shows). • Manages the community’s BRE program. • Conducts research and analysis. • Prepares reports, proposals, and other documents. • Must have strong analytical and writing skills with a solid understanding of economic development. • Ideal candidate has expertise in project management, deal making, and marketing. <p><i>After a specified period of time (potentially at the 1- or 2-year mark), this position could be upgraded to an assistant or deputy director for the EDC, based on satisfactory performance. This position should be part of the succession plan for the EDC executive director position and should also play a role in helping the executive director supervise the EDC staff and manage the organization’s programs.</i></p>
Redevelopment Manager	<ul style="list-style-type: none"> • Supports the executive director in business recruitment work. • Manages the community’s redevelopment program. • Conducts research and analysis. • Prepares reports, proposals, and other documents. • Cultivates relationships with property owners, brokers, real estate developers, and business owners in targeted redevelopment corridors. • Ideal candidate has expertise in urban planning, real estate development, and real estate finance.
Marketing Manager	<ul style="list-style-type: none"> • Develops marketing program and work plan to include events, promotions, advertising, and communications. • Creates and manages annual marketing budget. • Identifies, plans, and manages trade shows, business recruitment missions, and other events. • Develops content and manages operations for the EDC website and social media accounts. • Creates marketing materials to support target industry recruitment and business

STAFF POSITION/ FUNCTION	OVERVIEW OF FUNCTIONS
	development efforts.
Research Manager	<ul style="list-style-type: none"> • Develops, plans, coordinates, and executes research projects and data subscriptions. • Maintains internal and external reports with updates on local/regional industry, employment, and real estate trends. • Cultivates relationships with local and regional research/data partners (e.g., Greater Houston Partnership, Houston-Galveston Area Council). • Develops qualitative business intelligence about Pasadena companies and industries. • Manages data subscriptions (e.g., CoStar for real estate data, Esri Community Analyst for economic/demographic data, EMSI for labor market data) • Prepares and delivers presentations for business recruitment prospects, partner organizations, and stakeholders.
Administrative Support	<ul style="list-style-type: none"> • Supports the executive director and program managers. • Answers phones, books travel, schedules meetings. • Formats and proofreads reports. • Coordinates all administrative EDC activities.

APPENDIX 4. DUE DILIGENCE

The purpose of this section is to provide the EDC with a set of standard criteria to evaluate major investment decisions related to projects and programs.

PART I. COMMUNITY INVESTMENT STRATEGY

In the case of a public entity, such as a municipality or a sales-tax-funded economic development corporation, investment cannot be measured by the same metrics used to evaluate the effectiveness of investments made by a private individual or lending institution. Nevertheless, return on investment (ROI) can and should be measured according to what the business returns to the community. The following checklist constitutes a minimum level of information that should be available about any business seeking financial assistance from the EDC.

1. INDUSTRY MIX

The baseline question for any prospect is whether its presence makes good economic sense in relation to community needs.

A. Effect on existing businesses

1. Are there related businesses in the City and in the region?
2. Will existing businesses be adversely affected?
3. Will existing businesses benefit?

B. Relation to clusters and target industries

1. Does the business meet the economic development goals of Pasadena?
2. If the business does not fit the community's target industries, what other factors support investment?

C. Ability to attract related industries

1. Does the business require suppliers and subcontractors that would be beneficial to the community?
2. Are these businesses already present? Can they be recruited or acquired?

2. CAPITAL INVESTMENT

- A. What is the total capital invested (and yearly investment) by the company in equipment and machinery, infrastructure improvements, land, and building?
- B. What are the company's long-term development goals, and what are its capital requirements for future expansions?

3. EMPLOYMENT

A. Total number of jobs

1. Initial jobs transferred
2. New jobs to be created initially
3. Future job expectations

- B.** Salary and benefits for each job category
- C.** Skill level requirements for current and future jobs, including training needs and education, both in-house and for worker training programs
- D.** Percent of hiring that will be local

4. FINANCIAL BENEFITS TO THE COMMUNITY

- A.** Tax advantages
 - 1. What are the anticipated total tax benefits, excluding incentives?
 - 2. What are the long-term effects of tax incentives?
- B.** Flow of corporate profits
 - 1. Does the firm have corporate headquarters located elsewhere?
 - 2. What is the firm's reinvestment strategy?
 - 3. Do corporate executives make their home in the community?

