

# 2014 ANNUAL PERFORMANCE REPORT

CITY OF ESCONDIDO  
COMPREHENSIVE  
ECONOMIC DEVELOPMENT  
STRATEGY (CEDS)

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## INTRODUCTION

The Escondido Comprehensive Economic Development Strategy (CEDS) Annual Performance Report for 2014 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 2014 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 2014 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, and an evaluation framework.

For questions or additional information, please contact Joyce Masterson, Director of Economic Development and Community Relations at 760-839-4621 or [jmasterson@escondido.org](mailto: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 2015 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 10, 2015 (See Appendix “A”).

### Current Status of the North San Diego County Region:

In 2015, North County’s economy is on the rebound. The region was hit harder than the rest of San Diego County by the Great Recession as total employment dropped by seven percent from 2007 to 2010. Over the last five years (2010 to 2014), 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 2014, 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). In a related finding, the region has experienced considerable employment growth (over 15%) from 2010 to 2014 in key industry clusters such as Clean Technology, Biotechnology & Biomedical devices and Building & Design. North County has also seen demand for its commercial real estate (including office, industrial and retail) all improve from 2010 to 2014, as vacancy rates have declined, while inventories and average rents have increased. These indicators all point to a regional economy that has stepped beyond the shadow of the Great Recession and faces new challenges and opportunities beyond the post-recession economy.

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

- 1. Industry clusters are playing an increasingly important role in North County’s economy** – From 2010 to 2014, the number of North County jobs found in the seven industry clusters identified in this study (Connected Tourism & Agriculture, Healthcare, Information & Communication Technologies, Building & Design, Sports & Active Lifestyle, Biotechnology & Biomedical Devices, and Clean Technology) had increased by approximately 17,000 jobs in the region and in 2014 accounted for 34 percent of all jobs in the regional economy. In comparison, the seven industry clusters account for approximately 28 percent of all jobs in the rest of San Diego County’s economy.
- 2. Quality of occupations in North County is improving, but the region remains a net exporter of high skilled talent** – From 2010 to 2014 Tier 1 and Tier 2 occupations

have grown faster in the North County than their lower skilled, lower paying Tier 3 counterparts. That being said the region remains a net exporter of professional, largely Tier 1, workers, who live in the North County and are employed in a neighboring community.

**3. Employment data and commercial real estate indicators demonstrate North County's strong recovery from post-recession economy** – Data from this report shows an improving employment picture and increasing demand for commercial real estate in North County, both overall and in comparison to neighboring regions.

**4. 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 2014, North Coast, North Central Coast and North Central Inland all experienced total employment growth of about two percent, while North Inland, including Escondido, is still six percent below its overall employment figures in 2007.

**5. Proportion of STEM degrees<sup>2</sup> generated in North County is low and did not improve in the most recent data** – 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, and yet only accounts for one percent of all 2 and 4 year STEM degrees produced in California.

## Census Update to CEDS

Source: US Census Bureau,  
2012 & 2011 American Community Survey (ACS)

### US

Unemployment		Per Capita Income	
2012	9.4%	2012	\$27,319
2013	8.4%	2013	\$28,184
24-Month Average	8.9%	24-Month Average	\$27,751

### San Diego County

Unemployment		Per Capita Income	
2012	9.6%	2012	\$29,281
2013	9.0%	2013	\$30,844
24-Month Average	9.3%	24-Month Average	\$30,062

### City of Escondido

Unemployment		Per Capita Income	
2012	7.7%	2012	\$20,619
2013	9.5%	2013	\$21,041
24-Month Average	8.6%	24-Month Average	\$20,830

Source: US Census Bureau,  
2009-2013 American Community Survey (ACS)

### City of Escondido

Census Tract	Unemployment	Per Capita Income
201.03	6.4%	\$34,495
201.05	3.1%	\$22,807
201.06	3.4%	\$24,073
201.07	5.1%	\$21,717
201.08	4.6%	\$13,671
201.09	3.0%	\$17,480
202.02	6.8%	\$11,384
202.06	7.3%	\$12,957
202.07	8.5%	\$14,796
202.08	11.5%	\$16,794
202.09	9.9%	\$16,718
202.1	4.7%	\$17,398
202.11	6.7%	\$16,932
202.12		
202.13	11.6%	\$11,629
202.14	6.4%	\$10,232
203.02		
203.04	3.9%	\$31,549
203.05	4.3%	\$25,667
203.06	5.2%	\$28,968
203.07	7.8%	\$28,194
203.08	7.9%	\$18,954
203.09	5.1%	\$22,429
204.01	8.3%	\$57,895
204.03	8.4%	\$28,094
204.04	5.8%	\$32,082
204.05	3.3%	\$42,097
205	6.1%	\$17,649
206.01	3.5%	\$11,491
206.02	7.3%	\$22,099
207.05	3.7%	\$23,864
207.06	6.8%	\$42,169
207.07	7.6%	\$20,521
207.08	4.8%	\$28,454
207.09	6.9%	\$30,690
207.1	3.5%	\$53,189

## SWOT ANALYSIS UPDATE

In addition to the in-depth SWOT analysis contained in Escondido's approved 2013 CEDS document (See Appendix "C"), the following are updated issues that will be watched closely in 2015:

### Strengths:

**Regional Collaboration** - 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 is slated for April 2015.

**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 2014 Escondido's first four-year university, John Paul the Great Catholic University, completed its first full year of operation in 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.

