

2015 ANNUAL PERFORMANCE REPORT

CITY OF ESCONDIDO
COMPREHENSIVE
ECONOMIC DEVELOPMENT
STRATEGY (CEDS)

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SECTION 1 - INTRODUCTION

The Escondido Comprehensive Economic Development Strategy (CEDS) Annual Performance Report for 2015 communicates Escondido's accomplishments in economic development in the past year and fulfills its obligation to annually report to the federal Economic Development Administration (EDA) on the City's implementation of its CEDS. The 2015 Annual Report will show that the City of Escondido has made continuing progress advancing several goals identified in the CEDS.

Approved by the EDA in February 2013, the CEDS was developed to set the City of Escondido's vision for economic development. The Escondido CEDS Implementation Plan outlines over 40 individual action items for the City of Escondido's economic development program. The CEDS Implementation Plan can be characterized in terms of three major categories of action items:

1. Expanding the City's organizational capacity to carry out economic development initiatives
2. Developing "core" economic development programs focused on creating jobs and expanding the City's tax base
3. Supporting activities that will serve to enhance the City's overall attractiveness to prospective businesses and their employees

The Annual Performance Report for 2015 also includes the current members of the CEDS committee, updated census information, a summary background, SWOT analysis, current status of the strategic direction/action plan, an evaluation framework and economic resilience.

For questions or additional information, please contact Joyce Masterson, Director of Economic Development and Community Relations at 760-839-4621 or jmasterson@escondido.org.

SECTION 2: SUMMARY BACKGROUND

This section includes a summary of the current economic conditions of Escondido and the North County region. The information contained in the section is excerpted from a report entitled 2016 North County Prospects prepared by BW Research on behalf of the San Diego North Economic Development Council and presented at the Second Annual North County Economic Summit on March 2, 2016 (See Appendix “A”).

Current Status of the North San Diego County Region

As an economic region San Diego’s North County (North County) has approximately 1.2 million residents and 470,000 jobs. The region has a larger population than eight states in the Country, including Vermont, Rhode Island and Alaska, along with more employment than five states including Delaware, Wyoming and South Dakota. North County hosts several innovative, export-oriented industry clusters, including Biotechnology & Biomedical devices, Clean Technology, Sports & Active Lifestyle, and Information & Communication Technologies (ICT) – all while being a net exporter of talent and high-skilled workers for employers in neighboring communities.

In 2015, North County’s economy continued to demonstrate strong growth, with approximately two and a half percent growth in employment resulting in an additional 11,000 jobs for the region and an unemployment rate below five percent (4.4%). Over the last six years (2010 to 2015), North County’s employment has grown faster than the rest of San Diego County, and has recovered stronger from the Great Recession than its neighbors to the north, including Orange and Riverside Counties. Not only have the number of jobs in North County grown, the quality of those jobs has improved. From 2010 to 2015, Tier 1 (higher paying, higher skill) occupations have grown faster in North County than their lower paying, lower skilled counterparts (Tier 2 and Tier 3 occupations) all while other region’s in California and across the country are experiencing more growth in Tier 3 (lower-skill, lower paying) occupations in comparison to Tier 1 positions.

North County’s key industry clusters remain a critical part of the region’s economic ecosystem, as clusters such as Clean Technology, Building & Design and Healthcare continue to see robust (over 18%) job growth from 2010 to 2015, while providing annual average wages of approximately \$60,000 or more. The region continues to experience increased demand for office space, for the third year in a row (2013, 2014 and 2015), as average rent per square feet and total office inventory continues to climb. These indicators point to a strengthening regional economy that is continuing to transition from a population-serving bedroom community economy to a more dynamic export-oriented industry base that will continue to focus on developing new products and services while producing and finding the talent to support that mission.

The research findings and regional indicators for North County illustrate several key findings, including:

- 1. In the last 36 months, North County has gone from a loose to a tight labor market.** In January of 2013, North County had an unemployment rate of almost eight percent (7.8%); in January of 2016 that number was almost cut in half to 4.4 percent. While this is generally construed as a positive indicator for job-seekers, it is low enough that it could become a problem for employers as they look for new talent and to hire new workers.
- 2. Aerospace & Defense, Pharmaceuticals & Breweries are driving growth in manufacturing employment in North County** – From 2010 to 2015 manufacturing employment has grown slightly faster in North County than the rest of San Diego County (13.3% vs. 12.3%) and considerably faster than California as a whole (13.3% vs. 2.9%). A large portion of that growth can be attributed to manufacturing employment in aerospace & defense, pharmaceuticals and breweries.
- 3. North County's recovery has not been consistent across all sub-regions** – Like the United States and California, geography matters in North County in the aftermath of the Great Recession. From 2007 to 2015, North Coast, North Central Coast and North Central Inland all experienced total employment growth of over two percent, while North Inland is still three percent below its overall employment figures in 2007. In the last 12 months, employment in NC Central Coast has flattened, while more growth was experienced in NC Coast and NC Central Inland.
- 4. Proportion of STEM degrees generated in North County is relatively low but has begun to improve over the last 12 months** – North County represents approximately three percent of California's population, and is home to high concentrations of businesses in ICT, Biotechnology & Biomedical Devices and Clean Technology. Two and 4-year STEM degrees produced in the region are below the state average but have increased both in total numbers and percentage in the last 12 months.

What we will be watching for in 2016

Based on an analysis of regional, statewide and national data, these are the key issues and questions we will be watching closely in 2016 as we examine the North County economy:

- 1. The change in North County's Industry Cluster Mix** – Industry clusters remain a growing and vital component in North County's economic ecosystem but they also can experience sizable changes and should be reevaluated as the regional economy changes. Biotechnology & Biomedical devices saw a considerable drop in employment in 2015 due to a decline in testing laboratories but also saw an increase in manufacturing related to pharmaceuticals, while industries related to

Aerospace & Defense² have seen a conservable uptick in employment over the last 12 to 36 months. Continued attention on the regional employment landscape could provide a catalyst for additional changes in the number and definitions of North County's industry clusters.

2. **Energy, water and uncertainty within the regional economy** – Every year, the uncertainty surrounding water and energy supply and pricing seems to grow. While the El Nino conditions have marginally improved the region's water supply, there are continued concerns that the region will face long-term water shortages which will also impact both energy supply and consumption. We will continue to track the impact water and energy availability and pricing has on the regional economy.
3. **What are the costs of an increasingly tight labor market** and what do employers and industries see as the biggest challenge to finding qualified applicants – the issue of talent or workforce scarcity seems far removed from both the great recession of eight years ago (and even current high levels of unemployment found in workers who are looking for jobs in industries such as retail and construction), but given the greying of the workforce and the low levels of unemployment overall and for specific industries this will likely become a larger issue in the near future.
4. **Housing costs to average wages and the ability to find housing for young working families** – North County continues to experience some of the highest housing costs to average wage ratios in the country. Almost half (48%) of all North County renting households spend more than 35% of their income on housing costs. In Santa Clara County, the middle of Silicon Valley and one of the more expensive housing regions in the nation, less than 40% (39%) of renting households spend more than 35% of their income on housing costs. The cost of housing and its relationship to average wages will likely have a growing impact on the region's economy.

SECTION 3: UPDATED CENSUS DATA

Source: US Census Bureau,
2013 & 2014 American Community Survey (ACS)

Source: US Census Bureau,
2010-2014 American Community Survey (ACS)

US

Unemployment	
2013	8.4%
2014	7.2%
24-Month Average	
	7.8%

Per Capita Income	
2013	\$28,184
2014	\$28,889
24-Month Average	
	\$28,537

San Diego County

Unemployment	
2013	9.0%
2014	7.5%
24-Month Average	
	8.2%

Per Capita Income	
2013	\$29,513
2014	\$30,441
24-Month Average	
	\$29,977

City of Escondido

Unemployment	
2013	9.5%
2014	6.0%
24-Month Average	
	7.8%

Per Capita Income	
2013	\$21,041
2014	\$22,246
24-Month Average	
	\$21,644

City of Escondido

Census Tract	Unemployment	Per Capita Income
201.03	10.2%	\$30,501
201.05	4.5%	\$21,466
201.06	5.2%	\$25,696
201.07	4.7%	\$23,096
201.08	7.2%	\$14,534
201.09	4.7%	\$19,531
202.02	10.4%	\$10,742
202.06	12.5%	\$14,061
202.07	8.2%	\$13,862
202.08	14.4%	\$17,050
202.09	11.1%	\$15,641
202.10	7.4%	\$17,236
202.11	8.4%	\$16,121
202.12		
202.13	10.1%	\$12,685
202.14	9.4%	\$9,543
203.02		
203.04	6.7%	\$30,741
203.05	7.4%	\$27,312
203.06	10.2%	\$26,800
203.07	11.8%	\$24,168
203.08	10.8%	\$19,556
203.09	7.6%	\$22,880
204.01	10.7%	\$48,680
204.03	10.6%	\$26,596
204.04	8.9%	\$36,610
204.05	6.5%	\$42,603
205	10.2%	\$20,050
206.01	7.4%	\$13,152
206.02	9.5%	\$19,640
207.05	6.8%	\$26,065
207.06	9.8%	\$44,390
207.07	11.9%	\$19,560
207.08	9.0%	\$31,787
207.09	7.8%	\$31,401
207.1	7.2%	\$58,646

SECTION 4 - SWOT ANALYSIS UPDATE

In addition to the in-depth SWOT analysis contained in Escondido's approved 2013 CEDS document (See Appendix "D"), the following are updated issues that will be watched closely in 2016:

Strengths:

Regional Collaboration - In an unprecedented level of collaboration, the Mayors, City Managers and Economic Development Staff of the five North County cities along the 78 Corridor (Carlsbad, Escondido, Oceanside, San Marcos and Vista) have been working collaboratively to promote a regional economy, by creating a vision and a brand for the North County region. Each city contributed \$21,000 to fund a regional branding initiative, "Innovate 78" that was developed by North Start Destination Strategies. The cities have contracted with the San Diego Regional Economic Development Corporation to assist in the strategy development and implementation of the regional economic development plan. Through the agreement, each city contributed equal funding (\$23,000 annually) to support a full-time position focused on the collaboration and an additional \$13,000 for brand implementation. San Diego Regional EDC established the point person in August of 2014 and presented a comprehensive strategy in November of 2014. The five cities and San Diego Regional EDC have now completed their first year of implementation of the "Innovate78" strategy. A new, two-year contract will begin between the five cities and the EDC in July 2016.

Craft Breweries - With about three dozen craft breweries and brewpubs along state Route 78, the "Hops Highway" is fueling an industry that pours about \$185 million into North County's economy according to a report commissioned by the San Diego North Economic Development Council. The study, done by National University System Institute for Policy research, found that, beyond the \$185 million in direct economic benefits, craft brewing had a \$272.3 million impact in North County last year when indirect and "induced impacts" were factored in — like brewery employees spending some of their paychecks at other businesses, which then grow or hire new workers as a result. Among the report's key findings: North County breweries and brewpubs employ about 850 workers, and local brews are sold at the region's highest-earning restaurants. (See Appendix "C")

Higher Education – In 2015 Escondido's first four-year university, John Paul the Great Catholic University, completed its second full year of operation at its location on Grand Avenue in downtown Escondido. This private university attracts students seeking degree programs in communications media, business, and theology and includes an in-house business incubator. The university recently acquired a property adjacent to its current location which, after improvements, will expand its student base by one third.

Construction – Currently there are 25 significant residential developments of 1,800 housing units, as well as upscale retail and commercial projects that are

being built or going through the development process, which are valued at almost \$1 billion dollars.

Opportunities:

Quality of life – The region’s great weather, access to beaches, mountains, parks or other related recreational and/or leisure activities connected to the craft beer/wine industries, are resources that play an important role in the region’s quality of life. We recognize the impact they have on the tourism and hospitality industry but forget their central role in attracting and retaining business decision makers and entrepreneurs who want to have their businesses located where they live and play.

Closure of Downtown Hospital - Palomar Medical Center, a three-year old, one billion dollar facility located in the Escondido Research and Technology Center, is an incredible asset to our city, providing cutting-edge, quality health care to the region. The former Palomar Hospital building in downtown Escondido will close this year, and all health care services will be consolidated at the new hospital. The closure of the downtown campus is a significant redevelopment opportunity for Escondido’s historic downtown.

New Employment Land – The General Plan update approved by voters in November 2012 rezoned 450 acres of land from residential to employment land. The Economic Development Task Force has identified 3 target areas best suited for Health care and Clean tech.

Threats:

Water availability, prices, regulations – Every year the impact of the drought in California seems to worsen. Agriculture, particularly in Escondido and the North Inland region, has already felt the sting of higher prices and reduced supply, and the dominoes will continue to fall if the drought continues and water supplies continue to decline.

Challenges:

Growing pains of a strengthening economy – While an improving employment picture and increasing demand for commercial and residential real estate are often considered valuable indicators of a strengthening economy, they also can create challenges related to housing affordability, traffic and congestion, and costs for small businesses.

Education/Workforce Development - As the regional population continues to age resulting in declining labor participation rates and the needs of employers continue to change and evolve, the loose labor market that characterized the years right after the Great Recession could quickly turn into a tight labor market. Employers in specific

industries already have indicated more and more difficulty finding qualified job applicants for key positions.

SECTION 5: CURRENT STATUS OF STRATEGIC DIRECTION/ACTION PLAN

Goal	Strategy: Opportunity or Challenge to be Addressed	Action Item	Status
<p>Consistently convey a message to the business/development community that the City of Escondido is “ready for business”; reinforce an attitude among City staff that economic development is a very high priority</p>	<p>1. <i>Expand City’s organizational capacity for economic development</i></p> <p>Currently Economic Development is the responsibility of the City Manager, Assistant City Manager, Assistant to the City Manager and a Management Analyst. This structure ensures the appropriate visibility and the highest levels of leadership needed to implement the City’s economic development initiatives, particularly business retention, expansion and attraction activities.</p> <p>To provide an initial point of contact for business persons who are unfamiliar with city rules and processes, “Ombudsman” or business advocacy services are provided by the Management Analyst position. However, greater awareness of this service needs to be developed.</p> <p>Special events can enhance the vitality, quality and economic prosperity of a community. To maximize the success of such events, the City Manager’s organizational structure should be</p>	<p>1a. Establish full time Special Event/Economic Development Coordinator position</p>	<p>Completed. Teresa Collins was hired as a Special Events/Economic Development Coordinator. In addition, Joyce Masterson was promoted to the position of Director of Economic Development and Community Relations.</p>
		<p>1b. Publicize Ombudsman services of Management Analyst</p>	<p>Completed. Notice placed on website & repeated in monthly enewsletter.</p>
		<p>1c. Convene Economic Development Task Force (City staff and selected local stakeholders) to overview selected action items (see also Item 4a)</p>	<p>Completed. Community members were: Gerald Bracht, Bill de la Fuente, Dave Ferguson, Eddie Grangetto, Terry Jackson, Jason Han, Dennis Snyder, George Weir, Jerry Van Leeuwen; City Staff: Michelle Geller, Clay Phillips, Joyce Masterson, Jay Petrek, Chris McKinney, and Julie Procopio. The Task Force met several times to review and approve target areas for development and Innovate 78 brand platform.</p>
		<p>1d. Establish volunteer corps of local Business Ambassadors to help promote Escondido (see also Action Item 5a)</p>	<p>Completed. The following individuals have agreed to serve as ambassadors on an as needed basis: Greg Koch, George Weir, Judy Jones-Cone and David</p>

Goal	Strategy: Opportunity or Challenge to be Addressed	Action Item	Status
	<p>1. <i>Expand City's organizational capacity for economic development (CONT)</i></p> <p>expanded to include a Special Events/Economic Development Coordinator. This person would plan, direct, and coordinate special events that take place on public property.</p>	<p>1e. Expand Mayor's business outreach program to include other Council members</p>	<p>Cohn.</p> <p>Completed/Ongoing. The City held its first "Business Walk" in partnership with the Chamber of Commerce in 2014. Two dozen volunteers, including council members, visited and surveyed over 50 businesses in one day. The Business Walk was held again in 2015 and will continue to be an annual event.</p>

Goal	Strategy: Opportunity or Challenge to be Addressed	Action Item	Status
		1f. Expand and refocus partnerships/alliances with private and regional organizations	<p>Ongoing. The Community Roundtable (formerly the inactive Coalition of Environmental Organizations) has been established with expanded membership. The Roundtable meets on a monthly basis.</p> <p>Participated in joint workshop with Urban Land Institute and SANDAG on 11-15-13 regarding infill development opportunities.</p> <p>In addition to contracting with the San Diego Regional Economic Development Corporation to carry out the work of the Innovate 78 brand initiative, the City also became official members of the EDC and continues to leverage the resources the regional organization provides.</p>

Goal	Strategy: Opportunity or Challenge to be Addressed	Action Item	Status
<p>Consistently convey a message to the business/development community that the City of Escondido is “ready for business”; reinforce an attitude among City staff that economic development is a very high priority</p>	<p>Action Item 1g will utilize the existing Economic Development (ED) Subcommittee as the initial structure for establishing protocols for the involvement of elected officials and business leaders in the City’s economic development initiatives. The ED Subcommittee consists of two City Council members appointed by the Mayor. The subcommittee meets on an as-needed basis to review all requests for processing under the City’s Business Enhancement Zone (BEZ), as well as other requests involving incentives or financial participation by the City to stimulate economic development. The subcommittee makes recommendations to the City Council for consideration at a public meeting.</p>	<p>1g. Establish clear protocols for the involvement of elected officials and business leaders in formal and informal support roles related to the City’s economic development initiatives, using the existing ED Subcommittee as the initial structure for this process</p>	<p>Ongoing. Restructured the ED subcommittee meetings with quarterly regular meetings supplemented by special meetings for review of expedited processing requests.</p>

Goal	Strategy: Opportunity or Challenge to be Addressed	Action Item	Status
<p>Create jobs / expand tax base</p>	<p>2. Leverage recent/ forthcoming development and investment to attract new business and visitors to the City</p>	<p>2a . Coordinate with Palomar Health to identify specific opportunities to attract new support businesses related to development of Palomar Medical Center West</p>	<p>Ongoing. A 144,000 sq. ft. development involving two medical office buildings is proposed on the west side of Citracado Parkway across from Palomar Medical Center located at 2097 – 2175 Citracado Parkway. Building plans have been submitted for plan check.</p>
		<p>2b. Coordinate with Westfield Group to identify specific opportunities to link Westfield North County mall expansion/renovation to City’s marketing, retail tenant recruitment and tourism promotion activities</p>	<p>Completed/Ongoing. Visitors Bureau is promoting events/opportunities at Westfield. A new digital billboard at Westfield along I-15 has been completed and provides opportunity for additional recruitment and promotion. The City approved new amenities to be added to the mall including an upscale movie multi-screen movie complex and a fitness center.</p>
		<p>2c. Coordinate with Stone Brewing Co. to identify specific opportunities to link the brewery expansion and related hotel development proposal to City initiatives to promote the Specialty Food/Beverage and Culture/Entertainment/ Tourism industries</p>	<p>Stone Brewing has recently revived their plans to build a boutique hotel near their Escondido headquarters, and City staff continues to work closely with the company to leverage its internationally recognized brand. This year, Stone Brewing, headquartered in Escondido, will open new breweries in both Richmond, Virginia and Berlin, Germany.</p>

Goal	Strategy: Opportunity or Challenge to be Addressed	Action Item	Status
		<p>2d. Incorporate information about development and investment initiatives, both public and private, into marketing materials and campaigns for the City</p>	<p>Completed. An Escondido marketing brochure is updated annually and presented at the State of the City Address. It is also posted on the City Web site and distributed at business visits and other applicable events.</p> <p>Additionally, an interactive map of target development areas in Escondido has been posted on the City's business Web page.</p>

