Attachment 4

City of San Diego
Economic Development Strategy

2014-2016

Table of Contents

Executive Summary

This Economic Development Strategy lays the foundation for sustained economic recovery and fiscal stability for the City of San Diego.

San Diego's economic base has evolved from a dependence on the military and tourism to a focus on high-technology manufacturing and international trade. The City's highly-skilled labor force, pleasant Mediterranean climate, and unique proximity to Mexico and the Pacific Rim provide comparative advantages for established businesses and those considering relocation to San Diego.

This Economic Development Strategy lays out a Mission Statement, Strategic Objectives, and a set of Economic Indicators that will help the City track progress annually. It also lays out specific Tactical Objectives and Actions for four base sectors, a neighborhood business strategy, and other economic development efforts.

Economic Development Mission

The City's Economic Development Mission is as follows:

To create a wide spectrum of job opportunities for San Diego residents by expanding the City's economic base and increasing local economic activity, and to generate new tax revenues for essential public services by expanding the City's tax base.

Strategic Objectives

The City's Economic Development Mission can be translated into three Strategic Objectives.

#1: Economic Base ("Traded Economy") Growth

Attract, retain, and expand businesses in the City's four economic base or "traded economy" sectors (innovation/manufacturing, international trade & logistics, military, and tourism), focusing especially on emerging sectors such as Cleantech & Energy Efficiency and the Food & Beverage industry clusters.

#2: Middle-Income Jobs

Increase the number of middle-income jobs, especially in economic base sectors.

#3: Neighborhood Businesses

Increase the amount of neighborhood business activity, especially in underserved neighborhoods

Economic Indicators

Progress toward the goals of this Economic Development Strategy can be tracked through the use of seven relevant economic indicators.

1. Increase the Gross Regional Product (GRP) of the San Diego Region

2. Increase the percentage of the workforce that earns middle-wage incomes
3. Decrease the rate of local unemployment
4. Increase the local median income
5. Decrease the percentage of people living in poverty
6. Increase General Fund tax revenues as a percentage of GRP
7. Increase the business activity in the City's neighborhood business districts.

Economic Base Industries

This Economic Development Strategy makes reference to San Diego's four "economic base" industries (interchangeably referred to as "traded economies") and lays out Tactical Objectives and Actions for these industries.

"Economic base" industries are industries that produce goods and/or services that are sold outside the region, thus bringing money and wealth into the region. Unlike local businesses, which serve local customers but do not increase the region's overall economy, "economic base" industries create the foundation of jobs and wealth for the entire region, bringing money in from the outside that circulates again and again within San Diego to boost the economy. San Diego's four economic base industries are:

1. Manufacturing and Innovation
2. International Trade & Logistics
3. Military
4. Tourism

This Economic Development Strategy lays out Tactical Objectives and Actions for each of these four base industries that, if achieved, will help San Diego make progress toward the first two of the three Strategic Objectives and the seven Economic Indicators.

Neighborhood Business Districts

This Economic Development Strategy also calls out the importance of nurturing small, locally-owned neighborhood businesses, especially in older neighborhood business districts with an emphasis on historically underserved neighborhoods. Focusing effort on such businesses has two major benefits. First, in contrast to corporate chain retail stores, locally owned businesses retain money in the local economy to be re-circulated again and again. Second, the success of such businesses, especially when concentrated in business districts, can serve to revitalize San Diego's older neighborhoods, achieving many other goals in the process. This Economic Development Strategy also lays out Tactical Goals and Actions for locally-owned small businesses and neighborhood business districts.

Other Economic Development Efforts

This Economic Development Strategy identifies four other areas of City activity that should be used to support economic development efforts.

- The City's tax structure, which can be adjusted to assist base sector industries such as Manufacturing and Tourism that provide the economic foundation of the region.

- City services and operations

- Workforce development and education that is vital to meet the demands of a 21st century economy.

- City relationships to external economic development organizations, whose efforts must be coordinated with the City for maximum economic benefit.

This Economic Development Strategy provides Tactical Objectives and Actions for each one of these four additional economic development efforts.

1. Introduction

This Economic Development Strategy is intended to guide the City of San Diego's economic development efforts for the next three years. In doing so, this strategy serves several purposes.

First, it is designed to inform local policymakers and investors about the nature of the City's economic base, specifically by describing the driving industries that form the basis for future economic prosperity.

Second, it describes the City's strengths and weaknesses as well as the City's existing efforts through various programs and initiatives, and examines various threats to fiscal, social, and economic stability.

Finally, and most importantly it lays out an economic development action plan designed ensure fiscal and economic prosperity well into the future.

The term "economic development" refers to activities undertaken by the public sector to promote job creation and retention, to ensure a strong, growing and diversified economy, and to increase the size of the local tax base.

Since the 1950s, the City of San Diego has engaged in a wide variety of economic development activities, including programs that have focused on:

- Business attraction
- Business retention and expansion
- Commercial and neighborhood revitalization
- Redevelopment
- Small business assistance
- Tourism promotion
- International trade promotion, and
- Development of City-owned industrial land.

Economic development success depends not only on these business-oriented programs, but also on complementary efforts to provide public infrastructure, affordable housing, education and workforce training, and a cost-effective and predictable regulatory framework.

A successful economic development strategy focuses on growing the *economic base*, which is that segment of the economy that brings money into San Diego by exporting goods and services to the rest of the nation and the world. Because this process of exporting goods and services can be viewed as "trade," these economic base sectors are sometimes known as "traded economies" – the way in which a region is economically connected to the rest of the nation and the world. Some of these earnings are spent to import goods and services from outside the metropolitan area – typically goods and services which can't be cost-effectively produced or provided internally. But some of it is circulated and re-circulated through the local economy. Local ownership and local consumption of goods produced locally ("internal spending") can provide additional economic benefits even beyond those provided by the earnings of the economic base.

This Economic Development Strategy first discusses how San Diego earns money through the exportation of goods and services, and then examines how to augment those economic benefits through support of locally-owned establishments.

An effective economic development strategy contains the following elements[1]:

(1) Mission,

(2) Goals and Actions,

(3) Economic Indicators and Performance Measures.

Accordingly, these three elements are included in this Economic Development Strategy. Proposed specific actions are listed for each segment of the economic base and for neighborhood-based businesses.

This Economic Development Strategy is focused primarily on the implementation of policies and the administration of programs and initiatives that can reasonably be expected to improve the City's business climate to attract job-creating and revenue-generating capital investments in the near-term. Broader quality-of-life issues that influence or affect economic competiveness over the long-term are contained in the City's 2008 General Plan. These issues may be revisited during the development of the Economic Development Strategy for the period beginning in 2017.

[1] These three elements are derived from research and guidance provided by Council Policy 900-01 "Economic Development," the City Auditor's Office, and expert outside organizations such as the Government Finance Officers Association (GFOA), the National Performance Management Advisory Commission, the U.S. Government Accountability Office (GAO), the U.S. Office of Management and Budget (OMB), and the international City/County Management Association (ICMA).

2. Mission, Strategic Objectives, and Performance Measures[2]

The City's Economic Development Mission is:

To create a wide spectrum of job opportunities for San Diego residents by expanding the City's economic base and increasing local economic activity, and to generate new tax revenues for essential public services by expanding the City's tax base.

2-1. Strategic Objectives

The City's Economic Development Mission can be translated into three Strategic Objectives.

#1: Economic Base ("traded economies") Growth

Attract, retain, and expand businesses in the City's four economic base sectors (innovation/manufacturing, international trade & logistics, military, and tourism), focusing especially on emerging sectors such as Cleantech & Energy Efficiency and the Food & Beverage industry clusters.

#2: Middle-Income Jobs

Increase the number of middle-income jobs, especially in economic base sectors.

#3: Neighborhood Businesses

Increase the amount of neighborhood business activity, especially in underserved neighborhoods.

In the following section, Strategic Objectives are translated into Tactical Objectives that will be pursued through Actions and evaluated through Metrics, specifically, and more broadly through economic performance indicators. .

2-2. Economic Performance Indicators

[2] Editor's Note: The Mission Statement, Strategic Objectives, and Performance Measures listed here are similar to those listed in the annual budget documents for the City's internal economic development units, but are much broader and intended to provide goals and objective standards for the City as a whole, including all of the departments and offices whose activities have some bearing on the City's overall economic development efforts.

Progress toward the City's Strategic Goals can be measured using readily available data. The following seven Economic Performance Indicators are directly linked to the three Strategic Objectives:

1. Increase the Gross Regional Product (GRP) of the San Diego Region
2. Increase the percentage of the workforce that earns middle-wage incomes
3. Decrease the rate of local unemployment
4. Increase the local median income
5. Decrease the percentage of people living in poverty
6. Increase General Fund tax revenues as a percentage of GRP
7. Increase the business activity in the City's neighborhood business districts.

All of these performances measures can be tracked with readily available empirical data and can be used as a "report card" to track the City's progress. Taking the Actions in order to accomplish the Tactical Objectives and make progress toward the Strategic Objectives should "move the needle" on these economic indicators. If San Diego does not make progress toward these economic indicators, the City should revisit all facets of this strategy – the Strategic Objectives, the Tactical Objectives, and the Actions – to determine whether they need to be re-tooled.

Figure 1: Overall Economic Performance Indicators

Economic Indicator	**2013 San Diego**	**2017 San Diego**	**2013 California**	**2013 United States**
1. Gross Regional, State, or Domestic Product (GRP) [3]	$177 billion	TBD	$2 trillion	$15.610 trillion
2. Percentage of Residents Earning Middle Income Wages[4]	28%	TBD	27%	53%
3. Unemployment Rate[5]	7.0%	TBD	8.9%	7.3%
4. Median Household Income[6]	$60,330	TBD	$58,328	$51,371
5. Percentage of Persons Below Poverty Line[7]	15%	TBD	16.6%	15.9%
6. General Fund Tax Revenue as a Percentage of GRP[8]	$0.5913978 %	TBD		
7. Total Sales in Neighborhood Business Districts.				

[3] National University System Institute for Policy Research (NUSIPR), Wikipedia, and International Monetary Fund, figures are for end of 2012. Figures for California and the United States are the Gross State Product (GSP), and Gross Domestic Product (GDP) respectively.
[4] Ibid.
[5] U.S. Census Bureau, figure is for August 2013.
[6] Ibid., figure is for end of 2012.
[7] Ibid., figure is for end of 2012
[8] Financial Management Department and NUSIPR, FY2012 General Fund budget actual receipts divided by 2012 GRP.

Economic Indicator	Competing California Metropolitan Areas			
	San Diego-Carlsbad-San Marcos	**Los Angeles-Long Beach-Santa Ana**	**San Francisco-Oakland-Fremont**	**San Jose-Sunnyvale-Santa Clara**
1. Gross (Regional) Product (GRP) [9]	$177 billion	$766 billion	$360 billion	$174 billion
2. Residents Earning Middle Income Wages [10]	28%			
3. Unemployment Rate [11]	7.0%	9.2%	6.5%	7.5%
4. Median Household Income [12]	$60,330	$53,001	$73,012	$91,425
5. Percentage of Persons Below the Poverty Line [13]	15%	19.1%	15%	10.8%
6. General Fund Tax Revenue as a Percentage of GRP [14]	0.64%	0.60%	0.85%	1.60%

[9] National University System Institute for Policy Research (NUSIPR), Wikipedia, and International Monetary Fund, figures are for end of 2012. Figures for California and the United States are the Gross State Product (GSP), and Gross Domestic Product (GDP) respectively.
[10] Ibid.
[11] U.S. Census Bureau, figure is for October 2013.
[12] Ibid., figure is for end of 2012.
[13] Ibid., figure is for end of 2012
[14] Financial Management Department and NUSIPR, FY2012 General Fund budget actual receipts divided by 2012 GRP.

2-3. Manufacturing & Innovation

Tactical Objectives

1. Increase the number of factory (production) jobs in San Diego
2. Increase the number of manufacturing sector jobs in San Diego
3. Increase the number of manufacturing sector jobs that are linked to local research and development operations
4. Increase the number of manufacturing plants in San Diego which have a taxable point of sale
5. Increase employment among startup tech companies, especially downtown and in other commercial districts.

Actions

1. Track all conversion of Prime Industrial Lands for non-industrial uses and provide a report on such conversions to the City Council every year.
2. Review the Municipal Code to identify any code changes required to implement General Plan Policies EP-A.1 and EP-A12, related to Prime Industrial Land.
3. Amend the Municipal Code to exempt manufacturing from the Housing Impact Fee.
4. Review the Municipal Code to identify any code changes to improve the viability and feasibility of manufacturing in the City's industrial zones.
5. Make excess City-owned industrial property available for sale or lease to manufacturing companies to build manufacturing plants in accordance with Council Policy 900-03.
6. Require cross-departmental collaboration of City staff to develop and ensure a streamlined,consistent, and rapid review/approval process for manufacturing and warehouse projects.
7. Create a "Buy San Diego" campaign aimed at increasing local demand for products made in San Diego – not only among consumers but among local businesses as well.
8. Initiate a collaborative process with manufacturers to ensure that they have a sustainable, long-term, cost-effective source of reclaimed and potable water for industrial cooling and processing.

9. Develop a holistic Cleantech Industry Program that focuses on stimulating local demand for locally produced cleantech products, including biofuels, solar equipment, and electric vehicles that use locally produced products.

10. Develop a holistic Food & Beverage Program that focuses on nurturing this sector so that it becomes a larger part of the economic base.

11. Actively support federal defense appropriations for the purchase and repair of military hardware that is or can be manufactured within the City.

12. Support and take advantage of state economic development incentives for business expansion, attraction, and retention.

13. Promote the City's efforts to create a sustainable water supply through Pure Water and other efforts region-wide that provide long-term security and independence for residents and businesses from sources of water that are subject to forces beyond the City's control.

14. Update Council Policies 900-03, 900-04, and 900-12, which guide industrial development within the City

15. Assemble a Manufacturing Roundtable to include industry and labor representatives to implement the proposed Actions listed above as well as other reforms and initiatives.

Metrics

1. An increase in the number of factory (production) jobs in the City.

2. An increase in the amount of sales and use tax received by the City from manufacturing plants.

2-4. International Trade & Logistics

Tactical Objectives

1. Increase the number of distribution jobs in San Diego.

2. Increase the utilization of the 10^{th} Avenue Marine Terminal.

3. Aggressively market the Foreign Trade Zone Program to all potential new users.

Actions

1. Maintain and staff a bi-national affairs office in Tijuana in order to more effectively facilitate cross-border commerce and logistics in accordance with General Plan Policy EP-J.1

2. Amend the Municipal Code to exempt wholesale distribution from the Housing Impact Fee.

3. Prioritize transportation Capital Improvement Program funds to improve truck circulation to and from the Otay Mesa Port of Entry facilities.

4. Continue to seek state and federal funding for improvements to border-related infrastructure such as completion of the 905 Freeway and important collector streets that facilitate the movement of goods.

5. Pursue enhancements to the commercial cross-border trade facilities in accordance with General Plan Policy EP-J.4 and EP-J.6

6. Continue to collaborate with General Services Administration, the City of Tijuana, and SANDAG to expand and improve the ports of entry.

7. Protect and preserve the Prime Industrial Lands identified in the City's General Plan pursuant to General Plan Policies EP-A.1, EP-A.12, EP-J.9

8. Pursue funding to expand and provide better connections to the 10th Avenue Marine Terminal.

9. Work collaboratively with the Port of San Diego to ensure that the 50-year Port Master Plan protects and enhances opportunities to expand the trade economy on port land.

10. Assemble an International Trade & Logistics Roundtable to include industry and labor representatives to implement the proposed Actions listed above as well as other reforms and initiatives.

Metrics

1. An increase in the value of goods shipped through the Otay Mesa Port-of-Entry.

2. An increase in the value of goods shipped through San Diego International Airport

3. An increase in the tonnage of goods shipped through the 10th Avenue Marine Terminal.

4. An increase in the number of logistics and distribution jobs in San Diego.

5. A decrease in the conversion of Prime Industrial Land to other uses.

6. An increase in state and federal funding of logistics/transportation infrastructure

2-5. Military

Tactical Objectives

1. Increase the number of ships, aircraft, and personnel at each of the City's military installations

2. Increase the procurement of locally produced goods and services by the military at San Diego businesses, especially from the cleantech sector.

Actions

1. Work collaboratively with local military commanders and with congressional delegates to ensure that San Diego's military installations are retained and expanded; and that San Diego businesses have opportunities to provide goods and services to the commands at these installations in accordance with General Plan Policy EP-H-2

2. Encourage the Navy to bring "Green Fleet" demonstration projects to San Diego and especially to procure biofuel developed or produced in the City.

3. Ensure that San Diego is always represented at the SANDAG Military Working Group meetings to ensure that City of San Diego and Department of the Navy are able to proactively address issues affecting both parties.

Metrics

1. An increase in the level of military spending at local military installations.

2. An increase in the number of civilian jobs in the local military economy.

3. An increase in the amount of military purchasing in the local economy, especially in the Cleantech sector.

2-6. Tourism

Tactical Objectives

1. Increase the overall economic activity of the tourism industry cluster – that is, increase the number of dollars spent in the local economy by visitors from outside the region.

2. Ensure that Transient Occupancy Tax (TOT) funding and Tourism Marketing District (TMD) funding provide the most "bang for the buck".

3. Complete the Convention Center expansion and create an environment that encourages increased private sector investment in aging private visitor facilities.

4. Dedicate City Capital Improvement funds toward projects that enhance the City's attractiveness, including streets and bike lanes, sidewalks, public facilities and parks.

Actions

1. Build, expand, and maintain important publicly-owned attractions and facilities such as the Convention Center, Cruise Ship Terminal, City beaches, San Diego International Airport, and similar assets in accordance with General Plan Policies EP-I.2 and EP-I.3

2. Establish a more competitive process to evaluate Citywide TOT grants and Economic Development & Tourism Support ("EDTS") grants to ensure that the City receives the maximum value for these funds in accordance with the guidance of General Plan Policy EP-I.1

3. Assemble a Tourism Roundtable to include industry and labor representatives to implement the proposed Actions listed above as well as other reforms and initiatives.

Metrics

1. An increase in the number of room nights sold at San Diego hotels and motels.

2. An increase in the amount of TOT revenue received by the City based on the current rate.

3. An increase in the utilization of the Convention Center.

4. An increase in the amount of sales tax received by the City from eating and drinking establishments based on the current rate.

5. An increase in funding for the improvement and expansion of attractive infrastructure, including streets and bike lanes, sidewalks, public facilities, and parks.

2-7. San Diego's Neighborhood Businesses

Tactical Objectives

1. Increase the number of locally-owned small businesses in San Diego

2. Strengthen the business base of existing older business districts

3. Target city investment in older business districts and adjacent neighborhoods, especially those in traditionally underserved neighborhoods.

4. Maximize the effectiveness of the City's neighborhood and small business programs.

Actions

1. Develop a replacement program for redevelopment by partnering with private corporations, philanthropic organizations, and lending institutions.

2. Encourage formation of new assessment districts, such as maintenance assessment districts (MADs) and property-based assessment districts (PBIDs), to enhance existing community programs.

3. Support state legislative efforts to clarify and strengthen the role of assessment districts.

4. Continue to lobby at the federal level against further cuts in CDBG funding.

5. Retool the City's existing small business programs to target assistance to locally-owned small businesses in the city's older neighborhoods, especially underserved neighborhoods.

6. Evaluate relevant Land Development Code regulations to lessen the regulatory burden on locally-owned small businesses and home-based businesses that are compatible with residential surroundings.

7.

Metrics

1. Increase in the number of small businesses in the City, especially in underserved neighborhoods.

2. Number of business improvement districts (BIDs) augmented with new financing tools.

3. Number of new BIDs, PBIDs, MAD's and other neighborhood business district management entities created.

4. Percentage of City's infrastructure investment targeted to older neighborhoods with business districts, especially in historically underserved neighborhoods.

2-8. City Tax Structure

Tactical Objectives

1. Reduce the City's reliance on base industry tax revenues so that economic development objectives and fiscal policy are aligned.

2. Create a better understanding of the fiscal consequences of land use decisions.

Actions

1. Restructure the City's taxation structure to reduce the dependence on manufacturing and tourism.

2. Reinstate the requirement for fiscal impact analysis not just for large development projects but also for Community Plan Updates and for the establishment of regulations on base industries.

3. Assemble a Retailers Roundtable, to include the retailers, retail organizations, and other tax generators to implement these Actions as well as other reforms and initiatives that can expand the City's tax base.

Metrics

1. A decrease in the proportionate share of the City's General Fund tax revenues paid by manufacturers and hoteliers.

2-9. City Policies, Procedures, & Operations

Tactical Objectives

1. Alignment of key city services and operations with the City's economic development goals.

Actions

1. Initiate a top-down assessment of key city services and operations by the Chief Operating Officer to determine where and how those services and operations do and do not align with the City's economic development goals.
2. Form an Economic Development Advisory Group composed of Department Directors and Deputy Chief Operating Officers, led by the City's Assistant Chief Operating Officer to coordinate inter-departmental efforts related to key industries and projects.

3. Provide a mechanism for external stakeholders to provide *specific* recommendations regarding necessary changes to City ordinances, policies, and procedures in order to encourage economic development.
4. Review and reform/update all council policies related to economic development that may constrain the City from pursuing our economic development goals.

Metrics

1. Formation of an Economic Development Advisory Group that reports to City Council annually.

2. A consolidated cumulative list of implemented and proposed reforms (both Mayoral and those requiring City Council approval) that result from both the Chief Operating Officer's review and the feedback from external stakeholders for aligning city operations with economic development goals.

2-10. Workforce Development & Education

Tactical Objectives

1. Increase in the employment of local residents by local businesses.
2. Lead by example in providing 21st century training and educational opportunities for the City workforce to advance in their careers.

Actions

1. Maintain a direct role on the San Diego Consortium Policy Board (SDWP) to determine, review and approve of funding initiatives, policy, and program focus areas for SDWP to ensure that federal funds are spent efficiently and that San Diegans are afforded the best opportunities to train or re-train for specific industries and occupations

2. Work with SDWP, academic researchers, and the local school district to ensure that workforce development professionals and educators have a clear picture of the changing nature of local employment needs.

3. Use tools such as Economic Development ~~Incentive~~ Agreements to encourage local businesses to give first preference for new job opportunities to San Diego residents.

4. Continue to support workforce development programs or other efforts that target under-represented groups, provide training for veterans, help low-wage earners to move up career ladders, prepare youth for the workforce, place long term unemployed individuals, and establish entry level professional classifications for recent college graduates (to gain full-time professional experience) using the City of San Diego's Management Trainee model.

4. Encourage expansion in training and mentorship programs such as CONNECT2Careers San Diego, which call for a commitment from employers to such programs.
5. Invest in the City's workforce by offering training and tuition reimbursement opportunities to City employees.

2-11. City Relationships With External Organizations

Tactical Objectives

1. Memorialize the relationships between the City and other economic development entities.

2. Ensure that contracts with economic development entities have a clear purpose with clear goals and deliverables.

Actions

1. Evaluate all existing relationships with external organizations to determine the strategic purpose for each relationship and, where appropriate, define those relationships in formal documents~~, including Council Policy 900-04~~.

2. Use competitive bidding when procuring economic development services such as marketing and promotion from outside entities.

3. Include clear and quantifiable performance measures and deliverables in contracts.

4. Preclude the use of City funds by any economic development contractor for any activities that are contrary to the goals and objectives of this Economic Development Strategy.