### 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.

**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.



## CURRENT STATUS OF STRATEGIC DIRECTION/ACTION PLAN

Goal	Strategy: Opportunity or Challenge to be Addressed	Action Item	Status
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><b>1. Expand City’s organizational capacity for economic development</b></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>	1a. Establish full time Special Event/Economic Development Coordinator position	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.
		1b. Publicize Ombudsman services of Management Analyst	Completed. Notice placed on website & repeated in monthly e-newsletter.
		1c. Convene Economic Development Task Force (City staff and selected local stakeholders) to overview selected action items (see also Item 4a)	Completed/Ongoing. Community members are: Gerald Bracht, Bill de la Fuente, Dave Ferguson, Eddie Grangetto, Terry Jackson, Jason Hahn, Dennis Synder, George Weir, Jerry Van Leeuwen; City Staff: Michelle Geller, Clay Phillips, Joyce Masterson, Jay Petrek, Chris McKinney, and Julie Procopio. Meetings are being held regularly.
		1d. Establish volunteer corps of local Business Ambassadors to help promote Escondido (see also Action Item 5a)	Completed. The following individuals have agreed to serve as ambassadors on an as needed basis: Greg Koch, George Weir, Judy Jones-Cone and David Cohn.

Goal	Strategy: Opportunity or Challenge to be Addressed	Action Item	Status
	<p><b>1. Expand City's organizational capacity for economic development (CONT)</b></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>	1e. Expand Mayor's business outreach program to include other Council members	Completed/On going. In conjunction with the Chamber of Commerce, conducted the First "Annual Business Walk" in September 2014. Working in teams of two, volunteers surveyed 53 businesses. The data from those surveys has been entered in a database and compiled into a report made available on the city's website.
		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>

Goal	Strategy: Opportunity or Challenge to be Addressed	Action Item	Status
<p><b>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</b></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

Goal	Strategy: Opportunity or Challenge to be Addressed	Action Item	Status
Create jobs / expand tax base	<i>2. Leverage recent/ forthcoming development and investment to attract new business and visitors to the City</i>	2a . Coordinate with Palomar Health to identify specific opportunities to attract new support businesses related to development of Palomar Medical Center West	
		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	Completed/Ongoing. Visitors Bureau is promoting events/opportunities at Westfield. Also, a new digital billboard at Westfield proposed along I-15 freeway is under review and provides opportunity for additional recruitment and promotion.
		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	
		2d. Incorporate information about development and investment initiatives, both public and private, into marketing materials and campaigns for the City	

Goal	Strategy: Opportunity or Challenge to be Addressed	Action Item	Status
Create jobs / expand tax base	<p><b>3. Continue efforts to develop reclaimed water for agriculture.</b></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"> <li>• Culture, Entertainment &amp; Tourism</li> <li>• Specialty Foods and Beverages</li> <li>• Agribusiness and Ag-Tech</li> </ul> <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>	3a. Establish public/private Task Force to serve as an advocacy/advisory group, a clearinghouse for information related to this issue	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.
		3b. Facilitate the investigation of the feasibility of developing an Alternating Proprietorship (AP) Facility, to support wine production in San Diego County	Completed. Conducted meeting with local wine industry leaders which revealed little need or support for such a facility..
		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.	Ongoing. Two new local wineries, BK Cellars and Vesper Vineyards, have opened in western Escondido. In addition, City revised Downtown Specific Plan to allow tasting rooms by right, eliminating need for Conditional Use Permit

		3d. Pursue efforts to attract private investors to investigate the feasibility of and develop a multi-room craft beer tasting facility (in Downtown Escondido)	Ongoing. A new brewery, Plan 9 Alehouse, has opened in downtown Escondido.
		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	Completed/ Ongoing. City Staff participated in San Diego Beer Tourism Summit hosted by Stone Brewing Company and actively promoted “San Diego Beer Week” and craft breweries through City’s “Visit Escondido” Tourism site, articles and social media.

Goal	Strategy: Opportunity or Challenge to be Addressed	Action Item	Status
Create jobs / expand tax base	<p>4. <b><i>Implement target industry marketing program to attract new firms in high-priority clusters</i></b></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"> <li>• Cleantech</li> <li>• Hospitals and Healthcare</li> <li>• Culture, Entertainment &amp; Tourism</li> <li>• Education &amp; Knowledge Creation</li> <li>• Specialty Foods and Beverages</li> </ul> <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>	4a. Convene Economic Development Task Force to identify specific industry attraction targets and goals for 2-year and 5-year horizons	Completed/Ongoing. Task Force has identified 3 new employment land sites best suited for Health care and Clean tech.
		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)	In progress. Draft materials have been developed but finalization is pending the release of the 78 Corridor Collaboration branding, “Innovate 78”. Anticipate release is April 2015.

Goal	Strategy: Opportunity or Challenge to be Addressed	Action Item	Status
Create jobs / expand tax base	<p><b>5. Enhance outreach and marketing for economic development, through a set of coordinated channels</b></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>	5a. Establish "Business Ambassadors" program to utilize high-profile Escondido business persons as advocates in marketing effort	Completed. Members are: Greg Koch, George Weir, Judy Jones-Cone and David Cohn
		5b. Investigate implementation of formal business retention survey process, as part of the work plan for newly- established economic development staff	Completed. As an alternative to a costly survey, the Economic Development Division, in conjunction with the Chamber of Commerce, conducted the First "Annual Business Walk" in September 2014. Working in teams of two, volunteers surveyed 53 businesses. The data from those surveys has been entered in a database and compiled into a report made available on the city's website.
Goal	Strategy: Opportunity or Challenge to be Addressed	Action Item	Status