Goal	Strategy: Opportunity or Challenge to be Addressed	Action Item	Status
<p>Create jobs / expand tax base</p>	<p>3. Continue efforts to develop reclaimed water for agriculture.</p> <p>This strategy has the potential to significantly reduce mandated wastewater treatment costs, while simultaneously preserving and expanding agricultural jobs, within an already established Escondido cluster and one which is closely tied to the City's image and basic amenities.</p> <p>Support development of the wine and craft beer industries in the Escondido area.</p> <p>This strategy has potential connections to three of the target industry clusters:</p> <ul style="list-style-type: none"> • Culture, Entertainment & Tourism • Specialty Foods and Beverages • Agribusiness and Ag-Tech <p>The intent of the indicated Action Items is for the City to serve in a facilitation role rather than a direct financial investment role. The City can support this industry with land use policies that reduce barriers to and incentivize private investment.</p>	<p>3a. Establish public/private Task Force to serve as an advocacy/advisory group, a clearinghouse for information related to this issue</p>	<p>Completed/Ongoing. The City has engaged with the Escondido Growers for Agricultural Preservation (EGAP) and meets with them on a quarterly basis to discuss water and wastewater issues, including reclaimed water. In April 2014 the City Council endorsed a plan to spend an estimated \$258 million over the next 15 years on infrastructure that will allow the city to transform its sewage for irrigation use. Construction is underway on the City's Recycled Water Easterly Main Extension Project which will deliver reclaimed water to eastern Escondido.</p>
		<p>3b. Facilitate the investigation of the feasibility of developing an Alternating Proprietorship (AP) Facility, to support wine production in San Diego County</p>	<p>Completed. Conducted meeting with local wine industry leaders which revealed little need or support for such a facility.</p>
		<p>3c. Continue efforts to attract private investors to investigate the feasibility of and develop a multi-room wine tasting facility (in Downtown Escondido). This facility could include a crush pad for winemaking as an ancillary (and non-essential, at this location) use.</p>	<p>Ongoing. The City continues to support the growth of its wine industry, including holding an annual wine tasting event in Downtown Escondido. A new wine tasting room, Sip, will soon open in Downtown Escondido, having benefitted from the City's</p>

			<p>changing its municipal code to allow tasting rooms Downtown by right. Escondido is now home to more than 15 wineries, with more in the pipeline.</p>
		<p>3d. Pursue efforts to attract private investors to investigate the feasibility of and develop a multi-room craft beer tasting facility (in Downtown Escondido)</p>	<p>Ongoing. The City continues to support the growth of its craft beer industry. In 2014, standard regulations were developed to provide certainty for new breweries with regard to wastewater fees. Additionally, craft beer tasting rooms could benefit from the municipal code revision that also applies to wine tasting rooms. At least one new brewery is in the pipeline.</p>

		<p>3e. Integrate all wine and craft beer industry development strategies with tourism, identity and image for the City, and overall support for and marketing of the Food and Beverage cluster</p>	<p>Completed/ Ongoing. City Staff participated in San Diego Beer Tourism Summit hosted by Stone Brewing Company and actively promotes “San Diego Beer Week” and craft breweries through City’s “Visit Escondido” Tourism site, articles and social media.</p> <p>The Innovate 78 brand includes promotion of the 78 corridor cities’ tremendous number of breweries (Vista, a city in the collaborative, has more craft breweries per capita than any other city in the nation).</p>
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Goal	Strategy: Opportunity or Challenge to be Addressed	Action Item	Status
<p>Create jobs / expand tax base</p>	<p>4. Implement target industry marketing program to attract new firms in high-priority clusters</p> <p>The intent of this Strategy (along with Strategy 6) is to commit resources to a comprehensive marketing initiative (including both general identify/image and industry-specific components) <u>led by a professional marketing firm.</u></p> <p>Based on the CEDS research and stakeholder input processes, the top-five priority clusters for attraction are:</p> <ul style="list-style-type: none"> • Cleantech • Hospitals and Healthcare • Culture, Entertainment & Tourism • Education & Knowledge Creation • Specialty Foods and Beverages <p>This list should be further refined and prioritized by the Economic Development Task Force to establish an initial set of “focus targets.”</p> <p>Recommended “focus targets” include “showcase” clusters of Cleantech, and Hospitals and Healthcare, plus other target clusters that offer the potential for leveraging other strategic interests: Specialty Foods and Beverages, and the related strategy of supporting the agriculture, wine and tourism industries.</p> <p>The selected “focus targets” should also reflect the industry screening process conducted for this CEDS, land availability, economic development institutional capabilities that currently exist in or to be initiated as part of the Action Plan, and budgetary considerations.</p>	<p>4a. Convene Economic Development Task Force to identify specific industry attraction targets and goals for 2-year and 5-year horizons</p>	<p>Completed. Task Force has identified target areas for development, which include Downtown, the Escondido Research and Technology Center and the South Escondido Boulevard business corridor.</p>
		<p>4b. Develop industry-specific marketing materials and campaigns for the initial “focus targets” identified by the EDTF, in conjunction with City’s identity and image enhancement program (Strategy 6 below)</p>	<p>Completed/Ongoing. Materials have been developed in conjunction with the 78 Corridor Collaboration branding, “Innovate 78”.</p> <p>An interactive online map has been included on the City’s Web site showing details about our target development areas.</p>

Goal	Strategy: Opportunity or Challenge to be Addressed	Action Item	Status
<p>Create jobs / expand tax base</p>	<p>5. Enhance outreach and marketing for economic development, through a set of coordinated channels</p> <p>The intent of this strategy is to enhance and supplement the professional marketing program (as outlined in Strategies 4 and 6) through support roles of elected officials and community stakeholders.</p> <p>This activity should be coordinated through the Economic Development Task Force and the strategy to establish dedicated economic development staff within the City. Current informal practices for this function, which now occur through the Mayor’s office, for example, should be considered in conjunction with more formalized, structured procedures, such as business retention surveys widely in use in the economic development profession.</p> <p>Consistent with Action Item 1g, it is critical that the involvement of City Council members and local business leaders is subject to a set of consistent protocols and otherwise coordinated with the City’s newly established economic development staff.</p>	<p>5a. Establish “Business Ambassadors” program to utilize high-profile Escondido business persons as advocates in marketing effort</p>	<p>Completed. Members are: Greg Koch, George Weir, Judy Jones-Cone and David Cohn</p>
		<p>5b. Investigate implementation of formal business retention survey process, as part of the work plan for newly- established economic development staff</p>	<p>Completed. As an alternative to a costly survey, the Economic Development Division, in conjunction with the Chamber of Commerce, now conducts an “Annual Business Walk” every September . Working in teams of two, volunteers survey over 50 businesses. The data from those surveys has been entered in a database and compiled into a report made available on the city’s website. Business walks were held in September 2014 and 2015.</p>

Goal	Strategy: Opportunity or Challenge to be Addressed	Action Item	Status
<p>Create jobs / expand tax base</p>	<p>6. Implement an identity/image enhancement program</p> <p>This strategy and Strategy 4 above are intended to be related components of a comprehensive marketing initiative <u>led by a professional marketing firm.</u></p> <p>The following considerations should be included in defining the process for implementing an identity/image enhancement strategy:¹¹</p> <ul style="list-style-type: none"> The identity/image enhancement process should evolve from and be based on the “business model” of the relevant organization. That is, the business model, by being based on what is feasible, help establish the universe in which the identity/image will serve its marketing purposes. In Escondido's case, the organizational business model for purposes of this discussion is assumed to be that developed for the economic development function to be established within the City. Of course, the identity/image could relate to other aspects of the City as well, but it will probably be most meaningful if firmly anchored to the primary function in which it will be used. 	<p>6a. Convene initial working group meeting to:</p> <ul style="list-style-type: none"> Consider the timing, preceding steps etc. of this effort Review past/recent efforts relevant to this process Define preliminary scope of a coordinated, citywide identity/image enhancement initiative Document key themes/ concepts to be included in refined identity for the community Identify leadership and organizational participation for initiative 	<p>Completed. The five 78 Corridor cities(Carlsbad, Escondido, Oceanside, San Marcos and Vista) decided to collaborate to bring prosperity to the entire region. A group composed of the Mayors, City Managers and Economic Development Staff members met as the initial working group. It was determined that the first step in the process was to develop branding, images, messaging and planning necessary to enact a regional economic development program. An RFP was conducted in late 2012 to solicit marketing services. The five cities selected North Star Destination Strategies to lead the branding effort. Each city contributed \$21,000 to compensate the consultant. North Star met with the staff and mayors of the five cities, as well as businesses and other stakeholder groups to research the area and develop and understanding of the region. In 2013 the cities formalized their relationship and support for one another through a Memorandum of Understanding. The five cities have contracted with the San Diego Regional Economic Development Corporation since 2014 to carry out the work of the branding initiative. A new contract with the</p>

			EDC will be formalized in May 2016.
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Goal	Strategy: Opportunity or Challenge to be Addressed	Action Item	Status
<p>Create jobs / expand tax base</p>	<p>6. <i>Implement an identity/image enhancement program (CONT.)</i></p> <p>In keeping with the preceding point, a marketing plan will be developed as part of the organizational business plan (in this case for the economic development function/industry targeting function, which is distinct from other types of marketing such as tourism promotion). Marketing materials based on the plan will in turn be tied to some subset of all the target clusters identified in the strategic plan. Most likely, separate marketing packages will need to be prepared for each target cluster, even if these initial targets are complementary with one another. Production of these marketing materials will precede and thereby inform the identity/image enhancement process. The identity/image enhancement approach could also be influenced by the successes or lack of success in expanding employment within the initial target clusters. Most likely, separate marketing packages will need to be prepared for each target cluster, even if these initial targets are complementary with one another. Production of these marketing materials will precede and thereby inform the identity/image enhancement process. The identity/image enhancement approach could also be influenced by the successes or lack of success in expanding employment within the initial target clusters.</p>	<p>6b. Investigate options (and related costs) for retaining professional creative talent, identify funding resources, and secure budget commitments from participating organizations</p>	<p>Completed. In an unprecedented level of collaboration, the Mayors, City Managers and Economic Development Staff of the 5 North County cities along the 78 Corridor (Carlsbad, Escondido, Oceanside, San Marcos and Vista) have been working collaboratively to promote a regional economy, by creating a vision and a brand for the North County region. Each city contributed \$21,000 to fund a regional branding initiative, "Innovate 78" that was developed by North Start Destination Strategies. The cities have contracted with the San Diego Regional Economic Development Corporation to assist in the strategy development and implementation of the regional economic development plan. Through the agreement, each city contributed equal funding (\$23,000 annually) to support a full-time position focused on the collaboration. San Diego Regional EDC established the point person in August of 2014 and presented a comprehensive strategy in November of 2014. The five cities and San Diego Regional EDC are now in the implementation phase, bringing the five cities together to directly support and evolve program items. Implementation began in April 2015.</p>

Goal	Strategy: Opportunity or Challenge to be Addressed	Action Item	Status
<p>Create jobs / expand tax base</p>	<p>7. Continue/intensify efforts to revitalize key subareas of the City</p> <p>This Strategy is intended to dovetail with the recently approved General Plan update and the forthcoming approval of the Downtown Specific Plan update. Whereas these Plan updates address land use policies, the intent of the CEDS Action Item is to ensure full integration of the land use plans with other City policies/resources that may be focused on the revitalization of these areas. These policies should, in turn, be effectively integrated with the marketing and business attraction activities included in the CEDS. For example, marketing materials should highlight relevant development opportunities created by the Downtown Specific Plan as they specifically relate to relevant target industries.</p> <p>The CEDS Committee has identified the following areas as priorities for revitalization:</p> <ul style="list-style-type: none"> • Proposed Business Park Plan Area, top priority • Downtown, second priority <p>Because the revitalization priorities are identified as part of the CEDS process involve two program areas that are contiguous, revitalization efforts can be especially closely coordinated for these two areas.</p>	<p>7a. Prepare detailed implementation plan for the revitalization process and priority revitalization areas</p>	<p>In progress. The Downtown Specific Plan update was adopted by City Council on 8-27-13.</p> <p>City staff participated in joint workshop with ULI and SANDAG in November 2013 providing information regarding infill development opportunities.</p> <p>The City Council authorized a Needs Assessment Study to determine the cost to relocate the Public Works Yard in order to site a business park there. It was determined that the cost to acquire approx. 18 acres of land, along with design and construction costs would cost approximately \$60 million. The Council directed staff to market the western portion of the public works yard and received offers only in the range of \$7-8 million dollars. At Council direction the property is no longer being marketed and plans to sell the yard are on hold.</p>

Goal	Strategy: Opportunity or Challenge to be Addressed	Action Item	Status
<p>Create jobs / expand tax base</p>	<p>7. <i>Continue/intensify efforts to revitalize key subareas of the City (CONT)</i></p> <p>The revitalization plan must reflect the fact that: a) revitalization priorities need to be matched with industry cluster targeting and the kinds of specific users that are anticipated as a result of the targeting efforts, b) varying levels of effort can produce different levels of results in different areas, so the cost-effectiveness of revitalization efforts become another factor in the detailed prioritization of areas and processes, c) revitalization efforts affect the overall image of the community as well as enhance business activity, and finally d) that the potential for synergistic relationships among targeted revitalization areas must be recognized as part of the overall prioritization process.</p> <p>The prioritization of the business park area revitalization over downtown in this document does not constitute a current policy shift (i.e. superseding the CIP) but that it can guide future policy direction, and is based on comments from the CEDS Committee and synthesis by the CEDS consultant team.</p>		

Goal	Strategy: Opportunity or Challenge to be Addressed	Action Item	Status
<p>Create jobs / expand tax base</p>	<p>8. Ensure that City's development/permit processing is timely and business friendly</p>	<p>8a. Deferment of impact fee collection until a Certificate of Occupancy is issued – by right rather than at City's discretion</p>	<p>Completed. A revised fee deferral policy was approved by Council in June 2012. http://www.escondido.org/fee-deferral-policy.aspx)</p>
		<p>8b. Partner with Building Industry Association (BIA) to implement pilot program for development- processing improvements</p> <p>Possible pilot programs include:</p> <ul style="list-style-type: none"> Utilize BIA experience and expertise to refocus and refine City's longstanding usage of 3rd party plan check and inspection services, recognizing the City's existing agreement with ESGIL. Raising the project-size threshold for triggering CEQA requirements, subject to City's discretionary authority. Identifying specific policies necessary to encourage development of targeted, specialized business activities (e.g., water/wastewater requirements of microbreweries). 	<p>In progress. Revised Environmental Quality Regulations (EQRs) and Climate Action Plan (CAP) and associated Screening Tables adopted on 12-4-13.</p> <p>New California Building Codes and Fire Codes adopted 12-4-13, effective 1-1-14.</p> <p>Raised the thresholds for the size of a project requiring a traffic study and for what constitutes a significant traffic impact.</p> <p>Implemented tiered wastewater fee system for to make it easier for wine/beer makers to operate in Escondido.</p>

Goal	Strategy: Opportunity or Challenge to be Addressed	Action Item	Status
<p>Create jobs / expand tax base</p>	<p>8. Ensure that City’s development/permit processing is timely and business friendly (CONT)</p>	<p>8c. Formalize City “Red Team” to ensure timely development processing, building on the structure of the existing interdepartmental team The “Red Team” will consist of an interdepartmental team, already in place, which reviews projects and shepherds them through the development process. (See Item J in Section C.1 above for additional information.)</p>	<p>Completed. Staff Development Committee (SDC) expanded to include storm water staff. SDC meets on a weekly basis to review new developments and improve interdepartmental coordination.</p> <p>In addition, the cities of Carlsbad, Escondido, Oceanside, San Marcos and Vista have been working together to clarify development standards across the five cities of Innovate 78.</p>
		<p>8d. Improve utilization of City’s systems for tracking permit processing times (so that available databases can be fully integrated with Action Items 8a and 8b above)</p>	<p>Ongoing. Trakit system has been upgraded and used by all SDC staff.</p>

Goal	Strategy: Opportunity or Challenge to be Addressed	Action Item	Status
<p>Create jobs / expand tax base</p>	<p>9. <i>Expand promotion of Escondido as destination for tourism</i></p> <p>Within the context of this Action Plan, organizations that promote tourism in Escondido, such as the Convention and Visitors Bureau (CVB), can coordinate their marketing and business development efforts with other target industry cluster activities outlined in this Action Plan. This coordination should be two-way, in the sense that enhancement of tourism facilities also improves the attractiveness of the community for employers and employees, in the form of quality-of-life attributes. In the same sense, revitalization efforts can both encourage development of tourism facilities and increase the attractiveness</p>	<p>9a. Coordinate with CVB (a recommended participant in the Strategy 4/Strategy 6 marketing initiatives) to develop tourism component of overall marketing program</p>	<p>Completed. Brought the Visitors Bureau under City control and hired Katherine Zimmer as Tourism and Marketing Administrator of "Visit Escondido". VisitEscondido.com website receives 9 thousands visits every month. It promotes over 800 annual events, and successfully produces North County's only restaurant week, "Dine Out Escondido!"</p>
		<p>9b. Inventory and profile all community "assets" that should be positioned as destinations/visitor amenities in tourism marketing plan</p>	<p>Completed. Visit Escondido staff have done so and all are listed on www.visitescondido.com</p>

	<p>of the community for visitors.</p> <p>Note: Implementation of the action items related to this strategy is subject to near-term resolution of the status and role of the CVB. While the City has allocated funds in the FY 2012-2013 budget to fund the Chamber of Commerce CVB function, the Chamber does not currently have someone filling the role of CVB manager.</p>	<p>9c. Focus on marketing existing Escondido-area recreational tourism facilities that have a large geographic draw, including Escondido's Sports Center (soccer fields), Daley Ranch, Dixon Lake, etc. The purpose is to ensure effective tourism promotion of all tourism-oriented amenities in Escondido, thereby increasing the potential for tourists to visit multiple destinations within the City.</p>	<p>Completed. "Visit Escondido" regularly promotes all recreational opportunities including sports tournaments, public art, restaurants, etc.</p>
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Goal	Strategy: Opportunity or Challenge to be Addressed	Action Item	Status
<p>Create jobs / expand tax base</p>	<p>10. Expand special events to attract visitors/shoppers to City</p> <p>This strategy will be coordinated closely with the strategy for expanding the promotion of Escondido as a destination for tourism.</p>	<p>10a. Inventory all existing special events and compile data on visitation, including origins of visitors, utilization of visitor facilities during events, and similar details</p>	<p>Completed and Ongoing.</p> <p>Special Events/Visitor Information for 2015:</p> <ul style="list-style-type: none"> a. Over 771 walk-in guests visited the Visit Escondido storefront representing 39 states and 11 countries. b. Sports Tournaments: 66 tournaments (soccer & softball), 23,800 estimated families visited. c. Special Events: There were 42 Special Events (not including the 27 nights of Cruisin' Grand); over 80% of these events were sponsored by local, Escondido-based organizations.
		<p>10b. Devise a method by which to systematically compile such information</p>	<p>Completed and ongoing. We will continue to use our Year-End reports to compile this data, making note of any new substantial events.</p>
	<p>11. Coordinate with other North County cities on business attraction efforts</p> <p>This activity will generally be reserved for unique situations in which such coordination is beneficial to the North County region.</p>	<p>11a. Review all existing regional coordination efforts and make recommendations as to the circumstances under which such coordination would be appropriate</p>	<p>Completed/Ongoing. The 5 "Innovate 78" cities are collaborating on business attraction and each contributed \$21,000 to fund a regional branding initiative that currently is being developed.</p>