5. ENVIRONMENTAL AND SOCIAL IMPACT

- A.** Are there direct or indirect environmental impacts that might need to be mitigated?
 - 1. Air
 - 2. Water
 - 3. Run-off
 - 4. Hazardous materials (including transport and disposal)
 - 5. Other (e.g., noise, dust, etc.)
- B.** What are the social impacts?
 - 1. Traffic
 - 2. Neighborhood or community noise tolerance
 - 3. Loss of green space or park land
- C.** Is there expectation of civic involvement by the company?

PART II. DUE DILIGENCE CHECKLIST

Part II of this due diligence guide is a checklist for business analysis. This list is a companion to the community's economic development strategy and is intended to ensure that the particular business is on sound footing and can meet the expectations placed on it by the EDC.

While this due diligence checklist strives to be exhaustive, not all topics will be relevant for a particular business review. Sections 1 through 4 constitute a minimum level of intelligence that should be gathered for a business.

A final word of caution is in order. Many economic development organizations, seeing what appears to be a viable prospect, are overly confident in the company's ability to perform. Granting incentives (including loans and other forms of financial assistance) is a form of investment and should be treated with the same care as any investment.

1. REFERENCE CHECK

Business analysts are fond of saying that the three most important components of every company are management, management, and management. Without a high degree of confidence in the company's leadership, therefore, the deal should not go forward. While this is often perceived as the most difficult part of a due diligence (because it is the most intrusive), it is essential. The degree of investigation will vary, but a thorough review should include all of the following items listed below. Every effort should be made to verify the background of the firm's principals. A short call at the beginning might save hours of work later. (Also see Section 10, "Management Team.")

- A.** Call personal references and industry contacts who might know the principals.
- B.** Call suppliers, customers, and former coworkers.
- C.** Call educational institutions to verify degree claims.
- D.** Investigate past relationships with banks and creditors.

2. LITIGATION REVIEW

- A.** Assess the status and outcome of any legal action taken by, or against, the company or its principals. Specifically, assess the following items.
 - 1.** If there is any litigation that might adversely affect the business.
 - 2.** If there are any criminal records.
 - 3.** If there are any "gray areas," such as divorce or personal liability actions that might affect the conduct of business.
- B.** Request information on any bankruptcy proceedings, past or present, which affect the principals or the company.

3. BUSINESS OVERVIEW

It is important to know the background of the company. A business plan or an annual report is a standard source of background information that will provide most relevant facts about the company. At a minimum, the following items should be clearly stated and easily explainable to outside parties.

- A.** General description
 - 1.** Brief history of company, including sales and profits

2. Business objectives (e.g., expansion, capital improvement, new product line)
 3. Products or services
 - Product description
 - Competitive advantage (e.g., weight, size, cost), including technology review
 - Proprietary status (e.g., who holds patent rights)
 4. Current and projected market share
 5. List of board members
- B. Industry overview**
1. Current market trends
 2. Status of competition
- C. Other issues, including potential red flags, which should be carefully screened**
1. Has the business changed names or location? If yes, why?
 2. Has there been a recent turnover of principals? If yes, why?
 3. Were there recent product changes? If yes, why?
 4. What is the status of suppliers?
 5. What is the competition's view of this company and its products?
- D. Financial background (For more detailed information, see Section 7, "Financial Review.")**
1. Balance sheet
 2. Income statement
 3. Cash flow
 4. Has the business prepared a source/use statement?
- E. Additional materials—Carefully review any exhibits that might be attached to the business plan. Examples include credit reports, product brochures, news articles, market research data, and any description of technology and exhibits supporting the financial statements.**

4. PROJECT INFORMATION

- A.** What is the basis of the contact? What is the company's primary objective? To seek funding? Relocate? Restructure? Expand?
- B.** If the company is seeking financing, what are the financial requirements of each of the following items (whether or not the company is seeking funds for them)?
1. Research
 2. Product development
 3. Working capital

4. Machinery and equipment
 5. Real estate or leasehold improvements
 6. Marketing
 7. Other (specify)
- C. What funding sources are involved in the project?
1. Equity—Evidence should be documented.
 2. Private lenders—If from an institution, are there letters of commitment? What are the rates and terms? Are there any special terms?
 3. Public agencies—Who else is participating? Federal, state, or local government? Nonprofit agencies? What are the terms and conditions? Has a separate review been completed?
 4. What past investments have been made in the company and by who?
- D. What are the requirements for second-round financing?
1. Bank interest
 2. Venture funding
 3. Stock offering