<p><b>Create jobs / expand tax base</b></p>	<p><b>6. <i>Implement an identity/image enhancement program</i></b></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:<sup>11</sup></p> <ul style="list-style-type: none"> <li>• 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.</li> </ul>	<p>6a. Convene initial working group meeting to:</p> <ul style="list-style-type: none"> <li>• Consider the timing, preceding steps etc. of this effort</li> <li>• Review past/recent efforts relevant to this process</li> <li>• Define preliminary scope of a coordinated, citywide identity/image enhancement initiative</li> <li>• Document key themes/ concepts to be included in refined identity for the community</li> <li>• Identify leadership and organizational participation for initiative</li> </ul>	<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 Deelopment 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.</p>
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Goal	Strategy: Opportunity or Challenge to be Addressed	Action Item	Status
<p><b>Create jobs / expand tax base</b></p>	<p><b>6. <i>Implement an identity/image enhancement program (CONT.)</i></b></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 is slated for April 2015</p>

Goal	Strategy: Opportunity or Challenge to be Addressed	Action Item	Status
<p><b>Create jobs / expand tax base</b></p>	<p><b>7. <i>Continue/intensify efforts to revitalize key subareas of the City</i></b></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"> <li>• Proposed Business Park Plan Area, top priority</li> <li>• Downtown, second priority</li> </ul> <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>

Goal	Strategy: Opportunity or Challenge to be Addressed	Action Item	Status
Create jobs / expand tax base	<p><b>7. <i>Continue/intensify efforts to revitalize key subareas of the City (CONT)</i></b></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
Create jobs / expand tax base	8. Ensure that City's development/permit processing is timely and business friendly	8a. Deferment of impact fee collection until a Certificate of Occupancy is issued – by right rather than at City's discretion	Completed. A revised fee deferral policy was just approved by Council in June 2012. <a href="http://www.escondido.org/fee-deferral-policy.aspx">http://www.escondido.org/fee-deferral-policy.aspx</a> .)
		8b. Partner with Building Industry Association (BIA) to implement pilot program for development- processing improvements  Possible pilot programs include: <ul style="list-style-type: none"><li>Utilize BIA experience and expertise to refocus and refine City's longstanding usage of 3<sup>rd</sup> party plan check and inspection services, recognizing the City's existing agreement with ESGIL.</li><li>Raising the project-size threshold for triggering CEQA requirements, subject to City's discretionary authority.</li><li>Identifying specific policies necessary to encourage development of targeted, specialized business activities (e.g., water/wastewater requirements of microbreweries).</li></ul>	In progress. Revised Environmental Quality Regulations (EQRs) and Climate Action Plan (CAP) and associated Screening Tables adopted on 12-4-13.  New California Building Codes and Fire Codes adopted 12-4-13, effective 1-1-14.  Raised the thresholds for the size of a project requiring a traffic study and for what constitutes a significant traffic impact.  Implemented tiered wastewater fee system for to make it easier for wine/beer makers to operate in Escondido.

Goal	Strategy: Opportunity or Challenge to be Addressed	Action Item	Status
Create jobs / expand tax base	8. Ensure that City's development/permit processing is timely and business friendly (CONT)	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>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.</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)	Ongoing. Trakit system has been upgraded and used by all SDC staff.

Goal	Strategy: Opportunity or Challenge to be Addressed	Action Item	Status
<b>Create jobs / expand tax base</b>	<p><b>9. <i>Expand promotion of Escondido as destination for tourism</i></b></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 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>	9a. Coordinate with CVB (a recommended participant in the Strategy 4/Strategy 6 marketing initiatives) to develop tourism component of overall marketing program	Completed. Brought the Visitors Bureau under City control and hired Katherine Zimmer as Tourism and Marketing Administrator of “Visit Escondido”.
		9b. Inventory and profile all community “assets” that should be positioned as destinations/visitor amenities in tourism marketing plan	Completed. Visit Escondido staff have done so and all are listed on <a href="http://www.visitescondido.com">www.visitescondido.com</a>
		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.	Completed. “Visit Escondido” regularly promotes all recreational opportunities including sports tournaments, public art, restaurants, etc.

Goal	Strategy: Opportunity or Challenge to be Addressed	Action Item	Status
Create jobs / expand tax base	<b>10. Expand special events to attract visitors/shoppers to City</b>  This strategy will be coordinated closely with the strategy for expanding the promotion of Escondido as a destination for tourism.	10a. Inventory all existing special events and compile data on visitation, including origins of visitors, utilization of visitor facilities during events, and similar details	
		10b. Devise a method by which to systematically compile such information	
	<b>11. Coordinate with other North County cities on business attraction efforts</b>  This activity will generally be reserved for unique situations in which such coordination is beneficial to the North County region.	11a. Review all existing regional coordination efforts and make recommendations as to the circumstances under which such coordination would be appropriate	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.
	<b>12. Identify options for integrating City economic development efforts with regional economic development organizations</b>  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	12a. Establish criteria for and evaluate existing and new economic development initiatives in terms of potential applicability to this strategy	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. San Diego Regional EDC established the point person in August of 2014 and presented a comprehensive strategy in November of 2014.
		22	



Goal	Strategy: Opportunity or Challenge to be Addressed	Action Item	Status	
Improve residential quality of life	<p><b>13. Improve utilization of California Center for the Arts</b></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>	13a. Coordinate CEDS marketing initiatives with existing Center for the Arts Subcommittee	In progress. Christopher McKinney, Director of Utilities, is now the designated liaison with the California Center for the Arts, Escondido.	

Goal	Strategy: Opportunity or Challenge to be Addressed	Action Item	Status
Improve residential quality of life	<p><b>14. Expand housing options for higher-income residents</b></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>	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	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.
		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	
		14c. Explore annexation of unincorporated county land that could increase high-end housing development opportunities	In progress. Annexations have been initiated for two new residential properties totaling 86 proposed high-end homes.