	<p>12. Identify options for integrating City economic development efforts with regional economic development organizations</p> <p>This strategy recognizes that there are appropriate hierarchical relationships for certain economic development functions, such as marketing to certain clusters and processing leads from such marketing. The intent of this strategy is to find a balance between regional cooperation and independence, in economic development</p>	<p>12a. Establish criteria for and evaluate existing and new economic development initiatives in terms of potential applicability to this strategy</p>	<p>The 5 “Innovate 78” cities have contracted with the San Diego Regional Economic Development Corporation to assist in the strategy development and implementation of the regional economic development plan. Through the agreement, each city contributes equal funding (\$23,000 annually) to support a full-time position focused on the collaboration.</p>
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Goal	Strategy: Opportunity or Challenge to be Addressed	Action Item	Status
<p>Improve residential quality of life</p>	<p>13. Improve utilization of California Center for the Arts</p> <p>According to material presented at the Center's March 4, 2012, annual "Center Dialogues" sessions, the center is working on both balancing its budget and attempting to expand its programming. The intent of this strategy is to accomplish multiple objectives of: improving the City's return on investment, adding to residents' quality of life, and leveraging business attraction.</p>	<p>13a. Coordinate CEDS marketing initiatives with existing Center for the Arts Subcommittee</p>	<p>Completed/Ongoing. Jay Petrek, Assistant City Manager, is now the designated liaison with the California Center for the Arts, Escondido. The Center is featured in the City's marketing brochure and video and continually promoted through "Visit Escondido" website.</p>

Goal	Strategy: Opportunity or Challenge to be Addressed	Action Item	Status
<p>Improve residential quality of life</p>	<p>14. Expand housing options for higher-income residents</p> <p>Policies and land use designations in the General Plan provide for a broad range of housing opportunities. High-end housing is often associated with large-lot development typically located outside of the urban core in the rural areas at the perimeter and outskirts of the City. This includes developed properties on large lots in the unincorporated area as well as development opportunities on vacant, underdeveloped and agricultural.</p>	<p>14a. Undertake a thorough review of community plans, redevelopment/revitalization plans, zoning, development regulations, etc. and identify conditions that both encourage and discourage the development of this type of housing</p>	<p>Completed/Ongoing. The City created the “Working Together to Get to Yes” program that incorporates elements of evaluation, communication and modification to incorporate flexibility, streamlining and facilitation in the review, processing and development of all public and private projects.</p>
		<p>14b. Following the City review, prepare a market assessment that examines issues of supply and demand, for both higher - end housing and suitable (and suitably priced) land, the competitive environment surrounding Escondido for this type of product, and similar considerations</p>	
		<p>14c. Explore annexation of unincorporated county land that could increase high-end housing development opportunities</p>	<p>In progress. Annexations have been initiated for two new residential properties totaling 86 proposed high-end homes.</p>

Goal	Strategy: Opportunity or Challenge to be Addressed	Action Item	Status
<p>Improve residential quality of life</p>	<p><i>15. Expand athletic / recreational / environmental amenities, consistent with and in coordination with the relevant policies from the recently updated General Plan</i></p>	<p>15a. Undertake a thorough review of both the existing stock of parks and recreation facilities and those included within its updated General Plan, Community Health Services element, and assess the extent to which existing and future facilities meet the standards outlined in the General Plan Update. The assessment can address costs, revenue sources, and, either in general or in detail, the value added to parts of the community where these facilities exist or will be developed.</p>	
		<p>15b. Incorporate into the assessment of current and future facilities, as outlined above, consideration of the Community Health and Services element of the General Plan, which addresses the concept of incorporating open space and recreational facilities provided by schools and the private sector into the overall system of parks and recreational facilities</p>	

Goal	Strategy: Opportunity or Challenge to be Addressed	Action Item	Status
<p>Improve residential quality of life</p>	<p><i>15. Expand athletic / recreational / environmental amenities, consistent with and in coordination with the relevant policies from the recently updated General Plan (CONT)</i></p>	<p>15c. Review recommendations in The Escondido Creek Trail Master Plan Report (January 10, 2012) and incorporate to the extent feasible into the overall assessment of parks, open space and recreational facilities described above. The Trail Master Plan incorporates strategies to help encourage safe and healthy lifestyles, addressing safety and security, heritage, and discovery as well as recreational facility development</p>	<p>In progress. Implementation of the Escondido Creek Master Plan has begun now that \$1.3 million in grant funding has been secured to build the missing link portion of the trail that connects the Transit Station with the trail at Broadway. In addition, the Police Department selected east Escondido, including the Escondido Creek Trail, as its second Neighborhood Transformation Project (NTP) area. Beginning in January 2015 and going until June 2016, the Police Department will work closely with Neighborhood Services, Public Works, Code Enforcement and many other city departments, as well as community and faith based partners, to further the goal of environmental change, one neighborhood at a time.</p>
		<p>15d. Investigate options for funding new recreational facilities in the City, including potential public/private partnerships for facility development</p>	<p>Completed/In progress. City now leases property to the El Caballo Park Conservancy group which is has received a grant to develop playground equipment at the future park site in north eastern Escondido.</p>

Goal	Strategy: Opportunity or Challenge to be Addressed	Action Item	Status
<p>Improve employment opportunities of Escondido residents</p>	<p>16. Focus existing relationships with primary / secondary schools on workforce development, with specific focus on improving high school graduation rates</p>	<p>16a. Establish an Educational Task Force</p>	
		<p>16b. Draft an Educational Enhancement operational plan, specifically focused for this strategy on primary and secondary schools, but eventually addressing higher education within the City. The plan will be developed and continually refined in concert with educators, school administrators, and other stakeholders.</p>	
		<p>16c. Establish, as appropriate, and monitor ongoing collaborative efforts such as STEM (Science, Technology, Engineering, and Mathematics) programs and the like</p>	
	<p>17. Expand job training capacity in Escondido</p>	<p>17a. Review findings of Educational Enhancement operational plan and propose supplemental programs to address any identified training/job- readiness gaps</p>	

SECTION 6 - PERFORMANCE MEASURES

The 2013 Escondido CEDS includes performance measures to enable the CEDS Committee to track progress in the region and to assess the effectiveness of 2013 Escondido CEDS. In this section, some of those performance measures have been applied to track the progress being made so far.

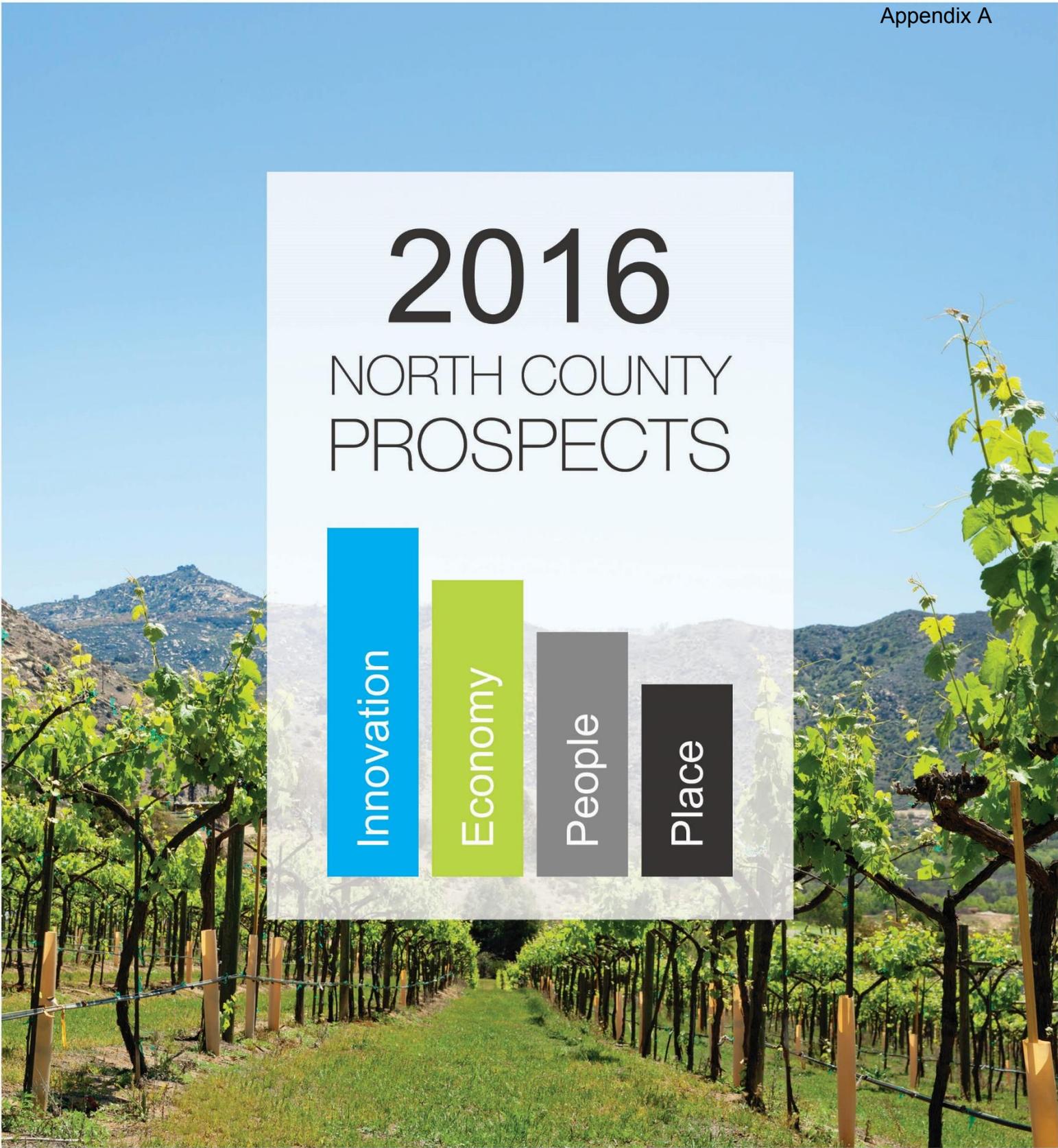
Measure: Extent to which the number of new/retained employees in firms new to the area or involved in economic development retention/expansion activities has increased in targeted industry clusters, and in higher wage occupations, and overall.

Year	Business	# of Jobs Created (PT/FT)	Category
2012	Carmax	15/10	Auto
	Dicks Sporting Goods	12/2	Retail
	Mike's BBQ	12/2	Restaurant
2013	Cheesecake Factory	40/4	Restaurant
	John Paul the Great Catholic University	5/10	Education
	Offbeat Brewing Company	5/2	Craft Brewery
	Palomar Medical Center	/300	Health Care
	Plan 9 Alehouse	6/3	Craft Brewery
	Stone Brewing Package Hall Expansion	/25	Craft Brewery
	Swami's Restaurant	12/2	Restaurant
	Walmart	50/6	Retail
	Walmart Market	45/6	Retail
	2014	O'Brien's Boulangerie	/5
Rita's Italian Ice		6/1	Food
2015	Black Angus Restaurant	15/8	Restaurant
	Burger Bench	6/2	Restaurant
	3 Screens Studios	/20	Information Systems
	Prava Construction	/20	Construction Management
	Roynon Museum of Paleontology	2/2	Cultural Tourism
	Total	23/32	

Measure: Lowered overall unemployment rates, relative to the State, County and North County

Unemployment in Escondido lowered to 6.0% in 2014 compared to 9.5% in 2013. Escondido's per capita income level has increased from \$ \$21,041 in 2013 to \$22,246 in 2014.

2016 NORTH COUNTY PROSPECTS



NORTH COUNTY
Economic Development Council
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INTRODUCTION & KEY FINDINGS

As an economic region San Diego's North County (North County) has approximately 1.2 million residents and 470,000 jobs. The region has a larger population than eight states in the Country, including Vermont, Rhode Island and Alaska, along with more employment than five states including Delaware, Wyoming and South Dakota. North County hosts several innovative, export-oriented industry clusters, including Biotechnology & Biomedical devices, Clean Technology, Sports & Active Lifestyle, and Information & Communication Technologies (ICT) – all while being a net exporter of talent and high-skilled workers for employers in neighboring communities.

State of North County

In 2015, North County's economy continued to demonstrate strong growth, with approximately two and a half percent growth in employment resulting in an additional 11,000 jobs for the region and an unemployment rate below five percent (4.4%). Over the last six years (2010 to 2015), North County's employment has grown faster than the rest of San Diego County, and has recovered stronger from the Great Recession than its neighbors to the north, including Orange and Riverside Counties. Not only have the number of jobs in North County grown, the quality of those jobs have improved. From 2010 to 2015, Tier 1 (higher paying, higher skill) occupations have grown faster in North County than their lower paying, lower skilled counterparts (Tier 2 and Tier 3 occupations) all while other region's in California and across the country are experiencing more growth in Tier 3 (lower-skill, lower paying) occupations in comparison to Tier 1 positions.

North County's key industry clusters remain a critical part of the region's economic ecosystem, as clusters such as Clean Technology, Building & Design and Healthcare continue to see robust (over 18%) job growth from 2010 to 2015, while providing annual average wages of approximately \$60,000 or more. The region continues to experience increased demand for office space, for the third year in a row (2013, 2014 and 2015), as average rent per square feet and total office inventory continues to climb. These indicators point to a strengthening regional economy that is continuing to transition from a population-serving bedroom community economy to a more dynamic export-oriented industry base that will continue to focus on developing new products and services while producing and finding the talent to support that mission.

What We Learned from the Data

The research findings and regional indicators for North County illustrate several key findings:

1. **In the last 36 months, North County has gone from a loose to a tight labor market.** In January of 2013, North County had an unemployment rate of almost eight percent (7.8%); in January of 2016 that number was almost cut in half to 4.4 percent. While this is generally construed as a positive

indicator for job-seekers, it is low enough that it could become a problem for employers as they look for new talent and to hire new workers.

2. **Aerospace & Defense, Pharmaceuticals & Breweries are driving growth in manufacturing employment in North County** – From 2010 to 2015 manufacturing employment has grown slightly faster in North County than the rest of San Diego County (13.3% vs. 12.3%) and considerably faster than California as a whole (13.3% vs. 2.9%). A large portion of that growth can be attributed to manufacturing employment in aerospace & defense, pharmaceuticals and breweries.
3. **North County's recovery has not been consistent across all sub-regions** – Like the United States and California, geography matters in North County in the aftermath of the Great Recession. From 2007 to 2015, North Coast, North Central Coast and North Central Inland all experienced total employment growth of over two percent, while North Inland is still three percent below its overall employment figures in 2007. In the last 12 months, employment in NC Central Coast has flattened, while more growth was experienced in NC Coast and NC Central Inland.
4. **Proportion of STEM degrees¹ generated in North County is relatively low but has begun to improve over the last 12 months** – North County represents approximately three percent of California's population, and is home to high concentrations of businesses in ICT, Biotechnology & Biomedical Devices and Clean Technology. Two and 4-year STEM degrees produced in the region are below the state average but have increased both in total numbers and percentage in the last 12 months.

What we will be watching for in 2016

Based on an analysis of regional, statewide and national data, these are the key issues and questions we will be watching closely in 2016 as we examine the North County economy:

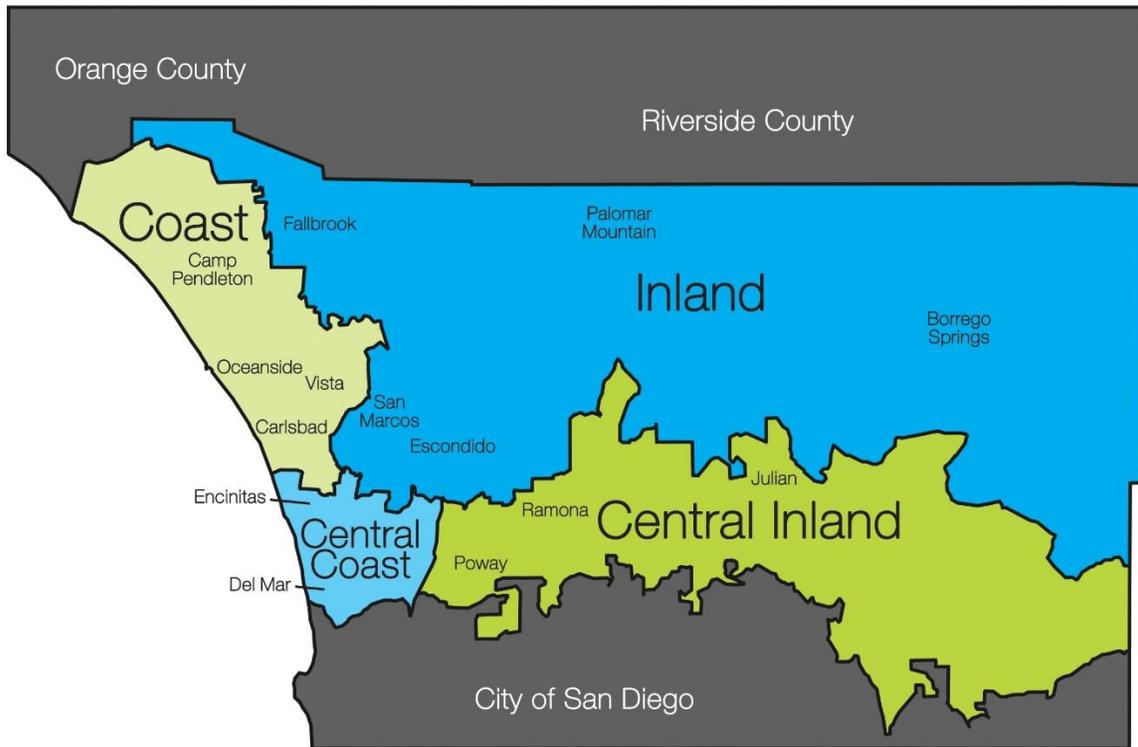
1. **The change and churn in North County's Industry Cluster Mix** – Industry clusters remain a growing and vital component in North County's economic ecosystem but they also can experience sizable changes and should be reevaluated as the regional economy changes. Biotechnology & Biomedical devices saw a considerable drop in employment in 2015 due to a decline in testing laboratories but also saw an increase in manufacturing related to pharmaceuticals, while industries related to Aerospace & Defense² have seen a conservative uptick in employment over the last 12 to 36 months. Continued attention on the regional employment landscape could provide a catalyst for additional changes in the number and definitions of North County's industry clusters.

¹ Two & Four-year college or university degrees in Science, Technology, Engineering and Mathematics.

² Aerospace & Defense are not currently a defined North County industry cluster.

2. **Energy, water and uncertainty within the regional economy** – Every year, the uncertainty surrounding water and energy supply and pricing seems to grow. While the El Nino conditions have marginally improved the region's water supply, there are continued concerns that the region will face long-term water shortages which will also impact both energy supply and consumption. We will continue to track the impact water and energy availability and pricing has on the regional economy.
3. **What are the costs of an increasingly tight labor market** and what do employers and industries see as the biggest challenge to finding qualified applicants – the issue of talent or workforce scarcity seems far removed from both the great recession of eight years ago (and even current high levels of unemployment found in workers who are looking for jobs in industries such as retail and construction), but given the greying of the workforce and the low levels of unemployment overall and for specific industries this will likely become a larger issue in the near future.
4. **Housing costs to average wages and the ability to find housing for young working families** – North County continues to experience some of the highest housing costs to average wage ratios in the country. Almost half (48%) of all North County renting households spend more than 35% of their income on housing costs. In Santa Clara County, the middle of Silicon Valley and one of the more expensive housing regions in the nation, less than 40% (39%) of renting households spend more than 35% of their income on housing costs. The cost of housing and its relationship to average wages will likely have a growing impact on the region's economy.