5. OPERATING PLAN

- A. Geographic location
1. Labor rate
 2. Labor availability
 3. Level of labor force training (and how additional needs can be met)
 4. Proximity to distributors and customers
 5. Proximity to suppliers
 6. Tax structure (from all sources)
 7. Utility rates and requirements
 8. Zoning and applicable local laws
 9. Local source of components (ease of supply)
- B. Facilities and improvements
1. Current development plans
 2. Expansion needs
 3. Office and manufacturing floor space requirements
 4. Machinery and other capital requirements

5. Lease versus purchase requirements (this should reveal costs and planning should be consistent with a 3- to 5-year time horizon)
 6. Review appraisals or rehab cost estimates, where appropriate.
- C. Manufacturing plan**
1. Describe manufacturing process (include major subcontract decisions).
 2. Discuss “make or buy” decisions.
 3. Show details of expected overhead expenses.
 4. Discuss inventory required for various sales levels.
 5. Describe inventory control systems, in addition to quality and production controls.
 6. Discuss flow of material and purchasing structure.
 7. Determine how quality can be ensured.
- D. Employment**
1. Discuss the immediate job requirements and pay structure.
 2. Project mid-term and long-term job requirements.

6. PRODUCT DEVELOPMENT

Frequently, the first question asked of a business is “What’s the product?” As such, it is often overemphasized. Understanding the product is not the same as understanding the company. Nonetheless, it is critical to gain a basic understanding of the product/service in its current state and plans for development of future iterations.

- A.** Describe current status of the technology and design. Indicate existence of engineering prototypes, field test items, or preproduction units (as appropriate).
- B.** Discuss a program for completing the development work, including major tasks, significant milestones, and overall “time to market.”
- C.** Identify key technical people who will participate in the development process.
- D.** Identify and discuss anticipated development problems and approaches to their solutions. Include discussion on the timing of product introduction and its effect on costs.
- E.** Show details of product costs, including design, development, field testing, tooling, and consulting.
- F.** Discuss patent status and other technology protection.

7. FINANCIAL REVIEW

Not all the information listed below will be needed. Failure of the business to provide requested material, however, should be regarded as a red flag. If items such as tax returns are requested, they should be handled in strictest confidence.

- A.** For existing companies—Financial statements and tax returns for the past 3 years, including profit and loss (P&L) statements and balance sheets.
- B.** Interim financial statements (less than 60 days old)
- C.** Projections
 - 1.** Pro forma balance sheet, showing effect of financing
 - 2.** A 2-year project P&L statement
 - 3.** If startup (or below break-even), cash flow statement for 12 months, or 3 months beyond break-even point
 - 4.** Break-even analysis (itemization of fixed and variable costs), including cost-volume projections
- D.** Discussion of assumptions (accountants' notes should accompany all statements and projections)
This is a particularly important point and often overlooked. The accountants' notes frequently contain clues to the answers sought unsuccessfully in the pro formas.
- E.** Current financial statement of affiliate or subsidiary company
- F.** Current financial statement from each principal with 10 percent or greater share of business.
Consider requesting personal tax returns for each principal. This is an optional step, but should be considered where a greater level of certainty is required. This is routinely requested by banks making loans.

G. Ratio analysis

With existing companies, spreadsheets should be prepared to determine the viability of the business, with or without a new debt structure. Although ratios can be misleading, the following provide important baseline data.

- 1.** Debt-to-equity—Compares company financing through lender-investors against that provided by owner-investors.
- 2.** Quick ratio—Compares current assets (those which can be immediately converted to cash) with current liabilities.
- 3.** Percent of sales growth—Change in sales over the last four quarters and the previous 3 years.

8. MARKET ANALYSIS

There is frequent confusion between the market analysis and the marketing plan. The market analysis is concerned primarily with assessment of the prevailing market conditions. It considers the environment in which new products must compete. The marketing plan (see Section 9) deals primarily with how the product will be introduced.