Goal	Strategy: Opportunity or Challenge to be Addressed	Action Item	Status
<b>Improve residential quality of life</b>	<b>15. <i>Expand athletic / recreational / environmental amenities, consistent with and in coordination with the relevant policies from the recently updated General Plan</i></b>	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.	
		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	

Goal	Strategy: Opportunity or Challenge to be Addressed	Action Item	Status
Improve residential quality of life	<b><i>15. Expand athletic / recreational / environmental amenities, consistent with and in coordination with the relevant policies from the recently updated General Plan (CONT)</i></b>	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	In progress. 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's Department has selected east Escondido, including the Escondido Creek Trail, as its second Neighborhood Transformation Project (NTP) area. Throughout the next year 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.
		15d. Investigate options for funding new recreational facilities in the City, including potential public/private partnerships for facility development	

Goal	Strategy: Opportunity or Challenge to be Addressed	Action Item	Status
Improve employment opportunities of Escondido residents	<b>16. Focus existing relationships with primary / secondary schools on workforce development, with specific focus on improving high school graduation rates</b>	16a. Establish an Educational Task Force	
		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.	
		16c. Establish, as appropriate, and monitor ongoing collaborative efforts such as STEM (Science, Technology, Engineering, and Mathematics) programs and the like	
	<b>17. Expand job training capacity in Escondido</b>	17a. Review findings of Educational Enhancement operational plan and propose supplemental programs to address any identified training/job- readiness gaps	

## 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	Bakery
	Rita's Italian Ice	6/1	Food
	<b>Total</b>	<b>208/378</b>	

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

Although a lower unemployment rate is a long term goal, unemployment in Escondido did not lower in 2013. Instead it increased in 2013 to 9.5% compared to 7.7% in 2012. On the positive side, Escondido's per capita income level has increased from \$20,619 in 2012 to \$21,041 in 2013. The Percentage of "All People" living in poverty has also gone down from 20.3% to 19.6% despite the San Diego County level increasing from 15.0% to 15.2%.

Innovation

Economy

People

Place

# 2015 North County Prospects



**ViaSat**

**WELLS  
FARGO**

 **Tri-City Medical Center**  
ADVANCED HEALTH CARE...FOR YOU

  
**SANDIEGONORTH**  
Economic Development Council  
Connect. Develop. Grow.

**UT**  
San Diego

**DTZ**



  
A Sempra Energy utility

**SAN DIEGO  
BUSINESS  
JOURNAL**

**[bw] RESEARCH  
PARTNERSHIP**

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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 459 thousand jobs. The region has a larger population than eight states in the Country, including Vermont, Rhode Island and Alaska, along with more employment than six states including Delaware, Montana 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, providing high skilled workers to employers in neighboring communities.

## State of North County

In 2015, North County's economy is on the rebound. The region was hit harder than the rest of San Diego County by the Great Recession as total employment dropped by seven percent from 2007 to 2010. Over the last five years (2010 to 2014), 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 2014, 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). In a related finding, the region has experienced considerable employment growth (over 15%) from 2010 to 2014 in key industry clusters such as Clean Technology, Biotechnology & Biomedical devices and Building & Design. North County, has also seen demand for its commercial real estate (including office, industrial and retail) all improve from 2010 to 2014, as vacancy rates have declined, while inventories and average rents have increased. These indicators all point to a regional economy that has stepped beyond the shadow of the Great Recession and faces new challenges and opportunities beyond the post-recession economy.

## What we Learned from the Data

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

1. **Industry clusters are playing an increasingly important role in North County's economy** – From 2010 to 2014, the number of North County jobs found in the seven industry clusters identified in this study<sup>1</sup> had increased by approximately 17,000 jobs in the region and in 2014 accounted for 34 percent of all jobs in the regional economy. In comparison, the seven

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<sup>1</sup> Industry clusters include: Connected Tourism & Agriculture (CTA), Healthcare, Information & Communication Technologies (ICT), Building & Design, Sports & Active Lifestyle (SAL), Biotechnology & Biomedical Devices, and Clean Technology.

industry clusters account for approximately 28 percent of all jobs in the rest of San Diego County's economy.

2. **Quality of occupations in North County is improving, but the region remains a net exporter of high skilled talent** – From 2010 to 2014 Tier 1 and Tier 2 occupations have grown faster in the North County than their lower skilled, lower paying Tier 3 counterparts. That being said the region remains a net exporter of professional, largely Tier 1, workers, who live in the North County and are employed in a neighboring community.
3. **Employment data and commercial real estate indicators demonstrate North County's strong recovery from post-recession economy** – Data from this report shows an improving employment picture and increasing demand for commercial real estate in North County, both overall and in comparison to neighboring regions.
4. **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 2014, North Coast, North Central Coast and North Central Inland all experienced total employment growth of about two percent, while North Inland is still six percent below its overall employment figures in 2007.
5. **Proportion of STEM degrees<sup>2</sup> generated in North County is low and did not improve in the most recent data** – 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, and yet only accounts for one percent of all 2 and 4 year STEM degrees produced in California.