The North County Region



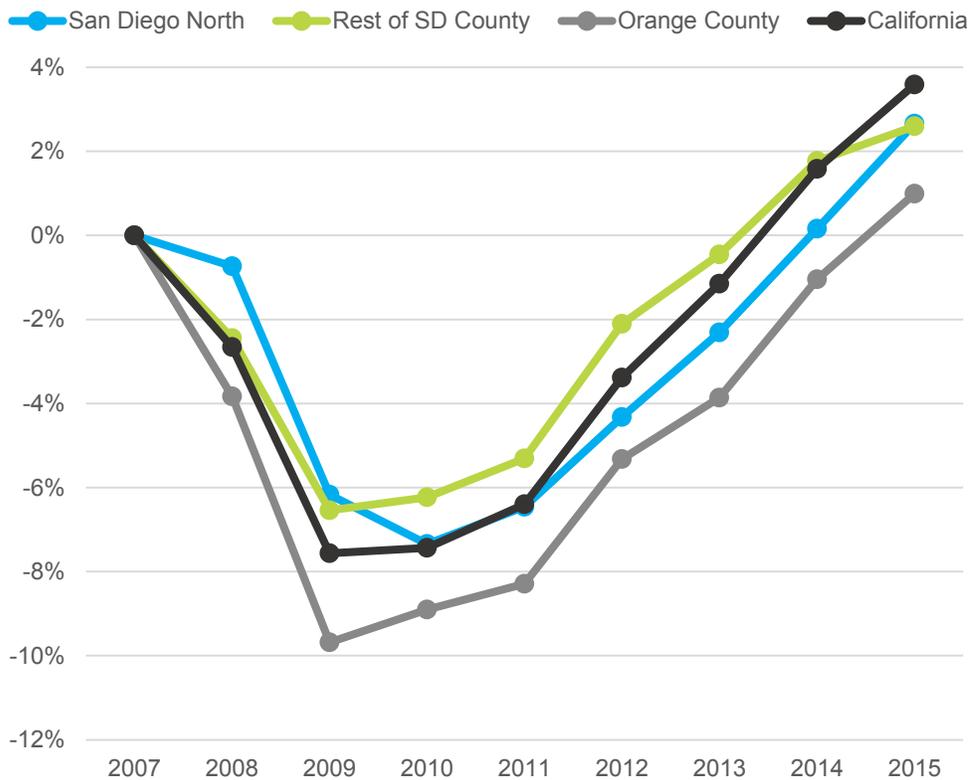
For this year's report, the North County region was divided into four distinct sub-regions:

- The **NC Coast** – includes Carlsbad, Oceanside, Vista and Camp Pendleton
- The **NC Central Coast** – includes Encinitas, Del Mar and Solana Beach
- The **NC Inland** – includes San Marcos, Escondido, Fallbrook, Palomar Mountain, and Borrego Springs
- The **NC Central Inland** – includes Poway, Ramona, and Julian

For zip code breakdowns of sub-regions, please see Appendix B.

By the end of 2015, North County (470,400 jobs) had surpassed the growth rate of the rest of San Diego County since just before the Great Recession (2.7% vs. 2.6%). If growth was pegged to the the early stages of the recovery (2010), North County has outpaced the rest of the County in growth by 1.4 percentage points (10.8% to 9.4%), adding just over 45,800 jobs. Since 2010, neighboring Orange County has rebounded by 10.9%, however, since its job losses were more severe due to the Great Recession, the County job levels sit at just 1.0% more than pre-recession levels. The figure below reflects the percentile change in overall employment from 2007 to 2015 with regional comparisons.

Figure 1: Overall Change in Employment from 2007 to 2015 (Region)³

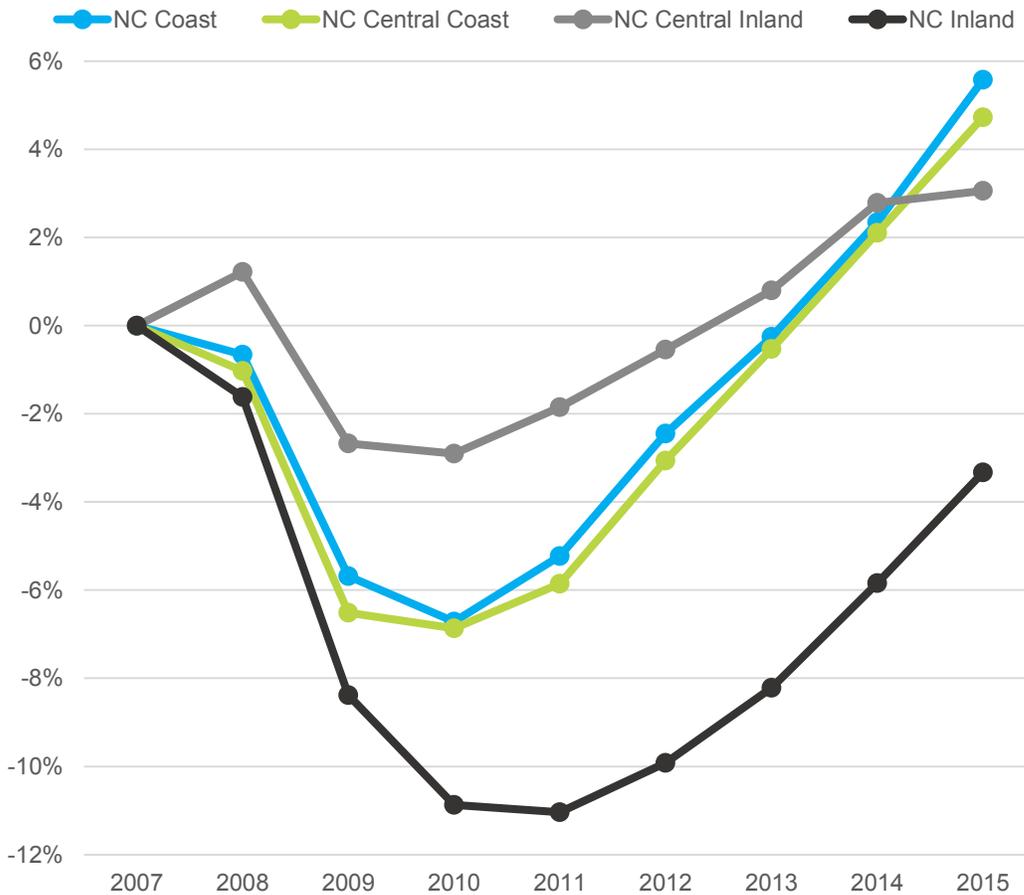


³ Source: JobsEQ 2015 Complete Employment & EMSI 2007-2014 QCEW and Non-QCEW

Sub-regional Analysis – Change in Employment

The NC Coast is the largest sub-region for employment in North County (184,200 jobs) and has rebounded better from the Great Recession compared to other areas in the region (5.6% growth since 2007). The NC Central Coast has experienced similar growth (4.7%), although the sub-region has just over half as many jobs as the NC Coast (55.5%). Despite job growth of 2.7% over 2014, the NC Inland area is still down 3.3% when compared to 2007 employment.

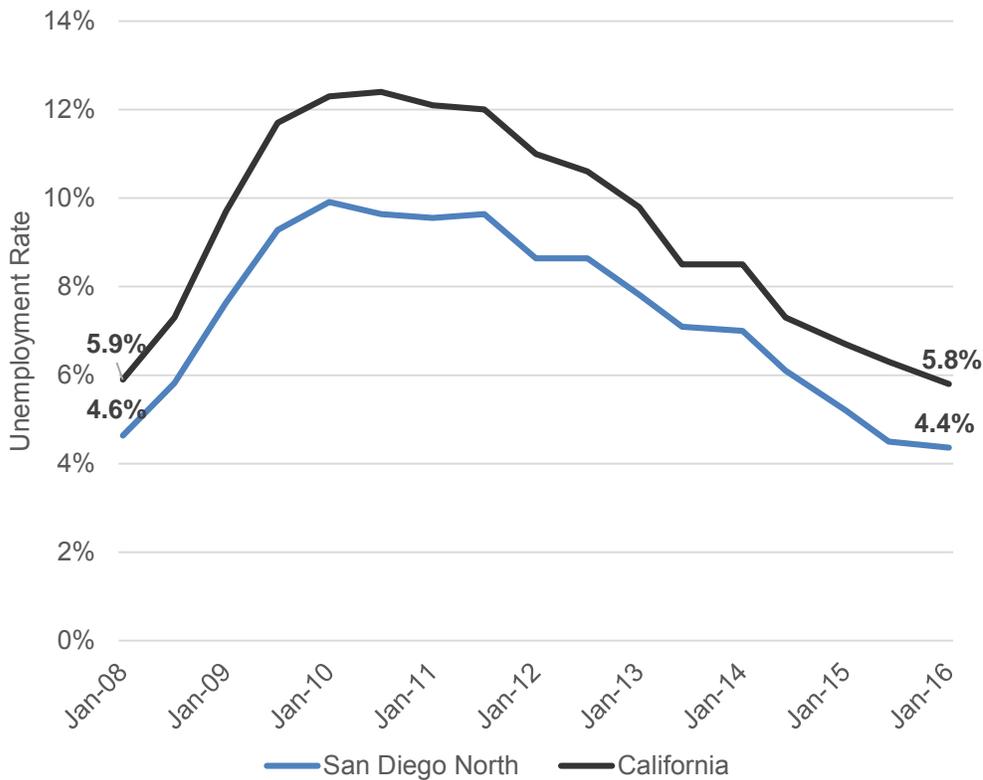
Figure 2: Overall Change in Employment by North County Area from 2007 to 2015 (Sub-region)⁴



⁴ Source: JobsEQ 2015 Complete Employment & EMSI 2007-2014 QCEW and Non-QCEW

The following figure displays the unemployment level of all North County residents versus those throughout California. The unemployment rate in the North County fell below 4.6% (January 2008 unemployment rate) for the first time in nearly eight years by June of last year. In January 2016, the unemployment rate for North County residents was 4.4%, lower than California's 5.8%. The labor force participation rate in North County in 2014 was 63%, a slight decline from 2013 (64%).⁵

Figure 3: San Diego North County Historic Unemployment Rate (Jan 2008 to Jan 2016)⁶



Sub-regional Analysis – Civilian Labor Force Participation

The civilian labor force participation rates for the four sub-regional areas in North County are listed below;

- **NC Coast** – 56%
- **NC Central Coast** – 66%
- **NC Central Inland** – 64%
- **NC Inland** – 58%

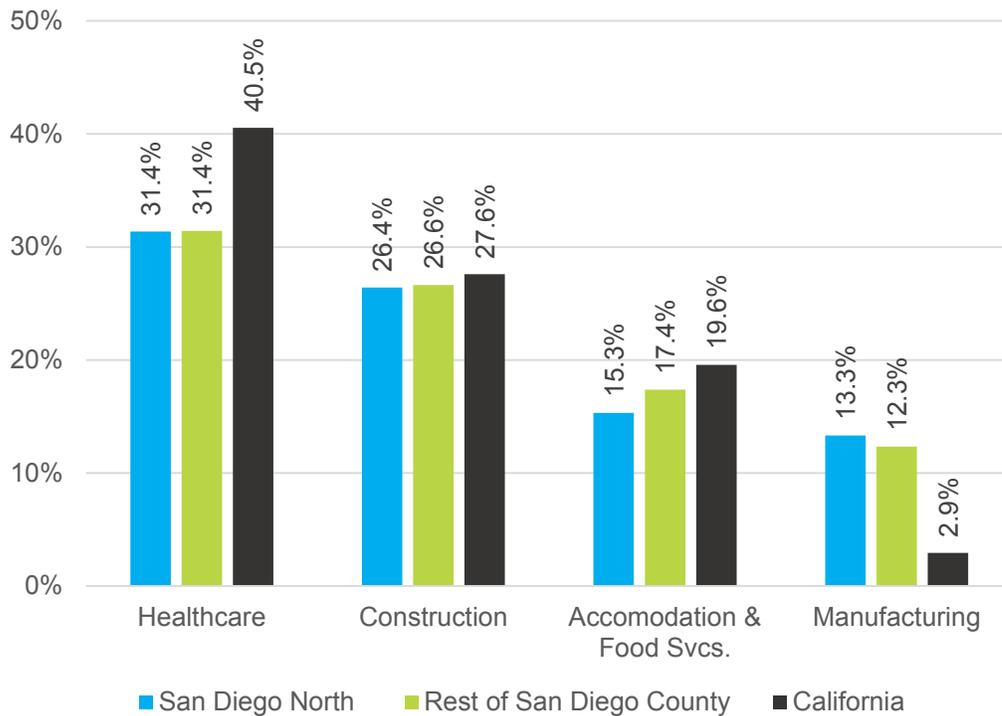
⁵ Source: American Community Survey (ACS) 2014 5-year estimates

⁶ Source: Employment Development Department (EDD), Weighted Based on Reported San Diego County Unemployment Data

Regional Employment by Industry

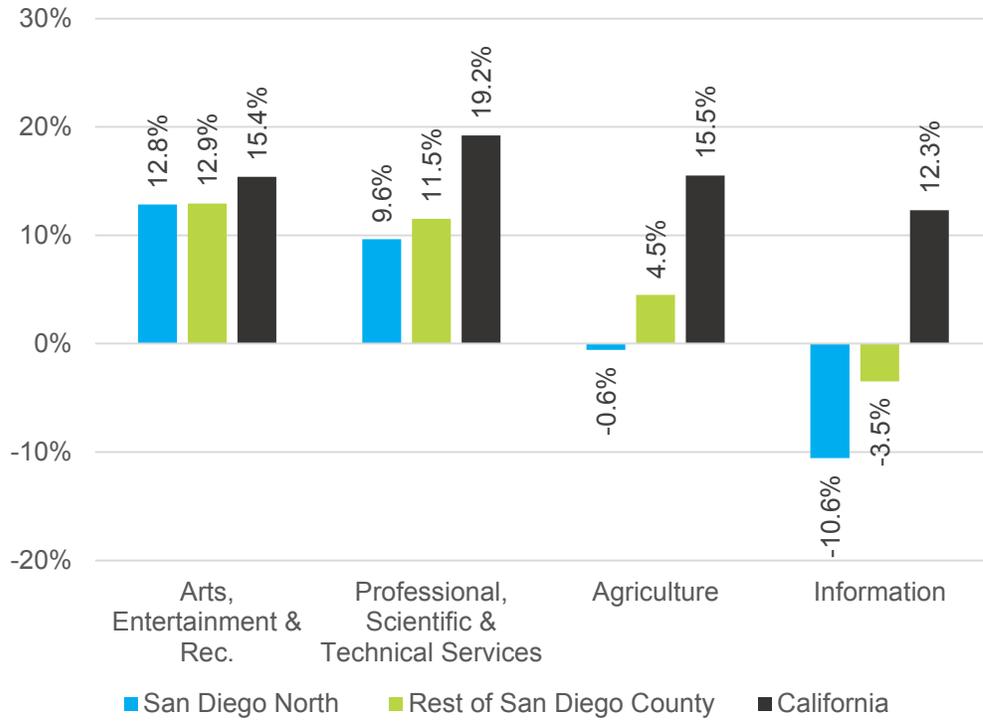
Several traditional industries have undergone strong growth since 2010, with Healthcare outpacing them all at 31.4% growth. This is almost identical to the growth rate of Healthcare in the rest of the County, but still trends behind California as a whole. Manufacturing growth in North County has outpaced the industry's growth in the rest of San Diego County (13.3% vs. 12.3%) and continues to add jobs at a faster rate than manufacturing in California as a whole. Agriculture and Information had fewer total jobs in 2015 when compared to 2010 (Figure 5).

Figure 4: Industry Change in Employment by Region from 2010 to 2015⁷



⁷ Source: JobsEQ 2015 Complete Employment & EMSI 2007-2014 QCEW and Non-QCEW

Figure 5: Industry Change in Employment by Region from 2010 to 2015 (2)⁸



⁸ Source: JobsEQ 2015 Complete Employment & EMSI 2007-2014 QCEW and Non-QCEW

San Diego North County Occupational Profile

The unemployment rate, number of jobs created, number of people employed, and the size of the workforce - all these general indicators have some value when you are looking at North County's economy, but they also mask some critical information as well, starting with the reality **that not all jobs are equal**. An entry-level job that pays minimum-wage with limited training and on-the-job skill development is considerably less valuable than high-paying, full-time positions with full benefits that continually develop and train individuals for increasing levels of responsibility.

A recent study by David Autor examined changes in the nation's occupational profile. Autor provided an in-depth examination of the quality and quantity of the jobs that employers have demanded over the last 30 years. In his analysis, Autor developed an occupational segmentation that BW Research has also used in regional occupational analyses. This occupational segmentation technique delineates all occupations into one of three tiers. The occupational tiers are broadly defined as follows:

Tier 1 Occupations include managers (Chief Executives, Financial Managers, and Sales Managers), professional positions (Lawyers, Accountants, and Physicians) and highly-skilled technical occupations, such as scientists, computer programmers, and engineers. These occupations are typically the highest-paying, highest-skilled occupations in the economy. In 2014, the average wage for Tier 1 occupations in North County was \$46.44 an hour or approximately \$96,600 a year (assuming a 40-hour work week for the entire year).

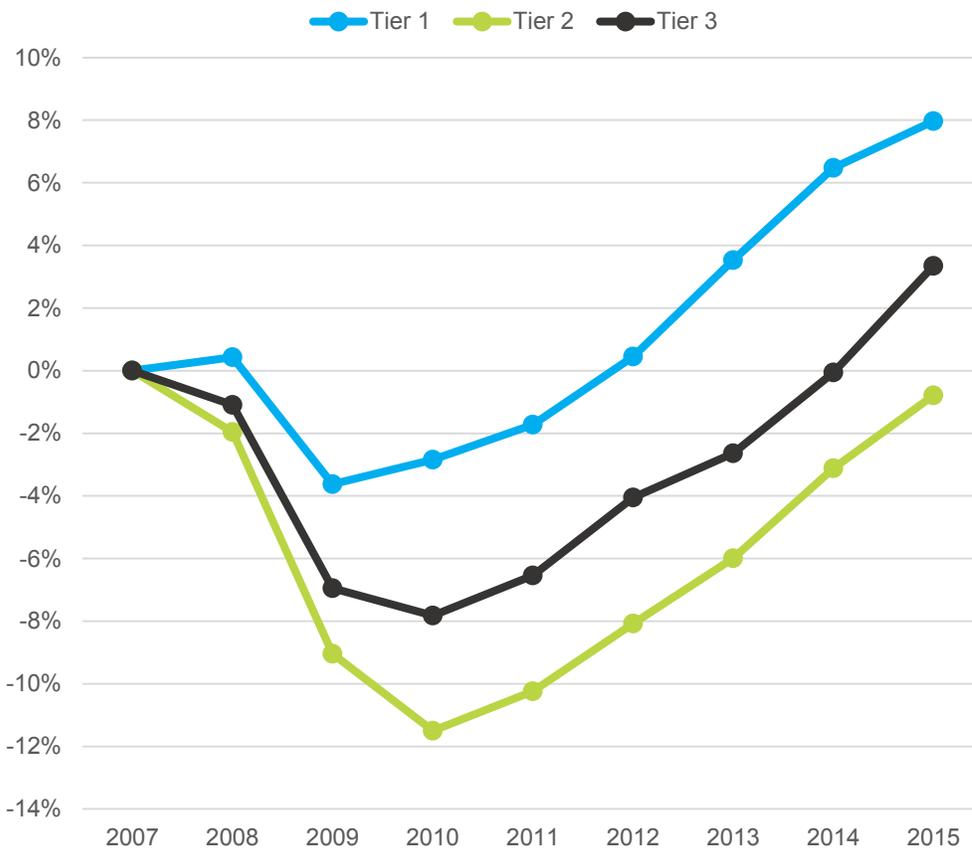
Tier 2 Occupations include sales positions (Sales Representatives), teachers, and librarians, office and administrative positions (Accounting Clerks and Secretaries), and manufacturing, operations, and production positions (Assemblers, Electricians, and Machinists). These occupations have historically provided the majority of employment opportunities and could be referred to as middle-wage, middle-skill positions. In 2014, the average wage for Tier 2 occupations in North County was \$22.93 an hour or approximately \$47,700 a year (assuming a 40-hour work week for the entire year).