Metrics

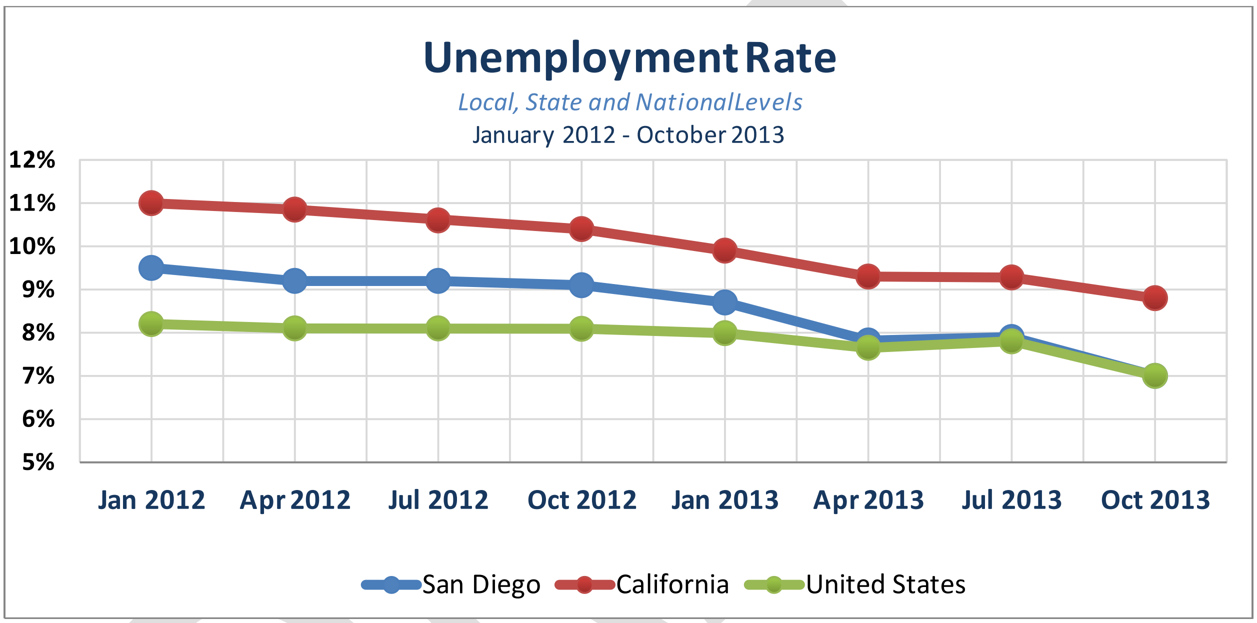
1. An increase in the number of contracts awarded on the basis of a competitive bidding process.

2. Number of MOU's or other documents memorializing the City's relationships with other economic development entities.

3. The San Diego Economy

The recent economic recession that our nation has experienced for the last several years has not left San Diego untouched. Despite recent improvements, San Diego still suffers from a persistently high local unemployment rate (7% as of October 2013). Though this is about the same as the national average and below the statewide rate of approximately 8.7%, it is one of the reasons why the need for job creation dominates the public conversation. Spending in the construction, manufacturing, finance, and real estate sectors is recovering gradually, but the short-term economic recovery still masks a long-term challenge.

Figure 2: San Diego's Regional Unemployment Rate



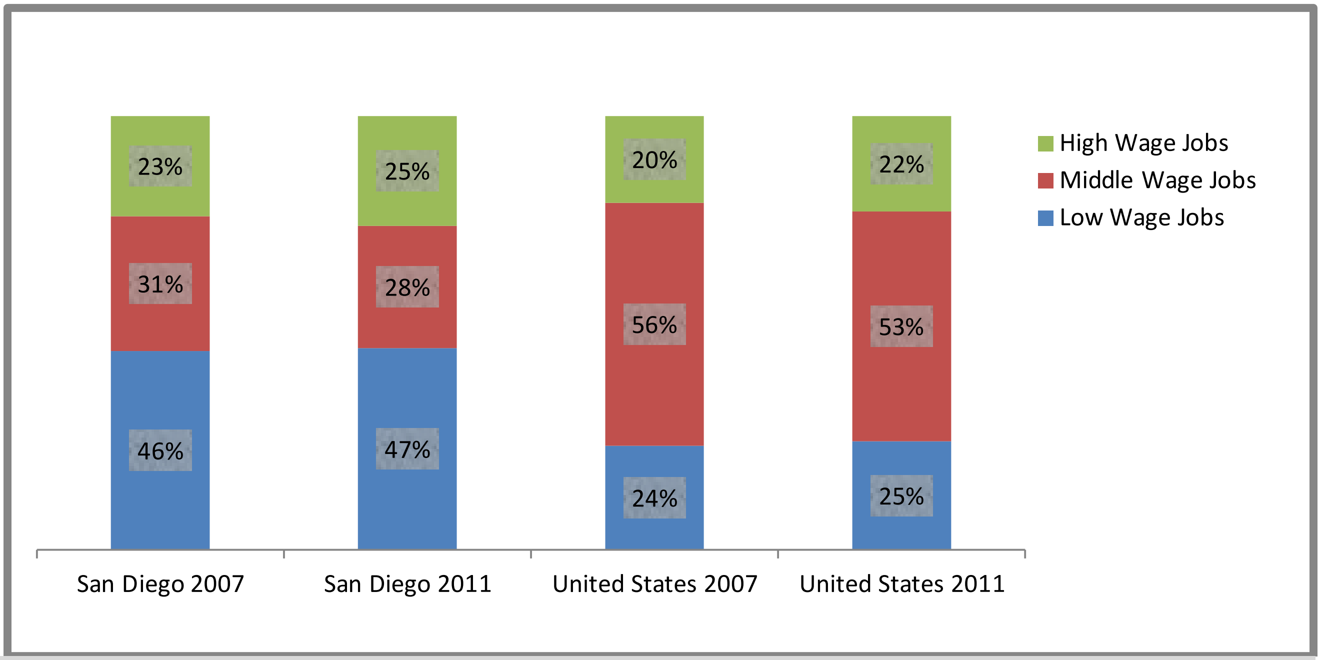
Source: San Diego Workforce Partnership, Labor Market Dashboard October, 2013

3-1. The Hourglass Economy

Despite the improvement in the unemployment rate, most job creation is either in low-wage service sector industries – retail and tourism – or high-wage jobs for highly educated scientists, engineers, and managers across many industries. The result is an economy that looks like an "hourglass": A small number of employees making high wages at the top and a large number of employees making low wages at the bottom, with relatively few middle-income jobs in between.

A recent report from the National University System Institute for Policy Research ("NUSIPR") illustrates the continued trend toward the hourglass economy in San Diego, showing that the trend accelerated between 2007 and 2011:

Figure 3: Loss of Middle Wage Jobs Accelerates in San Diego as Compared to the Nation.



"High Wage" jobs are those that provide compensation 25% or more above the overall average (mean) wage, "Middle Wage" jobs are those paying +/- 25% of the average overall wage, and "Low Wage" jobs are those paying 25% or less than the average overall wage for San Diego County

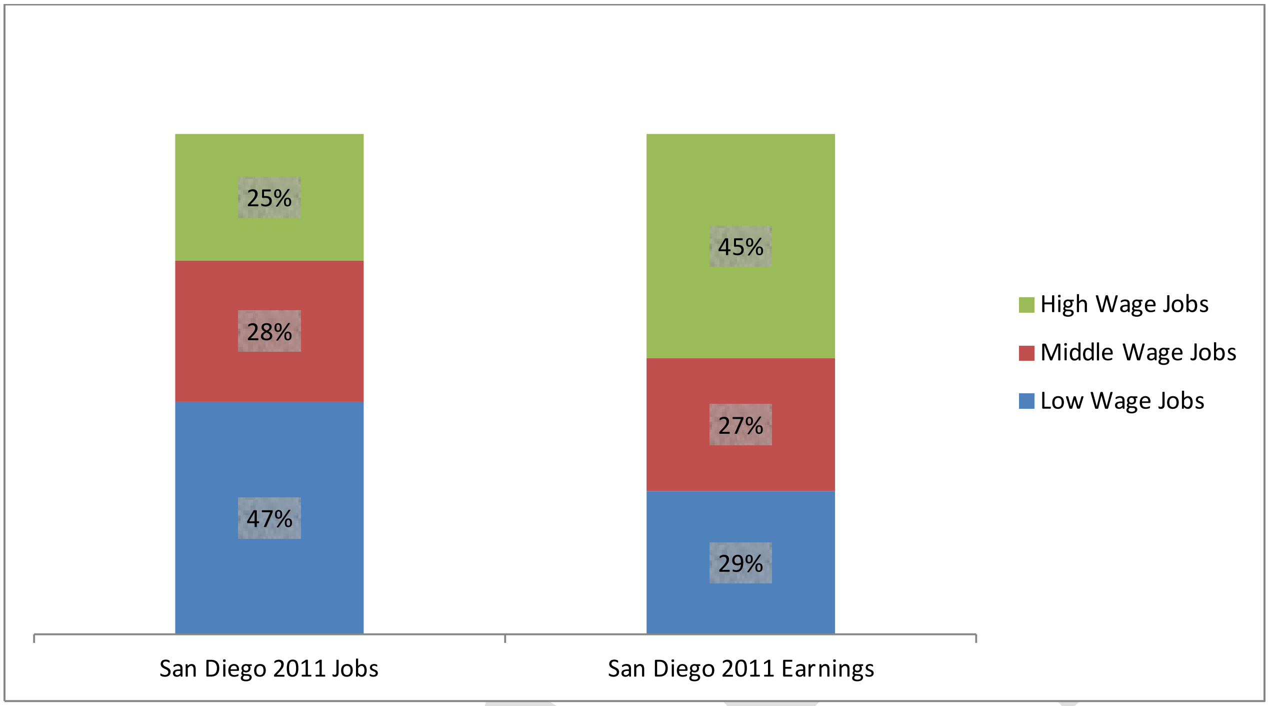
Average Wage =	$24/hour or $50,000 annually
High Wage =	More than $30/hour or $62,500+/annually
Middle Wage =	$18 - $30/hour of $37,500 - $62,500/annually
Low Wage =	Less than $18/hour or $37,700 annually

After evaluating economic data for the period 2007 – 2011, Kelly Cunningham, Chief Economist for NUSIPR reported in December of 2012 that:

"While San Diego's low-wage jobs declined in both number and total wages, the decreases were not nearly as deep as among middle-wage jobs. It becomes clear from this examination of occupations and wages that middle-wage jobs are disappearing and San Diego's employment base is increasingly stratified towards technically skilled, high-wage jobs on one side, and relatively low-skilled, low paid positions on the other."

And as Figure 4 shows, the "Hourglass Economy" is far more pronounced in San Diego than in the nation as a whole, though it is similar to the statewide trend in California.

Figure 4: San Diego's Income Distribution

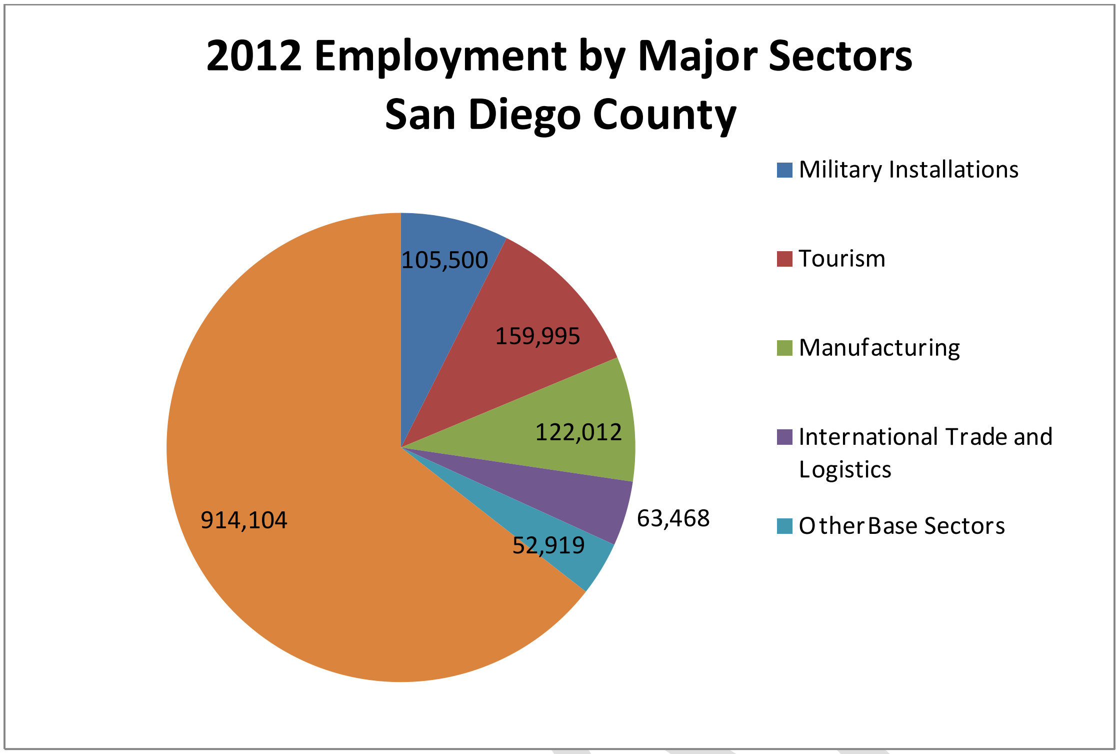


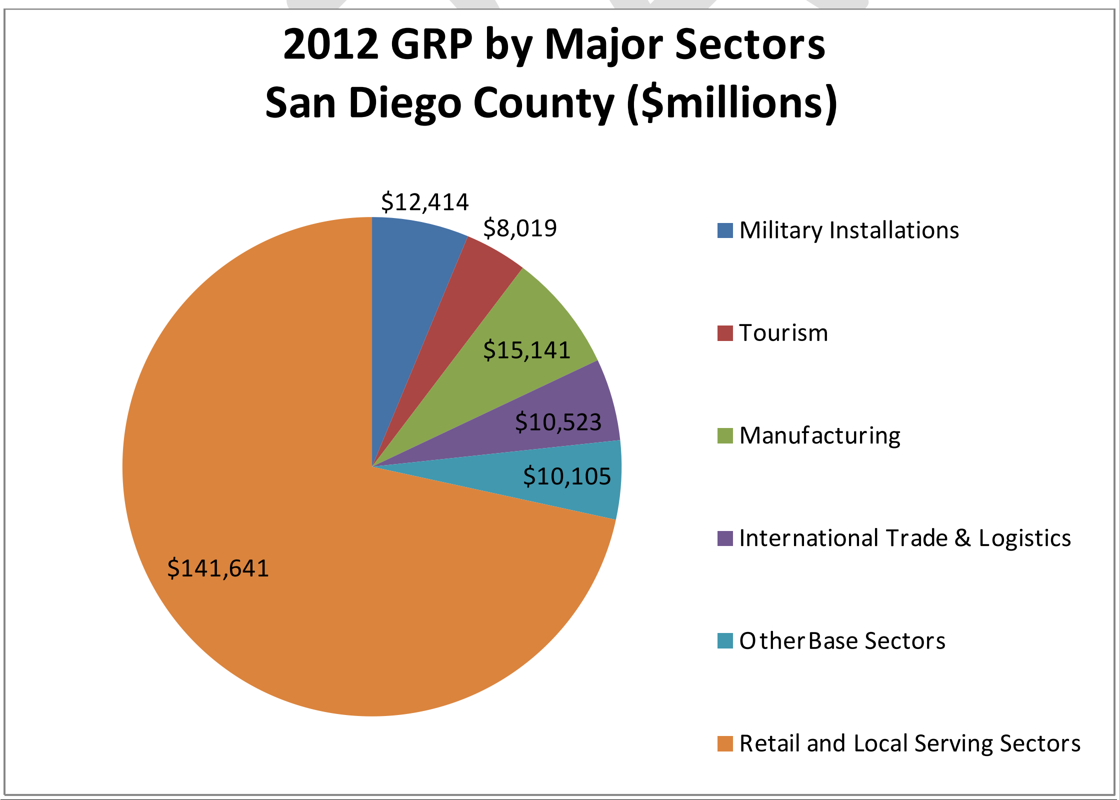
3.2 San Diego's Economic Situation

As shown above, San Diego's regional unemployment rate has dropped to match the nation's at 7% and is well under the state average. Nevertheless, middle income job opportunities are still disappearing faster than they are being created, and as documented by NUSIPR, the trends for San Diego are worse than the state and nation as a whole. Looking forward, several industries remain strong and several others are growing. Businesses in the Biotechnology & Medical Devices cluster are still experiencing steady growth and the Food & Beverage Industry is doing exceptionally well. Although Electronics & Telecommunications shed jobs throughout the recession, industry leader Qualcomm has several large projects under development and has added several thousand jobs. Tourism industries shed some jobs during the recent recession but have more recently gained strength and are once again poised for growth. These gains have translated into increased growth in the retail sector that has resulted in modest sales tax revenue growth for the City, and the subsequent restoration of municipal services that had been cut during the depths of the recent economic downturn.

Economic policies focused on growth of the economic base can lead to lower unemployment, improved socioeconomic conditions, and fiscal stability. The development of new economic development "tools" and accommodative regulatory policies can accelerate growth without negative impacts to quality-of-life concerns. Support to neighborhood businesses can also contribute to economic growth by increasing economic activity and providing greater stability overall.

Figure 5: Employment and Gross Regional Product By Economic Sector





4. San Diego's Economic Base Sectors ("Traded Economies")

Although economic development debates often discuss business growth as if all businesses are the same, in fact different business sectors have vastly different effects on the City's economy. Most important is the difference between "base sector" and a "non-base sector". Both are extremely important to the City's economy, but they play different roles.

An *economic base sector* is a sector of the local economy that produces goods and services locally but then sells them outside the region to customers around the nation and the world, bringing money and wealth into the region. Businesses which produce goods, energy, and services which otherwise would be imported from outside the local area, for domestic consumption, also contribute to the economic base. This money and wealth is then circulated and re-circulated in the local economy as local businesses sell goods and services to local customers. A region's economic base is its economic engine because it increases the amount of money and wealth in a region. In San Diego, base sector industries have also been described as comprising "Traded Clusters" or "Traded Economies."

San Diego's four most important *base sectors* are:

1. Manufacturing and Innovation
2. International Trade & Logistics
3. Military
4. Tourism

San Diego is unusual among U.S. metro areas because manufacturing is closely related to what is often known as the "innovation economy". Unlike many metropolitan areas, San Diego economy provides a research & development "backbone" that helps create new products, which are then manufactured in the region, especially in biotech and high-tech. For this reason, San Diego's "export" or "traded" economy consists largely of high-value goods and services, such as the wireless telecommunications goods and services produced by Qualcomm, Motorola, Nokia, Broadcom, and other high-technology manufacturers.

Base sectors businesses tend to be medium-sized or large businesses that have many choices about where to locate. San Diego is extremely dependent on these industries for economic success. Therefore, an effective economic development effort will understand the competitive advantages and disadvantages the region has for these businesses and seek to help these businesses stay in the region and grow.

A *non-base sector* is a sector of the local economy that produces goods and services primarily to local customers. The *non-base* economy includes such sectors as retail and wholesale trade, government, schools, medical offices, churches, and nonprofit organizations that cater to the local population. As Figure 5 suggests, non-base businesses can primarily serve *people* – that is, individual customers – or they can serve *businesses.*

These businesses are important to a region, but they do not grow the regional economy the way a *base sector* business does. These businesses *can* help grow a region's economy, however, if they are part of a base industry's "supply chain" – that is, the chain of suppliers – thus permitting a base industry to spend dollars locally rather than outside the region. The two columns below illustrate the relationship between base and non-base industries who may be in their supply chain.

<u>Economic Base</u>	<u>Non-Base</u>
Mines	Rock Quarries
Manufacturing Plants	Construction Companies
Petroleum Refineries	Gasoline Service Stations
Commercial Fishing Fleets	Fish Markets
Meat Packing	Meat Markets
Corporate Headquarters Office	Auto Insurance Offices
Amusement Parks	Neighborhood Parks
Production Studios	Movie Theaters
Regional Distribution Centers	Retail Stores
Government Research Laboratory	Reference (testing) Laboratory
Book and Magazine Publishing	Book Stores
Software Development and Web Hosting	Computer Repair and IT Service Firms
Farms	Local Produce Delivery Services
Medical Research Institute	Medical Offices and Hospitals
Major State/Federal Government Offices	Local Government Offices
National Political Organization Offices	Consulting Firms

The circulation and recirculation of money and wealth in a region is called the *multiplier effect*. Different businesses and industries have different multiplier effects – that is, the money may re-circulate within the region to a greater or lesser degree depending on the needs of that particular business or industry.

Regional economic development strategies typically focus on growing a region's *economic base sectors*, to ensure that more money and wealth flows into the region. Local or neighborhood economic development strategies often focus on ensuring that residents and businesses purchase goods and services from local vendors rather than from vendors outside the region or the neighborhood.

While important to the residents of the City, local non-base businesses and institutions rarely need to be "retained" through economic development efforts as their mobility is extremely limited. However, smaller businesses are vulnerable to large corporate chains which have the financial ability to "crowd-out" smaller "Main Street" or "Mom and Pop" businesses; and they can benefit greatly if local customers choose to buy goods and services from them rather than from corporate chains.