### **What we will be watching for in 2015**

Based on an analysis of regional, statewide and national data, these are the key issues and questions we will be watching closely in 2015 as we examine the North County economy;

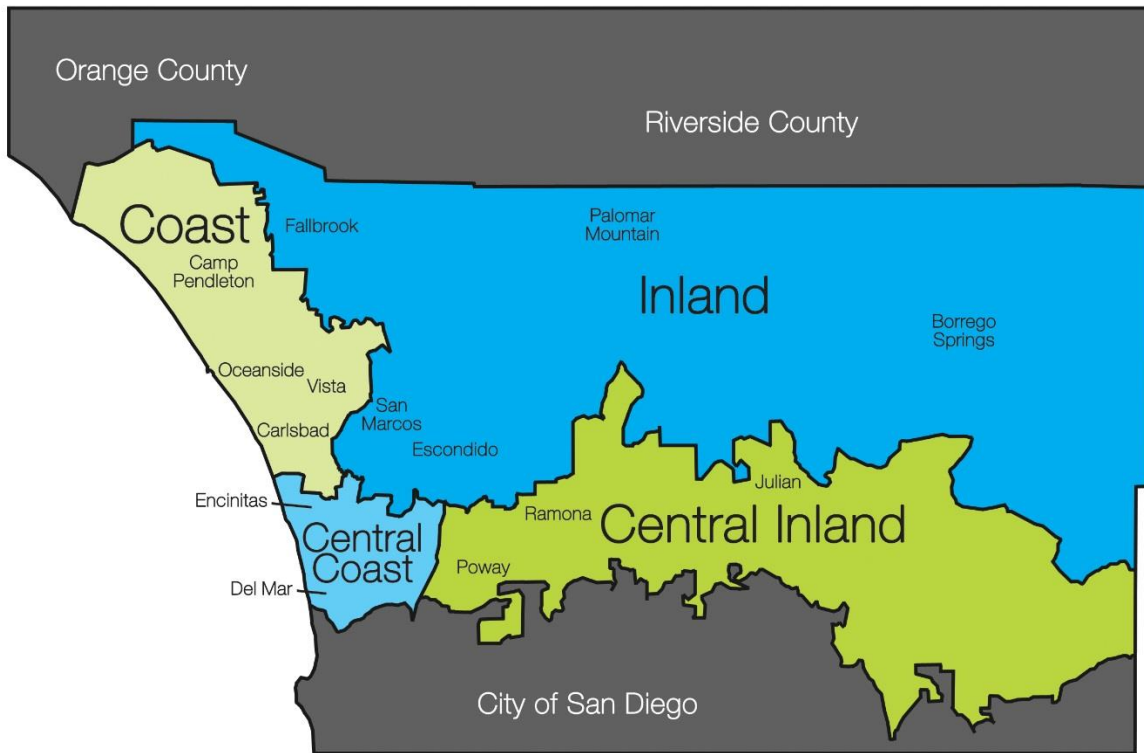
1. **Growing pains of a strengthening economy** – While an improving employment picture and increasing demand for commercial and residential real estate are often considered valuable indicators of a strengthening economy, they also can create challenges related to **housing affordability, traffic and congestion, and costs for small businesses.**
2. **Water prices, regulations and availability** – Every year, the impact of the drought seems to get closer and closer to home. Agriculture, particularly in North Inland has already felt the sting of higher prices and reduced supply, and the dominoes will continue to fall if water supplies continue to decline.

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<sup>2</sup> Two & Four year college or university degrees in Science, Technology, Engineering and Mathematics.

3. **Quality of life as an increasingly valuable asset for regional economic vitality** in the North County. Whether we are discussing the great weather, the access to beaches, mountains, parks or other related recreational and/or leisure activities connected to the craft beer industry, all these resources play an important role in the region's quality of life. When we look at these resources we tend to emphasize the impact they have on the tourism and hospitality industry and can forget the central role in attracting and retaining business decision makers and entrepreneurs who want to have their businesses located where they live and play.
4. **Education providers and job-seekers respond to an increasingly churning regional economy.** 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. We are already seeing employers in specific industries indicate more and more difficulty finding qualified job applicants for key positions.
5. **North County's transition from a population serving economy to a more innovative, export-oriented economy.** Will industry clusters continue to grow in North County and what impact will that have on the region's need for talent, venture capital and research resources?

## *The North County Region*



For this year's report, the North County region was divided into four distinct sub-regions. The sub-regions are;

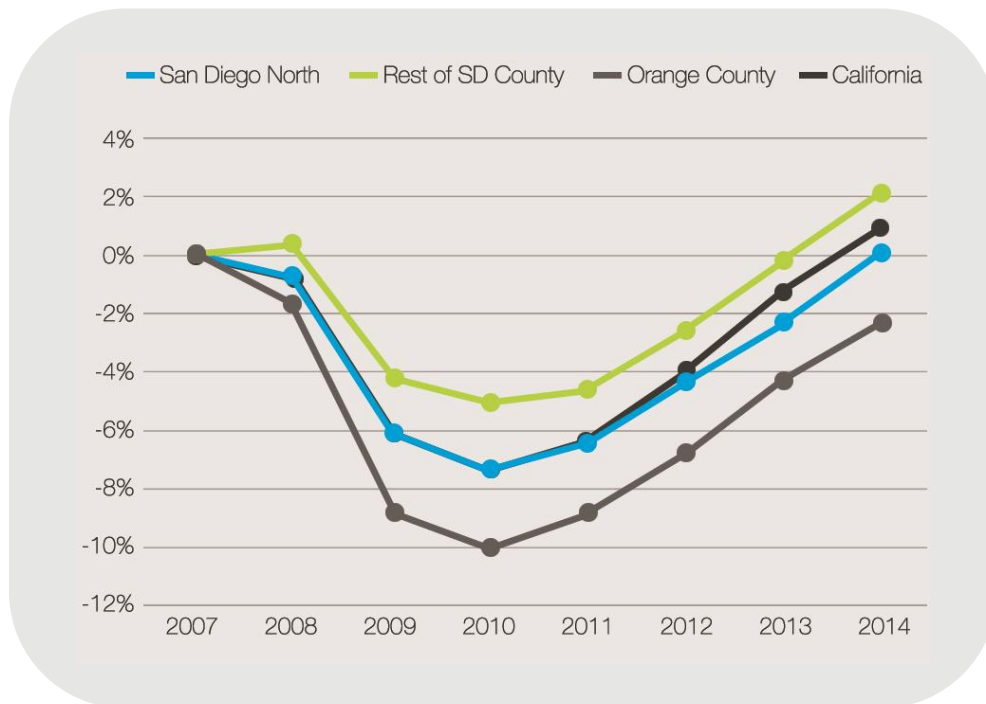
- The **NC Coast** – includes Carlsbad, Oceanside, Vista and Camp Pendleton
- The **NC Central Coast** – includes Encinitas, Del Mar and Solana Beach
- The **NC Inland** – includes San Marcos, Escondido, Fallbrook, Palomar Mountain, and Borrego Springs
- The **NC Central Inland** – includes Poway, Ramona,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