Tier 3 Occupations include protective services (Security Guards), food service and retail positions (Waiters, Cooks, and Cashiers), building and grounds cleaning positions (Janitors), and personal care positions (Home Health Aides and Child Care Workers). These occupations typically represent lower-skilled service positions with lower wages that require little formal training and/or education. In 2014, the average wage for Tier 3 occupations in North County was \$13.89 an hour or approximately \$28,900 a year (assuming a 40-hour work week for the entire year).

As Figure 6 illustrates, occupational Tiers have experienced differing rates of growth from just before the Great Recession. Tier 1 occupations fared much better than Tier 2 or Tier 3 occupations. High-skilled, high-wage jobs (Tier 1) underwent less proportional job losses as a result of the economic downturn in 2008 and have rebounded and grown more considerably than other job categories (Tier 2 and Tier 3). In fact, Tier 1 jobs were back to 2007 employment levels by 2012, while Tier 3 jobs did not regain pre-recession numbers until 2014, and Tier 2 employment has yet to fully recover to its level in North County before the Great Recession.

Since the beginning of the economic recovery in 2010, Tier 1 jobs expanded by 11%, while Tier 2 and Tier 3 jobs increased employment by 12%. Higher growth rates for the lower Tier categories is partly due to the larger dip in employment for Tier 2 and Tier 3 categories during the Great Recession. Tier 2 employment decreased by just over 20,000 jobs while the Tier 3 category experienced a dip of nearly 11,800 jobs between 2007 and 2010.

Figure 6: Percentage Change in North County Occupational Tier Employment from 2007 to 2015⁹



⁹ Source: JobsEQ 2015 Complete Employment & EMSI 2007-2014 QCEW and Non-QCEW

Introduction to Industry Clusters

The North County Economic Development Council (NCEDC) recognizes the importance of identifying and analyzing industry clusters in its region.

What are Industry Clusters?

Michael Porter, Harvard economist and pioneer of industry cluster research, defined the cluster as a geographic concentration of inter-connected companies and institutions working in a common industry. This definition has been expanded over the years to account for employers in shared technologies, supply chains, services, and/or customers whose competition and/or collaboration create opportunities for new business creation, increased regional wealth, and new employment.

An emphasis on industry clusters in a given region has several advantages; it allows North County to move beyond the general industry assessment to identify regional economic drivers, shared resources that are needed (including talent and human capital), and a better understanding of the markets in which employers compete and cooperate. Analyses of industry clusters are valuable tools to understanding how the regional economy is segmented in terms of differing growth expectations, workforce needs, and infrastructure requirements.

North County's Industry Clusters

Below is a brief description of the industry clusters that were examined for the North County prospects. Each of the industry clusters examined is export-oriented or traded, except for Healthcare, meaning they are able to sell their products or services to a market beyond North County residents.

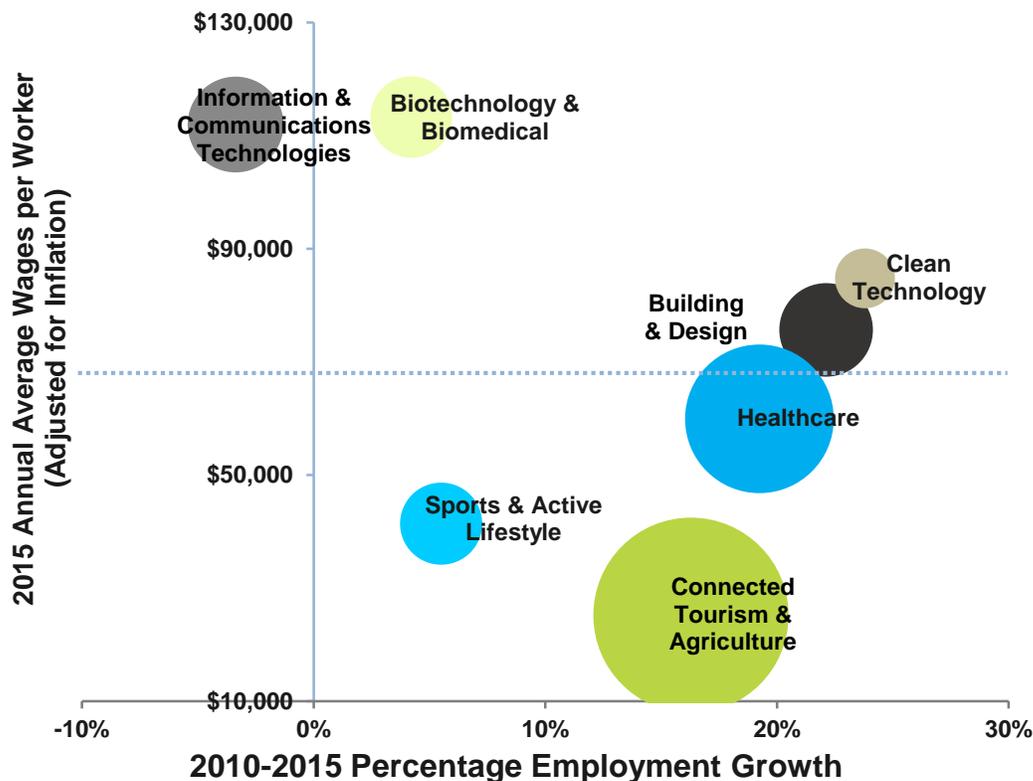
- Biotechnology and Biomedical Devices is a particularly important cluster for North County; it is the research, development, and production of medical equipment and pharmaceuticals.
- Building & Design involves the design and building of residential and non-residential buildings and the interior design of buildings. This industry is actively involved in energy efficiency, building retrofits, and the use of sustainable building materials.
- Clean Technology consists of industries involved in the research and production of non-fossil fuel based energy as well as industries that work to improve environmental sustainability and meet environmental regulations. This industry cluster includes environmental consulting services and related manufacturing and consulting services.
- Connected Tourism, & Agriculture is one of the larger industry clusters in North County with over 60,000 jobs. The industry cluster is a mix of agriculture, food production, and service industries that draw tourists into

the region. The cluster includes breweries, amusement services, gambling, and recreation industries.

- Healthcare is the diagnosis, treatment, and prevention of disease, illness, injury, and other physical and mental impairments. Healthcare is delivered by a wide range of practitioners in medicine, chiropractic, dentistry, nursing, pharmacy, etc. This industry cluster includes ambulatory care services, hospitals, and residential care facilities.
- Information & Communications Technologies (ICT) is a diverse group of technology industries that focus on the development and production of new products and services in telecommunications and information technology. Some of the sectors in this cluster include telecommunications carriers, software publishers, cyber security developers and computer and electronic product manufacturing.
- Sports & Active Lifestyle includes those firms that develop and manufacture sports and related equipment and apparel, as well as those firms that sell and distribute related sports and recreational products and services.

The chart on the following page (Figure 7) illustrates the relative size of employment in each industry cluster within the region (by the size of the sphere), the average annual wages per worker within the region, and the overall employment growth or decline from 2010 to 2015. Despite a decline in jobs from 2014 to 2015, Clean Technology has undergone 24% total growth since 2010. Biotechnology & Biomedical employment experienced a contraction in employment of 14% between 2014 and 2015, largely due to job losses tied to Testing Laboratories in the North County.

Figure 7: San Diego North County Industry Clusters by Concentration & Growth from 2010 to 2015¹⁰



The Biotechnology & Biomedical (\$113,300) and Information & Communications Technologies (\$112,000) industry clusters had the highest average annual wages per worker, while Connected Tourism & Agriculture continues to pay its workers less than other industry clusters, with an annual average wage at \$25,200 per worker.

Table 1: Industry Cluster Employment and Earnings (2015)¹¹

Industry Cluster	Employment	Average Wage Per Worker
Connected Tourism & Agriculture	63,500	\$25,200
Healthcare	36,800	\$59,900
Information & Communications Technology	15,300	\$112,000
Building & Design	14,600	\$75,700
Sports & Active Lifestyle	11,200	\$41,400
Biotechnology & Biomedical	11,100	\$113,300
Clean Technology	6,000	\$84,800

¹⁰ Source: JobsEQ 2015 Complete Employment & EMSI 2007-2014 QCEW and Non-QCEW

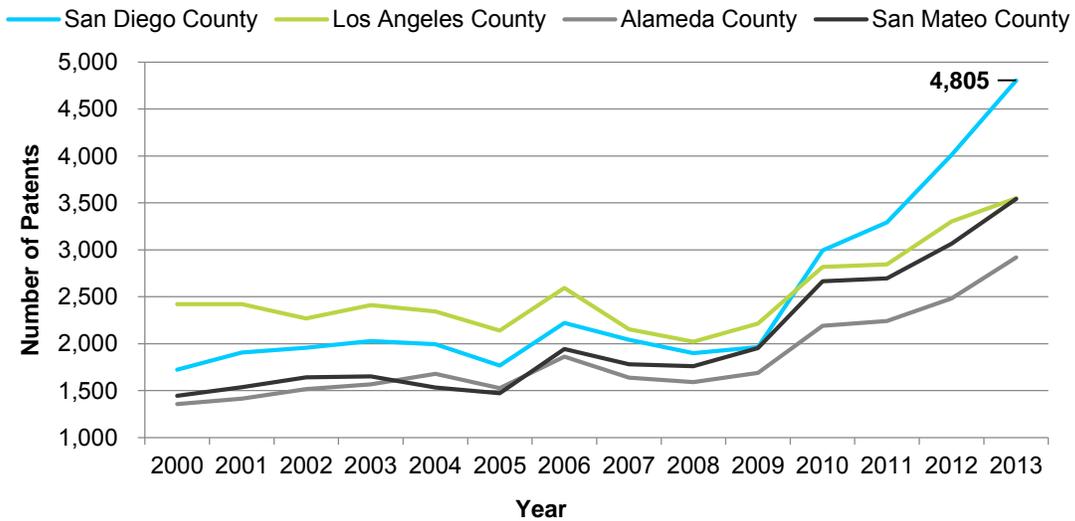
¹¹ Source: JobsEQ 2015 Complete Employment & EMSI 2007-2014 QCEW and Non-QCEW

Innovation and the ability to generate ideas and commercialize new products and services, is a critical ingredient for any dynamic regional economy. Establishing itself as a leader in incubating ideas and fostering innovation will not only help North County attract new businesses and investment, but also help to retain current businesses. The following section highlights indicators of innovation through patents and an analysis of water and energy in the North County (and San Diego County as a whole) and the current and future challenges to growth these issues pose for the region. Patents are a traditional measure of the generation of new ideas in an area and offer the ability for longitudinal and cross-regional comparisons. Coming from another direction, reviewing the current state of water and energy in the North County focuses the discussion on a subject that will require innovative and novel solutions in the near future.

Patents

Data is currently unavailable for 2014 and 2015 approved utility patents at the county-level for the United States. In 2013, San Diego County ranked second among all U.S. counties, with a total of 4,805 approved utility patents. Santa Clara County sat at number one with nearly 13,000 approved patents in 2013 (12,855). Growth in utility patents countywide from 2012 to 2013 was 19.9%. From 2008 to 2013, the number of approved utility patents more than doubled (growth of 153%).

Figure 8: Approved Patents by California County from 2000 to 2013¹²



¹² Source: U.S. State Patenting Breakout by Regional Component; Count of 2000 - 2013 Utility Patent Grants, retrieved from:

The North County's share of San Diego County patents¹³ fell slightly in 2015 when compared to 2014 (37% from 38%). Total patents by inventor origin also fell in North County (down from 3,487 in 2014), while the rest of San Diego County saw increased production of patents by resident inventors (up from 5,638 in 2014). The same scenario was true for the two regions when comparing patents by company origin.

Figure 9: Patent Origin by Regional Totals (2015)¹⁴

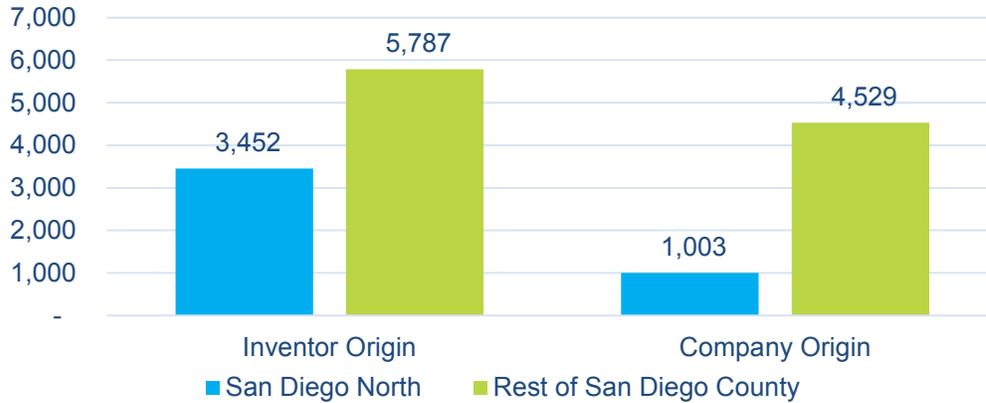
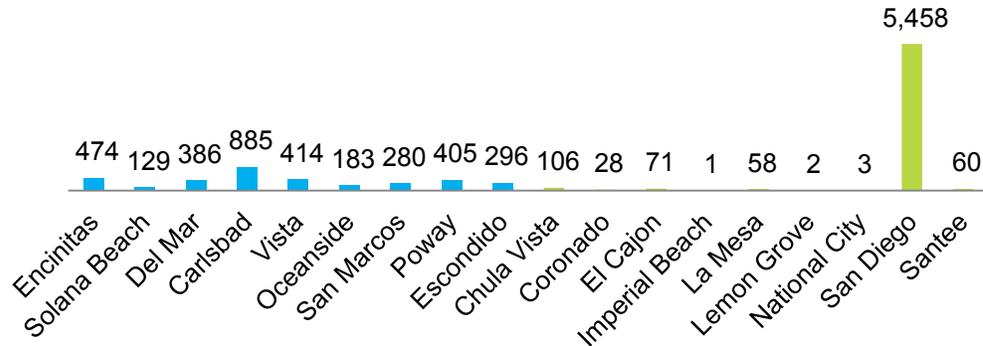


Figure 10: San Diego County Patents by Inventor Origin (2015)



http://www.uspto.gov/web/offices/ac/ido/oeip/taf/countyall/usa_county_gd.htm &
<http://patft.uspto.gov/netathtml/PTO/search-bool.html>

¹³ Defined at the city level for San Diego North County and Rest of San Diego County.

¹⁴ Source: U.S. State Patenting Breakout by Regional Component; Count of 2015 Utility Patent Grants, retrieved from:

http://www.uspto.gov/web/offices/ac/ido/oeip/taf/countyall/usa_county_gd.htm &
<http://patft.uspto.gov/netathtml/PTO/search-bool.html>

San Diego County: The Water-Energy Nexus

Urban water supply and energy consumption are invariably linked -- particularly in the arid climates of Southern California, where the local water resource is scarce and regions are heavily dependent on imports. As water finds its way from source to user, energy use is embedded within each step of the water cycle, from extraction and storage to distribution and treatment. In addition to services that consume energy to supply water, the production of energy itself expends water resources; electric generation, fuel extraction and processing, and biofuel crop irrigation all require water. Furthermore, much of urban end-use services require both energy and water for heating and building services.¹⁵ In 2006, the California Energy Commission determined that water-related energy use accounted for almost 20% of total statewide electricity consumption – 11% of all electrical demand is attributed to residential, commercial, and industrial water end-use.¹⁶

San Diego County's semi-arid climate has generally precluded sufficient water supply to serve its residents. With continued population growth and economic expansion, statewide water projects evolved to support these regions with scarce supply. The State Water Project (SWP) supplies about 20 percent of San Diego County's water resource by pumping groundwater from the Bay Area and delivering it to municipalities in Southern California; the SWP is one of the state's largest energy-users. Today, a majority of the County's water is imported from the Colorado River (65%) and Northern California¹⁷ (19%) – the remaining 17% of water supply is attributed to local sources, including rainwater runoff and wastewater recycling. During severe drought, the San Diego County Water Authority (SDCWA) also engages in short-term dry-year water transfers from other districts.¹⁸

Given the County's particular dependence on external water resources, the Water Authority has consistently sought measures to ensure portfolio diversity and demand reduction. As the statewide drought continues, California's Water Resources Control Board set emergency conservation targets for water agencies across the state beginning June 2015. SDCWA offers rebates for a number of high-efficiency appliances, rain barrels, landscape design, and irrigation systems as well as classes and fairs that provide education on drought-tolerant native vegetation; these incentives are available for both homes and businesses. During the first seven months of the State Board's mandate, San Diego County reduced urban water consumption by 24 percent, surpassing the region's 20 percent reduction target. To further ensure countywide water security, the Water Authority also signed conservation and transfer agreements expanding supply to include the Imperial Irrigation District as well as water conserved from the All American and

¹⁵ See generally: "Dale, L, et al. *The Interaction of Water and Energy in California*. Lawrence Berkeley National Laboratory. June 2008." & "International Energy Agency. *Water for Energy*. World Energy Outlook 2012."

¹⁶ *Refining Estimates of Water-Related Energy Use in California*. California Energy Commission. December 2006.

¹⁷ Bay-Delta State Water Project

¹⁸ San Diego County Water Authority, 2009-2013 five-year water supply average

Coachella Canal lining projects. Carlsbad's Desalination Plant, which came online in December 2015, also produces about 50 million gallons of water per day and supports seven to ten percent of the region's water demand. SDCWA projects local resources from desalination, recycling, ground- and surface water will supply about 30 to 40 percent of the region's water demand by 2020.¹⁹

However, as demand for water and electricity remain co-dependent, resource diversity alone will neither bridge the gap between regional supply and demand nor mitigate the energy costs associated with water consumption. Recognizing that water and energy management decisions are not mutually exclusive, SDCWA does encourage conservation and end-use efficiency investment through its partnerships with the California Urban Water Conservation Council and San Diego Gas and Electric. Still, much of the region's existing water infrastructure remains energy-intensive – groundwater pumping, long-distance transmission, pressurized irrigation, residential and commercial demand, and more recently, desalination.

The water-energy nexus underlines this trade-off between imported resource security and the additional costs required to extract, transport, and treat the County's water supplies. Heavy reliance on both imported and energy-intensive water sources come with external costs, as import-dependent regions remain vulnerable to supply shortage, regulatory reduction, and the price of energy. Of the County's seven possible water resources²⁰, conservation remains the most economically feasible, available, and reliable. Surface and groundwater in addition to recycled potable and non-potable sources are fairly inexpensive and reliable, but insufficient to serve the region's water requirements. Desalination is currently the costliest and energy-intensive of options, linking the future of desalinated water to the price and supply of energy.²¹

As the North County looks towards its future, regional stakeholders will continue to examine the County's current water management schemes in order to best serve both rising populations and healthy economic activity.