Figure 6: Understanding the Importance of the Economic Base

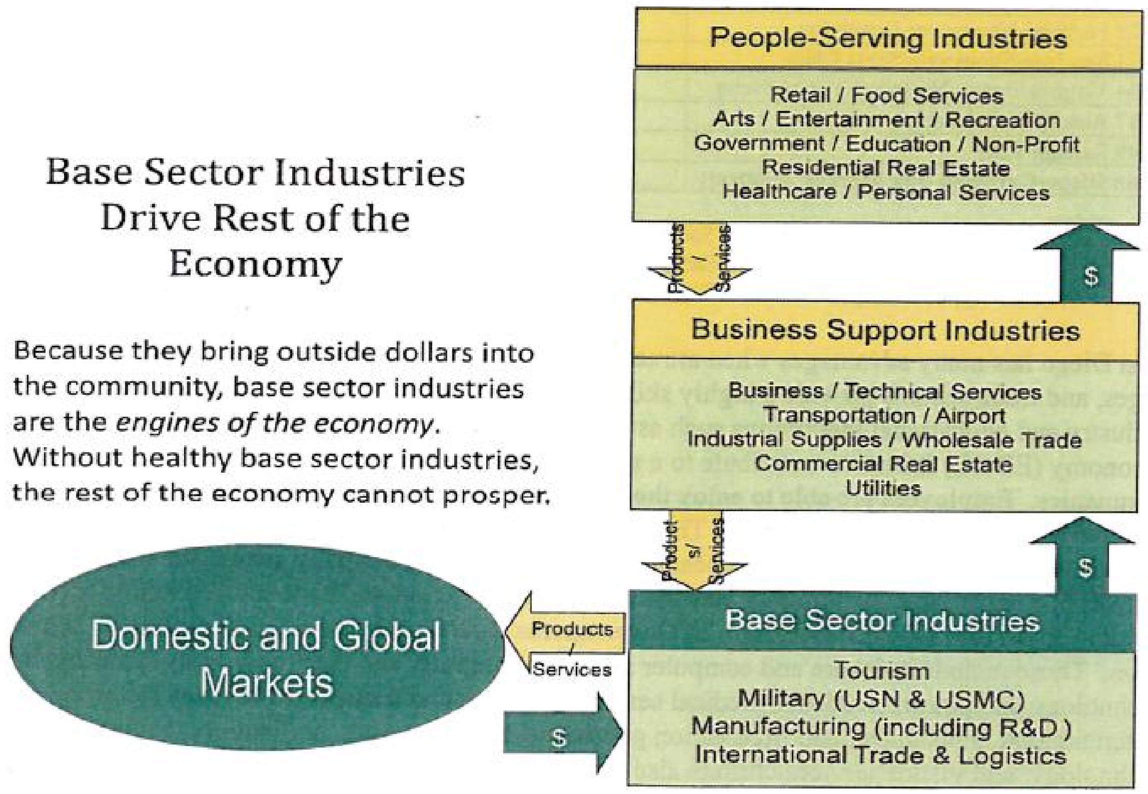


Figure 7: San Diego Base Sectors, Subsectors, Industries, and Industry Clusters

Terms	EDS Base Sector Category Required by Council Policy 900-01 "Economic Development"[1]				
	Manufacturing	International Trade & Logistics	Military	Tourism	Appendix A Other Base Sector Industries
SANDAG "Traded Industry Clusters" [2]					
Action Sports Manufacturing	√				
Advanced Precision Manufacturing	√				
Aerospace, Navigation, and Maritime Technologies	√				
Apparel Manufacturing	√				
Biomedical Devices & Products	√				
Biotechnology & Pharmaceuticals	√				
Cleantech	√				√
Entertainment & Hospitality				√	
Fruits & Vegetables	Not Significantly Represented within the City of San Diego				
Horticulture					
Information & Communications Technologies	√				√
Publishing & Marketing					√
Specialty Foods & Microbreweries	√				
San Diego Regional EDC "Key Industries" [3]					
Innovation	√				√
Cleantech	√				
Information & Communications	√				√
Life Sciences	√				√
Sports and Active Lifestyle	√				√
Military			√		
Defense	√		√		
Maritime	√				
Aerospace	√				
Tourism				√	
Conventions and Tourism				√	
Local					
Healthcare	Not Considered Part of the Economic Base				
Intellect					
Universities & Research Institutes					√
Other Terms Used Locally [4]					
BlueTech	√		√		√
Maritime	√	√	√		√
Maritime Technology	√		√		√
Cybersecurity			√		√
Analytics					√
Uniformed Military			√		
Research/Technology/Innovation	√				√
Wireless Health	√				√
Selected NAICS Sectors, Subsectors, and Industries [5]					
Sector 31-33 Manufacturing	√				
311. Food Manufacturing	√				
312. Beverage and Tobacco Product Manufacturing	√				
315. Apparel Manufacturing	√				
325. Chemical Manufacturing	√				
332. Fabricated Metal Product Manufacturing	√				
333. Machinery Manufacturing	√				
334. Computer and Electronic Product Manufacturing	√				
335. Electrical Equipment, Appliance and Component Mfg.	√				
336. Transportation Equipment Manufacturing	√				
337. Furniture and Related Product Manufacturing	√				
339. Miscellaneous Manufacturing	√				
Sector 48-49 Transportation and Warehousing					
481. Air Transportation		√			
482. Rail Transportation		√			
483. Water Transportation		√			
484. Truck Transportation		√			
493. Warehousing and Storage		√			

San Diego Base Sectors, Subsectors, Industries, and Industry Clusters

Terms	EDS Base Sector Category Required by Council Policy 900-01 "Economic Development"[1]				
	Manufacturing	International Trade & Logistics	Military	Tourism	Appendix A Other Base Sector Industries
Selected NAICS Sectors, Subsectors, and Industries [5]					
Sector 51. Information					√
511. Publishing Industries					√
513. Broadcasting and Telecommunications					√
514. Information Services and Data Processing Services					√
Sector 54. Professional, Scientific, and Technical Services					
5417. Scientific Research and Development Services					√
Sector 71. Art, Entertainment, and Recreation					
712. Museums, Historical Sites, and Similar Institutions				√	
713110. Amusement and Theme Parks				√	
Sector 72. Accommodation and Food Services				√	
721. Accommodation				√	
722. Food Services and Drinking Places				√	
Sector 92. Public Administration					
928. National Security and International Affairs			√		

[1] Adopted by San Diego City Council in 2012 following recommendation of approval by the City Council's Economic Development & Strategies Committee.

[2] Prepared by the San Diego Association of Governments – Service Bureau, 2012. These clusters are based on groups of NAICS industries.

[3] Prepared by the San Diego Regional Economic Development Corp., 2012, listed on web site.

[4] Terms currently used by the Maritime Alliance, the Security Network, the West Health Institute, San Diego CyberHive, CONNECT, San Diego Regional Chamber of Commerce, and other organizations.

[5] The North American Industry Classification System (NAICS) was prepared by the United States Office of Management and Budget in 1997 and adopted by the governments of the United States, Mexico, and Canada in 1997 and 1998. It is used by most state and local governments and research institutes since Census data is aggregated according to these classifications throughout North America.

San Diego's Competitive Situation

Figure 6 displays the 15 metro areas that compete with San Diego directly in at least one of the four base industries. All 15 have highly educated workforces. Nine are located in or near bay/harbor areas. Four are direct competitors in three of four base industries. Of these four, two are in California and a third is elsewhere on the West Coast.

Figure 8: Metropolitan Statistical Areas Which Compete with San Diego for Economic Activity

15 Competing Metropolitan Statistical Areas ≥ 1 Million Population (# = MSA size ranking)	Competes With San Diego Based on Attractiveness to:			
	Managers of International Trade/Logistics Businesses	Managers of Manufacturing Businesses and Research Firms	Tourists and Convention Planners	Military Officers and DoD Civilians
#02 Los Angeles-Long Beach-Santa Ana	√	√	√	
#04 Dallas-Fort Worth-Arlington	√	√		
#07 Miami-Fort Lauderdale-Pompano Beach	√	√	√	
#08 Washington-Arlington-Alexandria		√		√
#10 Boston-Cambridge-Quincy		√		
#12 San Francisco-Oakland-Fremont	√	√	√	
#13 Phoenix-Mesa-Scottsdale		√		
#14 Riverside-San Bernardino-Ontario	√			
#15 Seattle-Tacoma-Bellevue	√	√	√	
#21 Denver-Aurora		√		
#23 Portland-Vancouver-Beaverton		√		
#31 San Jose-Sunnyvale-Santa Clara		√		
#34 Virginia Beach-Norfolk-Newport News		√		√
#37 Austin-Round Rock		√		
#49 Raleigh-Cary		√		
#17 San Diego-Carlsbad-San Marcos	√	√	√	√

Red Type = Competes in three of San Diego's four primary economic base segments
Blue Type = Competes in two of San Diego's four primary economic base segments
Black Type = Competes in one of San Diego's four primary economic base segments

Comparative Advantages

San Diego has many advantages when attracting and retaining companies. These include the following:

- Local universities, colleges, and trade schools provide a highly skilled and educated workforce.
- Collaboration between industry and educational institutions contribute to an environment where businesses can source a productive workforce.
- Employees are able to enjoy the moderate coastal ("Mediterranean") climate of the region, making it an attractive place to live, work, and play.
- The City is also home to established business clusters with strong support networks. Trade organizations, labor organizations, chambers of commerce, and other non-profit organizations provide training, networking, advocacy, and bulk purchasing services to member companies. Unions and other employee organizations help to create labor force stability and re-employment networks.

- The City is a gateway to Asia, Latin America and, most particularly Baja California, Mexico. With an active port, airport, and land ports of entry, San Diego is well situated for domestic and international trade.

Comparative Disadvantages

Despite these competitive advantages, San Diego also must deal with a number of competitive disadvantages that can make it difficult to attract and retain important businesses. Some of these are related to local market conditions and some are related to the business climate in California. These include:

- The high cost of living and especially the high cost of land. This cost manifests itself not only in high housing cost, which can be a burden to employees, but also in high prices for industrial land as well.
- High electricity and water costs relative to the other parts of the nation. This is due in part to the fact that San Diego imports approximately 80% of both.
- A more significant regulatory burden than can be found in other states.

These competitive disadvantages are not unique to San Diego. In fact, they are shared by most California cities. Hence, San Diego's competitive disadvantages are relative to the rest of the nation. San Diego is highly competitive within California.

Many of San Diego's competitive advantages - an educated labor force and high-level labor skills – are most important in industries and operations that operate at the top of the value chain, such as research and development functions, management. Industries that provide middle-income "blue collar" jobs aren't as dependent on these factors, and thus present a challenge when seeking to retain or expand those operations.

Existing Policies to Improve Competiveness

In 2008 the City adopted an updated General Plan which included a number of policies in several elements which were designed to ameliorate traffic congestion, high housing costs, the lack of available industrial land and to create an attractive, safe, pedestrian-oriented "City of Villages." Contemporary planning principles are embodied throughout the document, most notably in the Land Use Element, Urban Design Element, Economic Prosperity Element, Public Facilities Element, and the Mobility Element. The implementation of these policies could lead to more vibrant communities, each with distinct identities, but linked through modern cost-effective transit and transportation options. The creative adaptive re-use of existing structures and the rebuilding of City infrastructure will not only lead to a better quality of life for City residents, but can help to retain skilled workers which are important for the success of innovative manufacturing enterprises, and is essential for the attraction of tourists. A summary of these General Plan policies is found in Appendix J: General Plan Policies which support the Economic Development Strategy.

4-1. Manufacturing and Innovation

San Diego has one of the largest manufacturing economies in the nation, and – in large part because of its connection to the region's innovation economy – manufacturing is well-positioned to grow in the future.

According to the National University System Institute for Policy Research (NUSIPR), the manufacturing sector is the largest single driver of the San Diego economy, contributing approximately $15 billion annually to the Gross Regional Product (GRP). In addition, the Brookings Institution recently found that San Diego has the highest-value export products of any U.S. city, in large part because of the export of high-end manufactured products such as wireless telecommunications equipment.

Manufacturing is especially important to San Diego for two reasons: compensation and the multiplier effect. Manufacturing jobs typically pay middle-income wage and include fringe benefits such as medical insurance. They are more likely than other jobs to be filled by local residents. In addition, manufacturing's multiplier effect is extremely high – often between 3 and 7, compared with 1.5 to 2 for other industries. This means that every manufacturing job created results, indirectly, in the creation of 2 to 6 additional jobs in the other sectors of the local economy. Manufacturing also generates higher tax revenues than other industries because capital equipment is taxable – manufacturing is a heavy user of capital equipment – and because many manufacturers sell taxable goods to other businesses and organizations in California.

San Diego's manufacturing sector is unusually diverse, and generally includes the region's robust research and development ("R&D") activities. This sector is sometimes referred to as the "Innovation Economy," because it is closely linked to UC San Diego, private research institutions, and local incubators which often provide research and commercialization breakthroughs that can then be translated into new manufacturing opportunities. This is part of the reason why the Brookings Institution recently found that San Diego's exported goods are the highest-value in the nation. Major manufacturing industries include biotech and medical devices, cleantech, defense and security systems, electronics & telecommunications, and more recently, food and beverages. However, San Diego's manufacturers are not only engaged in research and development (R&D) and manufacturing, but also in sales, distribution, product servicing, and repair activities in a wide range of industries.

Although the local manufacturing sector has seen declines in recent years, San Diego continues to have a comparative advantage in attracting and retaining new investment in this sector for several reasons:

- Very high labor quality including ex-military personnel with security clearances.
- The continued presence of major primary research institutes and universities such as Sanford-Burnham, Salk, Scripps, UCSD, SDSU and related support organizations.
- A business culture of innovation, collaboration, and entrepreneurism which fosters the growth of smaller manufacturing businesses which produce goods for local, state, and west coast markets.
- Production-sharing opportunities based on close proximity to Mexico.

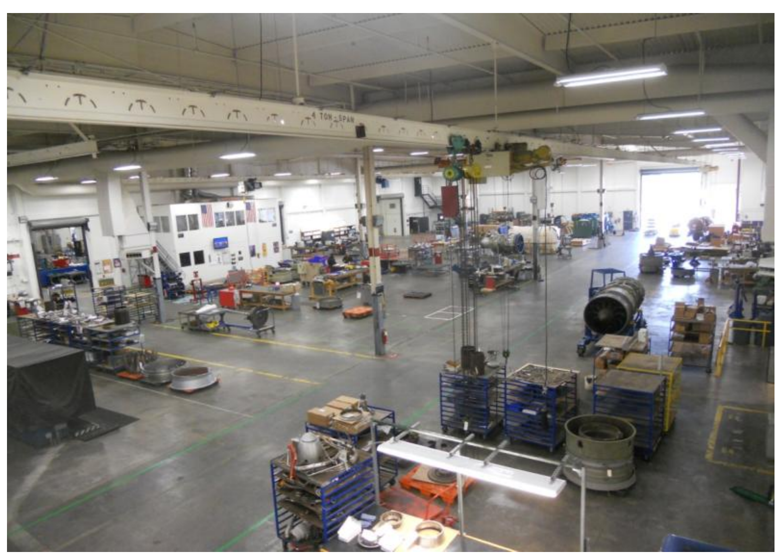
San Diego's traditional innovation and manufacturing strengths include wireless telecommunications equipment as well as biotech and precision medical devices, which are centered around Torrey Pines/La Jolla and Kearny Mesa and Mira Mesa. Emerging strengths include the "cleantech" industry, principally biofuels, solar energy systems, and clean gas turbines; food and beverage (especially craft brewing); and software and high-tech industries which are located in North City communities and in the downtown area.

Industrial gas turbines manufactured at Solar Turbines in Centre City and Kearny Mesa

Specific Challenges to Increasing Manufacturing & Innovation Employment

As stated above, San Diego as a whole has both competitive advantages and competitive disadvantages in attracting and retaining business overall. However, San Diego is at a disadvantage in the manufacturing and innovation sectors in particular because the City is running out of raw land and because the cost, supply and availability of water is a concern. As with other competitive disadvantages, these are not unique within California to San Diego; they are shared by other big California metropolitan areas, especially in coastal areas. Nevertheless, they are important concerns that must be addressed.

<u>The City first identified a shortage of land for manufacturing in the 1970s. The 2008 General Plan identified and mapped Prime Industrial Land and adopted policy language calling for protection of such land.</u>



As for water, manufacturing and related R&D activities consume large volumes of water for a variety of industrial processing functions such as cooling, rinsing, cleaning, and steam boiler make-up. In addition, the emerging food and beverage industry is water-intensive. But the cost of potable water has risen dramatically in recent years – greatly exceeding normal inflation adjustments – and is now significantly higher than in some competing cities. The City's reclaimed water production plants provide an important source of relief from rising potable water prices for many manufacturers located in the northern part of the City.

Johnson & Johnson's La Jolla R&D laboratory is cooled using reclaimed water

Likewise, the City has adopted specific policies and statutes that encourage potable water conservation. SDMC 67.3804(f) provides a specific exemption from certain mandatory potable water conservation requirements for manufacturers and contract research organizations which conserve potable water and use reclaimed water for industrial use.

The City has made substantial recent investments in its potable water supply infrastructure in order to ensure the reliability of its water delivery infrastructure. Local storage and delivery infrastructure coupled with enhanced procurement of raw water has dramatically reduced the City's reliance on deliveries from the Metropolitan Water District (MWD) and ensures local control over water supplies during drought conditions. These investments and the subsequent reliability improvements can be expected to improve the City's attractiveness to water-dependent industries such as Biotechnology & Medical Devices and Food & Beverages.

4-2: International Trade & Logistics

As noted in the City's 2008 General Plan, international trade is the fastest-growing component of the nation's Gross Domestic Product ("GDP"), accounting for up to half of the nation's annual GDP growth in recent years. As a gateway to both Asia and Latin America, San Diego is unusually well-suited to capture a significant part of this economic growth.

San Diego is home to an international airport near downtown, an international airport just across the border in Tijuana, the 8th-largest seaport on the West Coast, and two major international land ports of entry – San Ysidro and Otay Mesa. San Ysidro is the busiest border crossing in the world, with some 40 million people and 17 million vehicles crossing northbound on an annual basis. At Otay Mesa, more than $20 billion a year in freight alone crosses the border. A 2013 analysis by the Brookings Institute concluded that the region's export values total close to $160 billion per year.

International Trade & Logistics is an industry group that encompasses a wide variety of related service-sector industries, business establishments, and governmental agencies such as the Port of San Diego and the San Diego Airport Authority, all of which facilitate the shipment of goods to and from the City. Businesses in this industry group include trucking companies, freight forwarders, customs brokers, air-freight operators, third-party logistics companies ("3PLs"), maquiladora servicing companies, translators, security firms, banks, international law firms, and government agencies which inspect and authorize shipments.

Many of these businesses are located in Otay Mesa industrial parks near the port-of-entry at the terminus of the 905 Freeway, where the vast majority of ground freight crosses the border from Mexico. Both ports of entry are being upgraded on both sides of the border. Any reduction in border crossing delays should result in increased economic benefits to San Diego. A 2007 study by the San Diego Association of Governments ("SANDAG") showed that the San Diego region lost approximately $539 million in gross revenues from reduced freight activity.

Logistics businesses are located in and around the downtown area in order to have close proximity to the Port of San Diego and the San Diego International Airport. San Diego International Airport has air freight capacity, non-stop service to Asia, Europe, Canada, and Mexico, and is the primary airport for the San Diego region. According to the Brookings Institute, three local industries, Computer & Electronics, Transportation Equipment, and Chemicals sent over $7 billion worth of goods abroad.[15] More information on San Diego's export potential can be found in Appendix I: Global San Diego Export Plan. These businesses and quasi-government agencies create thousands of middle-income jobs, which frequently do not require advanced college degrees or skill sets, thus making these jobs potentially available to most City residents.

[15] Brooking Institution, Global San Diego Export Plan, p.8

As with Manufacturing, opportunities in International Trade & Logistics are closely related to other sectors of the economy. For example, as labor costs in Asia have risen, manufacturing in Mexico has become competitive again. The cost differential between Mexican and Asian labor has narrowed substantially while the quality of Mexican manufacturing and its proximity to the United States often makes "near-sourcing" of manufacturing back to Mexico worthwhile for American companies. This is especially beneficial to San Diego, which has traditionally had a close link between R&D and manufacturing. San Diego companies can take advantage of lower Mexican labor costs without sacrificing quality or access to the factory floor. As a result, in the last two years, several new distribution centers representing over one million square feet have been constructed in San Diego, mostly in Otay Mesa.

The Port of San Diego also facilitates international trade activity though its 10th Avenue Marine Terminal, which provides for the importation of a wide variety of bulk products and large pieces of equipment. These products include cement from China and Thailand; sand from Mexico; fertilizer from Norway; fresh fruit from Guatemala, Costa Rica, Peru, Ecuador, and Australia; steel products from Europe, Korea, and China; and wind turbines from the Great Lakes region.

Bananas being off-loadedat the Port's 10th Avenue Marine Terminal

The Port of San Diego is the West Coast's 8th largest port based on total tonnage shipped -6.5 million tons. Combined with National City Marine Terminal, these ports generate an economic impact estimated at $1.7 billion. The 96-acre 10th Avenue Marine Terminal provides 822 jobs at average wages totally $54,032 annually, 28% greater than the countywide average for all jobs.[16]

[16] NUSIPR, San Diego's Maritime Trade: A Critical Economic Engine, 2008, p.3

4-3. Military

The military has always played an important role in the San Diego economy, and over the past 50 years its presence has stimulated not only direct economic activity but important spinoff benefits in research and development. The military still plays an important role. The repair and maintenance of naval vessels provides thousands of jobs in Barrio Logan and Kearny Mesa at employers such as General Dynamics-NASSCO, BAE Systems, Northrop Grumman, and Pacific Ship Repair & Fabrication. Similarly, other defense contractors such as Lockheed Martin in Scripps Ranch are also dependent on the presence of the Pacific Fleet for its contract opportunities. It is important to note that San Diego-based manufacturers of military hardware such as ships, aircraft, and other defense and security systems are more "mobile" than defense contractors which solely or primarily provide services at local military installations. These defense system manufacturers are more likely to expand or relocate based on specific policies, incentives, cost structures, labor availability/skills, and overall perceptions of the local business climate. These businesses are addressed in the chapter on Manufacturing & Innovation.

San Diego must always be aware of both new initiatives and possible cutbacks at the Pentagon. Any increase or decrease in military activity – the number of ships, aircraft, military and civilian personnel – will affect these defense contractors and local service providers which fall within this sector of the local economy.

Any increase or decrease in the number of ships, aircraft, or military and federal civilian personnel will have a direct impact on some local defense contractors and on retail and service sector businesses that cater to these personnel.

New procurement opportunities may also arise from more recent non-traditional military initiatives. One such example of a military priority that is well suited for San Diego is the Great Green Fleet initiative. Launched by the Department of the Navy in 2009, this initiative seeks to replace half of the Navy's fossil-fuel procurement with renewable biofuels by 2020. Several demonstration projects have been undertaken and local biofuel companies may be well positioned to supply the Navy.

4-4. Tourism

In part because of its warm coastal climate, San Diego is the 5th-ranked leisure tourism destination and the 10th-ranked business destination in the United States, competing with similar cities such as Los Angeles, San Francisco, Seattle, and Miami. The San Diego Convention Center hosts more than 200 events per year and the city's ability to compete for conventions will increase when the pending expansion is completed. The San Diego Zoo is world-renowned, and Spanish-era facilities in and near Mission Valley and Old Town provide cultural tourism attractions. San Diego's emerging beer manufacturing industry also augments this sector, drawing in thousands of beer aficionados to industry events as well as local breweries and brewpubs.

The economic impact statistics are impressive. San Diego reportedly attracts 31 million visitors a year spending billions annually in the local economy. Tourism employs 160,000 San Diegans, and generates $8 billion of GRP, making it the third-largest economic sector in the region after manufacturing and the military.

Because the U.S. tourism economy is so competitive, however, San Diego faces constant challenges in retaining its position. Cities across the country are continually improving both their marketing efforts and their visitor facilities, meaning San Diego must do the same. San Diego is taking many steps to keep up. The Tourism Marketing District provides funds to promote San Diego to outside visitors. The expansion of the Convention Center will help San Diego remain competitive in drawing business travelers, attracting new events, and retaining large events like ComiCon.

Still, San Diego faces significant challenges. Many long-valued tourism facilities are aging, especially in Mission Valley. In addition, some entry-level non-tipped jobs in tourism pay generally lower wages than the other three large economic sectors, meaning that some tourism workers cannot enjoy the same standard of living that workers in other industries enjoy, nor contribute to regional prosperity at the same level.

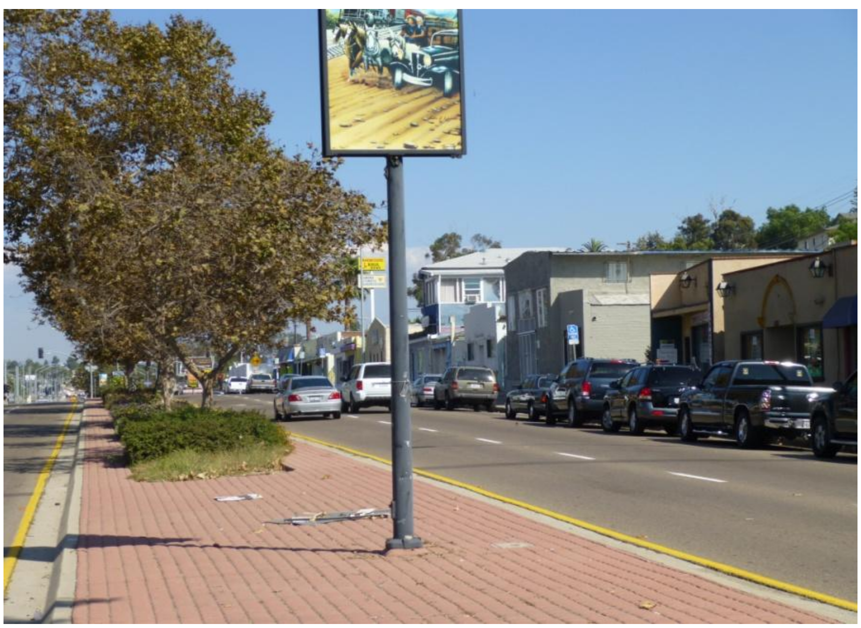
However it is important to note the many public benefits created by the tourism sector. Many employees at hotels, motels, restaurants, and resorts receive tips ("gratuities") from customers which are frequently not reflected in average annual wage data sources. When tips are added to base wages, many employees in these industries fall within the "middle wage" category which earns $37,500 -$62,500 annually. The tourism industries provide entry-level jobs and offer "career ladders" to management positions especially at larger establishments. Additionally, the lodging industry alone generates over $156 million in tax revenues for the City, equating to 13% of all General Fund revenues. Eating and drinking establishments, including those located with larger hotels and amusement parks, also generate tax revenues from the sales of taxable food and beverages.