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

# Economy

The North County continues to lag behind the rest of San Diego County and California in overall growth since the Great Recession, however, total employment by the end of 2014 (458,800) had reached pre-recession levels in the region. Also, the North County has fared somewhat better than neighboring Orange County since the 2008 economic downturn. The figure below reflects the percentile change in overall employment for all North County businesses.

**Figure 1: Overall Change in Employment from 2007 to 2014 (Region)<sup>3</sup>**

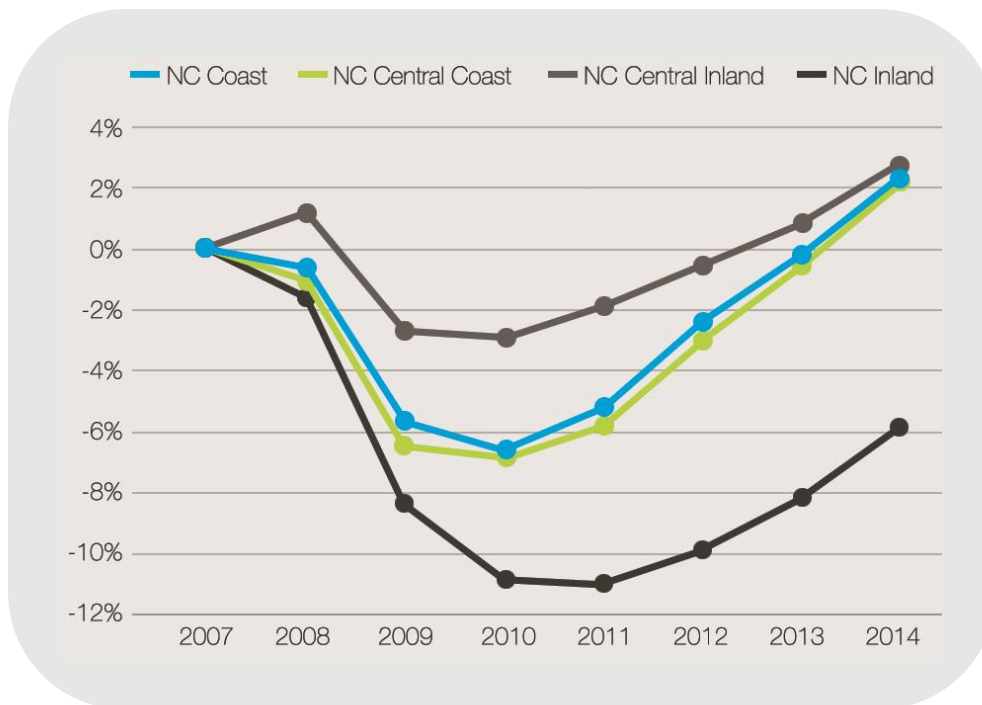


<sup>3</sup> Source: EMSI 2014.4 Class of Worker, QCEW and Non-QCEW

### **Sub-regional Analysis – Change in Employment**

The NC Inland sub-region underwent the largest decline in total employment since 2007, and is nearly six percent below employment levels from before the Great Recession. The remaining three sub-regions in North County have fared markedly better, with employment figures reaching over two percent higher than 2007 levels for each geography.