¹⁹ San Diego County Water Authority

²⁰ Imports, Desalination, Recycled non-potable, Recycled potable, Groundwater, Surface water, and Conservation

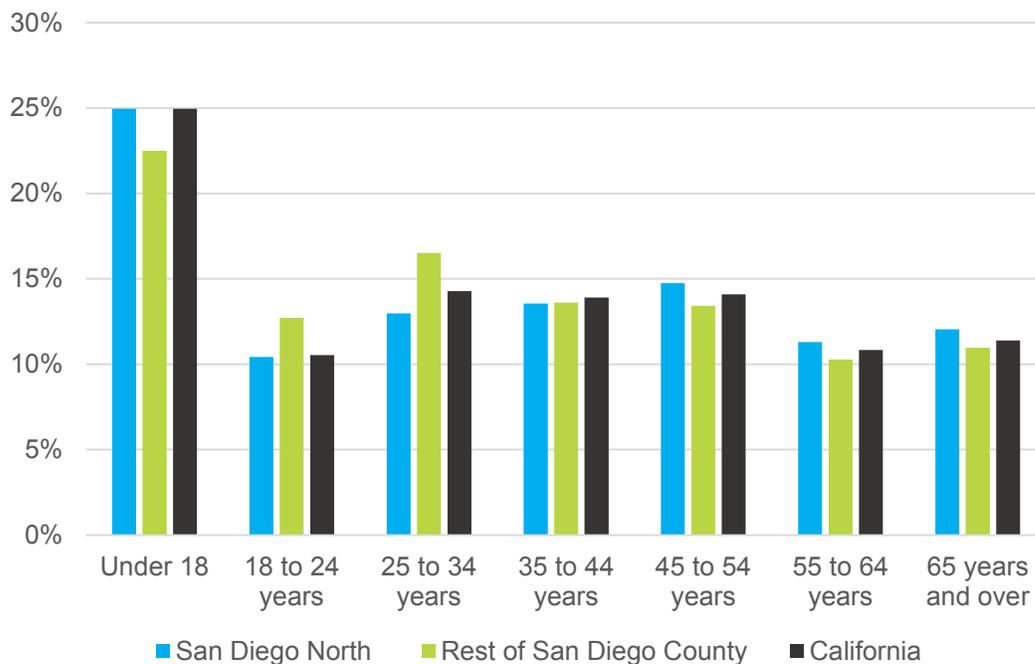
²¹ Equinox Center. *San Diego's Water Sources: Assessing the Options*. July 2010.

Demographics

The total population in North County increased by 1.4% from 2014 to 2015 to 1,199,200 people, representing 38% of all San Diego County residents. The largest sub-region, the NC Coast, grew 1.2% to approximately 425,690 people. The NC Inland sub-region increased in population to 352,100 (1.6% growth), the NC Central Coast had 263,600 residents (2.5% growth), and the NC Central Inland sat at 157,900 people in 2015 (-0.4% growth).

A quarter of the population in the North County was 18 or younger in 2015, matching the proportion in California as a whole. More than 23% of North County residents were 55 or older in 2015, this is compared to 21% in the rest of San Diego County and 22% in California. Reviewing North County sub-regions, the NC Inland had the highest proportion of residents under the age of 18 (26%) while the NC Central Inland maintains the highest proportion of residents aged 55 or older (28%).

Figure 11: Age Distribution by Region (2014)²²

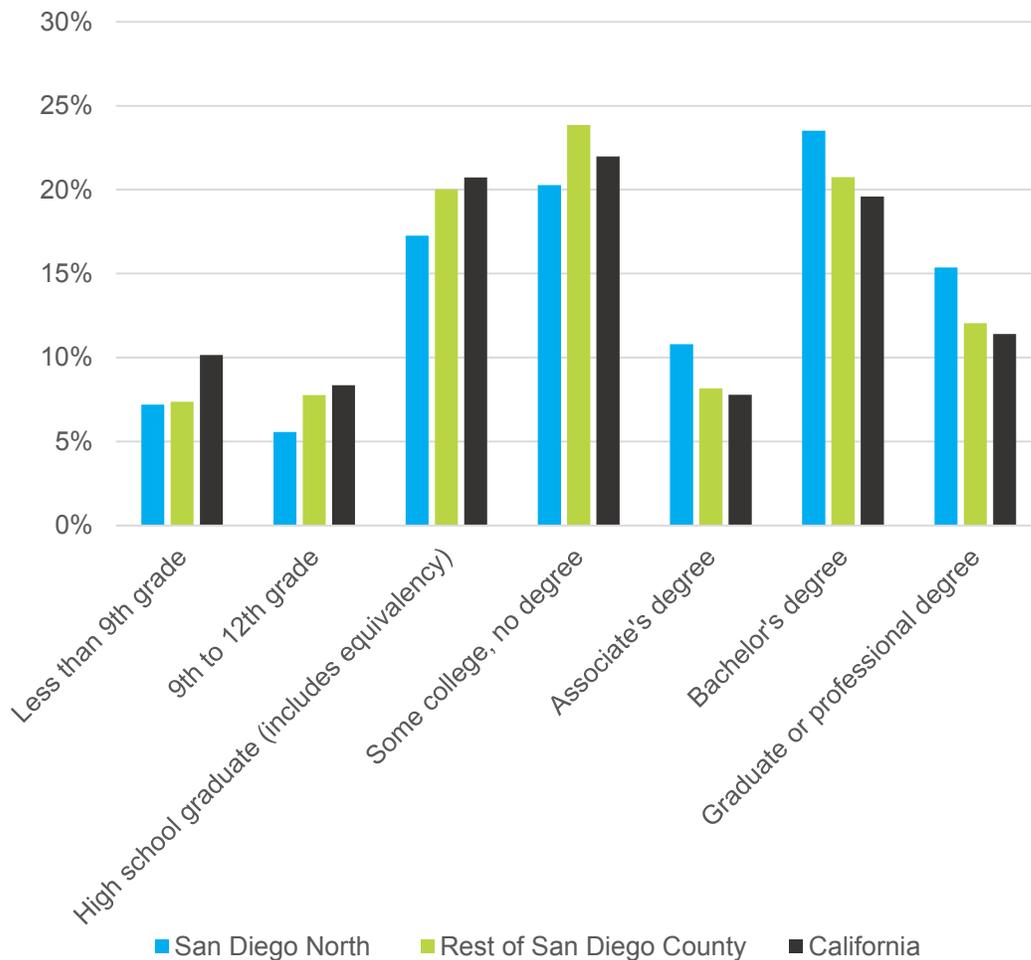


²² Source: American Community Survey (ACS) 2014 5-year estimates

The North County continues to be home to a highly educated population, with 38% of residents 25 years of age and older possessing a bachelor’s degree or higher. This proportion is six percentage points higher than the share of residents with the same educational attainment in the rest of San Diego County and seven percentage points higher when compared to California as a whole.

Just over 63% of NC Central Coast residents (25 years of age and older) had a bachelor’s degree or higher in 2014 (similar to 2013). Only five percent of residents (25 years of age and older) in the NC Central Coast had less than a high school equivalency in 2014. On the other end of the spectrum, the NC Inland had the lowest percentage of people (25 years of age and older) with at least a bachelor’s degree (26%) and the largest proportion of residents with less than a high school equivalency (20%).

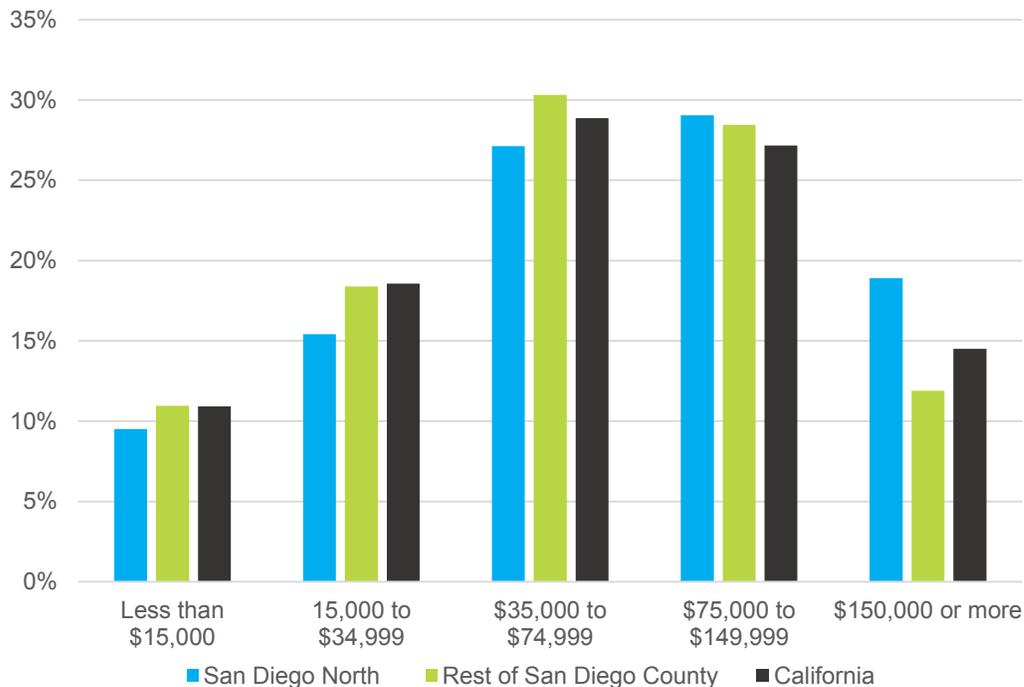
Figure 12: Educational Attainment for the Population 25 Years and Older by Region (2014)²³



²³ American Community Survey (ACS) 2014 5-year estimates

With higher educational attainment comes higher household incomes. The North County stands out when compared to other regions – nearly 19% of households bring in \$150,000 or more per year, compared to 12% in the rest of the County and 15% statewide. Digging deeper, the North County was home to nearly 41,200 households with reported incomes of \$200,000 or more in 2014. For comparison, there were approximately 272,400 more households across the rest of San Diego County in 2014 and the region had only 37,000 households with reported incomes of \$200,000 or more (approximately 4,200 fewer than the North County).

Figure 13: Household Income Distribution by Region (2014)²⁴



The NC Inland sub-region had the highest proportion of household incomes that sit below \$35,000 in the North County (33%), while the NC Central Coast is home to the highest percentage of households that made \$150,000 or more in 2014.

Table 2: Household Income Distribution by Sub-region (2014)²⁵

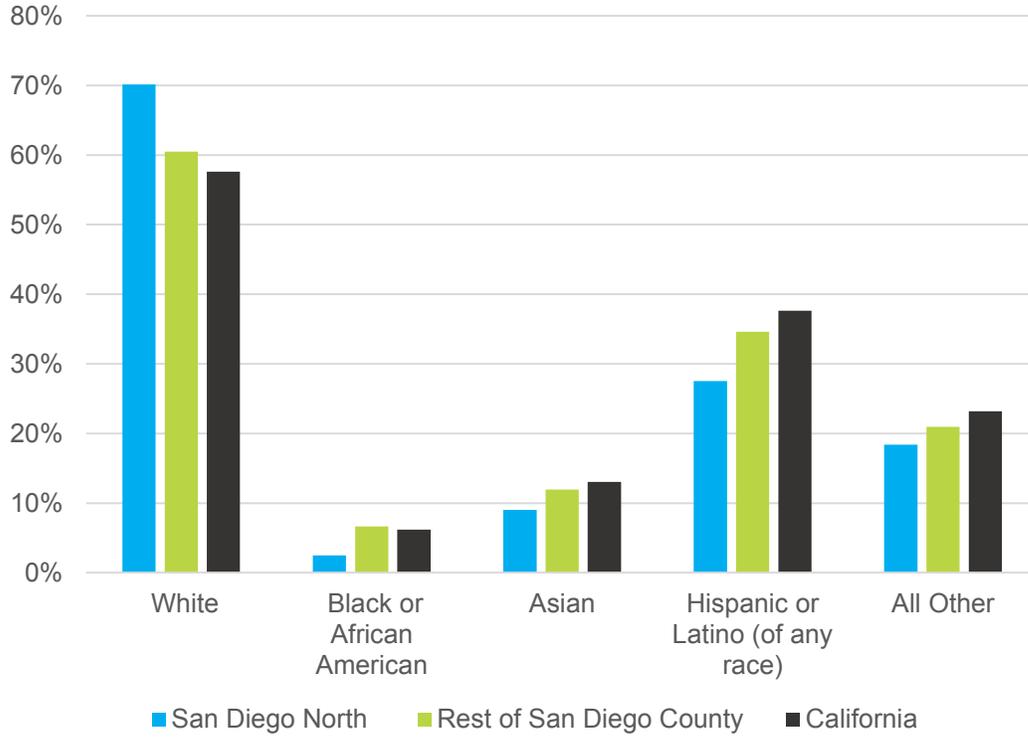
Sub-Region	Less than \$35,000	\$150,000 or more
NC Coast	28.2%	13.5%
NC Central Coast	15.5%	34.2%
NC Central Inland	16.7%	23.5%
NC Inland	32.5%	11.0%

²⁴ Source: American Community Survey (ACS) 2014 5-year estimates

²⁵ Source: American Community Survey (ACS) 2014 5-year estimates

The following figure illustrates the breakdown of the population by ethnicity for San Diego North County, the rest of San Diego County and California.²⁶

Figure 14: Ethnicity by Region (2014)²⁷



²⁶ The percentages of White, Black or African American, Asian, and All Other sum to 100%. These ethnicities are combined categories that include Hispanic and non-Hispanic individuals.

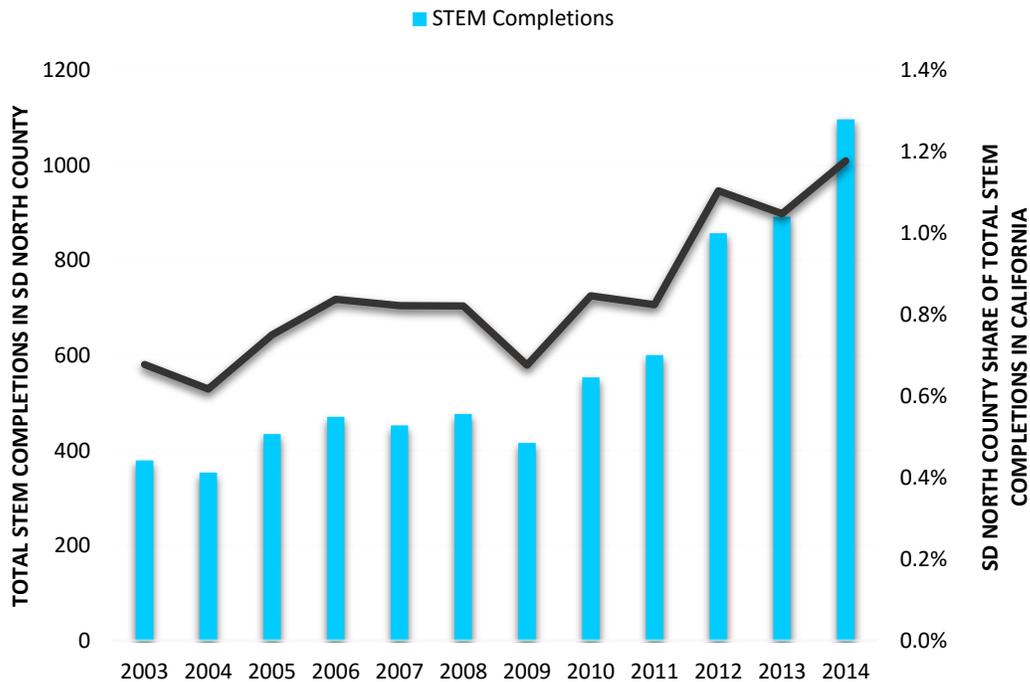
²⁷ Source: American Community Survey (ACS) 2014 5-year estimates & JobsEQ 2015

Education

The number of STEM completions at the North County’s postsecondary institutions (California State University San Marcos, MiraCosta College, and Palomar College) continued its rise from 2013 to 2014. For the first time, the North County was home to over 1,000 STEM completions in 2014, the result of an additional 205 completions in 2014 when compared to the previous year. This was the second largest single year increase in STEM completions since 2012 (256 additional STEM completions in 2012 compared to 2011).

The 1,097 STEM completions in North County in 2014 represented 1.2% of all STEM completions in California. This measure was higher than 2013, where only 1.0% of all statewide STEM completions were in the North County.

Figure 15: Total STEM Completions (2 or 4 Year Degrees) from 2003 to 2014²⁸



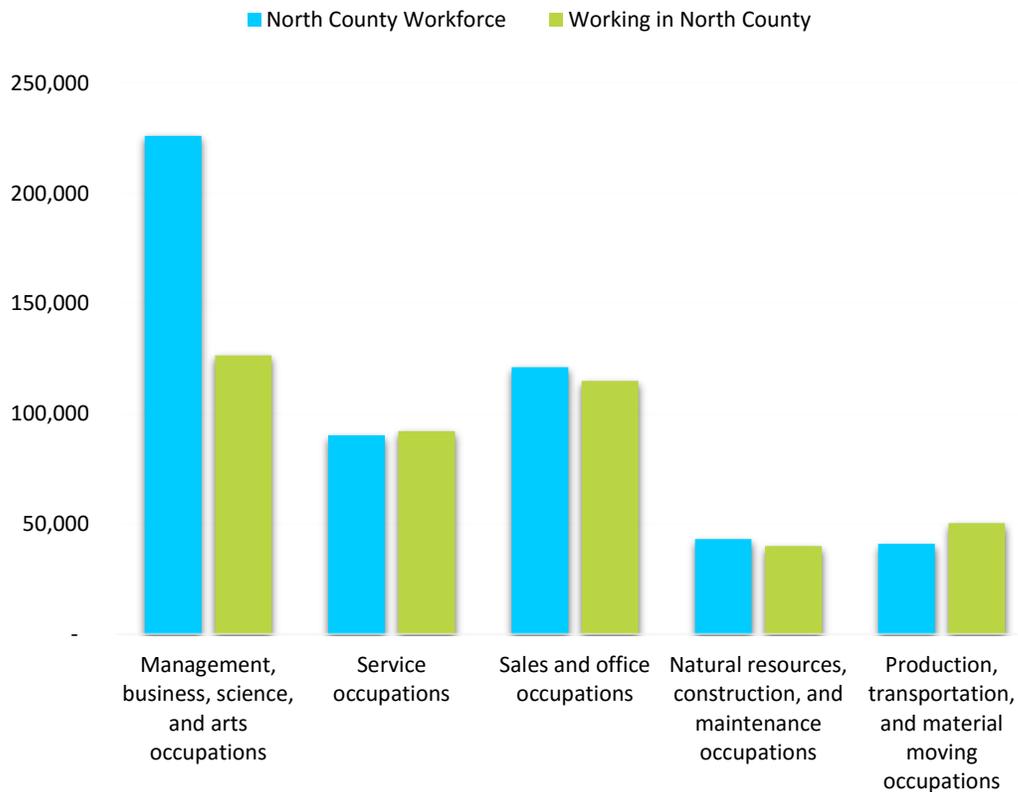
²⁸ Source: JobsEQ 2015 & Integrated Postsecondary Education Data Systems (IPEDS) 2014 and historical CIP Identified Completions

Workforce

There are several ways of examining how the region's residents are prepared to work for regional employers. One way is to compare how residents of the North County in the labor force (identified as the resident workforce) and those working or employed in the North County (regardless of where they live) look in terms of the general occupational categories and skills that they provide.

The North County has a larger resident workforce than the total amount of workers employed in the region (resident workforce: 521,000; employed in the region: 470,000). As in previous years, the largest gaps between the resident workforce and those employed in the region are found in management, business, science, and arts occupations and service occupations. This signifies that the North County is generally an exporter of higher-skilled workers, such as those in management, business, science, and arts occupations, and an importer of lower-skilled workers, such as those in service and production, transportation, and material moving occupations.