- A.** Market potential, including a definition of markets and discussion of history and future trends
- B.** Customers
 - 1.** Who are major purchasers? What are their characteristics?
 - 2.** Significance of price, quality, service, and environmental pressures
 - 3.** Buying and ordering patterns
 - 4.** Actual contacts and results

C. Market size and trends

1. Quantification of total market of interest
2. Past growth rates and reasons for growth
3. Forecast of future trends (3–5 years)
4. References and sources of data and estimates

D. Description of market niche

E. Competition

1. Assessment of direct competition, including comparative matrix of products, showing price and performance
2. Assessment of competitor’s capabilities
3. Description of successful competitors, including discussion of how market share will be gained at their expense
4. Generic competition, including description of other means of providing the same or similar customer benefits and a discussion of potential competition and customer alternatives
5. Description of how the competition can be expected to react to the introduction of this product and how to counter that reaction

F. Market share and sales

1. Discuss the basis for sales projections, including customer commitment, reaction of competing, and extraneous factors (such as social changes).
2. Describe, in table form, estimate of total market (dollar volume), projected sales—and estimate market share that these sales represent. Estimates should include both total number of units and total income by quarter for the first 2 years, and annually thereafter.

9. SALES AND MARKETING PLAN

A. Product plan

1. Describe approach to product family, including target markets, features, and timetable for introduction.
2. Discuss the company’s capacity for developing multiple products as part of a diversification strategy.

B. Sales and distribution plan

1. Describe sale and distribution of products.
2. Discuss basis for choosing distribution channels (or direct sales), effectiveness of that channel, and ability to command attention.
3. Address sales commissions and margins for retailers and wholesalers.

C. Pricing

1. Describe basis for current and future pricing.
2. Is it based on current competition?

D. Promotion

1. Describe advertising plan and sales promotion. How do these support sales estimates?
2. Is public relations (PR) a problem?
3. Can PR be used to the company's advantage?

E. Service and warranty

1. Is this being used as a marketing tool?
2. Describe approach and implementation plan.
3. Discuss effect on pricing and profits.

F. Marketing strategy

1. Are the elements listed above combined into a single coherent marketing strategy?
2. Is it understood by the whole team?
3. What does the company understand by "market driven"?

G. Export development

1. What percentage of sales are expected from foreign markets?
2. Are there agreements with foreign distributors in place?
3. Are export requirements understood?
4. Are currency fluctuations calculated in?
5. How will sales be monitored?

10. MANAGEMENT TEAM

A. Organization

1. Describe the roles of key managers, their primary duties, and the proposed organizational structure; determine whether managers have worked together previously.
2. Indicate where key functions are not being met, discuss proposed solutions, and determine whether contractual help is required (e.g., design, marketing, accounting).

B. Management personnel—Include detailed résumés for each key member and emphasize past accomplishments in similar roles, including specific successes such as sales, productivity improvement, or technical breakthroughs.

C. Management compensation and ownership

1. State salary to be paid to each key person.
2. Describe stock ownership plan.
3. Discuss equity positions and performance, including dependent stock options or bonus plans.

- D.** Board of Directors—Identify board members and include a background statement and summary of benefits he/she will bring to the company; include investments made into the company.
- E.** Management assistance and training needs—Describe candidly the strengths and weaknesses of the management team and the Board of Directors, including a discussion of the kind, extent, and timing of support needed to overcome any weaknesses.
- F.** Supporting professional services—Discuss professional services retained by the company and address plans to acquire future services, including a review of costs.

11. OVERALL SCHEDULE

The schedule ties together all major tasks and events on a common timeline. It shows the interrelationships of product development, production, marketing, and sales. The schedule should recognize those activities that could cause slippage in the timeline. It should also identify milestones critical to the venture.

12. CRITICAL RISKS AND PROBLEMS

- A.** Identify and discuss the major problems and risks likely to be encountered.
 - 1.** Indicate which assumptions or potential problems are most critical.
 - 2.** Describe plans for minimizing the effect of unfavorable developments in each risk area.
- B.** Prepare sensitivity analysis and include effects of sales reduction, increases in fixed cost, and monthly burn rate.
- C.** Prepare report of site visits and meeting with principals.
- D.** Capitalization
 - 1.** Show the names of current stockholders (over 10 percent) and number of shares held.
 - 2.** Indicate how many shares of common stock are reserved for future key personnel.