**Figure 2: Overall Change in Employment by North County Area from 2007 to 2014 (Sub-region)<sup>4</sup>**

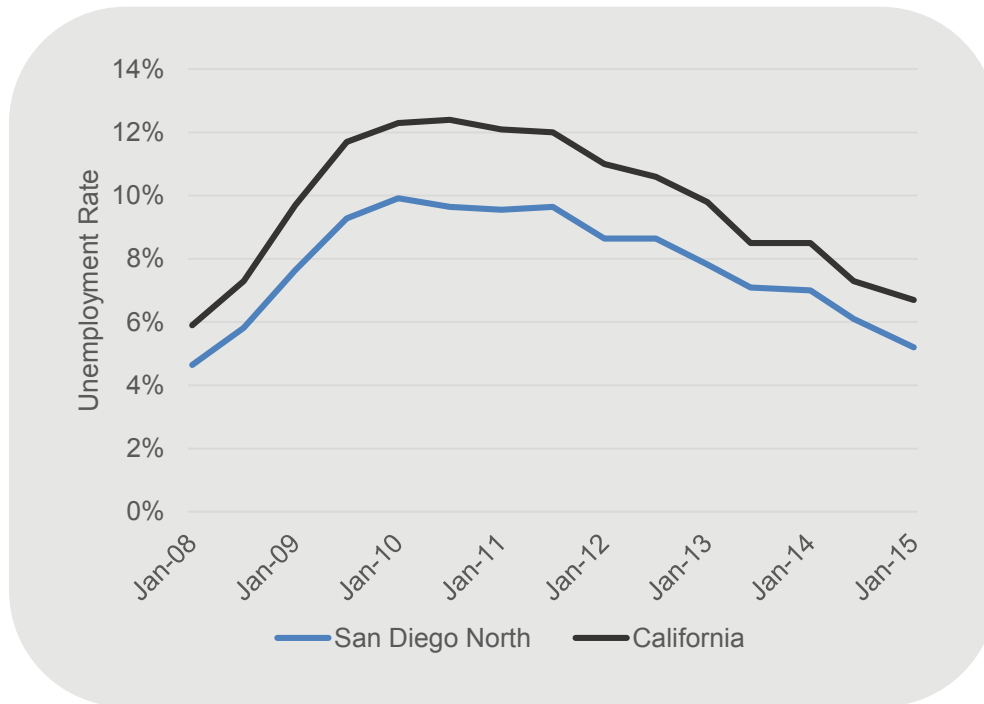


<sup>4</sup> Source: EMSI 2014.4 Class of Worker, QCEW and Non-QCEW



Figure 3 reflects the overall unemployment level of North County residents compared to those throughout California. The labor force participation rate in North County in 2013 was 64%, a slight decline from 2012 (65%), and consistent with the Rest of San Diego County and a little higher than California or the United States.<sup>5</sup>

**Figure 3: San Diego North County Historic Unemployment Rate (Jan 2008 to Jan 2015)<sup>6</sup>**



### **Sub-regional Analysis – Labor Force Participation**

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

- **NC Coast** – 65%
- **NC Central Coast** – 59%
- **NC Central Inland** – 65%
- **NC Inland** – 59%

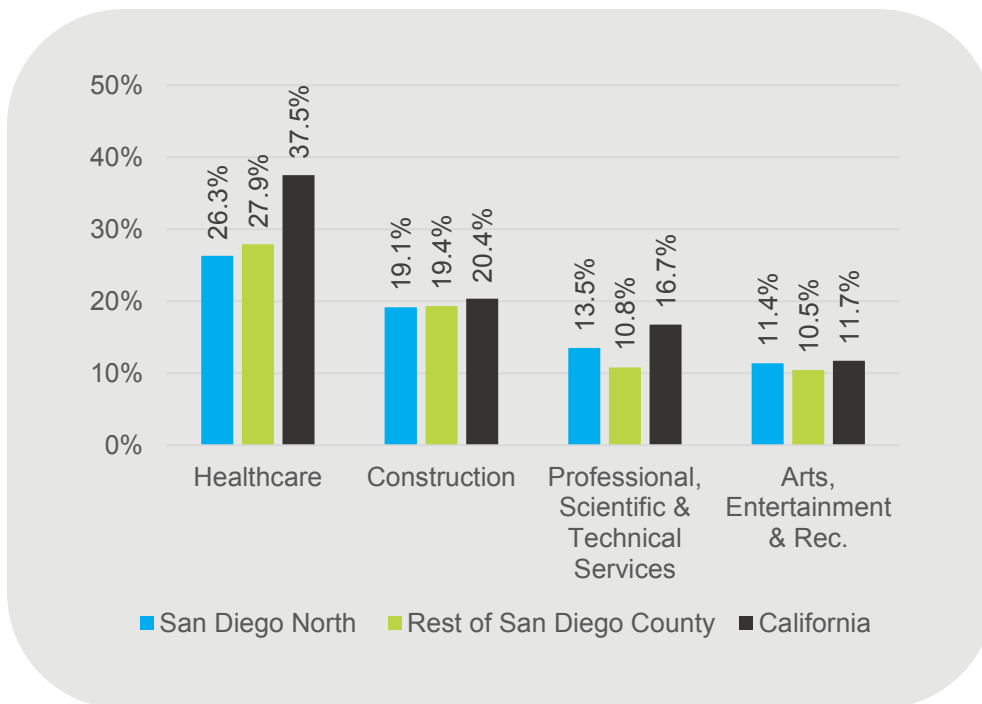
<sup>5</sup> Source: American Community Survey (ACS) 2013 5-year estimates

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

## Regional Employment by Industry

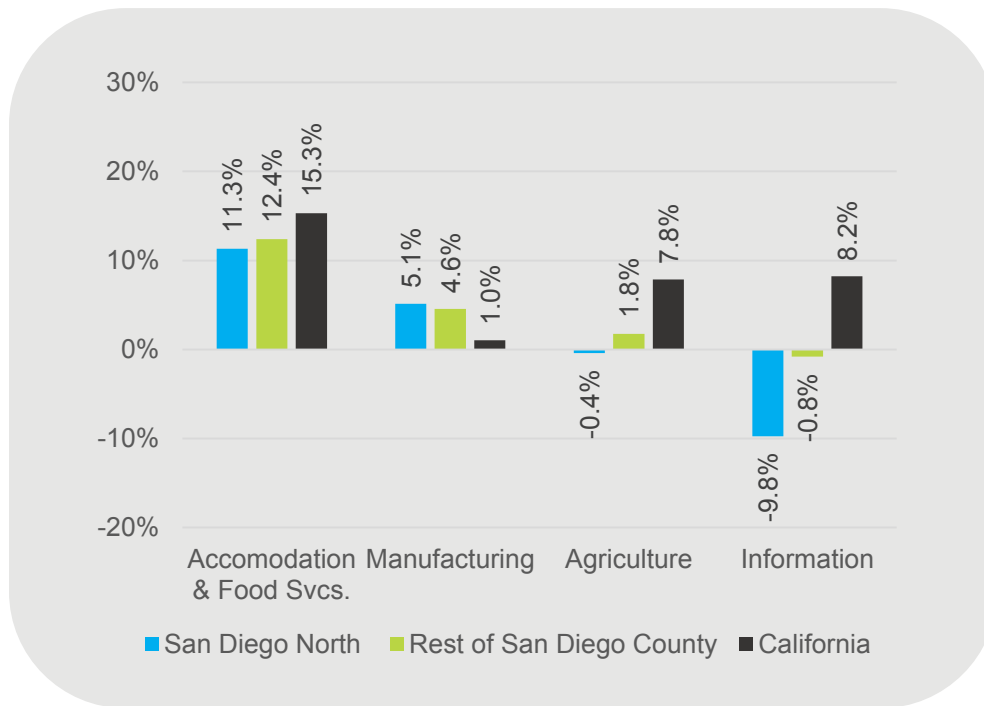
Several North County industries experienced strong growth between 2010 and 2014. Although the Healthcare industry in the region trended behind the rest of San Diego County and California, it expanded the most among traditional industries in North County. Manufacturing underwent slightly faster growth in North County when compared to the rest of the County, and over five times faster than the rate statewide. Agriculture and Information contracted in the region over the same time period (Figure 5).