Figure 16: Resident Workforce vs. Working in the Region by Occupations²⁹

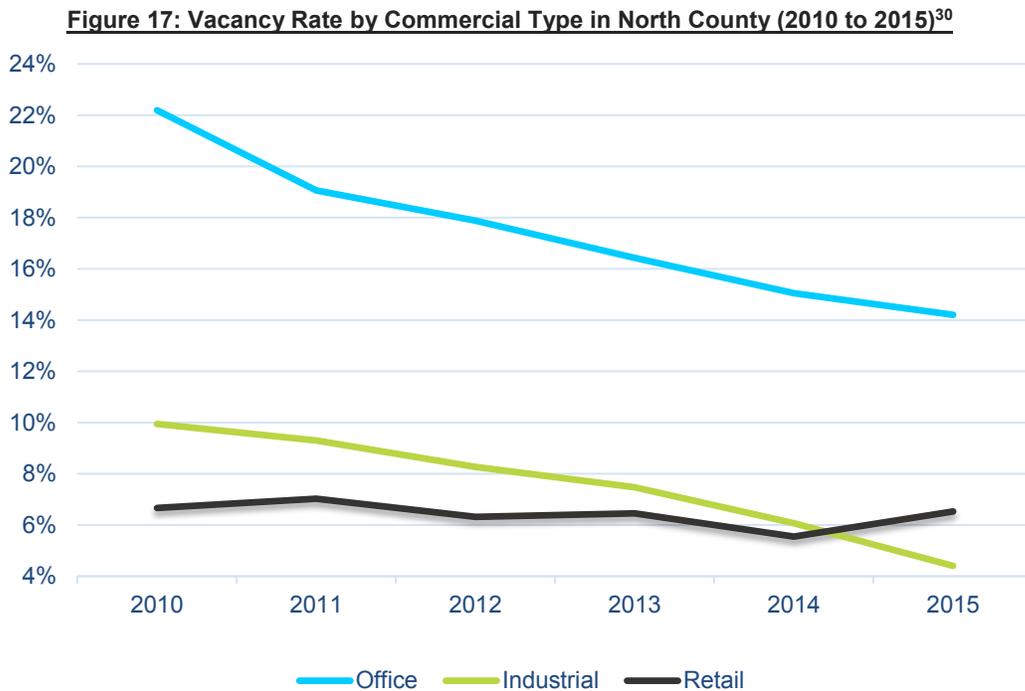


²⁹ Source: American Community Survey (ACS) 2013 5-year estimates & EMSI 2014.4 Class of Worker, QCEW and Non-QCEW

San Diego’s North County is a diverse stretch of land that encompasses the area as far south as the 56 freeway, from Del Mar to Poway, to as far north as Camp Pendleton and Borrego Springs. One way to assess economic vitality in the region is to review real estate prices and housing costs. This section also examines commute patterns for the region’s workforce.

Commercial Real Estate

The figure below illustrates the vacancy rate for industrial, office and retail space for the North County from 2010 to 2015. The declining vacancy rates in North County (except for the back and forth in retail) become an even stronger indicator of economic improvement when you consider that commercial real estate inventories increased by eight percent for office space, and two percent for both industrial and retail space over the same period of time. It is also worth noting that average rents for office space increased by 16% since 2010, industrial 12% and retail by 14%.



³⁰ Cushman and Wakefield

Figure 18 illustrates the average office rent (per square foot) and the proportional change in office inventory in North County from 2010 to 2015. Office inventory in the North County increased by nearly eight percent between 2010 and 2015 (2.5% increase from 2014 to 2015) and office rents increased by 16% over the same five-year time period (5.9% increase from 2014 to 2015) to \$2.87 a square foot.

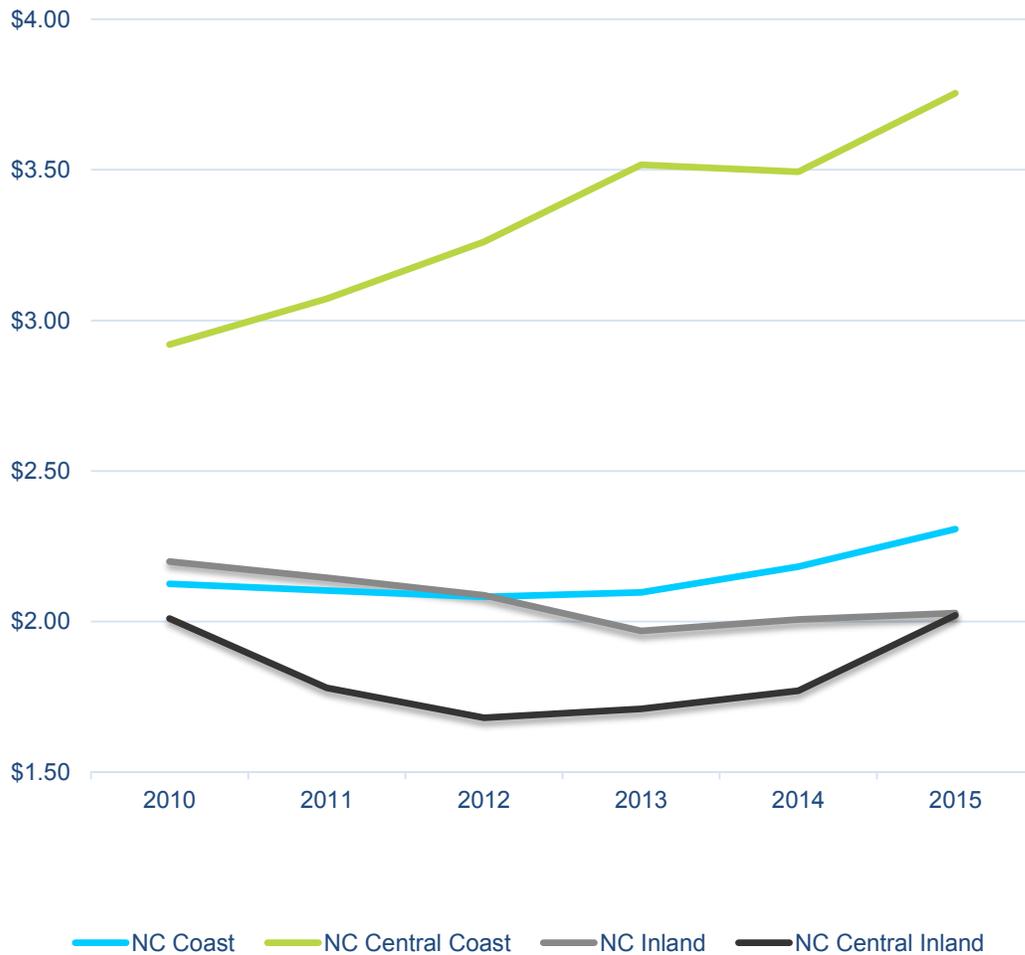
Figure 18: Average Office Rent and Change in Office Inventory in North County (2010 to 2015)³¹



³¹ Cushman and Wakefield

The figure below illustrates the average office rents by the four sub-regions that make up the North County. The NC Central Coast has experienced relatively consistent growth in average office rents from 2010 through 2015, despite a plateau from 2013 to 2014. The NC Coast has seen a less pronounced increase in average office rents. The average rents in the NC Central Inland returned to 2010 levels in 2015 after several years of decreasing rates and slow recovery. Office rents in NC Inland have yet to reach their level in 2010. Each sub-region experienced increases in office inventory from 2014 to 2015.

Figure 19: Average Office Rents in North County by Sub-Region (2010 to 2015)³²



³² Cushman and Wakefield

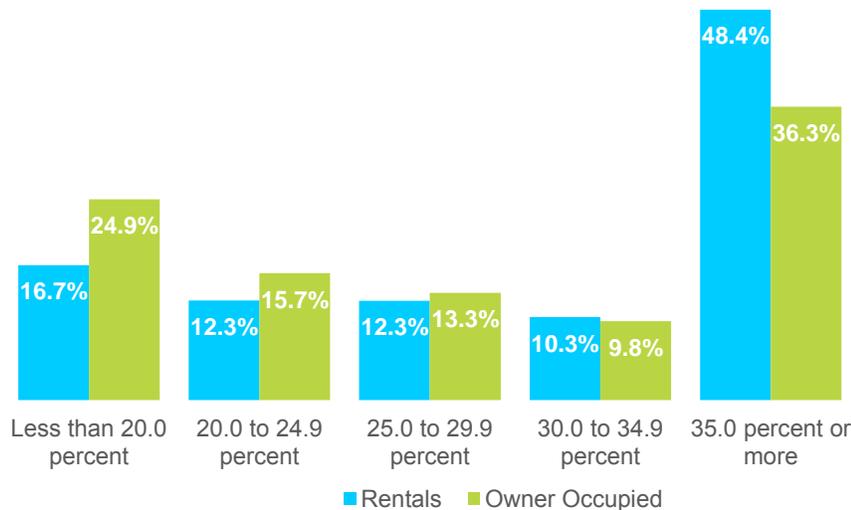
Housing

The North County is home to higher housing costs when compared to the rest of San Diego County, California. The high quality of life experienced by residents in the North County results in the willingness to pay more of a proportion of their income towards housing; 36% of home owners with a mortgage (down from 39% in 2013) and nearly half of renters (48% - down from 49% in 2013) allocated over a third of their household earnings to housing in 2014. Approximately 44% of all households in North County were renters in 2014 compared to 43% in 2013.

The NC Coast and NC Inland are the costliest areas for renters in North County, with 53% of residents in the NC Coast and 52% of residents in the NC Inland allocating 35% or more of their household income towards rent. These sub-regions are also the home to the highest proportion of homeowners with a mortgage for which ownership costs are 35 percent or more of household income (NC Coast: 36%; NC Inland: 41%).

There is a negative side to the high cost of housing in the North County besides the cost itself; medium- to low-wage earners will likely live further away from the cities in which they work, contributing to higher traffic volume and congestion (a scenario that is playing out currently in Silicon Valley³³). Those that pay more for housing will have less for other essentials such as food, clothing, utilities, health care, etc. Furthermore, high costs are detrimental to first-time home buyers or those medium to low wage earners looking to move to the region for work.

Figure 20: Gross Housing Costs as a Percentage of Household Income (2014)³⁴



³³ See: <http://sanfrancisco.cbslocal.com/2016/02/16/study-bay-area-cant-keep-up-with-job-income-growth-in-silicon-valley/>

³⁴ Source: American Community Survey (ACS) 2014 5-year estimates

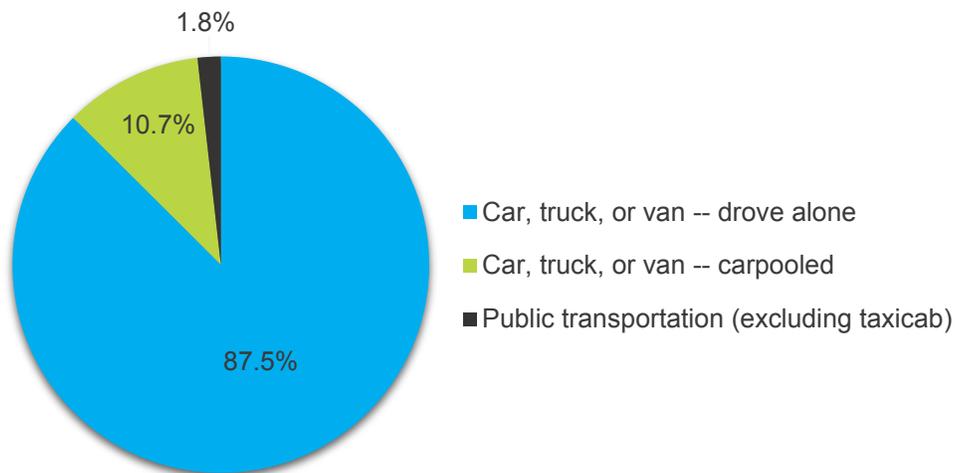
Commute

Approximately 8,600 more workers aged 16 and over drove to work alone in 2014, compared to 2013. Nearly 417,700 workers utilized a vehicle to travel to work in the North County in 2014.³⁵

- Car, truck, or van – drove alone: 417,600
- Car, truck, or van – carpooled: 51,300
- Public transportation (excluding taxicab): 8,600

Over one-third of all commuters 16 years of age and older (36%) in the North County spent at least 30 minutes or more getting to work in 2014. Commute times were highest for the NC Central Inland and NC Inland workers, where over approximately 40% of commuters in each sub-region spend at least half an hour traveling to their jobs.

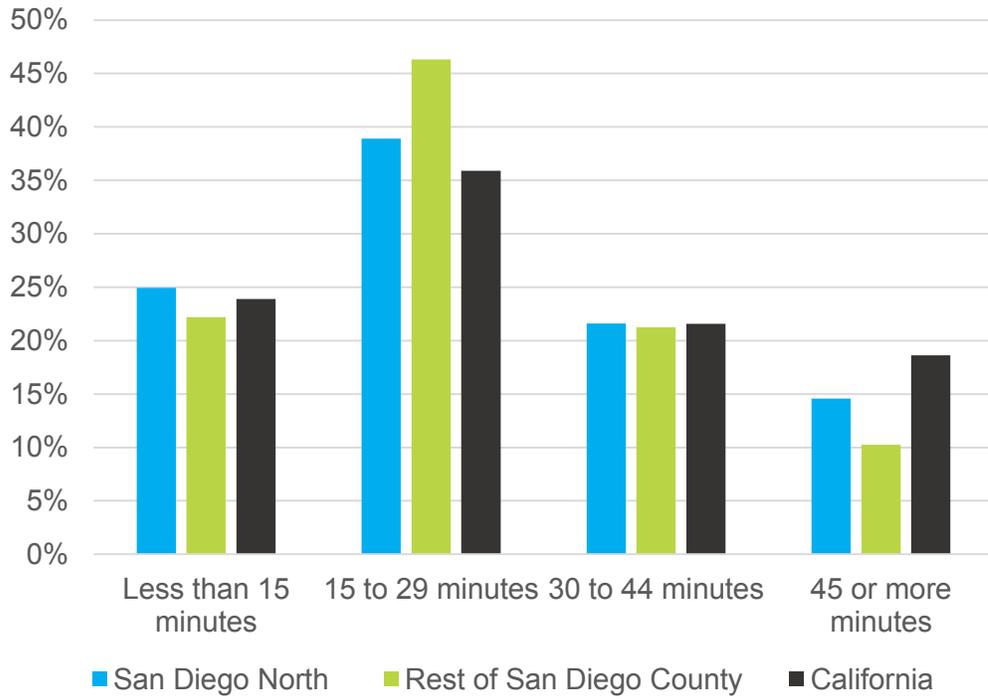
Figure 21: Type of Travel to Work for Workers 16 Years and Older (2014)³⁶



³⁵ Doesn't include walking, bicycling, or motorized bikes and scooters.

³⁶ Source: American Community Survey (ACS) 2014 5-year estimates

Figure 22: Travel Time to Work for Workers 16 Years and Older by Region (2014)³⁷



³⁷ Source: American Community Survey (ACS) 2014 5-year estimates

APPENDIX A:

RESEARCH METHODOLOGY

Data compiled for this report were drawn from secondary data sources.

SECONDARY RESEARCH

Complete employment, gross regional product, population, and educational completion statistics datasets for San Diego North County were defined by zip code, census tracts, or classification of instructional programs (CIP) codes.

For this study, industry clusters were defined using the North American Industry Classification System (NAICS) codes.

Complete employment data was compiled from JobsEQ's Complete Employment dataset for the zip code defined North County. The JobsEQ Complete Employment dataset includes state and federal level data sources and include QCEW and non-QCEW workers.

JobsEQ current year estimates are partial projections based on the Quarterly Census of Employment and Wages (QCEW) and Current Employment Statistics (CES) provided by the Bureau of Labor Statistics (BLS). Future year projections are based on available historical data for industries and clustered industries.

Complete employment datasets were also culled directly from the Economic Development Department (EDD) and Bureau of Labor Statistics (BLS).

Gross regional product data was utilized from the Bureau of Economic Analysis (BEA).

Population statistics were compiled from the Census Bureau's American Community Survey (ACS) 2014 5-year estimates for the census tract defined North County.

Educational completion statistics were compiled from the Integrated Postsecondary Education Data System (IPEDS) and JobsEQ for the years 2003 to 2014. Completions were combined for all North County postsecondary schools.

APPENDIX B:

NORTH COUNTY ZIP CODES

NC Coast Region
City & Zip Codes
92008 Carlsbad (in San Diego county, CA)
92009 Carlsbad (in San Diego county, CA)
92010 Carlsbad (in San Diego county, CA)
92011 Carlsbad (in San Diego county, CA)
92049 Oceanside (in San Diego county, CA)
92051 Oceanside (in San Diego county, CA)
92052 Oceanside (in San Diego county, CA)
92054 Oceanside (in San Diego county, CA)
92055 Camp Pendleton (in San Diego county, CA)
92056 Oceanside (in San Diego county, CA)
92057 Oceanside (in San Diego county, CA)
92058 Oceanside (in San Diego county, CA)
92081 Vista (in San Diego county, CA)
92083 Vista (in San Diego county, CA)
92084 Vista (in San Diego county, CA)
92085 Vista (in San Diego county, CA)

NC Central Coast Region
City & Zip Codes
92007 Cardiff by The Sea (in San Diego county, CA)
92014 Del Mar (in San Diego county, CA)
92024 Encinitas (in San Diego county, CA)
92075 Solana Beach (in San Diego county, CA)
92127 San Diego (in San Diego county, CA)
92129 San Diego (in San Diego county, CA)
92130 San Diego (in San Diego county, CA)
92067 Rancho Santa Fe (in San Diego county, CA)
92091 Rancho Santa Fe (in San Diego county, CA)

NC Central Inland Region
City & Zip Codes
92036 Julian (in San Diego county, CA)
92064 Poway (in San Diego county, CA)
92065 Ramona (in San Diego county, CA)
92128 San Diego (in San Diego county, CA)

NC Inland Region
City & Zip Codes
91948 Mount Laguna (in San Diego county, CA)
92003 Bonsall (in San Diego county, CA)
92004 Borrego Springs (in San Diego county, CA)
92025 Escondido (in San Diego county, CA)
92026 Escondido (in San Diego county, CA)
92027 Escondido (in San Diego county, CA)
92028 Fallbrook (in San Diego county, CA)
92029 Escondido (in San Diego county, CA)
92030 Escondido (in San Diego county, CA)
92033 Escondido (in San Diego county, CA)
92046 Escondido (in San Diego county, CA)
92059 Pala (in San Diego county, CA)
92060 Palomar Mountain (in San Diego county, CA)
92061 Pauma Valley (in San Diego county, CA)
92066 Ranchita (in San Diego county, CA)
92068 San Luis Rey (in San Diego county, CA)
92069 San Marcos (in San Diego county, CA)
92070 Santa Ysabel (in San Diego county, CA)
92078 San Marcos (in San Diego county, CA)
92079 San Marcos (in San Diego county, CA)
92082 Valley Center (in San Diego county, CA)
92086 Warner Springs (in San Diego county, CA)
92088 Fallbrook (in San Diego county, CA)
92096 San Marcos (in San Diego county, CA)

CEDS COMMITTEE MEMBERS

Name	Company/Organization	Private Sector
Gerald Bracht	Palomar Health	X
Linda Bailey	Community Strategies Group, Inc.	X
Jerry Van Leeuwen	California Center for the Arts, Escondido	X
Ernie Cowan	N. San Diego County Assoc. of Realtors	X
Bill de la Fuente	Comerciantes Latinos Asociados	X
Jeff Epp	City of Escondido	
Dave Ferguson	Lounsbury, Ferguson, Altona & Peak LLC	X
Michelle Geller	City of Escondido	
Scott Gross	Cal State San Marcos	
Terry Jackson	Cushman and Wakefield	X
Rorie Johnston	Escondido Chamber of Commerce	X
Debra Lundy	City of Escondido	
Joyce Masterson	City of Escondido	
Jay Petrek	City of Escondido	
Graham Mitchell	City of Escondido	
Julie Procopio	City of Escondido	
Jack Raymond	The Raymond Companies	X
Patricia Reno	RBC Wealth Management	X
Dennis Snyder	Charter High School	
George Weir	Weir Asphalt Company	X
Total Committee Members: 20 Private Sector Members: 11 Private Sector as % of total: 55%		



2014
**NORTH
COUNTY
CRAFT
BREW
REPORT**

NATIONAL UNIVERSITY SYSTEM
INSTITUTE FOR POLICY RESEARCH

A Report by the National University System Institute for Policy Research

This study was underwritten, in part, by the San Diego North Economic Development Council (SDNEDC). All conclusions, errors and omissions are the sole responsibility of the authors. We thank SDNEDC for their support.