5. San Diego's Neighborhood Businesses

San Diego is well-situated to encourage small local businesses and startup companies, especially in the city's many distinctive older commercial corridors and districts. Although most of these businesses serve local customers and are not part of the "economic base," they can play a powerful role in both strengthening the local economy and creating renewed vitality in the city's older neighborhood-based business districts.

Neighborhood retail businesses provide significant economic benefits to the city and its residents. Not only do they provide goods and services conveniently on a neighborhood scale, but they can help retain money in the local economy that flows into the region through base industries.

A large corporate retailer typically exports wealth out of the region -- undercutting the economic benefit of base industries, which import wealth into the region from other places. Small retail firms can protect against this outflow of wealth. The owners of small retail stores typically live in the local community and frequently spend their revenue and profits buying goods and services locally – both for their business and for themselves. Some estimates indicate that profits expended locally by a locally owned small business are re-circulated within the local economy 4-7 times before the money leaves the local economy through capital accumulation.

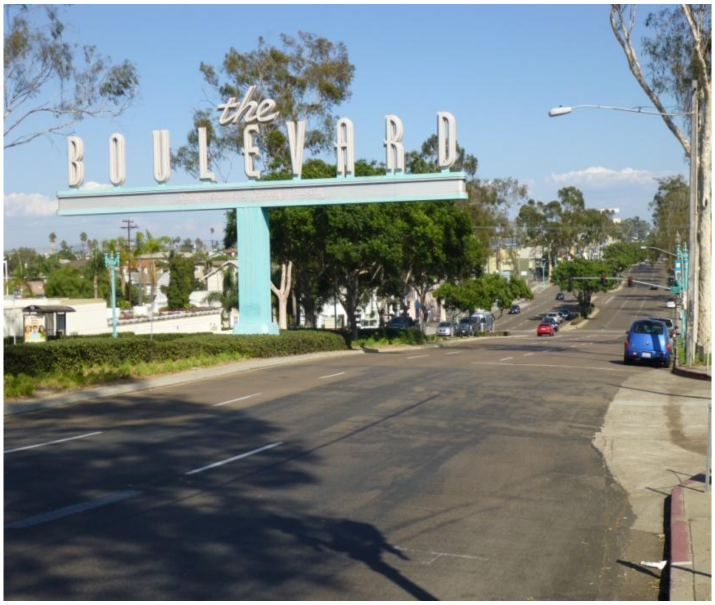


Imperial Avenue in the Diamond BID

San Diego has a wide range of older commercial corridors and districts that provide a distinctive character and have the potential to anchor revitalization of the surrounding neighborhoods.

These operations tend to occupy older structures in "Main Street" corridors located throughout the City, with the majority found between Adams Avenue in the north to Imperial Avenue in the south.

These older commercial corridors offer a richer shopping experience that often includes authentic and diverse dining and entertainment experiences. Special events such as street fairs, restaurant walks, and farmers markets offer residents and shoppers opportunities to experience the individual characteristics of the commercial neighborhoods.



In some neighborhoods – such as Downtown, Hillcrest, and North Park – neighborhood small businesses have already helped to bring these neighborhoods back. In other neighborhoods, the potential has not been realized as strongly.

By creating opportunities for entrepreneurship and encouraging small businesses to succeed, not only are new jobs created but commercial corridors are revitalized and surrounding neighborhoods are stabilized, which facilitates further economic development in accordance with General Plan Policy EP-B.2.

El Cajon Boulevard in North Park

Another key element in developing the small business economy is encouraging micro-businesses such as home-based businesses. Such businesses may be the predecessors of larger businesses that relocate into office or retail space or they may remain small but provide employment that supports the City's General Plan Policy EP-B.8. Strong neighborhood business districts yield increased sales-tax receipts from tourist shopping as well as increased property tax revenue resulting from increased property values in the business districts themselves and surrounding residential neighborhoods.

The City's business license tax structure already recognizes the importance of small businesses. Approximately 93% of the 90,000 licensed businesses in the City have 12 or fewer employees. These businesses pay a business license tax of only $34 per year, compared to $125 plus $5 per additional employee for businesses with 13 or more employees. A significant portion of these funds are used to support the City's Office of Small Business, which provides technical assistance to small and startup businesses and also runs many programs intended to benefit retailers in the city's older commercial corridors and commercial districts.

South Park's 30th St/.Fern St. commercial corridor

In addition, the City works closely to oversee and support 17 business improvement districts, or BIDs, which assist neighborhood businesses in working together to strengthen their business districts. The City also helps these BIDs manage and operate assessment districts and parking districts, which provide additional sources of revenue to promote neighborhood businesses and neighborhood revitalization. Assessment Districts generate funding for promotion of tourism, development of economic opportunities, and for clean and safe programs which benefit more than 12,000 businesses and 17,600 property owners in 20 neighborhoods. Unfortunately, the formation and operation of Assessment Districts has been impacted by recent case law which has created uncertainty in this area. The Community Parking District program facilitates development of local solutions to mitigate parking-related impacts which may be dampening economic activity.

The City also provides a wide variety of other business and housing programs aimed at revitalizing older neighborhoods in need of investment. Many of these programs, such as the Community Development Block Grant program, are funded by the U.S. Department of Housing & Urban Development. However, neighborhood revitalization in San Diego suffered a significant blow in 2012 when California eliminated redevelopment, which provided tax-increment financing as a source of funding for investment in such neighborhoods. The CDBG program is scheduled to receive $78 million in payments from the former redevelopment program to further strengthen neighborhood revitalization efforts, though these payments are currently being challenged by the state Department of Finance.

6. Efforts to Support Economic Development

In order to implement the economic development efforts described above, the City can and should undertake renewed and re-focused efforts in four areas that affect business growth and prosperity. These are:

1. The City's tax structure
2. City Policies, Procedures, and Operations
3. Workforce Development & Education
4. City Relationships to External Organizations

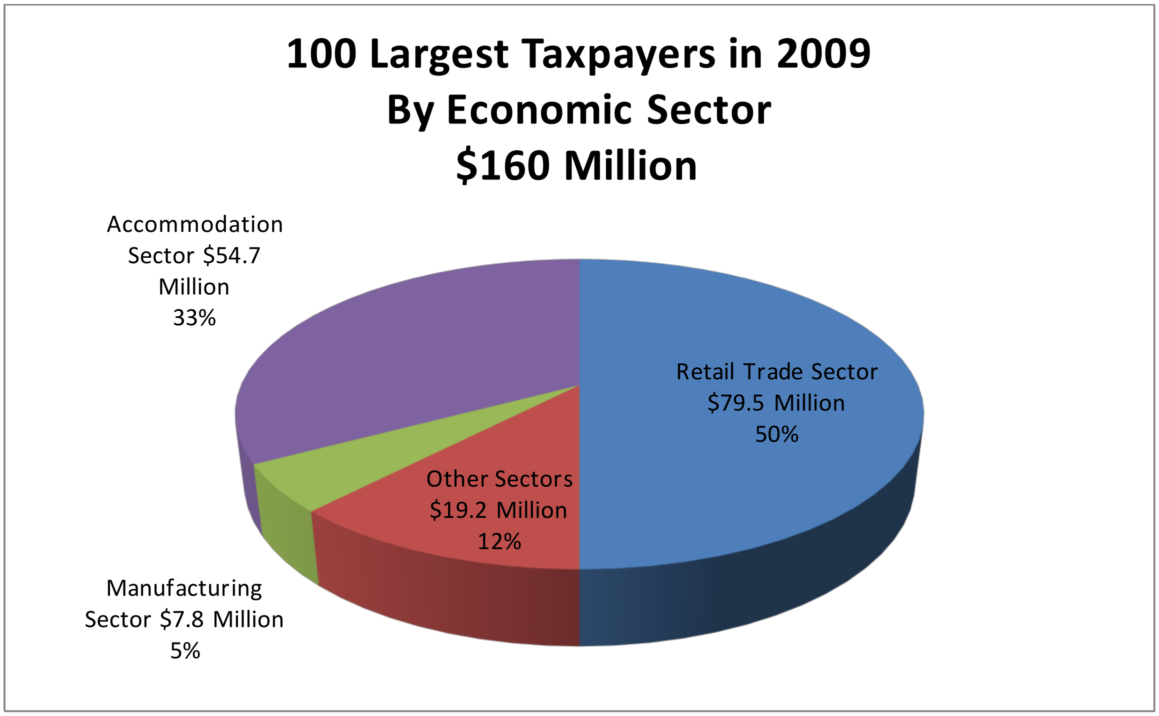
6-1. City Tax Structure

The City's economic development priorities do not align with the distribution of the tax base among different economic sectors. To a large extent this disconnect is created by California's tax structure, which limits local governments' ability to rely on property value appreciation as a revenue source and depends largely on tangible goods for its sales tax base. As a result, California cities' economic development efforts tend to focus on businesses that engage in retail transactions in order to obtain sales tax.

Under the current tax structure, the City's solvency depends in large part on a healthy tourism industry, but also on a healthy manufacturing sector, because manufacturing – especially medical device manufacturing -- generates a significant amount of sales tax. Yet as the figure below shows, there is virtually no relationship between (1) wages/salaries; (2) the tax burden; and (3) whether an economic sector is part of the economic base. So, for example, manufacturing – which pays middle-high wages and is part of the economic base – also has a high tax burden.

Figure 8: Wages & Tax Burdens by Economic Sector

Sector	Wages/Salaries	Tax Burden	Economic Base
Accommodation	Low	High	Yes
Manufacturing	Middle-High	High	Yes
Retail	Low	High	No
Services	Middle-High	Low	No



The City's business tax structure is similarly inequitable, relying more heavily on the retail, food service, accommodation, and manufacturing sectors, while service sector establishments bear a much lower share. The City's business license tax is $5 per employee, but the cost to provide city services is approximately $200 per employee. Therefore, the tax structure favors businesses – such as the service sector – that pay only the business license tax but not sales, use or transient occupancy taxes, at the expense of base sector businesses – such as manufacturing, retailing, and accommodations – that must pay those other taxes.

Manufacturers must pay sales and use tax on expensive machinery as well as collecting sales tax on goods sold. In the accommodation sector, hoteliers must pay sales and transient occupancy taxes. Restaurants, including those catering to tourists must also pay sales taxes on food sold. As shown in Figure 8 above, Manufacturing and Accommodation (both base sectors), are bearing a disproportionate share of local taxes. Manufacturing is the most important source of middle-income jobs.

Additionally, the City's fiscal and economic development policies and programs have been significantly disconnected from its land use, utility, and other policies. One exception has been the General Plan and many of its associated community plans, which have emphasized the importance of manufacturing and wholesale trade. The City used to require a fiscal impact analysis for major development projects. This requirement has been removed from the Municipal Code, although the city still requires a fiscal and market study for discretionary approval of certain large retail establishments and occasionally requests fiscal impact analyses for other large discretionary projects.

Tax equity that is consistent with this economic development strategy could be achieved by gradually restructuring the local application of taxes – especially the business license tax -- away from base sector industries such as accommodation and manufacturing, and towards the service sector.

6-2. City, Policies, Procedures & Operations

The key economic sectors described above rely on a wide variety of City services and operations to succeed as follows:

- Transportation, including streets and freeways, rail and bus transit, airports, and ports.
- City telecommunications facilities,
- Citywide water, sewer, and stormwater system
- Emergency facilities
- Police and fire services
- Sanitation and recycling
- Parks and open space
- Zoning and code compliance
- City capital improvement projects
- City contracting and procurement
- Management of city-owned real estate
- Issuing permits and licenses
- Creation and management of special districts

The chart and descriptions below provide some examples of how these departments interact with businesses in ways which can influence private business investment decisions and can impact overall economic prosperity.

Key City Departments Affecting Economic Development Efforts

Key City Department	Building & Development Permit Approvals	Licensing	Infrastructure and Tourist Attractions	Business Use of City Property	Procurement and Financial Services to Businesses	Management of Assessment Districts
Planning, Neighborhoods & Economic Development	√		√			√
Development Services	√	√				
Public Utilities	√	√	√	√		
Real Estate Assets				√		√
Fire Rescue	√	√				
Police		√				
Purchasing & Contracting				√	√	√
Transportation & Storm Water	√	√				
Environmental Services				√		
Engineering & Capital Projects			√			
City Treasurer		√			√	√
Parks & Recreation			√	√		√
Debt Management					√	√

These departments and functions affecting economic development efforts are described in more detail in Appendix D: Internal Operational Guidance & Coordination.

6-3. Workforce Development & Education

It is almost impossible to overstate the importance of having a highly skilled workforce to meet staff business operations. As technology transforms the way products are developed, manufactured, delivered and sold in a global marketplace, the ability of businesses to access qualified human resources is paramount. Equipping the future workforce with the tools to meet the talent needs of the base-sector industries will help attract, retain, and encourage expansion of these companies as well as increase City residents' standard of living.

Figure 8: Projected Employment Growth Within San Diego County (By Industry Cluster/Sector)

Sector/Cluster	2012 Jobs	2015 Jobs	2018 Jobs	Additional Jobs by 2018	% Change	2012 Establishments	2012 Avg. Annual Wage
Largest Growth							
Construction	137,738	148,546	158,019	20,281	15%	8,536	$95,635
Health Care	137,915	148,477	156,347	18,432	13%	7,520	$61,825
Entertainment and Hospitality **(Tourism)***	162,516	172,262	180,579	18,063	11%	6,737	$26,080
Rapidly Growing							
Life Sciences **(Biotech & Medical Devices)***	50,574	56,635	60,239	9,665	19%	1,059	$145,060
Info & Communication Tech **(Electronics & Telecommunications, Software & Web Development)***	81,836	85,334	89,117	7,281	9%	3,138	$124,539
Aerospace, Navigation & Maritime Tech **(Defense & Security Systems)***	26,603	28,688	30,115	3,512	13%	456	$106,772
Emerging							
Advanced Precision Manufacturing **(Manufacturing)***	4,591	4,856	5,193	602	13%	278	$56,036
Specialty Foods & Microbreweries **(Food & Beverage Production)***	1,690	1,857	1,986	296	18%	40	$60,443
Total Additional Jobs by 2018				**60,069**			

*Sector/clusternames that correlate with City of San Diego Economic Development Strategy.
Source: QCEW Employees, Non-QCEW Employees & Self-Employed - EMSI 2013.1 Class of Worker
Data compiled by the San Diego Workforce Partnership, March 2013

The City does not directly provide either education or job training except for training and education programs provided to its own employees. However, the City has strong relationships with educational institutions and entities such as the San Diego Workforce Partnership and it is well positioned to work with public and private organizations.

6-4. City Relationships with External Organizations

San Diego's businesses are served by numerous non-profit organizations, including membership-focused trade organizations, chambers of commerce, economic development organizations, labor organizations, and unique service providers. Most of these organizations cater to businesses in a single economic sector, such as accommodation or manufacturing, or to a single or related group of industries such as biotechnology or cleantech. The City's relationship with some of these organizations, especially with regard to industrial development, is delineated in Council Policy 900-04.

The City's relationship with these external organizations is very important. The City exchanges information with these organizations on a regular basis and can also play an important convening and coordinating role to maximize the effectiveness of these organizations and the value of the relationships with them. A list of this organizations is included in **Appendix F: List of External Stakeholder Organizations.**

Appendix A: Base Sector Economic Engines

Military

The City has a long history of working with the Department of the Navy, including the Pacific Fleet, the United States Marine Corps (USMC), the Space and Naval Warfare Systems Command (SPAWAR), along with several other commands.

United States Navy (USN)

The U.S. Navy continues to operate a number of major installations in San Diego. These include: the Naval Station San Diego located in Barrio Logan stretching into National City; the Space and Naval Warfare Systems Command (SPAWAR) in the Midway area; and smaller facilities located in downtown, Point Loma, and Kearny Mesa. Installations in nearby cities of Coronado and Imperial Beach provide additional payroll spending and local contracting opportunities. The Navy has stationed well over 100,000 military and civilian personnel throughout the County, most of these in the City of San Diego.

Naval Base San Diego

The Naval Base San Diego (aka "32nd St. Naval Station") is located in Barrio Logan and in the harbor area of neighboring National City. It is the principal harbor for the Pacific Fleet and includes berths for over 46 U.S. Navy cruisers, destroyer, frigates and support vessels, as well as 12 additional U.S. Coast Guard and Military Sealift Command ships. 30,000 military personnel and contractors are stationed or employed here, thus providing significant payroll expenditures to support local retailers and service sector businesses. Ship repair, fueling, and procurement activities create many civilian jobs within military service contractor businesses in nearby areas of the City.[17]

[17] Naval Base San Diego (photo credit United States Navy, CNIC Naval Base San Diego website)

Space and Naval Warfare Systems Command (SPAWAR)

The SPAWAR installation has over 4,500 military and civilian employees many of them highly paid engineers. SPAWAR's overall economic impact is even greater since it contracts with many local defense contractors for additional goods and services.

The Department of the Navy has announced its intention to expand and construct new facilities throughout the County ensuring a long-term presence. The U.S. Navy has continued to move additional warships to its San Diego and Coronado port facilities which not only increases local payroll expenditures but provides significant new ship repair/maintenance contracts for local businesses.

The Department of the Navy has indicated to local contractors that it intends to continue to have a large physical presence in San Diego County and to retain those existing San Diego installations that are currently operating. This large physical presence means that these military installations will remain a pillar of stability for the local economy.

Aerial view of the main SPAWAR facility on Pacific Highway

United States Marine Corps. (USMC)

The U.S. Marine Corps. continues to operate the Marine Corps Recruit Depot adjacent to San Diego Bay, one of only two such training facilities in the nation, and the Marine Corps Air Station (MCAS) Miramar. Payroll spending from a larger contingent of Marines stationed at nearby Camp Pendelton in Oceanside also contributes to the regional economy which benefits San Diego retailers and service sector businesses. The USMC has stationed over 56,000 Marines primarily in these three locations.

Marine Corps Recruit Depot (MCRD)

The Marine Corps Recruit Depot is located between the communities of Point Loma and Midway-Pacific Highway on 388 acres of reclaimed tidelands. One of only two such facilities in the nation, MCRD provides training to USMC recruits in a "boot camp" environment. MCRD provides economic stimulus through payroll and procurement plus the positive fiscal and economic impacts resulting from visiting families at graduation times. Known for its unique Spanish colonial revival style appearance, the overall site and specific building plans were developed by renowned architect, Bertram Goodhue, who also designed the buildings built in San Diego's Balboa Park for the 1915 Panama-California Exposition. Twenty-five of the Depot's buildings are on the National Register of Historic Places.

Marine recruits marching during promotion ceremony at Marine Corps Recruit Depot – San Diego ("MCRD")

Marine Corps Air Station Miramar (MCAS Miramar)

Marine Corps Air Station Miramar ("MCAS Miramar") is located on 23,116 acres between the communities of Mira Mesa and Kearny Mesa in the northern part of the City. This airbase is home to the USMC's 3rd Marine Aircraft Wing and its 15,000 military and civilian personnel.

Aerial view of Marine Corps. Air Station Miramar (MCAS Miramar)

MCAS Miramar

Additional Information

Additional information about the impact of the Department of the Navy can be found at:

http://www.sdmac.org/2010SDMACMilitaryEconomicImpactStudy.aspx

Tourism

In a national survey by the U.S. News and World Report ranking the best vacation spots in the U.S. and the world for 2011, San Diego ranked third in the nation and 18th in the world. San Diego ranked high in vacation destinations due to its weather, beautiful beaches, and its ability to retain its small City feel making it a popular destination for families looking for a relaxing vacation.

Major Attractions

Although tourism in San Diego has seen declines due to the recent recession, visitor related industries will to continue to be a major driver of the local economy. Significant attractions include the San Diego Zoo, Sea World, Seaport Village, the Gaslamp Quarter, Old Town, Mission Bay, Petco Park, Qualcomm Stadium, La Jolla Cove, Convention Center, and of course the City's world-renowned beaches.

Cultural Tourism

San Diego is the oldest City in California, claimed for Spain in 1542 by explorer Juan Cabrillo with the first settlements established in 1769 at the Fort Presidio and San Diego Mission de Alcala. San Diego became part of Mexico as a result of that nation's independence in 1821 and later became part of the United States in 1850. Both Fort Presidio and Mission San Diego de Alcala are listed as National Historic Landmarks as are many of the older structures in Old Town and Balboa Park. San Diego's Spanish heritage as seen through these historic structures and the grounds surrounding them are cornerstones of the City's cultural tourism. The 19th century buildings in Old Town have been painstakingly restored and most are operated today as restaurants and gift shops. Balboa Park, reportedly boasts the largest complex of museums other than the Smithsonian in Washington DC. The adjacent City of Tijuanain Mexico is a short drive or train ride away. Visitors can easily tour and enjoy these facilities as well as visit the pedestrian-oriented City of Tijuana in a single day.

Mission San Diego de Alcala in Mission Valley

Promotions

Marketing of major events and facilities is funded in part through the Tourism Marketing District ("TMD"), a business assessment district which levies a fee on hotel room nights for this purpose. Funding is also provided from the City's Transient Occupancy Tax ("TOT") Fund through the Economic Development & Tourism Support Program ("EDTS").

Public Benefits

In addition to the economic impacts described above, tourism related business establishments such as hotels, motels, restaurants and boutique retail outlets generate significant tax revenues for the City's General Fund. The City receives a share of property tax paid by these businesses, a 1% local sales tax, and most significantly, all of the 10.5% Transient Occupancy Tax (TOT) levied on visitors staying at local hotels and motels. The City received $150 million in TOT revenue in FY2012.

Additional Information

Additional information about the economic impact of the tourism industries can be at:
http://www.sandiego.org/nav/Media/ResearchAndReports

Manufacturing

Medical test kits being packaged in a clean room at Gen-Probe Corp.

Biotech & Medical Devices

Biotech industries have existed in San Diego since the late 1960's, but did not experience much growth outside of medical devices until the 1980's. The biotechnology industry cluster is mainly comprised of three basic industries: drugs, diagnostics, and devices. Companies such as Alere, CareFusion, Gen-Probe, Illumina, and Shire operate major manufacturing plants. Drug manufacturers Amylin Pharmaceuticals, Johnson & Johnson, Novartis, and Pfizer continue to operate major research laboratories in the University Community area.

Additionally, a significant number of "toolbox" companies which produce drug screening and discovery devices, reagents, and other bio-chemicals provide a complementary and supportive business environment. The drug industry has been characterized by a high degree of risk, reward, and volatility. This environment is manifest through a massive number of start-ups, spin-offs, and mergers & acquisitions resulting in some degree of employment fluctuation. In contrast, the diagnostic, device, and "toolbox" industries are characterized by stability and steady growth. These industries contain the majority of actual biotech manufacturing jobs. In addition, devices and diagnostic products are subject to sales tax, which also has the added benefit of generating substantial tax revenues for the General Fund.

Despite the high costs of doing business in California, the biotechnology industry still finds San Diego an attractive location for R&D and some types of manufacturing. Manufacturing creates middle income jobs opportunities and in many instances creates sales, use, and property tax revenue for the City's General Fund. Despite the volatility described above, this industry cluster has remained a significant economic engine within the City and by almost any measure is ranked as the nation's third largest biotechnology cluster.

Cleantech

The cleantech industry cluster in San Diego is comprised of a number of industries which are engaged in the development, manufacturing, distribution, and installation of products which produce renewable energy, clean energy, energy efficiency, energy storage, biofuels, or other products which reduce pollution and/or natural resource depletion worldwide. Many of these businesses also provide a range of closely related services to governments, other businesses, or individual consumers.

New Leaf Biofuel in Barrio Logan produces biodiesel from used cooking oil collected from restaurants throughout San Diego County.


Solar trackerassembly line at Soitec Solar Industries in Rancho Bernardo

The market is driven by state and national mandates, such as AB 32, and by state and national subsidies for the manufacturing or consumption of cleantech products such as solar panels and biofuels.