North County is home to numerous breweries that have been spreading the appreciation of craft beer to the masses for years and years. Just as the craft brewing industry has become an integral part of the City of San Diego's identity, the same has happened for the North County, providing the area's locals access to breweries and brewpubs, and creating a vibrant Beer Tourism industry. I believe that the more recent expansion of breweries beyond industrial areas and business parks is direct proof of the North County's world class ability and San Diego's Beer Tourism influence.

Brian Scott

President, San Diego Brewers Guild

EXECUTIVE SUMMARY

Since 2010, craft brewing in San Diego has soared, creating hundreds of new jobs and fostering millions of dollars in new investment. As a region, North County has benefited from this investment. However, it is unclear what factors are driving growth in North County and what factors are hindering greater opportunity. To explore these questions, National University System Institute for Policy Research, in partnership with the San Diego North Economic Development Council, used business records and survey data to measure how North County is participating in the business of craft brewing.

We found that:

- **Craft brewing in North County had a \$272.3 million economic impact in 2013.**
This figure includes brewers, brewpubs, homebrew shops, hops farms and a brewing system designer. Combined, these businesses also generated \$185 million in total annual sales.
- **Overall, the North County craft beer industry supports 1,700 jobs.**
In North County, businesses directly employ 850 workers, mostly at breweries and brewpubs.
- **North County craft beer is sold at most of the highest-earning North County restaurants.**
This is a positive sign for regional brand awareness and consumer sales. However, some surveyed cities have low support for regionally brewed beer.
- **There are important land use and zoning differences among North County cities that affect brewers and brewpubs.**
North County is a regulatory patchwork for the industry, offering varying levels of restrictions for brewers and brewpub owners to follow. More regulatory certainty and industry-specific rules may facilitate greater investment and job creation.

North County is Home to Nearly 40 Breweries and Brewpubs

NUSIPR began its analysis of the North County craft beer industry by examining regional employment and businesses. Using proprietary business records and Internet research, we identified **30 breweries** and **8 brewpubs** in the North County area, directly employing approximately 850 workers.¹

Both breweries & brewpubs have job categories that are commonly found in other manufacturing businesses, such as packaging, maintenance, information technology, supply chain management, finance, sales and marketing. Brewpubs are much more dependent on skillsets found in the food service and hospitality sectors; most of the payroll is composed of jobs such as hosts, servers, cooks, line cooks, bar tenders and dishwashers. In San Diego, craft beer jobs are mostly brewpub jobs. Countywide, NUSIPR identifies about 1/3 of local industry jobs as directly related to brewing, while 2/3 of jobs are focused mainly on brewpub operations.

North County's craft brewing industry is more than just breweries and brewpubs. Unique industry services and resources have helped shaped its identity as a center for craft brewing activity.

Brewing Systems Design & Manufacturing

Located in Escondido, Premier Stainless Systems designs and manufacturers customized brewery systems, tanks, and keg washers. The company's client list includes more than sixteen local breweries, and dozens more worldwide. Most notably in 2013, Premier built the 10 barrel brewing system used by Stone Brewing at their new Liberty Station location, as well as Ballast Point's five-barrel system at their Tasting Room & Kitchen in Little Italy. Overall, Premier has between 19 to 35 employees.

Hops Farms

There are only a handful of hops farms in the region, all of which are small, boutique operations. NUSIPR identified four hops farms in San Diego, all of which are located in North County - Valley Center, Ramona and Julian. We estimate these farms employ 12 workers full-time.

One of the largest hops farms is ZP Growers, located in Valley Center. As a boutique business, ZP Growers is unable to compete with the large out-of-state farms that produce tons of dry, pelleted hops each year to brewers. Their business model instead is focused on providing full, fresh "wet" hops to local micro-brewers and home brewers. Unlike dry hops, fresh hops are delicate and spoil quickly. ZP Growers currently works with three local breweries, including Fallbrook Brewing.

ZP Growers distributes a quarterly newsletter to inform brewers of their growing schedule, allowing them time to plan for fresh hops for future brews. Brewers order fresh hops (sometimes grown on request), and experiment with different tastes and aromas. Through working partnerships, the hops farm facilitates greater industry collaboration, hands-on learning and education.

¹ For the purposes of this report, "North County" is defined by the unincorporated county area north of Highway 52, and the cities of Del Mar, Solana Beach, Encinitas, Carlsbad, Oceanside, Vista, San Marcos, Poway, and Escondido.

North County is Creating a Geographical “Critical Mass” along Key Transportation Links

Hops Highway

Highway 78 earned the nickname “Hops Highway” in 2012 as a popular route used to visit 1 out of 3 breweries and brewpubs in San Diego County. Stretching from Oceanside to Julian, it connects some of the most well-known breweries in San Diego, including Stone, Mother Earth, and Lost Abbey, along a sixty mile pathway. The Hops Highway is referenced in the San Diego Brewers Guild’s visitor guide, and Vista’s Belching Beaver Brewing Company adopted the nickname for one of its India Pale Ales. Along with the City of San Diego’s 30 Street “Craft Beer Corridor,” the Hops Highway is one of the few public spaces in California to be branded with the craft brewing industry.

The City of Vista

The most active North County area for craft brewing is Vista. As of July 2014, Vista has 10 breweries, with three more to open by the end of the year. According to Melody Campbell, the Chair of the Vista Brewers Guild, the City of Vista has more breweries per capita than Portland, Oregon.

Much of the success of Vista brewing can be attributed to a unique public-private partnership. Early on, city officials took a pro-active approach to supporting the industry. Most notably, the City of Vista helped establish the Vista Breweries Guild in 2012 to work with the industry as a whole. The Guild, which meets monthly, facilitates dialogue and collaboration between the City and brewery owners on common goals – promoting Vista and industry growth.

According to Kevin Ham, Director of Economic Development at the City of Vista, this partnership has fostered positive change for the local industry. City ordinances were changed, allowing tasting rooms in industrial zones, and permitting food trucks in business parks so long as tasting rooms are open. In 2012, the City Council unanimously approved live entertainment permits for breweries, allowing live acoustic music in tasting rooms. City officials also worked with federal authorities to enable brewers to ship overseas, and connected brewers with beverage store giant BevMo! to sell more of their beer to consumers. The City continues to work with the Guild and its members on local and state legislation.

Craft Beer has a Significant Economic Impact in North County

The sales generated by North County brewers, brewpubs and ancillary services foster job creation, tax revenue and new economic activity. A “multiplier effect” is also created when industry dollars are recirculated in the local economy, indirectly supporting more jobs and additional business activities. Indirect impacts refer to those impacts that result as businesses procure goods and services from other businesses (and, in turn, these businesses buy goods and services from others). Induced impacts refer to the impacts associated when employees spend their salaries on goods and services (and, in turn, the associated impacts as these expenditures continue to circulate through a local economy).

To determine the economic impact of the industry in North County, NUSIPR evaluated business records for all brewers, brewpubs, hops farms, homebrew supply stores, and brewery system designers, and determined their total sales volume for 2013. We estimate this figure as \$185.4 million. NUSIPR then analyzed sales data using IMPLAN, a leading regional input/output model. Input/output models are an econometric technique used to explore economic relationships within a designated geography. Overall, we found that the North County craft beer industry generated a \$272.3 million regional economic impact in 2013. We also found that the industry supports a total of 1,687 jobs in San Diego County, a figure which includes all direct (850), indirect (412), and induced (425) jobs. This figure is greater than the economic impact of Comic-Con International in 2014 (\$177.8 million), San Diego’s largest annual convention.

Table 1: Economic Impact Analysis of the North County Craft Brew Industry, 2013

	Direct Impacts	Indirect (in millions)	Induced (in millions)	Total (in millions)
Economic Activity (in millions)	185.4	49.7	37.2	272.3
Employment	850	412	425	1,687

Craft Beer Well Represented at North County Restaurants

One of the growing topics of discussion in the craft brewing community is brand awareness. The degree to which the public can see a product available on a menu, at a store, or learn about it from a friend can increase consumer interest and sales. Few craft brewers pay for advertising, and depend more on distribution and word of mouth for marketing and revenue. Furthermore, selling locally brewed beer keeps more North County dollars “local” – maximizing their economic impact. This concept, called “import substitution”, has a long history in economic development *and has just as much of dollar for dollar as attracting new “export oriented” cluster industries.*

With this in mind, NUSIPR sought to gauge how prevalent North County craft beer sales are at major North County restaurants. We developed a survey and sample to examine this question. To develop our sample, we used ReferenceUSA, a leading provider of business records. We sorted the data for full service restaurants with a sales volume of \$1 million or more in 2013 at all nine North County cities – Del Mar, Encinitas, Solana Beach, Carlsbad, Vista, Oceanside, San Marcos, Escondido, and Poway. NUSIPR then removed from the dataset all known diners, buffets, establishments that do not serve alcohol, or establishments that serve primarily breakfast and lunch (cafes). We selected the resulting top 10 restaurants for each city by sales volume. The resulting list was 90 restaurants that employ approximately 5,857 workers that grossed a cumulative \$393.3 million in 2013.

Over the course of a week in July 2014, we called each restaurant, asking them:

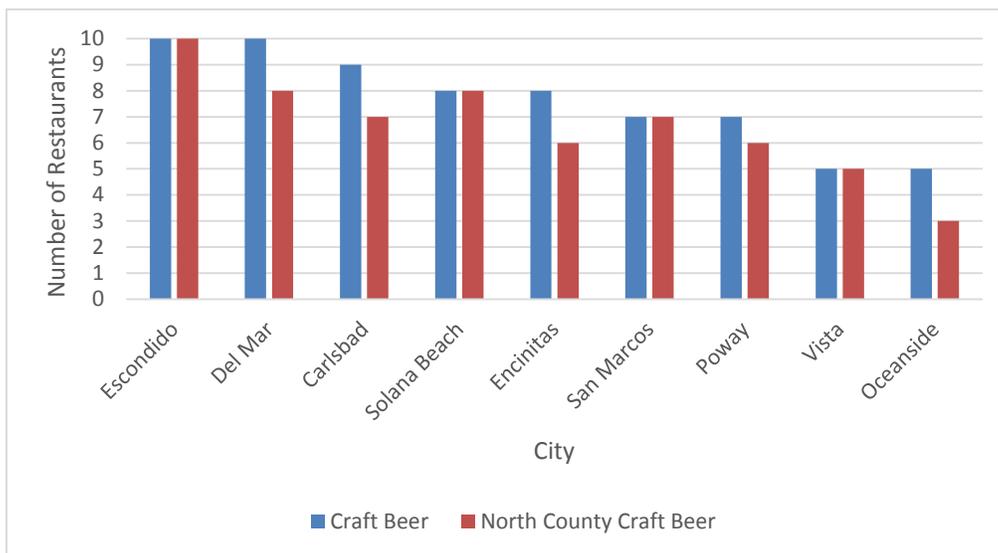
- 1) if they sell craft beer
- 2) if they sell North County craft beer.

We received a 100% response rate.

Overall, we found North County restaurants to be strong supporters of craft beer – 69 out of 90 (77%) survey respondents indicated they sold craft beer. Of restaurants that sell craft beer, 9 out of 10 (86%) sell craft beer brewed in North County. The most common response for the North County beers sold was Stone, followed by a wide variety of smaller breweries including Mother Earth and Port Brewing.

Important distinctions in responses were found by city. As illustrated in the following chart, there are varying levels of support for North County craft beer by city. Escondido had the strongest support with 10 out of 10 restaurants surveyed stating they sold North County craft beer. Oceanside had the lowest, with only 3 restaurants selling regional brews.

Chart 1: Full Service Restaurants That Serve Craft Beer, By City



Municipal Land Use and Planning Survey

One of the ways in which U.S. cities are now courting investment by the Brewing Industry is by overhauling their land use and zoning policies. While some cities in San Diego County have made well publicized industry-friendly policy changes (notably San Diego and Vista), the overall regulatory landscape in North County is largely unknown. More information could help determine a baseline for review, comparisons and further recommendations.

As part of our analysis, NUSIPR took a closer look at the land use and planning policies governing breweries and brewpubs in the North County area, and compared them to those of the City of San Diego and the County.

In July 2014, NUSIPR distributed a survey via electronic mail to either the City Manager or Planning Director of each municipality, requesting their assistance in answering the five following questions:

1. Does your municipality have specific zoning or other land use ordinances pertaining to breweries and brewpubs?
2. Are there any industrially or commercially zoned areas where breweries or brew pubs are specifically prohibited?
3. What provisions are there in your municipal code to provide for breweries to open tasting rooms or small commercial operations to sell products and merchandise?
4. Would breweries holding special events, for example an event around the release of a new beer, need to obtain any special permits? Would such requirements vary on the size of the event and can you provide any details on the various thresholds that would trigger various requirements?
5. One of the growing trends among craft brewers is the opening of very small brewing operations in conjunction with a retail/storefront presence. Would your current zoning ordinances pertaining to commercial areas allow for such a use?

After four weeks, NUSIPR received a 100% response rate from survey recipients. We compared the responses, and summarized them. We rated the aggregated responses using five scores: “Yes” and “No” when there was a clear consensus; “Strong Yes” and “Strong No” when the consensus was overwhelming and for similar reasons; and “Varies” when there was either no consensus, or somewhat of a consensus but for different reasons.

The following are the summary responses and ratings to the survey.

Does your municipality have specific zoning or other land use ordinances pertaining to breweries and brewpubs? **NO**

Only two cities (Carlsbad and San Marcos) reported they have specific zoning ordinance references to breweries and brewpubs. Most cities stated they generally interpret breweries as food production, industrial or manufacturing use, and brewpubs as restaurants. However, there was some variance, particularly among the smaller coastal cities (Del Mar, Solana Beach, Encinitas) where breweries and brewpubs are more likely to be classified as bars. Breweries and brewpubs are technically prohibited in Encinitas, but brewpubs may be classified as either a bar or “restaurant with alcohol,” depending on business activities. Solana Beach also stated that the categorization of breweries and brewpubs depends on the level of business activities. The City of San Diego lacks a citywide classification scheme, but in May 2014 it adopted definitions for Brewery Tasting Rooms, Brewpubs, and Brewpub Tasting Rooms for the Centre City Planned District Ordinance. The County has no specific language either, however brewing is considered a General Industrial use type and brewpubs are considered an Eating and Drinking Establishment use type.

Are there any industrially or commercially zoned areas where breweries or brew pubs are specifically prohibited? **STRONG YES**

Every city provided language that indicated breweries and brewpubs were either limited to certain industrially and commercially zoned areas, or were only permitted under certain conditions. Smaller, coastal communities had the highest level of restrictions; for example, Del Mar only allows on-site brewing in its North Commercial zone.

Generally, cities indicated they were more permissive with brewery placement in industrially zoned areas than brewpub placement in commercially zoned areas. For example, San Marcos permits breweries by right in Industrial and Light Industrial Zones, but only small scale brewpubs are permitted in Commercial Zones and some Specific Plan Areas with a Conditional Use Permit. Oceanside was the only city that stated it both permitted breweries in industrial areas by right and brewpubs in commercial areas by right.

The City and the County of San Diego were both ministerial in their responses. So long as breweries and brewpubs were located in the “correct zone,” then they would be allowed.

What provisions are there in your municipal code to provide for breweries to open tasting rooms or small commercial operations to sell products and merchandise? **VARIES**

Nearly every city indicated it had provisions that allowed retail sales and tasting rooms ancillary to breweries. The County of San Diego and Oceanside stated their municipal codes were silent on tasting rooms and on-site retail sales, however the County stated those uses would be allowed in conjunction with the brewery. Only Solana Beach indicated that the uses would be considered on a case by case basis. Encinitas requires a major use permit for a tasting room, and Carlsbad requires a Conditional Use Permit for breweries with tasting rooms and retail accessory use in certain commercially and industrially zoned areas.

The City of San Diego allows accessory uses for breweries and brewpubs in commercial zones, and in industrial areas with some restrictions.

Would breweries holding special events, for example an event around the release of a new beer, need to obtain any special permits? Would such requirements vary on the size of the event and can you provide any details on the various thresholds that would trigger various requirements? **STRONG YES**

Most cities required special permits for events that occurred either in outside areas on private property, or where private parking lots are partially or completely closed as a result of the event. Events held entirely indoors on private property did not require special permits. Permit approval is required by different agencies, depending on the city, including a building official, the Parks and Recreation Department, or the City Manager's Office. Del Mar requires an Operations Permit for any special event involving 50 or more people on private property. The City of San Diego requires a temporary use permit for "temporary public assembly and entertainment uses" on private property. If the event is located within the parking lot, then City approval may be required.

One of the growing trends among craft brewers is the opening of very small brewing operations in conjunction with a retail/storefront presence. Would your current zoning ordinances pertaining to commercial areas allow for such a use? **YES**

Nearly every city indicated they would allow small breweries in some commercial areas, but their specific use category varied. For example, Solana Beach classified this business type as "retail – alcohol sales for offsite consumption use," and Poway classifies them as a restaurant that also serves and makes beer. NUSIPR found that municipal approval was generally more difficult for this type of business model; San Marcos, Oceanside and Carlsbad require a Conditional Use Permit for commercially zoned breweries. Only the City of Encinitas ruled them out completely.

The City of San Diego and the County permit commercially zoned breweries with accessory use.

Conclusion and Next Steps

A significant degree of craft brewing activity in San Diego is centered in North County. With greater collaboration between brewers and elected officials, more industry development and opportunities can be created.

To the degree that economic development strategies in North County can incorporate the craft brewing industry, a true industry cluster of interconnected companies will emerge that will increase productivity and the competitive edge of local brewers in the marketplace. Other aspects of the brewing sector such as science, agritech and research can be established locally, creating high-paying jobs.

More attention is needed to examine how North County craft beer is marketed and sold on the regional level. The more local restaurants can sell regionally brewed beer, the greater the sales tax revenue cities can take in. National point of sale purchase data has shown that when craft beer is purchased, consumers decide to spend more on food and beverages. Restaurateurs should start a dialogue with local beer distributors to understand their options for acquiring local craft beer for sale.

Finally, the status quo on land use and zoning policies affecting the industry should be reconsidered. North County is a regulatory patchwork for the industry, offering varying levels of restrictions for brewers and brewpub owners to follow. As each municipality is unique and has different constraints, a uniform regulatory framework is likely untenable. However, crafting more regulatory certainty and industry-specific rules may facilitate greater investment and job creation. Industry officials should be asked for their assistance in establishing specific industry rules and determinations.