San Diego's cleantech businesses include primarily solar energy, biofuel, water purification, and energy efficiency systems manufacturers. San Diego's solar industry includes two major manufacturers, Soitec Solar Industries and Kyocera Solar, plus dozens of related businesses engaged in the financing, operating, and installation of solar energy systems used by homeowners, businesses, governments, and investor owned utilities such as SDG&E. The biofuel industry includes one small manufacturer, New Leaf Biofuel, which is already producing on a commercial scale in the Barrio Logan community. Additionally, others such as; Menem International, Sapphire Energy, Synthetic Genomics, and General Atomics are developing a new generation of biofuels from certain strains of algae or cellulosic materials. In 2009, the University of California at San Diego established the San Diego Center for Algae Biotechnology (SD-CAB) to further the development of innovative research solutions for the commercialization of fuel production from algae.

Much like biotech and other high-tech industries, cleantech businesses are attracted to San Diego because of its highly skilled and highly educated workforce, and because of its culture of entrepreneurship, innovation, and collaboration. San Diego's abundant sunshine creates a natural market for the solar industry. Collaboration between government and industry on cleantech initiatives and the success of CleanTECH San Diego (a local trade organization), has spurred growth in this industry cluster.

In the near term, the Cleantech industry cluster will continue to be driven by a combination of federal, state, and local mandates for renewable energy and energy conservation; procurement of cleantech products by government agencies; and the provision of ratepayer and taxpayer subsidies. In the long term, consumers may increasingly seek cleantech products as they become more cost-effective as compared to fossil-based alternatives. Most cleantech products require a highly skilled and highly educated labor force to develop and produce, and San Diego clearly has such a labor force.

Employee checking biofuel tanks at Menom International in Rancho Bernardo

Defense & Security Systems

Four of the City's 10 largest employers are in the Defense & Security Systems industry cluster and operate as defense contractors: General Atomics, General Dynamics, Northrop Grumman, and Science Applications International Corp. ("SAIC"). Dozens of smaller and medium-sized defense contractors and sub-contractors contribute to a cluster of related industries, such as manufacturing unmanned aerial vehicles (UAV's), aerospace components, avionics, "C4ISR" systems, and other products sold to the U.S. Departments of Defense, Homeland Security, and foreign governments.

During the early 1990's the end of the cold war resulted in a fairly massive and rapid reduction of the number of defense contracts let by the U.S government. Rising energy and insurance costs in California squeezed margins to the point that major aerospace contractors like General Dynamics decided to close or downsize operations which had been in existence for decades. This resulted in a shock to the local economy due to the loss of tens of thousands of jobs.

While the talk of defense conversion was a way for some impacted companies to convert to new markets, many San Diego defense contractors adapted by developing more sophisticated products with greater profit margins consistent with advancements in military science and military intelligence. As such, San Diego's defense contractors remain strong.

Parts for the Predator unmanned aerial vehicle (UAV) are manufactured by General Atomics Aeronautical Systems at factories in Rancho Bernardo and Sabre Springs.

In 2011 they employed tens of thousands of San Diegans in fulfillment of contract values exceeding $11 billion, a figure that according to NUSIPR represents 14% of Gross Regional Product ("GRP"). The fastest growth has occurred in the manufacturing of aerospace systems and components which increased in local contract value from $56 million in 2001 to over $2.9 billion in 2011. Most of this astounding growth has occurred within one industry – the manufacturing of unmanned aerial vehicles (UAV's) and related systems. This industry currently amounts to almost half of local aerospace contract value and nearly 12% of the total defense contract values fulfilled in San Diego. San Diego has emerged as a global leader in UAV development and production, and is probably the epicenter of this rapidly growing industry. General Atomics is now San Diego's largest defense contractor and second largest manufacturer with almost 7,400 employees. Northrop Grumman, which operates several UAV R&D facilities in Rancho Bernardo employs almost 5,000 locally in several divisions. Other San Diego defense plants and labs operated by L-3, BAE Systems, and SAIC supply components and major sub-systems for UAV and other defense systems as well. NUSIPR estimates that the development and manufacturing of UAV's in San Diego results in total employment of over 7,000 people and total economic impacts of approximately $2.3 billion.[18] Raytheon, Lockheed-Martin, and ATK also operate major plants and labs employing hundreds more San Diegans at each location.

San Diego has the only major shipbuilding operation on the west coast of the United States. This operation has been located in Barrio Logan since 1960 and is operated by General Dynamics NASSCO as a result of General Dynamics acquisition of the former National Steel And Shipbuilding Company.

This major manufacturing operation employs over 3,600- mostly unionized blue collar workers. While General Dynamics NASSCO produces some commercial ships, the majority are warships and support vessels built for the U.S. Navy. General Dynamics NASSCO also performs repair work for commercial and naval ships. It is a unique, important and very special asset for the City. "Cyber security" firms (discussed below) often get contracts to supply software/IT solutions to the Department of Defense.

Economic Development Opportunities

San Diego is still competitive in the attraction of defense contractors. The shipyards of Barrio Logan are the only major waterfront shipbuilding operations on the West Coast. The unmanned aircraft industry has most of its R&D and manufacturing operations in or near San Diego. The presence of the military installations provides numerous contract fulfillment opportunities and defense contractors have unparalleled access to military veterans who are not only highly skilled in the use of military equipment, but also frequently possess expensive Secret and Top Secret security clearances upon discharge.

[18] NUSIPR, Unmanned Aerial Vehicles – An Assessment of their Impact on San Diego's Defense Company, prepared for San Diego North Chamber of Commerce, 2012, p.11

Electronics & Telecommunications

Electronics and telecommunications businesses have been a major part of San Diego's economy since National Cash Register (NCR) built its massive 113-acre computer manufacturing plant in Rancho Bernardo in 1968. In the early 1970's Kyocera, Sony Electronics, and Hewlett-Packard soon followed, creating a wave of new investments in semiconductors, circuit boards, computer peripherals, and a wide variety of electronic components, integrated systems, and other products throughout the 1980's. All of these industry leaders still have major headquarters (HQ), research & development (R&D), and manufacturing operations in the San Diego communities of Rancho Bernardo and Kearny Mesa.

During the 1990s several companies, which had developed advanced wireless communications technologies for military or security applications, launched commercial endeavors, such as the manufacturing and commercialization of cellular telephones, data storage and encryption products, and technologies. These endeavors, along with the development and manufacturing of other products, ushered in a new wave of investment in these and related industries such as software and web development.

Large printers assembled at Hewlett-Packard Co. in Rancho Bernardo

By 2000, the "tech wreck" combined with energy deregulation, and rapidly escalating California Workmen's Compensation insurance costs, led to a series of devastating plant closures in the local semiconductor, circuit board, and television industries. Between 2000 and 2005 over 10,000 job losses occurred in Rancho Bernardo, Mira Mesa, and Kearny Mesa, San Diego's traditional hubs for these and related industries. Plans for large new industrial complexes by Intel and Sun Microsystems were cancelled and the City's cellular phone manufacturers began to relocate manufacturing and later R&D operations to off-shore locations.

Much like the defense adaptation which took place in the 1995-2005 period, San Diego electronics and telecommunications companies began to focus on government and business-to-business markets, offering enterprise class systems and solutions which tended to have higher margins, and were sold with long-term service contracts. San Diego's electronics and telecommunication cluster is smaller than its peak in 2000, but appears to have stabilized at current levels.

Food & Beverage Production

The food and beverage industry has quietly emerged as a viable source of job growth during the last ten years. Like many of the other San Diego industry clusters, this industry cluster thrives on the value-added by skilled labor, the support of local consumers and tourists, the business savvy of local entrepreneurs, and the ability to sell products to consumers in other states and foreign countries. San Diego County has a significant number of specialty foods manufacturers and the City has captured its fair share of these businesses. Otay Mesa is emerging as a geographic hub of processed specialty foods due to its relatively low land and labor costs. Several companies in that community are producing significant volumes of specialty foods which are sold at discount retail chains and international membership warehouse stores.

The craft brew and microbrewing industry has recently emerged as a source of job growth. According to the San Diego Brewers Guild and the Brewers Association, craft beer is the fastest growing segment of alcoholic beverage production in the United States. These businesses tend to be located in the northern part of the City and North County cities and several have won international acclaim due to the development of very high quality beers. The close proximity of many of these local breweries facilitates is a form of tourism, as aficionados of fine ales, porters, stouts, and barley wines can travel to several locations in an afternoon for brewery tours.

Production vessels at AleSmith Brewing Co. in Mira Mesa

Bottling line at Coronado Brewing Co. in Bay Park

Patrons can sample beers in tasting rooms and purchase bottled beers in the same way as people frequent the wineries of Napa, Sonoma, and Temecula. San Diego is emerging as one of the nation's hubs of craft/microbrewing.

Tasting room at Ballast Point Brewing in Scripps Ranch

Food and beverage manufacturers create excellent public benefits. Beer manufacturing creates 4.7 additional jobs in the wholesale, retail, and service sectors for each direct brewery job.[19] Although it is classified within the manufacturing sector, the brewing of high quality "craft beer" creates additional sales and TOT tax revenues as beer tasting tours and major industry events attract visitors from outside San Diego.

Frozen hamburger patties being packaed at Jensen Meats in Otay Mesa

Food manufacturing has a multiplier of 4.1 generating three additional jobs for each direct job, well above the average multiplier of 2.0 . Jobs in the food manufacturing industry pay an average of $41,842 according to South County Economic Development Council.[22] Most of San Diego's food manufacturers are located in Otay Mesa which has cost-effective real estate options, access to a skilled labor pool in South Bay, and access to two existing cold storage facilities. These 7 manufacturers are producing meat products, tortillas, baked goods, and other specialty foods and reportedly employ approximately 1,000 workers. These employers typically provide health insurance and other benefits.

Municipal water and sewer services are extremely important to this industry. Water is used in large volumes to produce both food and beverage products from raw materials and for sanitation. Reclaimed ("recycled") water cannot be used inside food and beverage plants, so manufacturers are totally reliant on the availability of potable water, and are greatly impacted by increases in water commodity rates as well as water capacity charges. Food and beverage producers are also highly reliant on cost-effective sewer services to remove discharged wastewater.

[19] California Association of Local Economic Development – "Using Multipliers"
[22] Regional Food Cluster Profile, South County Economic Development Council, 2009

International Trade & Logistics

The International Border with Mexico

San Diego's proximity to Tijuana, Baja California, Mexico provides the City with an important comparative advantage in terms of capturing international trade activity. The United States is Mexico's largest export market consuming over 80% of Mexico's goods, equating to approximately $230 billion. Conversely, the Unites States exports approximately $163 billion worth of goods to Mexico. San Diego's direct physical connection to the international border and its cultural connection to City of Tijuana's population of 1.3 million people is by far the largest of any U.S. city bordering Mexico. This juxtaposition gives San Diego a unique and special position with Mexico as a gateway city and a critical economic engine for the San Diego-Tijuana region.

The U.S./Mexico International Port of Entry at San Ysidro is reportedly the busiest in the Western Hemisphere, due in part to the sheer size of the San Diego-Tijuana metropolitan area which has a combined population estimated at over 6 million people. Thousands of workers and tourists purchase goods and services on both sides of the border every day. According to the U.S. General Services Administration (GSA), 50,000 northbound vehicles are processed and 25,000 northbound pedestrians cross each day. A study conducted by the San Diego Association of Governments

(SANDAG) projects an 87% increase in vehicle traffic in San Ysidro by the year 2030. In order to accommodate that growth in traffic and better meet the changing needs of the tenant agencies and the general public, in 2004, the GSA began to work with local, state and federal government and community representatives from U.S. and Mexico to discuss the reconfiguration and expansion of the Port of Entry in Tijuana and San Ysidro. The result is a $732 million "Port of the Future" for the San Ysidro Port of Entry that features a sustainable design as well as technology to improve processing of northbound vehicular and pedestrian traffic. Phase I of this expansion project is complete and Phase II is under construction. The 2014 fiscal year President's budget features a $226 million request to fund Phase 3 of the project. Upon completion, the San Ysidro Port of Entry will be a facility that is sustainable, operationally scalable, and will dramatically reduce the Port's carbon footprint, while at the same time enhancing U.S. Customs and Border Protection's (CBP) ability to conduct their mission to guard the Nation's borders while fostering economic security through lawful international trade and travel.

The Otay Mesa Port-of-Entry at the border accommodates approximately 775,000 tractor-trailer trucks annually, carrying goods valued at approximately $27 billion. The Otay Mesa border crossing is adjacent to several large industrial parks containing over 14 million square feet of existing industrial space and over 1,000 acres of developable industrial land. In 1988 the city received the authority to administer the federal Foreign-Trade Zone (FTZ) Program throughout the entire county of San Diego. In 2011, the City reorganized the FTZ program to a new format, the "alternative site framework" or ASF. This new structure allows companies to obtain approval to activate as an FTZ facility quickly. In Otay Mesa the recent and proposed construction of several modern distribution centers, comparatively low lease rates, tax and duty advantages, and the completion of the 905 Freeway will enable the City to position itself as an attractive location for trade-servicing and logistics companies. In addition, the proposed new State Route 11 and new Otay Mesa East Port of Entry will improve the movement of goods and people between the United States and Mexico. The construction contract for segment 1 of the SR 11/Otay Mesa East Port of Entry project is expected to be awarded in late 2013. The estimated completion date is 2015. Subsequent segments will be built as funding becomes available (expected to begin in 2016).

The Port of San Diego

The Port of San Diego facilitates international trade activity though its 10th Avenue Marine Terminal, in the City of San Diego and 24th Street Marine Terminal in the City of National City. The Port of San Diego is ranked as the West Coast's 8th largest port based on total tonnage shipped -6.5 million tons. Combined with the National City Marine Terminal, these ports generate an economic impact estimated at $1.7 billion. The 96-acre 10th Avenue Marine Terminal is utilized mainly for the importation of a wide variety of bulk products and large pieces of equipment. These products include cement from China and Thailand; sand from Mexico; fertilizer from Norway; fresh fruit from Guatemala, Costa Rica, Peru, Ecuador, and Australia; steel products from Europe, Korea, and China; and wind turbines from the Great Lakes region. It is also home to companies that provide for 822 jobs at average wages of $54,032 annually, 28% greater than the countywide average for all jobs.[23] The National City Marine Terminal's inbound cargoes consists of largely automobiles and lumber.

Additional Information

More information about maritime trade at the Port of San Diego can be found here: http://www.portofsandiego.org/about-us/view-financial-information/447-economic-and-fiscal-impact-of-port-tidelands.html

[23] NUSIPR, San Diego's Maritime Trade: A Critical Economic Engine, 2008, p.3

Logistics

The globalization of the world economy is a result of a great variety of factors including; competition between multinational corporations, increased labor skill levels in “low labor cost” producer nations, the rising power and influence of major general merchandise retailers, and technological innovations which have made it possible to construct longer, larger, and more complex global supply-chain management systems. A supply-chain is a system or organizations, activities, technologies and resources that help move a product or service from supplier to customer. This trend towards globalization has resulted in the movement of manufacturing jobs to cheap-labor countries at an alarming rate.

However, California cities have successfully replaced some of these lost manufacturing jobs with new jobs created in large warehouse operations called distribution centers (DC’s). As global supply chain systems shift manufacturing to off-shore locations the distribution functions are reorganized creating new job opportunities for supply chain related employment. Many distribution functions are still performed by manufacturers and retailers, but are now frequently provided by third party logistics companies (3PL’s). Advanced supply chain technologies are used by manufacturers and 3PL’s to operate these large DC’s resulting in a very competitive industry where efficiency, flexibility, and speed are of paramount importance. Retailers, wholesale merchants and manufacturers are constantly modifying their merchandise orders to respond to fluctuating consumer demand and requiring “just in time” delivery. Many of the packaging, labeling, and re-packaging functions formerly performed internally by manufacturers and retailers at one end of the supply chain system are increasingly now performed in the middle of the supply chain system at the DC’s. These value-added functions require higher labor quality and frequently pay wages and benefits in the middle income range, much like the traditional manufacturing jobs. California employers posted approximately 50,400 job openings in 2012 for logistics and supply chain occupations. The median 2012 hourly wages ranged from $14 to $28. In the next three years, the demand for a workforce skilled in the various fields of supply chain technology and logistics is expected to have nearly 55,000 jobs. [24] Community College Districts in San Diego region have established curriculum and certification programs to help meet the new occupational demands of the logistics and supply chain employers.

West coast cities with ports-of-entry are now aggressively competing to be selected for the sites of new distribution centers. These regional DC’s provide cities with an important means of expanding their economic base and providing local residents with these choice blue collar job opportunities. Most of the city’s distribution centers are located in Carmel Mountain Ranch, Kearny Mesa, Mira Mesa, Otay Mesa, and Navajo.

[insert photo of Mission Trails Industrial Park here]

[24] California Community Colleges Economic & Workforce Development, Sector Profile - Supply Chain & International Trade, 2013, p.1 & 4

Economic Development Opportunities

The Port of San Diego's 10th Avenue Marine Terminal cannot accommodate the massive modern off-loading cranes and other critical infrastructure for large container ships. The Terminal is relatively constrained by existing commercial, residential, and governmental development and facilities, limiting the Port's ability to add significant infrastructure to support contemporary container ship operations. However, is well suited for certain Pacific Rim niche market opportunities. To better utilize the acreage available at the Port, a plan to make improvements and to renovate this facility could create thousands of middle income quality jobs for San Diego residents.

The Panama Canal expansion is scheduled to open in Spring 2015. The city should work closely with the Port to explore new opportunities that will result from this expanded trade route. As the gateway to North America, San Diego's port can offer fast, easy access free from the congestion of larger ports. Currently the Port imports more goods than exports. This trade imbalance should be reduced by filling the ships that now leave empty with San Diego products. A plan to achieve this goal should be developed and implemented with the Port and addressed in the San Diego Metropolitan Export Initiative.

According to NUSIPR, *"Development scenarios for the Port of San Diego have very large positive new benefits from expanding terminal operations to accommodating greater cargo demands. The highest overall economic impact comes from developing a new containerized banana operation as well as a break bulk banana operation. The total cost for this project is about $64.8 million, including $24 million to relocate the current CEMEX operation, according to the Port's analysis. Nearly 5,000 direct, induced, and indirect jobs would be created primarily by the operation of the containerizedbanana tenant."*[25]

[25] Ibid, p 16-17

Other Base Sector Industry Clusters and Business Establishments

There are a variety of other industries and large business establishments which are outside the Manufacturing Sector and do not provide services to tourists or within the realm of International Trade & Logistics. These businesses range from very small high-tech web development companies to very large national corporate headquarters establishments. They are also part of the economic base because, despite being located within the retail and service sectors, they are generally providing such services to people outside San Diego – throughout the nation, and in many instances, worldwide.

Major Corporate Headquarters Establishments

San Diego is home to a number of significant corporate headquarters, large administrative offices, and primary research institutions which employ thousands of San Diegans and help to establish the City as a well-renowned location for business. These corporate headquarters establishments provide administrative services to businesses that are either very large or geographically widespread. In the retail sector Charlotte Russe, Jack in the Box, Petco, and Cricket Communications are all household names. Less well known businesses like LPL, AMN Healthcare, and HD Supply, are more likely to serve business and institutional customers. Although technically categorized within the Manufacturing sector, Sony Electronics and ResMed have no actual manufacturing operations in San Diego but chose to construct large world headquarters offices here. These establishments have beneficial economic impacts that approach those of similar sized manufacturing plants since they constitute part of the economic base and also create middle-income jobs.

Cricket Communications has its national corporate headquarters in Kearny Mesa

LPL Corp. will consolidate its corporate headquarters functions into this 415,000 square foot building in 2014

Software & Web Development

San Diego has had a significant number of important software development businesses, on-line retailers, and analytics services businesses, which complement the City's high-tech manufacturers and research institutions. Several firms in San Diego have developed encryption and other cyber security technologies which are increasingly sought after by government agencies and large corporations. Included in this category are other "information technology" businesses like Science Applications International ("SAIC"). However, while they may manufacturer some tangible products, their principal function is to provide services such as "systems integration" or "digital compression" technologies, which are then sold or licensed to government agencies and other businesses. These businesses, like Intuit, and Mitchell International also employ many thousands of local residents providing very high-paying salaries and many also generate sales tax revenues for the City's General Fund.

Intuit's 465,000 square foot software development campus in Torrey Highlands

Economic Development Opportunities

San Diego's corporate headquarters and information technology businesses are located in the City due to the residential preferences of owners, and the ability to access highly educated, professional, technical, and managerial employees. The economic development opportunities in these areas lie in concerted business attraction and retention activity. Attracting and retaining major corporate headquarters is well served by engagement from leaders in the public and private sectors. The Office of the Mayor, City Council, local trade organizations such as the San Diego Regional Chamber of Commerce and the San Diego Regional Economic Development Corporation are influential in attraction and retention efforts. Aggressive competition from cities in other states, and economic pressure can prevent a company from locating in San Diego. Proactive engagement by local leaders helps to reduce the uncertainty of locating in San Diego, which in turn makes San Diego an enticing location to headquarter their business. The City has been successful in helping companies navigate local permitting and land use regulations. Future City efforts should focus on collaborating on marketing the region, developing strong bonds with existing companies, and improving local regulations that may be a barrier to business attraction.

Appendix B. Community Investment & Revitalization

Community investment and revitalization is another key element of the City's Economic Development Strategy. Community investment and revitalization traditionally focuses on older urban neighborhoods that are densely populated and have experienced disinvestment or limited investment and/or have public infrastructure/facility deficiencies. The economic health and well being of these older communities is vital to the larger economic well being of the entire City. A myriad of strategies and tools are used by the City of San Diego to address community investment and revitalization. Furthermore, opportunities exist to expand existing tools and develop new approaches. These are discussed below.

Infrastructure Investment

The City faces an over $1 billion backlog in deferred capital and infrastructure spending within the City. These deficiencies are located Citywide but predominately impact the older more densely populated communities that have not experienced widespread infrastructure investment. Sustainable and strategic investments in public infrastructure and facilities will likely increase property values, decrease crime, spur new private investment, and create new construction jobs.

Post-Redevelopment Era

Redevelopment Agencies throughout California were dissolved on February 1, 2012, including the City of San Diego's Redevelopment Agency, pursuant to state law. Redevelopment served as a key economic development tool for almost 400 communities statewide for approximately 60 years by financing infrastructure and public facilities, facilitating new development and reconstruction/rehabilitation of older, often historically significant structures, remediating brown field sites, financing affordable housing and implementing the re-use of former military bases. The City's former Redevelopment Agency afforded San Diego with a variety of financing and development tools to remove physical and economic blight, provide for affordable housing and improve older neighborhoods, commercial and industrial districts.

The City of San Diego elected to serve as the Successor Agency to implement the wind down of the former Redevelopment Agency. In addition, Civic San Diego was formed as a City-owned nonprofit organization to serve as a consultant to the City and to replace Centre City Development Corporation (CCDC) and Southeastern Economic Development Corporation (SEDC). Its main charge is to the wind down the activities of the former Redevelopment Agency and to perform economic development and planning functions within certain designated areas of the City. Civic San Diego is developing an Economic Development Strategy for the areas under its stewardship that can form an addition to this document upon completion or be folded into a future update. In 2012, Civic San Diego formed the Civic San Diego Economic Growth and Neighborhood Investment Fund, a Community Development Entity (CDE) and a subsidiary of Civic San Diego for the purpose of applying for New Markets Tax Credit (NMTC) allocations and managing Qualifying Low-Income Community Investment (QLICI). The NMTC program is a federal tax incentive authorized by the federal government to help spur the investment of capital in small business and commercial real estate located in communities of need.

Public-Private Partnerships

The City of San Diego has successfully supported the efforts of private entities which have been investing in its older communities. The efforts of these private sector entitles has led to the development of numerous community projects that might not otherwise have occurred, such as the City Heights Urban Village, Market Creek Plaza in Southeastern San Diego, and the Salvation Army Ray and Joan Kroc Corps Community Center in Rolando/East San Diego. Maintaining and expanding these types of public-private partnerships could provide another mechanism to spur investment in San Diego communities.

Special Assessment Districts

Special Assessments Districts are financing mechanisms that can be used to finance the construction and maintenance of infrastructure. Assessments are collected as direct levies on the property tax bill of all parcels directly benefiting from the provision of services financed by the district. The City has several assessment districts that are formed and governed pursuant to the following state laws.

The Landscaping and Lighting Act of 1972

The 1972 Landscaping and Lighting District Act is a tool available to local government agencies to pay for landscaping, lighting and other improvements and services in public areas. The law allows municipalities to form special benefit districts for the purpose of financing these improvements. Assessments are levied on properties that receive benefits or services in excess of those provided by the City. The City uses this 1972 Act as the basis for forming Maintenance Assessment Districts (MADs). The City currently has over fifty MAD's, the majority of which are administered by the City. However, certain MADs operating in urbanized commercial corridors are administered by non-profits. Conceptually, these organizations are affiliated with the community they serve and through this involvement are attuned to the specific needs of that community.

The Mello-Roos Community Facilities Act of 1982

The Act allows any county, city, special district, school district or joint powers authority to establish a Mello-Roos Community Facilities District (a "CFD") which allows for financing of public improvements and services. The services and improvements that Mello-Roos CFDs can finance include streets, sewer systems and other basic infrastructure, police protection, fire protection, ambulance services, schools, parks, libraries, museums and other cultural facilities. In 2012, the City approved a type of CFD to fund the expansion of the convention center, which has direct and significant economic benefit for the City. While there are many benefits to using CFD's as a financing tool, they can be difficult to form in a developed area based on the legal requirements for approval.

Property and Business Improvement District Law of 1994

A Property and Business Improvement District, or "PBID", is an innovative revitalization tool for commercial neighborhoods. Established by law in the early 1990's, PBIDs are public/private sector partnerships that perform a variety of services to improve the image of their cities and promote individual business districts. They also carry out economic development services by working to attract, retain and expand businesses. This law enables a city, county, or joint powers authority (made up of cities and/or counties only) to establish a PBID and levy annual assessments on businesses and/or property owners within its boundaries. Improvements which may be financed include parking facilities, parks, fountains, benches, trash receptacles, street lighting, and decorations. Services that may be financed include promotion of public events, furnishing music in public places and promotion of tourism. In addition to the above, this act also allows financing of streets, rehabilitation or removal of existing structures, and security facilities and equipment. The City currently has one PBID which is located within the downtown area. This district was formed first formed in 2000 and renewed in 2005 for a 10-year period. In order to maintain enhanced service levels, the district will need to be renewed again in 2015.

Community Development Block Grant Program

The City can also address the deferred capital backlog through strategic use of Community Development Block Grant (CDBG) funds, which are received annually from the U.S. Department of Housing and Urban Development (HUD). According to HUD, CDBG funding "provides communities with resources to address a wide range of unique community development needs…it works to ensure decent affordable housing, to provide services to the most vulnerable in our communities, and to create jobs through the expansion and retention of businesses. CDBG is an important tool for helping local governments tackle serious challenges facing their communities[26]." Accordingly, the vast majority of CDBG funding must be used to serve low and moderate income households and areas, many of which suffer from under-investment and infrastructure deficiencies as mentioned above.

In addition to Capital Improvement Projects, CDBG funds can also be used for economic development programs such as; business loans, business incubators, façade improvement programs, microenterprise assistance, and job readiness training. These programs focus on improving the economic and social well being of low and moderate income communities and provide opportunities to enhance neighborhoods and create jobs.

The City's CDBG allocation has been dwindling over the past three years FY 2011 ($16.3M), FY 2012 ($13.6M), FY 2013 ($11.3M) and it is expected to continue in that trajectory. However, in the early 1990's CDBG funds were loaned to the former Redevelopment Agency as "seed money" to initiate redevelopment activities in newly created Redevelopment Areas. This investment, totaling over $78M, is scheduled to be repaid to the CDBG program over ten years (2010-2019). While the repayments are restricted to CDBG eligible uses and expenditure deadlines, they serve as a substantial investment resource that can be strategically aligned with identified priority needs.

[26] U.S. Department of Housing and Urban Development, Community Development Block Grant website

The City will plan for expenditure of these funds as well as annual CDBG allocations through a five-year Consolidated Plan, which identifies the City's housing and community development needs, priorities, goals, and strategies. The current Consolidated Plan expires at the end of FY 2014. Over the next year, the City will have an opportunity, through development of a new five-year Plan, to allocate resources toward economic development opportunities and priority areas identified in this strategy.

The Sustainable Communities and Climate Protection Act

The Sustainable Communities and Climate Protection Act of 2008, also known as Senate Bill (SB) 375, is a state law targeting greenhouse gas emissions and the Global Warming Solutions Act of 2006, also known as Assembly Bill (AB) 32 sets goals for the reduction of statewide greenhouse gas emissions. The City of San Diego has developed policies and has been coordinating with other local and regional planning agencies in addressing these laws. Opportunities exist to identify funding and partner with local agencies and private parties to develop projects such as transit oriented development projects and smart growth projects to implement the statutes.

Appendix C: Fiscal Impacts by Land Use

The following sections detail the sources of revenue typically received by the City according to land use:

Non-Profit Establishments

Non-profit establishments include hospitals, churches, schools, and various charity organizations that provide a wide array of medical and social services desired by the community. State and local tax codes provide blanket property tax exemptions in lieu of the presumed societal benefits resulting from the provision of these services. Some non-profit organizations provide "in-lieu" payments to reimburse local governments for the costs of municipal services provided to these organizations (such as police, fire, paramedic, street repair, etc.) however most do not.

Residential Units

The City of San Diego receives 18% of the local 1% property tax, about $550 for the median priced single family home (approximately $476,000 in 2014) plus state subventions amounting to approximately $150/unit for a total of about $700/unit, or about $5,000/acre. Revenues from most multi-family units are much lower, except for very high-end luxury apartments and condos whose property tax remittances may actually exceed service delivery costs.

Business Offices

Although some office spaces are occupied by corporate sales teams which generate sales tax from business-to-business sales, or franchise fees in the case of a public utility, this land use typically generates a combination of property tax and business license tax.

Vehicle Dealerships

Vehicle dealerships generate significant sales tax revenues based on the 1% local sales tax on the purchase price of each vehicle sold. A typical auto dealership can easily generate $50,000 - $100,000/acre in sales tax. San Diego has, in many instances, assisted with building and development permits in order to facilitate the modernization and improved efficiency of its dealerships in order to increase taxable sales. State law prohibits local jurisdictions from offering sales tax rebates, providing land at below-market prices, or funding required public improvements specifically to "poach" vehicle dealerships from neighboring jurisdictions. However, jurisdictions are free to provide staff assistance throughout the permitting process, to approve discretionary permits and rezoning ordinances, and to enact land use and other broad-based policies in order to attract these businesses or induce them to expand within a city. Dealerships typically have few employees on a per acre basis, about 20 per acre, resulting in low business license tax generation, but very low service delivery costs.

Large Retailers

Regional shopping malls, so-called "power centers," "lifestyle centers," "outlet centers," and freestanding large format retail stores (aka "big box" stores) can also generate significant sales tax revenues for the City by reducing sales "leakage" to other jurisdictions or by inducing shoppers from other jurisdictions to purchase taxable goods from retailers within the City.

Westfield Corp. recently spent $180 million to upgrade University Town Center shopping mall. At full build-out UTC is expected to generate an additional 3 million annually to the General Fund

<u>San Diego has four regional malls:</u>

Fashion Valley Center
Horton Plaza
Mission Valley Center
University Towne Center

<u>San Diego has four power centers:</u>

Carmel Mountain Ranch Center
College Grove Center
Mira Mesa Market Center
Palm Promenade

San Diego also has a wide variety of smaller shopping centers evenly spaced throughout the City. The location and size of shopping centers is typically driven by demographics and in part because the City is essentially built-out, with scarce land availability. As such, the City has little ability to influence the locations of any new major shopping centers. California law also prevents the provision of tax rebates to "poach" large retailers from other California cities. However, much like the case with vehicle dealerships, the City is still free to use its land use authority to improve conditions that influence the willingness and ability of large shopping center developers and large retailers to improve and expand existing centers within the City.

<u>R&D Laboratories</u>

R&D laboratories are the dominant land use in the "Golden Triangle" area north of the UTC shopping center ("Torrey Pines," "Sorrento Valley," and "Sorrento Mesa") and are also commonly established in Carmel Valley, Carmel Mountain Ranch, Scripps Ranch, Rancho Bernardo, and Torrey Highlands. Ranging from small single-story "wet-labs" to 12-story telecommunications towers, these facilities form an increasingly large segment of the City's industrial capacity. Base sector employers in the biotech and telecommunications industry clusters use these facilities to develop products which are mostly produced in offshore locations. These highly improved facilities tend to generate property tax and use tax revenues which tend to exceed municipal service delivery costs, however the lack of product sales typically means that no sales tax will be generated for the City.

Manufacturing Plants

Manufacturing plants are often large tax revenue generators for the City in addition to sources of middle-income job opportunities. As discussed above, the local 1% sales tax is typically allocated to the point of sale. Corporate sales offices are frequently located in or very near to the manufacturing plant where the product is produced. Although many products are exempt from tax due to resale or because the customer is the federal government, many are not. Products sold to end-users such as other businesses are frequently subject to sales tax. Medical devices and business equipment are the most obvious examples. Manufacturing equipment used in California is also subject to sales or use tax. Unsecured tangible personal property such as machinery is also subject to property tax, and the largest and heaviest plants often use millions of dollars worth of such equipment, thus providing revenues to the City throughout the useful service life of such equipment. Finally, manufacturers often consume large amounts of natural gas, which is subject to the City's 3% gas franchise fee collected by San Diego Gas & Electric Co.

Hotels & Motels

Hotels and motels are also significant generators of local tax revenues. The largest source of revenue from these businesses comes from the City's 10.5% Transient Occupancy Tax levied on the sale of room nights to customers. In 2013 the City received approximately $156 million in TOT revenues and expects to receive approximately $168 million in FY2014. Since the larger hotels offer room service and incorporate large restaurants and sell prepared food mainly to non-City residents, these businesses also generate significant sales tax revenues. Hotels also have very high real property tax assessments providing a third source of General Fund revenue.

Determination of Fiscal Impacts

Figure C-1 below summaries the fiscal impacts of the most common land use types found in San Diego. This chart shows that there is a fairly wide range of fiscal impacts associated with various common land uses. The net fiscal impact is determined by calculating the reasonably foreseeable tax revenue to be generated by a project or land use, then subtracting the service delivery costs (municipal services provided to residents and businesses) of the same project or land use. In order to accurately compare the fiscal impacts of various land uses it is helpful to analyze each of them on a per acre basis. Tax revenue does not include special assessments, property-based fees, charges, or commodity sales.

Figure C-1: Fiscal Impact Analysis Chart

Land Use	Employees/EDU per Acre[27]	Service Delivery Costs @ $1,200/EDU or @ $200/employee[28]	Tax Revenue Source(s)[29]	Tax Revenue/Acre	Net Fiscal Impact
Non-Profit Establishments	73	-$14,600	Use Sales		-$14,600
SF Residential Units	7 EDU	-$8,400	Property	+$4,900	-$3,500
Business Offices	87	-$17,400	Property Business License	+$20,000 +$435 =$20,435	-$3,035
MF Residential Units	18 EDU	-$22,560	Property	+30,000	+$7,440
R&D Laboratories	65	-$13,000	Property Business License Use	+25,000 +220 +10,000 =$35,220	+$22,220
Manufacturing Plants	44	-$8,800	Property Business License Use Sales	+$25,000 +$220 +$10,000 +$10,000 =$45,220	+$36,420
Large Retailers	62	-$12,400	Property Business License Sales	+$18,000 +$310 +$43,000 =$61,310	+$48,910
Vehicle Dealerships	18	-$3,600	Property Business License Sales	+$30,000 +$90 +$75,000 =$105,090	+$101,490
Hotels & Motels	44	-$8,800	Property Rental Use Sales Transient Occupancy	+$11,000 +$220 +$100 +$500 +$100,000 =$111,820	+$103,020

Green type = Base Sector Land Uses

Blue Type = May be Base Sector Land Uses Depending on Size and Function

[27] Non-residential employment intensity figures from San Diego Jobs Housing Nexus Study, KMA/SDHC, 2010 p.34, CoStar, Inc., Office of Economic Growth Services
[28] Various fiscal impacts studies and San Diego 2014 Budget
[29] SD County Assessor, CA Board of Equalization, Office of the City Treasurer

Appendix D. Internal Operational Guidance & Coordination

The business and industries described above rely on well maintained infrastructure to produce, ship, and receive goods, to dispose of waste products, and for protection from fire and theft. Existing businesses can rely on the infrastructure not only to accommodate their existing business needs, but it can act as a catalyst for them to expand and to also attract outside business to the region. Various City departments are tasked with the responsibility to ensure that the proper infrastructure is in place and well functioning. Such infrastructure includes, but is not limited to, a transportation network in good working repair, including streets and freeways, airports, land ports, seaports, City telecommunications facilities, water and sewer treatment and distribution facilities, storm water management systems, and emergency facilities. Other departments are tasked with ensuring public safety and quality of life concerns such as fire and police protection, emergency medical response, sanitation, recycling, zoning, parks and open space management, and code compliance. Still other City departments provide services to the "front line" departments. These services include contracting and procurement services, management of City real estate, financial management, and construction of capital improvement projects (CIP).

Several of the City's departments directly impact businesses and interact with them through the issuance of permits and licenses; the establishment and management of special districts; granting access or use of City property for business operations; or by contracting with businesses for goods and services. It is essential that the City's departments be coordinated in terms of points of alignment with economic development goals and objectives.

The chart and descriptions below provide some examples of how these departments interact with businesses in ways which can influence private business investment decisions and can impact overall economic prosperity.

Figure D-1: Key City Departments Affecting Economic Development Efforts

Key City Department	**Building & Development Permit Approvals**	**Licensing**	**Infrastructure and Tourist Attractions**	**Business Use of City Property**	**Procurement and Financial Services to Businesses**	**Management of Assessment Districts**
Planning, Neighborhoods & Economic Development	√		√			√
Development Services	√	√				
Public Utilities	√	√	√	√		
Real Estate Assets				√		√
Fire Rescue	√	√				
Police		√				
Purchasing & Contracting				√	√	√
Transportation & Storm Water	√	√				
Environmental Services				√		
Engineering & Capital Projects			√			
City Treasurer		√			√	√
Parks & Recreation			√	√		√
Debt Management					√	√

Development Services

The Development Services Department ("DSD") has perhaps the greatest influence on business investment decisions since it issues the vast majority of all permits and land use approvals to businesses. The majority of these are building permits issued to businesses to allow the construction and modification of buildings and related facilities in accordance with adopted State building, fire, mechanical and electrical codes. In addition, DSD issues land use and development permits for facilities in the California Coastal Zone, community overlay zones, and for facilities and properties which require variances from City codes, special use permits, or re-zoning ordinances. The timely and cost-effective issuance of permits and other required approvals has an enormous impact on businesses which must supply goods and services to customers in competitive national and international markets. Delays in the issuance of such approvals, or the imposition of fees which are unforeseen or believed to be unreasonable are most frequently cited as concerns by business managers considering potential investment decisions. Certainty and predictability are factors that have a huge impact on businesses which are operating in volatile and competitive situations.

Planning, Neighborhoods & Economic Development

The Planning Division of the Planning, Neighborhoods, & Economic Development Department ("PNED") develops, monitors and implements the City's General Plan- a document that guides the City's economic development policies and goals as they relate to land use. These policies are further implemented through Community Plans, which directly impact neighborhood zoning and land use decisions that have direct impacts on the nature and types of business that locate in an area.

The General Plan also calls for protection and preservation of the City's industrial lands from encroachment from non-industrial uses. Competition for low-priced industrial land and buildings can also negatively impact (increase) the cost of doing business in the City, as can the costs of mitigating land use conflicts which inevitably arise from the close juxtaposition of sensitive land uses such residences, churches, schools, parks, and similar family-oriented uses.

The Facilities Financing Section regularly updates Public Facilities Financing Plans for the City's planned communities, and collects fees on development projects. These efforts provide for essential municipal infrastructure such as streets, roads, bridges, parks, libraries, fire stations, etc.

The Economic Development Division administers a wide range of community development and economic development programs to facilitate private investments which will lead to the creation of jobs, the generation of tax revenue, and the revitalization of older and underserved neighborhoods. These programs are described in greater detail in **Appendix G: Economic Development Programs and Business Districts.**

Public Utilities

The Public Utilities Department ("PUD") provides potable and recycled (aka "reclaimed") water to all businesses, and similarly provides for the disposal of wastewater from them. The Public Utilities Department operates two "Enterprise Funds" through two major branches – the Water Utility and the Wastewater Utility - through ten divisions which must be fully self-sustaining enterprises in accordance with the City Charter.

The Water Utility provides potable water to all business customers in the City except those served by Cal America, located in a portion of the Otay Mesa community. This Utility also provides recycled water to businesses in portions of Black Mountain Ranch, Kearny Mesa, Mira Mesa, MCAS Miramar, Miramar Ranch North, Rancho Penasquitos, Scripps Miramar Ranch, Tijuana River Valley, and University. Aside from land, labor, and electricity, water and sewer services are arguably the two of the most important input factors for the production process. High volumes of water are consumed in industrial plants for product make-up, rinsing, steam and energy production, and for facility cooling. The cost and consistent availability of potable and reclaimed water is of utmost importance to manufacturing businesses and contract research organizations. Increased water costs and mandatory conservation measures can negatively impact the City's ability to attract new industrial and especially manufacturing investments. The Water Utility provides certification of businesses that have met all of the requirements for participation in the City's Guaranteed Water for Industry Program.

Similarly, the ability of businesses to efficiently and cost-effectively discharge wastewater at the end of the production process is also extremely important for business investment decisions. The Wastewater Utility regularly assesses and monitors wastewater conveyance and treatment capacity throughout the City to ensure available capacity. A capacity evaluation of impacted wastewater facilities needs to demonstrate that sewer capacity is available to accommodate new development. If capacity is unavailable, upsizing of sewer facilities would be required. For instance, in working with DSD, the department continuously monitors the issuance and transaction of wastewater capacity in the Rancho Bernardo area to ensure the overall capacity in this area does not to exceed the treatment agreement between the City and the City of Escondido. Service rates for industrial discharges and pre-treatment requirements are issued and monitored by the Industrial Wastewater Discharge (IWD) and Food Establishment Wastewater Discharge (FEWD) programs, which can affect the profitability and competiveness of manufacturing and research businesses.

Real Estate Assets

The City's current Economic Development Division originated in the former "Property Department" which is now called the Real Estate Assets Department ("READ") since this department at one time managed, leased, and sold thousands of acres of the City's industrially-zoned land, most of which was formerly "Pueblo" or "public" lands. Since most of the City's industrial lands have been sold and developed, and the City's economic development units were moved to other operating departments of the City (currently DSD) READ now plays a more indirect role in economic development efforts than it did in the past. However, READ still manages useful industrial properties (or properties with potential for industrial development). The process of making such properties available to industrial businesses is set forth in Council Policy 900-03 "Management & Marketing of City-Owned Industrial Properties" and provides for the sale or lease of such properties in order to create jobs and other economic public benefits. READ also manages city-owned properties that can be used by community organizations to provide services that enhance communities and provide economic development opportunities to residents.

Fire

The Fire-Rescue Department ("SDFD") is responsible for providing fire and life safety services to all communities within the City of San Diego. In addition, it issues a number of permits for special events and activities that promote tourism and generate revenue that can be recycled back into the community.

This department also performs routine inspections of thousands of commercial and industrial sites throughout the City to ensure safety of operations and is tasked with responsibility to oversee businesses using combustible, explosive, and dangerous materials.

Police

Provision of public safety is of critical importance to the well being of neighborhoods, residents as well as tourists, and can impact employment, investment and income as a result. Reduced crime in neighborhoods can contribute to economic growth and stability. Likewise, safe streets make San Diego more attractive for individuals to visit, positively impacting tourism revenue and activity.

The Police Department is responsible for issuing a variety of permits and licenses including special operating permits for police regulated businesses, permits for special events and activities that promote tourism and generate revenue, and participation in the licensing of alcoholic beverage manufacturers.

Purchasing & Contracting

Many of the City's revitalization, real estate, and other economic development efforts require the procurement of goods and services. The Purchasing & Contracting Department ("P&C") is responsible for administering the City's centralized procurement and materials management functions to ensure the availability of material, supplies, equipment (commodities) and services to meet the City's operational needs. In addition, the department provides numerous opportunities for small businesses through the City's Equal Opportunity Contracting Program to grow their operations. The efficient procurement of goods and services from local businesses may help facilitate employment opportunities at these businesses in addition to the traditional function of delivering of services and improvements to the community.

Transportation & Storm Water

The Storm Water Division (SWD) of the Transportation & Storm Water Department is tasked with responsibility for enforcing rules promulgated by the San Diego Regional Water Quality Control Board ("SDRWQCB"). These rules establish land development standards and require routine inspection of commercial and industrial facilities. The SWD must also enforce any illicit discharges into the storm drain system that could have a negative effect on water quality. Additionally, this department is responsible for maintaining storm drains and an extensive system of drainage structures. These structures include underground pipes as well as flood channels throughout the City, including in industrial areas such as Grantville and Sorrento Valley. Alleviation of flooding in Sorrento Valley is one of the highest priorities for the local biotech industry.

The Transportation Division of the Transportation & Storm Water Department evaluates and re-stripes streets in commercial and industrial areas in order to provide more on-street parking when its needed to improve business operations when off-street parking may be inadequate for customers.

Environmental Services

The Environmental Services Department ("ESD") provides solid waste collection and disposal services to the City's residents and businesses and operates a full-service landfill and composting facility for public use. ESD also manages several recycling programs including: (1) processing of post-consumer paper, plastics, glass, and metal containers that ESD collects from residences; (2) processing of yard waste, tree trimmings, wood waste, and food waste into mulch, compost, and other useful products, putting ESD in a position to provide feed stocks to the manufacturers of recycled products and biomass energy producers; (3) construction and demolition waste; (4) providing recycling technical support to businesses and multifamily residences which typically results in cost savings for them; (5) providing education and outreach for the residential, business, and government sectors; and (6) providing green procurement services internally to City departments which results in savings.

In addition, ESD manages the City's energy use and programs; explores innovative options to increase energy independence and works to advance more sustainable practices within the City and community. Meeting energy efficiency and renewable energy targets often includes the procurement of products and equipment that are emerging technologies.

Public Works

The Engineering & Capital Projects ("E&CP") Division of the Public Works Department interacts directly with consulting architectural and engineering consultant and construction contracting businesses in the execution of the City's Capital Improvement Program (CIP). It provides the planning, design and construction of critical transportation and water/wastewater infrastructure used by businesses to access labor and to ship and receive goods. The projects managed by Engineering & Capital Projects can play an instrumental role in stimulating job growth through maintaining and improving infrastructure and putting individuals to work.

City Treasurer

The City Treasurer administers the Business Tax Certificate Program and collects business taxes from virtually all businesses in the City. Business assessments for the City's various Business Improvement Districts are also collected with the City's business tax. The City's Small Business Enhancement Program is funded based on a minimum number of small businesses registering and paying business taxes to the City. The City Treasurer is also responsible for the collection and reporting of parking meter revenue which is used to fund the Community Parking District program and other eligible activities related to parking management and control within parking meter impacted areas. The timely and accurate collection of these tax revenues, assessments, and fees allows the City to provide important services to businesses and business districts.

Park and Recreation

The Park and Recreation Department is responsible for the daily operations and maintenance of the parks, open space, aquatic areas, and public recreation facilities throughout the City. Parks such as Balboa Park, Mission Bay and the beaches are enjoyed not only by local residents, but County residents and tourists who visit San Diego. Proper recreational programming and maintenance of these areas is vital to attracting tourists and visitors to San Diego as well as attracting and retaining businesses as a health and quality of life issue.

Office of Special Events

The Office of Special Events collaborates with visitor industry partners such as the San Diego Tourism Authority, San Diego Convention Center Corporation, San Diego Sports Commission, and San Diego Tourism Marketing District in the development of bid proposals to secure major special events, conventions and filming that generate tourism in San Diego. Major special events, conventions and filming contribute significantly to San Diego's economy through the generation of Transit Occupancy Tax (TOT), sales tax, and other direct and indirect spending. Long-term branding and economic development benefits are also derived from the significant national and international media exposure brought to the region by these types of activities. The Office of Special Events provides liaison services to key entities such as the event organizer, site manager or meeting planner, host committee, business and residential community and city departments to ensure the success of the activity.

Economic Development Opportunities

The departments listed above implement City policies and provides basic services to both residents and businesses. The effective coordination of the activities of these departments, which may impact the City's ability to conduct its economic development activities, is critical to the achievement of the broad-based performance measures identified in this strategy. The City's overall operating budget is well in excess of $3 billion annually, its enforcement capabilities are significant, and the extent to which economic development efforts can be recognized and reasonably accommodated within this context creates opportunities to achieve immediate positive fiscal and economic impacts.

Appendix E: Education & Workforce Development

Long-Term Workforce Development Opportunities

The City has a vested interest in preparing its young adults to compete for the best jobs created by San Diego businesses. Educational initiatives at the K-12 level will take years to bear fruit so the City should continue to encourage its school districts to seek long-term improvements in academic fundamentals. The proper preparation of youth for entrance into colleges and universities will better prepare City residents to compete for middle and high-income jobs opportunities following graduation. Additionally, it is vital for high school teachers to be exposed to San Diego's industries to provide them with the context, examples, and real world connections that can be used in their classroom curriculum.

The following six (6) K-12 school districts serve residents of San Diego:

Del Mar Union School District	San Ysidro School District
Poway Unified School District	Sweetwater Union High School District
San Diego Unified School District	South Bay Union School District
San Dieguito Union High School District	Solana Beach School District

San Diego's post secondary education system regularly ranks well nationally because local universities offer a full range of undergraduate majors, master's and Ph.D. programs, and are committed to producing groundbreaking research. These institutions educate and provide workforce training to the region's diverse economy which enables the City to compete globally to attract new companies and industries generating significant private investment and new jobs for the region. San Diego is served by two major public universities, three smaller private universities, three private law schools, a public medical school, several community colleges, plus trade and vocational schools:

Universities, Colleges, and Law Schools

- Alliant University
- Cal-Western School of Law
- Cuyamaca College
- Mesa College
- Miramar College
- Grossmont College
- Palomar College
- Point Loma Nazarene University
- San Diego City College
- San Diego State University ("SDSU")
- Southwestern College
- Thomas Jefferson School of Law
- University of California at San Diego ("UCSD")
- University of California at San Diego School of Medicine
- University of San Diego ("USD")
- University of San Diego School of Law

Trade and Vocational Schools

Ashford University
Bridgepoint University
Coleman College
Fashion Institute of Design & Merchandising
ITT Technical Institute
National University
University of Phoenix

Short-term Workforce Development Opportunities

In the short term, established training programs can help to match willing workers with willing employers. Typically these programs are offered by training organizations which seek to train or re-train employees for specific trades and industries. In addition, these training providers orient their services to dislocated workers and others who lack the requisite skills to compete for specific jobs.

City of San Diego Entry Level Professional Classification

The City of San Diego's Management Trainee job position is the formal entry level classification for professional administrative, budgetary, community development, crime analysis/research, economics, information systems management, organization effectiveness, personnel/human resources, procurement, real estate, and recycling career fields for recent college graduates. Individuals hired in this classification are full-time permanent employees upon passing the required probationary period and are generally under-filling a higher level professional classification. After gaining the requisite experience, Management Trainees may be eligible for career advancement to higher level professional classifications. This classification is different from the City's internship program that enables City departments to hire temporary, part-time students for short periods of time to do specific projects and gain public administration experience.

On-The-Job-Training (OJT)

The SDWP administers the On-the-Job Training program. OJT is designed to help businesses hire and train persons who do not have sufficient experience and knowledge in the jobs for which they are being hired. The employer's training expenses will be paid at a rate not to exceed 50% of the wages the new hire earns during the contracted training period. OJT is a viable training option for participants who perform better with a hands-on training experience rather than traditional classroom setting.

Employment Training Panel (ETP)

The State of California's Employment Training Panel (ETP) provides financial assistance to California businesses to support customized worker training to:

- Attract and retain businesses that contribute to a healthy California economy;
- Provide workers with secure jobs that pay good wages and have opportunities for advancement;
- Assist employers to successfully compete in the global economy; and
- Promote the benefits and ongoing investment of training among employers.

CONNECT2Careers San Diego (C2CSD)

SDWP has developed a sustainable youth employment program through the support of local government, education, private, public and non-profit organizations. The C2CSD will provide youth with meaningful job placements now and in the years to come by providing development, preparation and summer employment services to young people between the ages of 16-21 throughout the City of San Diego. This broad-based summer job effort is the type of program that addresses the need for a highly educated and skilled future workforce, and provides an opportunity for youth to earn money, gain meaningful work experience, and be exposed to various careers through work based learning opportunities. This program also gives businesses an opportunity to give back to the community and play a significant role in recruiting and training future employees especially for new emerging industries such as Cleantech and Food & Beverage Production, as well as established industries such as Biotech & Medical Devices and Electronics & Telecommunications.

Life Sciences Summer Institute

The Life Sciences Summer Institute is one of the SDWP's most exciting youth programs. Students from all over the county spend part of the summer in life sciences "boot camp" learning about how to work in a lab. Then, they are placed in labs for real-life work experience. Perhaps even more impressive, the same program is available for teachers. Groups of science teachers come every summer to learn about how the life sciences industry operates, and return to their classrooms to incorporate into their lessons plans what they have learned.

Appendix F: List of External Stakeholder Organizations

Accion San Diego
Asian Business Association of San Diego
BIOCOM
Building Industry Association (BIA)
Business Improvement District Council (BID Council)
California Restaurant Association – San Diego Chapter (CRA)
Center for Policy Initiatives
Central San Diego Black Chamber of Commerce
City Heights Community Development Corp.
Civic San Diego
Clairemont-Bay Park Chamber of Commerce
CleanTECH San Diego
CommNexus
Community Planners Committee (CPC)
CONNECT
Downtown San Diego Partnership
East County Economic Development Corporation
Equinox Center
Golden Triangle Chamber of Commerce / Pacific Triangle Partnership
Industrial Environmental Association
Mayor's Office of Binational Affairs
Mira Mesa Chamber of Commerce
National Association Industrial & Office Properties (NAIOP)
National University System Institute for Policy Research (NUSIPR)
Otay Mesa Chamber of Commerce
Peninsula Chamber of Commerce
Port of San Diego Ship Repair Association
San Diego Association of Governments (SANDAG)
San Diego Brewers Guild (SDBG)
San Diego Center for International Trade Development
San Diego Convention Center Corp.
San Diego County Regional Airport Authority
San Diego County Taxpayers Association (SDCTA)
San Diego County Hispanic Chamber of Commerce
San Diego Hotel Motel Association
San Diego Military Advisory Council (SDMAC)
San Diego North Chamber of Commerce
San Diego Regional Chamber of Commerce
San Diego Regional Economic Development Corp. (EDC)
San Diego Imperial Counties Labor Council
San Diego Small Business Development Center
San Diego Tourism Authority
San Diego Tourism Marketing District Corporation
San Diego Workforce Partnership
San Ysidro Chamber of Commerce
Security Network & Maritime Alliance
South County Economic Development Council
Unified Port of San Diego
Urban Land Institute
World Trade Center San Diego

Appendix G:
Economic Development Programs & Business Districts

The City of San Diego provides a variety of programs that are focused on the retention, and expansion of local businesses and the attraction of new businesses to the area. These programs form the backbone of the City's economic development strategy. Increasing the promotion of these programs and helping companies avail themselves of the benefits they provide will enhance the local economy.

Business & Industry Incentive Program - Council Policy 900-12
The Business & Industry Incentive Program was created by the San Diego City Council in 1993 to improve the business climate of the City, by providing certain financial incentives, and permit assistance to a variety of business investors citywide. This program serves as the City's primary economic development platform, and its incentives may be combined with those from other City programs, the *Business Finance Program*, the *Business Cooperation Program*, the *Guaranteed Water For Industry Program*, and with other incentives offered through State and Federal programs and incentive zones. Businesses that are consistent with the City's current Community & Economic Development Strategy typically achieve the following:

- Provide significant revenues and/or jobs that contribute to a healthy economy; or
- Promote the stability and growth of City taxes and other revenue; or
- Construct appropriate development in older parts of the City; or
- Are being induced by other jurisdictions to relocate from San Diego;

Such businesses can receive ministerial "off-the-shelf" incentives which are approved at the staff level such as: assistance in determining the density entitlements or development requirements for real property ("due diligence") plus assistance and expedited review for obtaining any necessary permits required for land developments or to modify an existing building or other structure.

These same businesses may also receive other discretionary incentives recommended by staff and approved by the San Diego City Council, such as: a reimbursement of all or a portion of building and/or development related fees on new commercial and industrial development using new tax revenues to be generated by the project as the funding source for the incentive. This incentive is implemented through an Economic Development Agreement between the City and the business.

Business Cooperation Program
The Business Cooperation Program was adopted by the City Council in 1996 and is designed to simultaneously lower the cost of doing business in San Diego while at the same time generating new sales and use tax revenue to fund essential City General Fund services. Businesses and non-profit firms frequently have options regarding how they can report the local 1% sales and use taxes, and certain reporting methods can result in a net increase in the amount of tax allocated to the City by the State Board of Equalization. This program allows City staff to provide sales and use tax rebates to businesses that participate in the program. This program provides tax rebates equal to 50% of any net additional tax revenue received by the City.

Guaranteed Water for Industry Program

The Guaranteed Water for Industry Program was adopted by the San Diego City Council in 1998 to address industry concerns regarding the potential for mandatory water conservation measures in the event of a future drought. Manufacturing plants, data centers, and research laboratories provide significant fiscal and economic benefits to the City. In order to achieve these benefits, these firms need assurances that they will not be subject to future "cut-backs" or other mandatory conservation measures due to water shortages. However these capital-intensive operations frequently need large volumes of water to operate their production and cooling systems.

This program provides that when such firms use reclaimed water to the extent possible, and implement potable water conservation measures, they can be exempted from mandatory Level 2 conservation measures in the event of a drought. This program is designed to benefit San Diego industrial businesses within the Optimized Zone. The Optimized Zone is a designated area within the northern part of San Diego which has reclaimed water infrastructure. The City assists manufacturers and research organizations in obtaining the necessary approvals from the County Health Department and California Department of Health Services to utilize reclaimed water. This program currently has five participating businesses with more certifications expected in the coming years.

Governor's Economic Development Initiative (GEDI)

In 2013, the California Legislature repealed the Enterprise Zone (EZ) Act effective January 1, 2014, and approved three new economic incentive programs that will be implemented at various times in 2014. Although the City will not have a direct role in the administration of this initiative, the City will market these incentives and assist local businesses in accessing them. The new incentive programs include:

California Competes – A new statewide program which provides for the allocation of California Income Tax credits, on a case-by-case-basis, to businesses which agree to make specified commercial and industrial investments.

Hiring Tax Credit – A new incentive zone program which provides California Income Tax credits to businesses within defined geographical areas of the state, when new employees meeting specified criteria are added to payrolls.

Sales/UseTax Exemption – A change to the Revenue & Taxation Code which provides a 4.2% sales and use tax exemption from the tax imposed on manufacturing equipment and specified R&D equipment purchases.

While the EZ and the similar Local Agency Military Base Recovery Area (LAMBRA) programs will no longer be in effect, qualifying companies have through calendar year 2014 to claim hiring credits and put into service qualifying equipment purchased in 2013.

Foreign Trade Zone Program

Business that import foreign goods into the United States, and in some cases export goods, may realize significant savings. Foreign Trade Zone (FTZ) Program benefits include: U.S. Customs duty deferral, duty exemption, and other benefits.

The San Diego Foreign-Trade Zones No. 153 reorganized its FTZ procedures in 2011 to assist businesses to participate in the program expeditiously. Companies located within San Diego County can now secure FTZ status for warehousing and distribution operations in approximately thirty (30) days from the time an application is accepted. Manufacturing companies may also benefit from additional streamlined procedures.

Business Finance Program
The San Diego Regional Revolving Loan Fund (SDRRLF) and Small Business Micro Revolving Loan Fund (SBMRLF) offer financial assistance for small to mid-size business owners with growing companies that require capital, but are unable to meet the terms of traditional banks. The Revolving Loan funds can supplement private financing of new or rehabilitated buildings, fixed machinery and equipment, working capital and soft costs. This gap financing program ranges from $25,000 to $150,000 for the SBMRLF and $150,000 to $500,000 for the SDRRLF. The loan program covers businesses in the cities of San Diego and Chula Vista. Through careful screening of loan applicants and creative loan structuring, the program can get business owners closer to their goals working with lenders and other community lending programs.

Economic Development & Tourism Support Program
The City's Economic Development and Tourism Support (EDTS) Program provides Transient Occupancy Tax funds through a competitive merit based application process, to qualified nonprofit, tax-exempt organizations that produce programs and events that improve the City's economy by boosting tourism, attracting new businesses, and increasing jobs in the area.

Tourism Marketing District

The San Diego Tourism Marketing District (TMD) follows the model of Tourism BIDs that utilize the efficiencies of private sector operation in the market-based promotion of local and regional business and transient tourism to generate room night stays. Tourism BIDs, such as the SDTMD allow lodging business owners to organize their efforts to increase tourism. In San Diego, lodging business owners within the District are assessed and those funds are used to provide programs and services that specifically benefit the assessed lodging businesses. Beginning in 2008, lodging businesses with 70 or more rooms paid a 2.0% assessment to fund activities to increase room night stays at assessed businesses. A majority of these TMD assessments were directed to the Tourism Authority (formerly ConVis) for specific sales and marketing activities to promote San Diego and increase room night stays at assessed businesses. The TMD was renewed effective January 1, 2013 and the assessment was authorized to be levied on all lodging businesses within the City with those businesses with 30 or more rooms paying 2.0% and those with fewer rooms paying 0.55%. The programs and activities to be funded include hotel meeting sales, event management and group sales development, tourism development including travel & trade, group meeting direct marketing, consumer direct sales & marketing programs, multi-year tourism development, and destination marketing with specific call to action. Through the initial five-year TMD term, it is estimated that approximately, $121+ million in TMD funds have been deployed through local organizations, yielding approximately $2.25 billion in TOT revenue.

Business Improvement Districts
San Diego's Business Improvement Districts (BIDs) are City-designated geographic-based areas where the business owners are assessed annually to fund activities and improvements to promote the business district. The City of San Diego supports BIDs as a tool for strengthening small business communities, creating new jobs, attracting new businesses, and revitalizing older commercial neighborhoods across the city. The City partners with merchants associations, representing the assessed business owners, to implement the BID program.

The Office of Small Business administers the BID program, which is the largest tenant-based program in the State of California. The program dates back to 1970 with the creation of the Downtown Improvement Area, California's first metropolitan downtown district. Since that time, the small business community and the City of San Diego have created 18 active districts. More than 11,000 small businesses participate in these assessment districts raising more than $1.3 million annually.

A BID provides business area merchants with the resources to develop marketing campaigns, increase awareness, and enhance public improvement projects in partnership with the City. An organized business community can work more effectively to create positive change and increase support for businesses in the area. In San Diego, BID associations work closely with elected officials and city staff to voice collective concerns, monitor business regulations and obtain funding and support for their business development projects.

The BID associations have developed a variety of successful marketing activities that generate business for the districts. These activities range from special events such as restaurant tours, block parties, weekly farmers markets and holiday festivals to developing public relations and marketing materials. BID associations promote businesses through the Internet, social media and cooperative advertising campaigns; they develop and distribute business directories, coupon books, and other district brochures. BID associations coordinate some of San Diego's most popular, large-scale street festivals, including the Adams Avenue Street Fair, Gaslamp's Mardi Gras, and Hillcrest's CityFest. BID associations also market the districts to potential businesses in an effort to reduce vacancies, provide a varied mix of businesses and strengthen the BID. All of these activities help to further market the districts to customers.

The City has grant programs which provide opportunities for additional funding for the merchant associations. There are also programs geared toward assisting individual businesses. For instance, the City's Office of Small Business offers the Storefront Improvement Program, which provides small businesses with design assistance and incentive payments to assist with storefront renovations. The City also supports the San Diego Business Improvement District Council, a non-profit organization whose membership includes the BID associations, which disseminates information and provides resources and expertise to its members to assist small businesses.

Small Business Enhancement Program (SBEP) – Citywide Grants

This program focuses on expanding economic opportunities for small businesses by supporting not-for-profit organizations which provide specialized services to small businesses citywide. It is expected that Small Business Enhancement Program funds will be leveraged by recipients to enhance small businesses services with the purpose of creating, growing, and retaining small businesses in San Diego. Examples of the services and training provided include business development, contracting and procurement, disability accommodations and technical assistance training.

Storefront Improvement Program

The Storefront Improvement Program (SIP) revitalizes building facades visible to customers, neighboring merchants, and residents. The City of San Diego provides design assistance and financial incentives of up to $10,000 in the form of rebates to small business owners who wish to make a creative change to their storefronts.

All applications are subject to review for eligibility. The City's Storefront Improvement Program is open to small businesses (12 or fewer employees) located in the City of San Diego with a current Business Tax Certificate.

Community Parking District Program

The City has a two-pronged approach to address parking concerns in older commercial neighborhoods. The Parking Advisory Board was created by ordinance in 2004 (City Council Policy #100-18) to advise the City on broader policy issues related to parking, and especially as to the impacts on commercial neighborhoods. The City also established the Parking Meter District Program in 1997 to provide parking impacted commercial communities with a mechanism to devise and implement parking management solutions. The Program was updated and renamed the Community Parking District Program in 2004.

There are currently six designated community parking districts within the City. A portion of the revenue from parking meters within these districts may be used to implement solutions such as parking lots, parking structures, valet parking, parking/transportation signage, and related extraordinary landscaping, maintenance, and security.

Small Local Business Enterprise (SLBE) Program

The SLBE Program is designed to facilitate the award of City contracts to small and local business enterprises by encouraging a 20% SLBE participation rate. It provides for a minimum bid discount of 2% for SLBE contractors or prime contractors which sub-contract to SLBE's as defined by the program. In addition to bid discounts, the Program provides for additional points in negotiated professional services contracts and increased points and discounts as the level of local and small local business participation increases. The intended impacts include: increasing the number of certified businesses participating in City contracting and in development projects, increasing the circulation of City dollars within the community and thus stimulating stronger economic activity, and promoting the development of certified businesses through joint ventures and mentor/protégé relationships.

Appendix H: List of Available Industrial Properties

Appendix I: Summary of Findings:

San Diego Metropolitan Export Initiative

[to follow behind this page]

Appendix J: General Plan Policies Which Support the Economic Development Strategy

HOUSING

Land Use Element: City Villages Strategy

LU-A.1.

Designate a hierarchy of village sites for citywide implementation.

a. Affirm the position of Downtown San Diego as the regional hub by maintaining and enhancing its role as the major business center in the region and encouraging is continued development as a major urban residential center with the largest concentration of high-density multi-family housing in the region.
b. Encourage furtherintensification of employment uses throughout Subregional Employment Districts. Where appropriate, consider collocating medium-to high- density residential uses with employment uses (see also Economic Prosperity Element).
c. Designate Neighborhood, Community, and Urban Village Centers, as appropriate, in community plans throughout the City, where consistent with public facilities adequacy and other goals of the General Plan.
d. Revitalize transit corridors through the application of plan designations and zoning that permits a higher intensity of mixed-use development. Include some combination of: residual above commercial development, employment users, commercial users, and higher density- residential development.

LU-A.2

Identify sites suitable for mixed-use village development that will complement the existing community fabric or help achieve desired community character, with input from recognized community planning groups and the general public.

LU-A.10

Design infill projects along corridors to enhance or maintain a “Main Street” character through attention to site and building design, land use mix, housing opportunities, and streetscape improvements.

Land Use Element: General Plan and Land Use Categories

LU-B.3

Plan for the deployment of mixed-use projects where a site or sited are developed in an integrated, compatible, and comprehensively planned manner involving two or more land uses.

Land Use Element: Community Planning

LU-C.2.

Prepare community plans to address aspects of development that are specific to the community, including: distribution and arrangement of land uses (both public and private); the local street and transit network; location, prioritization, and the provision of public facilities, community and site-specific urban design guidelines; urban design guidelines addressing the public realm; community and site-specific recommendations to preserve and enhance natural and cultural resources; and coastal resource policies (when within the Coastal Zone).

a. Apply land use designations at the parcel level to guide development within a community.
    1. Include a variety of residential densities, including mixed use, to increase the amount of housing types and sizes and provide affordable housing opportunities.
    2. Designate open space and evaluate publicly-owned land for future dedication and privately –owned lands for acquisition or protection through easements.
    3. Evaluate employment land and designate according to its role in the community and in the region.
    4. Designate land uses with careful consideration to hazard areas including areas affected by flooding and seismic risk as identifies by Figure CE-5 Flood Hazard Areas and Figure PH-9 Geo-technical and Relative risk areas.
b. Draft each community plan with achievable goals, and avoid creating a plan that is a “wish list” or a vague view of the future.
c. Provide plan policies and land use maps that are detailed enough to provide the foundation for fair and predictable land use planning.
d. Provide detailed, site-specific recommendations for village sites.
e. Recommend appropriate implementation mechanisms to efficiently implement General Plan and community plan recommendations
f. Establish a mobility network to effectively move workers and residents
g. Update the applicable public facilities financing plan to assure that public facility demands are adjusted to account for changes in future land use and for updates costs associates with new public facilities.

LU-C.3.

Maintain or increase the city’s supply of land designated for various residential densities as community plans are prepared, updated, or amended.

Land Use Element: Consistency

LU-F.3.

Create and apply incentive zoning measures to achieve the desires mix of land uses and public benefits

a. Continue to provide incentives to development proposals that contribute to the provision of affordable housing, environmental enhancement, urban design, and energy conservation, as well as those that provide public facilities and amenities over and above regulatory requirements.

b. Ensure that the granting of development incentives does not result in an adverse impact upon health, welfare, and safety of the surrounding community or upon any designated cultural and/or historic resource.
c. The provision of development incentives should be re-evaluated on a regular basis to be certain that the granting of incentives remains in proportion with the benefits derived.

Land Use Element: Balanced Communities and Equitable Development

LU-H.1.

Promote development of balanced communities that take into account community-wide involvement, participation, and needs

a. Plan village development with the involvement of a broad range of neighborhood, business, and recognized community planning groups and consideration of the needs of individual neighborhoods, available resources, and willing partners.
b. Invest strategically in public infrastructure and offer development incentives that are consistent with the neighborhoods vision.
c. Recognize the important role that schools play in neighborhood like and look for opportunities to form closer partnerships among local schools, residents, neighborhood groups, and the City with the goal of improving public education.
d. Ensure that the neighborhood development and redevelopment addresses the needs of older people, particularly those disadvantaged by age, disability, or poverty.
e. Provide affordable housing opportunities within the community to help offset the displacement of the existing population.
f. Provide a full range of senior housing from active adult to convalescent care in an environment conductive to the specific needs of the senior population.

LU-H.3.

Provide a variety of housing types and sizes with varying levels of affordability in the residential and village developments.

LU-H.7. Provide a variety of different types of land uses within community in order to offer opportunities for a diverse mix of uses and to help create a balance of land uses within a community (see also LU-A.7.)

Urban Design Element: Mixed-Use Villages

UD-C.1.

In villages and transit corridors identified in community plans, provide a mix of uses that create vibrant, active places in villages.

a. Encourage both vertical (stacked) and horizontal (side-by-side) mixed-use development.
b. Achieve a mix of housing types, by pursuing innovative designs to meet the needs of a broad range of households.

c. Encourage placement of active uses, such as retailers, restaurants, cultural facilities and amenities, and other various services, on the ground floor of buildings in areas where the greatest levels of pedestrian activity are sought.
d. Encourage the provision of approximately ten percent of a project's net site area as public space, with adjustments for smaller (less than ten acres) or constrained sites. Public space may be provided in the form of plazas, greens, gardens, pocket parks, amphitheaters, community meeting rooms, public facilities and services, and social services (see also UD-C.5 and UD-E.1).
    1. When public space is provided in the form of public parks in accordance with Recreation Element, Policy RE-A.9, and the public park space may be used to meet population-based park requirements.
    2. Where multiple property owners are involved in a village development, develop incentives or other mechanisms to help provide well-located public spaces.
e. Utilize existing or create new Land Development Code zone packages or other regulations as needed for mixed-use development.
    1. Provide standards that address the particular design issues related to mixed-use projects, such as parking, noise attenuation and security measures, and minimize negative impacts on the community.
    2. Provide standards that address bulk, mass, articulation, height, and transition issues such as the interface with surrounding or adjacent development and uses, and minimize negative impacts on the community.
f. Encourage location of mixed-use projects in transition areas and areas where small-scale commercial uses can fit into a residential neighborhood context.

INFASTRUCTURE

Economic Prosperity Element: Base Sector Industrial Uses

EP-A.1.
Protect base sector uses that provide quality job opportunities including middle-income jobs; provide for secondary employment and supporting uses; and maintain areas where smaller emerging industrial uses can locate in a multi-tenant setting. When updating community plans or considering plan amendments, the industrial land use designations contained in the Land Use and Community Planning Element should be appropriately applied to protect viable sites for base sector and related employment uses.

EP-A.2.

Encourage a broader geographic distribution of high technology businesses throughout the City.

EP-A.3.

Encourage large regional employers to locate and expand in the Regional Center or Subregional Employment Areas.

EP-A.4.

Include base sector uses appropriate to an office setting in Urban Village and Community Village Centers.

EP-A.5.

Consider the redesignation of non-industrial properties to industrial use where land use conflicts can be minimized. Evaluate the extent to which the proposed designation and subsequent industrial development would:

- Accommodate the expansion of existing industrial uses to facilitate their retention in the area in which they are located.
- Not intrude into existing residential neighborhoods or disrupt existing commercial activities and other uses.
- Mitigate any environmental impacts (traffic, noise, lighting, air pollution, and odor) to adjacent land.
- Be adequately served by existing and planned infrastructure.

Economic Prosperity Element: Non-Base Sector Employment Uses

EP-A.6.

Provide for the establishment or retention of non-base sector employment uses to serve base sector industries and community needs and encourage the development of small businesses. To the extent possible, consider locating these types of employment uses near housing. When updating community plans or considering plan amendments, land use designations contained in the Land Use and Community Planning Element should be appropriately applied to provide for non-base sector employment uses.

EP-A.7. Increase the allowable intensity of employment uses in Subregional Employment Areas and Urban Village Centers where transportation and transit infrastructure exist. The role of transit and other alternative modes of transportation on development project review are further specified in the Mobility Element, Policies ME-C.8 through ME-C.10.

EP-A.8.

Concentrate more intense office development in Subregional Employment Areas and in Urban Villages with transit access.

EP-A.9.

Efficiently utilize employment lands through increased intensity in “urban villages” and Subregional Employment Areas.

EP-A.10.

Locate compatible employment uses on infill industrial sites and establish incentives to support job growth in existing urban areas.

EP-A.11.

Encourage the provision of workforce housing within employment areas not identified as Prime Industrial Land that is compatible with wage structures associated with existing and forecasted employment.

Economic Prosperity Element: Prime Industrial Land

EP-A.12.

Protect Prime Industrial Land as shown on the Industrial and Prime Industrial Land Map, Figure EP-1. As community plans are updated, the applicability of the Prime Industrial Land Map will be revisited and changes considered.

a) Amend the boundaries of Figure EP-1 if community plan updates or community plan amendments lead to an addition of Prime Industrial Lands, or conversely, a conversion of Prime Industrial Land uses to other uses that would necessitate the removal of properties from the Prime Industrial Land identification.
b) Amend the boundaries of Figure EP-1 if community plan updates or community plan amendments/rezones lead to a collocation (the geographic integration of residential uses and other non-industrial uses into industrial uses located on the same premises) of uses.
c) Justification for a land use change must be supported by an evaluation of the prime industrial land criteria in Appendix C, EP-1, the collocation/conversion suitability factors in Appendix C, EP-2, and the potential contribution of the area to the local and regional economy.

EP-A.13.

In areas identified as Prime Industrial Land as shown on Figure EP-1, do not permit discretionary use permits for public assembly or sensitive receptor land uses.

Economic Prosperity Element: Other Industrial Land

EP-A.18. Amend the Public Facilities Financing Plan concurrently to identify needed facilities if residential uses are proposed in industrially designated areas.

Economic Prosperity Element: All Industrial Areas

EP-A.20.

Meet the following requirements in all industrial areas as a part of the discretionary review of projects involving residential, commercial, institutional, mixed-use, public assembly, or other sensitive receptor land uses:

- Analyze the Collocation/Conversion Suitability Factors in Appendix C, EP-2.
- Incorporate pedestrian design elements including pedestrian-oriented street and sidewalk connections to adjacent properties, activity centers, and transit.
- Require payment of the conversion/collocation project's fair share of community facilities required to serve the project (at the time of occupancy).

Public Facilities Element: Financing

PF-A.2.

Address current and future public facility needs by pursing, adopting, implementing and maintaining a diverse funding and management strategy.

a. Ensure effective management and optimal allocation of all financial resources for both capital and operational needs.
b. Maximize operational and capital effectiveness
c. Continue to develop, evaluate, and apply innovative public infrastructure and facility financing mechanisms and strategies. Employ a public infrastructure financing strategy that includes a variety of financing mechanisms such as:
    - Supporting state and local government fiscal reform efforts which provide an equitable redistribution of property tax proceeds or other revenues to the City from the State
    - Assuming an active leadership role in planning and implementing infrastructure investments on a collaborative regional basis and apportion, as applicable and appropriate, eligible infrastructure expenses to support regionally beneficial capital improvement projects;
    - Coordinating with all appropriate authorities and agencies for a more efficient use of shared recourses, and increased joint use of facilities and services;
    - Adopting new, or increase existing, CIP funding sources for needed public facilities and infrastructure;
    - Working in partnership with stakeholders to design a bond measure to address the City's unfunded needs for capital improvements projects to support development;
    - Adopting facilities, infrastructure, improvements and/or maintenance districts. And other special assessments for locally prioritized facilities and/or services;
    - Perusing Regional Comprehensive Plan and Smart Growth Incentive Program funding for transportation projects that have been prioritized consistent with Section B, Public Facilities and Services Prioritization, of this element;
    - Continue to use and seek a broad range of funding sources to finance public facilities and infrastructure;
    - Evaluating City real estate assets for opportunities to address public facility needs;
    - Partnering with other agencies and organizations to leverage public financing and resources with private funds and assets;
    - Utilizing development, reimbursement, and other agreements to provide timely public facilities to are of benefit;
    - Coordinating with redevelopment agencies to effectively utilize tax increment and other agency financing to leverage additional funds, initiate public and private investment, and address needs; and
    - Maximize the procurement of grants, endowments, and private donations for public facility and services needs.

PF-A.3.

Maintain an effective facilities financing program to ensure the impact of new development is mitigated through appropriate fees identified in PFFPs

PF-A.4.

Integrate all planning and development policies and strategies into the annual development of the CIP to ensure projects are programmed in a cost efficient manner.

a. Review all capital projects for consistency with adopted planning documents, including the General Plan, community plans, PFFP, and others.
b. Evaluate the fiscal impact and timing of needed capital improvements to minimize the burdern on

operations and maintenance budgets.

c. Conduct annual conformance audit reports of the CIP.

Public Facilities Element: Capital Programming and Financing

PF-B.2.

Coordinate the allocation of public resources for priorities across the City organization, to maximize operational and capital investment efficiencies.

PF-B.3.

Create an organization-wide method for identifying and ranking capital improvement projects for proposed inclusion in the annual CIP and to guide the City's applications fo regional, state, federal, or other funds.

Public Facilities Element: Evaluation of Growth, Facilities, and Services

PF-C.2.

Require a fiscal impact analysis to identify operations and maintenance costs with a community plan amendment proposal of potential fiscal significance.

PF-C.7.

Conduct periodic review of the fiscal impacts of private development throughout the City. This information will assist in land use and capital planning decisions by providing data regarding the amount, intensity, location, and timing of new development.

Public Facilities Element: Information Infrastructure

PF-L.1.

Incorporate appropriate information infrastructure requirements into all relevant local policies, ordinances, and plans.

PF-L.2.

Coordinate with all agencies and programmed project schedules to minimize disruptions to residents and public rights-of-way, and incorporate information infrastructure needs and opportunities.

PF-L.3.

Provide infrastructure to ensure seamless communications and universally available access to data for all internal and external groups.

PF-L.4.

Facilitate economic development citywide, with consideration of the City's status in the border region of Mexico, with adequate provision of an information infrastructure system.

PF-L.5.

Work with private telecommunication service providers to develop and maintain an integrate information infrastructure system.

PF-L.12

Monitor emerging technologies to develop and maintain an effective information infrastructure system and strategy citywide.

Public Facilities Element: Public Utilities

PF.M.2.

Coordinate with all public and private utilities to focus utility capital investments and design projects to help implement the City of Villages strategy.

PF-M.4.

Cooperatively plan for the design new or expanded public utilities and associated facilities (e.g., telecommunications infrastructure, planned energy generation facilities, gas compressor stations, gas transmission lines, electrical substations and other large scale gas electrical facilities) to maximize environmental and community benefits.

Public Facilities Element: Regional Facilities

PF-N.1.

Assume an active leadership role in planning and implementing regional facility and infrastructure investments through collaborative efforts.

PF-N.2.

Collaborate with public, private, and non-profit agencies to implement alternative investment policies and strategies that support growth in urban locations.

PF-N.3.

Encourage infrastructure investments in regional capital facilities that provide a positive economic impact and leverage for competitive advantages.

PF-N.5.

Adopt an equitable mechanism to secure fair-share contributions for both regional infrastructure and regional-serving public facilities within the City which benefit other agencies, organizations, and private parties in the region.

TRANSPORTATION

Mobility Element: Walkability

ME-A.5.

Provide adequate sidewalk widths and clear path of travel as determined by street classification, adjoining land uses, and expected pedestrian usage.

a. Minimize obstructions and barriers that inhibit pedestrian circulation.
b. Consider pedestrian impacts when designing the width and number of driveways within a street segment.

ME-A.6.

Work toward achieving a complete, functional and interconnected pedestrian network.

a. Ensure that pedestrian facilities such as sidewalks, trails, bridges, pedestrian-oriented and street lighting, ramps, stairways and other facilities are implemented as needed to support pedestrian circulation.

ME-A.8.

Encourage a mix of uses in villages, commercial centers, transit corridors, employment centers and other areas as identified in community plans so that it is possible for a greater number of short trips to be made by walking.

Urban Design Element: Pedestrian-Oriented Design

UD-C.4.

Create pedestrian-friendly village centers (see also Mobility Element, Sections A and C).

a. Respect pedestrian-orientation by creating entries directly to the street and active uses at street level.
b. Design or redesign buildings to include pedestrian-friendly entrances, outdoor dining areas, plazas, transparent windows, public art, and a variety of other elements to encourage pedestrian activity and interest at the ground floor level.
c. Orient buildings in village centers to commercial local streets, or to internal project drives that are designed to function like a public street, in order to create a pedestrian oriented shopping experience, including provision of on-street parking.
d. Provide pathways that offer direct connections from the street to building entrances.
e. Break up the exterior facades of large retail establishment structures into distinct building masses distinguished by offsetting planes, rooflines and overhangs or other means.
f. Where feasible, use small buildings in key locations to create a human scale environment in large retail centers. Incorporate separate individual main entrances directly leading to the outside from individual stores.

Mobility Element: Transit

ME-B.1.

Work closely with regional agencies and others to increase transit ridership and mode share through increased transit service accessibility, frequency, connectivity, and availability.

a. Develop an urban network of routes that operate with a base, mid-day service frequency of ten-minute intervals or better.
b. Provide transit routes that offer efficient connections between highly frequented origins and destinations.
c. Enhance overall transit customer experience through attention to safety, station areas, vehicles, seating, and other factors.

ME-B.2.

Support the provision of higher-frequency transit service and capital investments to benefit higher-density residential or mixed-use areas; higher-intensity employment areas and activity centers; and community plan-identified neighborhood, community, and urban villages; and transit-oriented development areas.

ME-B.3.

Design and locate transit stops/stations to provide convenient access to high activity/density areas, respect neighborhood and activity center character, implement community plan recommendations, enhance the users' personal experience of each neighborhood/center, and contain comfortable walk and wait environments for customers (see also Urban Design Element,

Policy UD-A.9).

ME-B.5.

Integrate the regional transit system with the intercity rail network.

ME-B.8.

Support efforts to use alternative fuels in transit vehicles to help implement air quality and energy conservation goals.

Mobility Element: Transit Supportive City Land Use Planning

ME-B.9.

Make transit planning an integral component of long range planning documents and the development review process.

a. Identify recommended transit routes and stops/stations as a part of the preparation of community plans and community plan amendments, and through the development review process.
b. Plan for transit-supportive villages, transit corridors, and other higher-intensity uses in areas that are served by existing or planned higher-quality transit services, in accordance with Land Use and

Community Planning Element, Sections A and C.

c. Proactively seek reservations or dedications of right-of-way along transit routes and stations through the planning and development review process.
d. Locate new public facilities that generate large numbers of person trips, such as libraries, community service centers, and some recreational facilities in areas with existing or planned transit access.
e. Design for walkability in accordance with the Urban Design Element, as pedestrian supportive design also helps create a transit supportive environment.
f. Address rail corridor safety in the design of development adjacent to or near railroad rights-of-way.

Mobility Element: Project Review Considerations

ME-C.9.

Implement best practices for multi-modal quality/level of service analysis guidelines to evaluate potential transportation improvements from a multi-modal perspective in order to determine optimal improvements that balance the needs of all users of the right of way.

ME-C.10

Provide transportation facilities to serve new growth in accordance with Policies MEK.4-K.6, and Public Facilities Element, Sections A-C of the General Plan.

Mobility Element: Intelligent Transportation Systems

ME-D.1.

Utilize the substantial regional Intelligent Transportation Systems (ITS) investments to achieve cost-effective improvements in transportation system performance and operations wherever possible.

ME-D.2.

Develop an ITS Plan for the City to facilitate effective implementation and operation of ITS in the City. The proposed ITS Plan should identify and prioritize specific short- and long-term ITS projects. Once identified, ITS projects should be strategically implemented as funding becomes incrementally available.

ME-D.6.

Support the use of technology to improve transit services through tracking vehicles, maintaining schedules, predicting demand, facilitating fare payment, and operating fleets more efficiently.

Mobility Element: Transportation and Demand Management

ME-E.1.

Support and implement TDM strategies including, but not limited to: alternative modes of transportation, alternative work schedules, and telework.

ME-E.2.

Maintain and enhance personal mobility options by supporting public and private transportation projects that will facilitate the implementation of Transportation Demand Management (TDM) strategies.

ME-E.3.

Emphasize the movement of people rather than vehicles.

ME-E.4.

Promote the most efficient use of the City's existing transportation network.

ME-E.5.

Support SANDAG's efforts to market TDM benefits to employers and identify strategies to reduce peak period employee commute trips.

ME-E.6.

Require new development to have site designs and on-site amenities that support alternative modes of transportation. Emphasize pedestrian and bicycle-friendly design, accessibility to transit, and provision of amenities that are supportive and conducive to implementing TDM strategies such as car sharing vehicles and parking spaces, bike lockers, preferred rideshare parking, showers and lockers, on-site food service, and child care, where appropriate.

ME-E.7.

Consider TDM programs with achievable trip reduction goals as partial mitigation for development project traffic and air quality impacts.

ME-E.8.

Monitor implementation of TDM programs to ensure effectiveness.

Mobility Element: Bicycling

ME-F.1.

Implement the Bicycle Master Plan, which identifies existing and future needs, and provides specific recommendations for facilities and programs over the next 20 years.

a. Update the plan periodically as required by Caltrans, in a manner consistent with General Plan goals and policies.
b. Coordinate with other local jurisdictions, SANDAG, schools, and community organizations to review and comment on bicycle issues of mutual concern.
c. Reference and refine the plan, as needed, in conjunction with community plan updates.
d. Improve connectivity of the multi-use trail network, for use by bicyclists and others as appropriate.

ME-F.2.

Identify and implement a network of bikeways that are feasible, fundable, and serve bicyclists' needs, especially for travel to employment centers, village centers, schools, commercial districts, transit stations, and institutions.

a. Develop a bikeway network that is continuous, closes gaps in the existing system, improves safety, and serves important destinations.
b. Implement bicycle facilities based on a priority program that considers existing deficiencies, safety, commuting needs, connectivity of routes, and community input.
c. Recognize that bicyclists use all City roadways.
d. Design future roadways to accommodate bicycle travel; and
e. Upgrade existing roadways to enhance bicycle travel, where feasible.

ME-F.3.

Maintain and improve the quality, operation, and integrity of the bikeway network and roadways regularly used by bicyclists.

ME-F.4.

Provide safe, convenient, and adequate short- and long-term bicycle parking facilities and other bicycle amenities for employment, retail, multifamily housing, schools and colleges, and transit facility uses.

a. Continue to require bicycle parking in commercial and multiple unit residential zones.

b. Provide bicycle facilities and amenities to help reduce the number of vehicle trips.

ME-F.5.

Increase the number of bicycle-transit trips by coordinating with transit agencies to provide safe routes to transit stops and stations, to provide secure bicycle parking facilities, and to accommodate bicycles on transit vehicles.

Mobility Element: Parking Management

ME-G.1.

Provide and manage parking so that it is reasonably available when and where it is needed.

a. Where parking deficiencies exist, prepare parking master plans to inventory existing parking (public and private), identify appropriate solutions, and plan needed improvements.
b. Implement strategies to address community parking problems using a mix of parking supply, management, and demand solutions, including but not limited to those described on Table ME-3, Parking Strategies Toolbox.
c. Optimize parking prices to reflect an equilibrium between supply and demand. Consider the positive and negative implications of parking pricing when developing solutions to parking problems.

ME-G.2.

Implement innovative and up-to-date parking regulations that address the vehicular and bicycle parking needs generated by development.

a. Adjust parking rates for development projects to take into consideration access to existing and funded transit with a base mid-day service frequencyof ten to fifteen minutes, affordable housing parking needs, shared parking opportunities for mixed-use development, provision of on-site car sharing vehicles and parking spaces and implementation of TDM plans.
b. Strive to reduce the amount of land devoted to parking through measures such as parking structures, shared parking, mixed-use developments, and managed public parking (see also ME-G.3), while still providing appropriate levels of parking.

ME-G.3.

Manage parking spaces in the public rights-of-way to meet public need and improve investment of parking management revenue to benefit areas with most significant parking impacts. a. Continue and expand the use of Community Parking Districts (CPD).

a. The CPDs can be formed by communities to implement plans and activities designed to alleviate parking impacts specific to the community's needs. The CPDs also improve the allocation and investment of parking management revenue by providing the Community Parking Districts with a portion of the revenue generated within their boundaries for the direct benefit of the district.
b. Implement parking management tools that optimize on-street parking turnover, where appropriate.
c. Judiciously limit or prohibit on street parking where needed to improve safety, or to implement multi-modal facilities such as bikeways, transit ways, and parkways.

ME-G.5

Implement parking strategies that are designed to help reduce the number and length of automobile trips. Reduced automobile trips would lessen traffic and air quality impacts, including greenhouse gas emissions (see also Conservation Element, Section A).

Mobility Element: Airports

ME-H.1.

Participate in the development and implementation of the San Diego International Airport Master Plan. The Master Plan addresses terminal conditions and capacity, vehicle parking capacity, multi-modal ground connections to terminal areas, and ground access needed to support the forecasted demand for passengers and cargo.

ME-H.2.

Participate in the development and implementation of long-range regional plans that address regional commercial air carrier capacity to accommodate forecasted air passenger and cargo demands and the integration of multi-modal ground connections to the regional aviation system.

ME-H.3.

Provide general aviation facilities at Montgomery Field and Brown Field in accordance with their respective airport master plans or layout plans, City regulations, and Federal Aviation Administration requirements.

a. Accommodate forecasted general aviation demand within the limitations of federal, state, and local funding, user fees, and environmental and regulatory constraints.

b. Seek federal and state funding assistance to develop, implement, and update Airport Master Plans, as needed, for Montgomery Field and Brown Field to support the forecasted demand for general aviation and public safety operations.

ME-H.4.

Support training and operation activities at military aviation installations that are essential for national defense and our local economy.

Mobility Element: Goods Movement/Freight

ME-J.1.

Support infrastructure improvements and use of emerging technologies that will facilitate the clearance, timely movement, and security of domestic and international trade, including facilities for the efficient intermodal transfer of goods between truck, rail, marine, and air transportation modes.

ME-J.2.

Preserve property for planned roadway and railroad rights-of-way, marine and air terminals, and other needed transportation facilities.

ME-J.3.

Support measures to alleviate on-street truck parking and staging and peak period truck usage on freeways. These measures may include, but are not limited to: designating off-street truck staging areas; shared used of park-and-ride lots; and shared use of other public and private parking lots where appropriate.

ME-J.4. Implement measures to minimize the impacts of truck traffic, deliveries, and staging in residential and mixed-use neighborhoods.

ME-J.6.

Support improvement of inter-regional freight service between San Diego and the rest of the continent.

ME-J.7.

Support preparation and implementation of plans, in cooperation with railroad operators and owners, for providing freight service to major industrial areas in San Diego.

ME-J.8.

Work with the San Diego Unified Port District, Caltrans, and SANDAG to capitalize on potential economic and mobility benefits, and identify and mitigate potential environmental and public health impacts of goods movement to the San Diego region

ME-J.9.

Support efforts that facilitate the efficient movement of goods across the U.S.- Mexico Boarder.

Mobility Element: Regional Coordination and Financing

ME-K.1.

Identify and prioritize transportation improvement projects for inclusion in the City of San Diego's annual Capital Improvements Program (CIP) and to guide the City's applications for regional, state or federal funds, in accordance with Public Facilities Element, Policy PF.B.3.

ME-K.2. Take a leadership role in efforts to increase transportation funding to benefit areas that have the strongest commitment to locating or maintaining higher densities/intensities in areas served by existing or planned transit.

ME-K.3. Work with SANDAG to increase the share of regional funding (over the 2030 RTP levels) allocated to pedestrian, bicycle, and transportation systems management projects. Provision of Transportation Facilities with Growth

ME-K.4.

Determine necessary transportation improvements to serve new development at the community plan level, and where necessary, at the project level.

ME-K.5. Require the dedication and/or improvement of transportation facilities in conjunction with the sub-division of land, negotiated development agreements, discretionary permits, and facilities financing plans.

ME-K.6.

Require development proposals to provide a mix of multi-modal transportation facilities, where needed, in accordance with the policies established in the Public Facilities Element, Section C.

Land Use Element: Transportation

LU-I.11

Implement the City of Villages concept for mixed-use, transit-oriented development as a way to minimize the need to drive by increasing opportunities for individuals to live near where they work, offering a conven-ient mix of local goods and services, and providing access to high quality transit services.

LU-H.6.

Provide linkages among employment sites, housing, and villages via an integrated transit system and a well-defined pedestrian and bicycle network.