**Figure 4: Industry Change in Employment by Region from 2010 to 2014<sup>7</sup>**



<sup>7</sup> Source: EMSI 2014.4 Class of Worker, QCEW and Non-QCEW

**Figure 5: Industry Change in Employment by Region from 2010 to 2014 (2)<sup>8</sup>**



<sup>8</sup> Source: EMSI 2014.4 Class of Worker, 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 a high-paying, full-time position with full benefits that continually develops and trains an individual 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 \$43.35 an hour or approximately \$90,200 a year (assuming a 40 hour work week for the entire year).

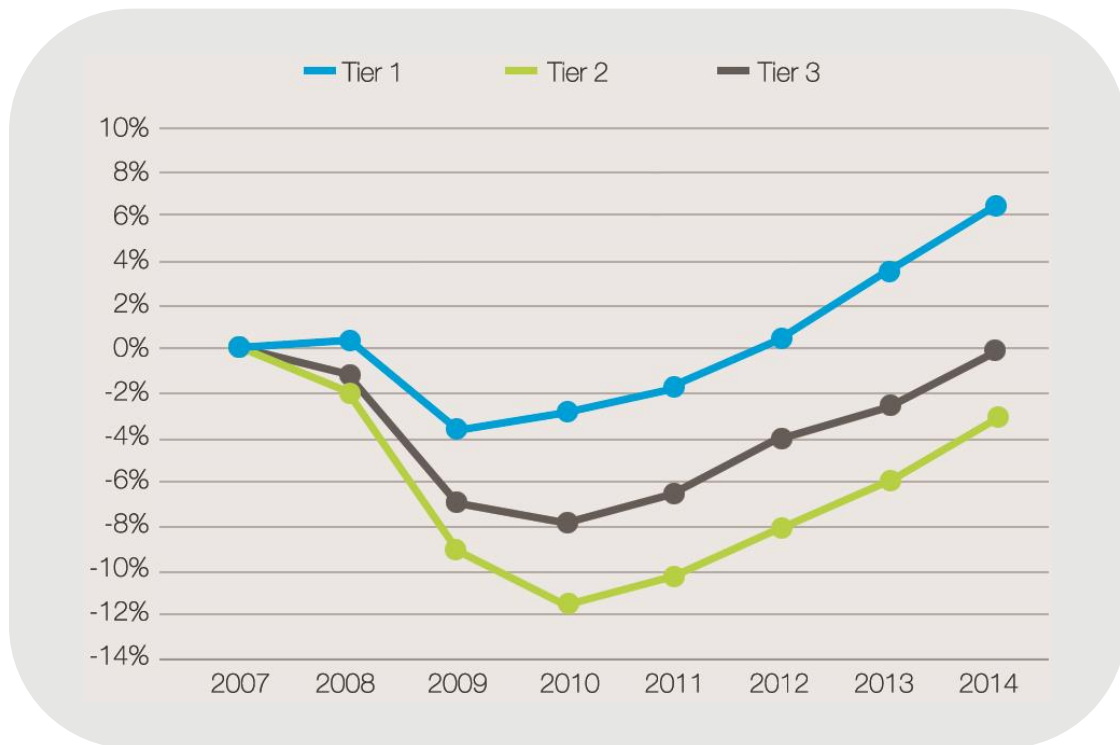
Tier 2 Occupations include sales positions (Sales Representatives), teachers, and librarians, office and administrative positions (Accounting Clerks and Secretaries), and manufacturing, operations, and production positions (Assemblers, Electricians, and Machinists). These occupations have historically 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 \$21.23 an hour or approximately \$44,200 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 \$11.39 an hour or approximately \$23,700 a year (assuming a 40 hour work week for the entire year).

The figure below displays the percentage change in employment for each of the occupational tiers in North County, from 2007 to 2014. Tier 1 occupations experienced the smallest decline in proportional employment over the six year period and recovered back to 2007 levels by 2012. In 2014, total employment in the Tier 3 occupational category returned to the levels recorded just before the Great Recession. Tier 2 occupations experienced the greatest decline, and are still over three percent below where they were in 2007.

When reviewing growth since 2010, Tier 1 (10% growth) and Tier 2 (9% growth) jobs in the North County have expanded faster than in the rest of San Diego County (8% growth for each category). The pace of growth for the higher wage and skill categories in the region is largely due to the quick growth for these occupations in the NC Coast (Tier 1 growth: 10%; Tier 2 growth: 10%) and NC Central Coast (Tier 1 growth: 13%; Tier 2 growth: 11%) sub-regions over the same time period.

**Figure 6: Percentage Change in North County Occupational Tier Employment from 2007 to 2014<sup>9</sup>**



<sup>9</sup> Source: EMSI 2014.4 Class of Worker, QCEW and Non-QCEW

## *Introduction to Industry Clusters*

San Diego North Economic Development Council (SDNEDC) recognizes the importance of identifying and analyzing industry clusters in North County.

### **What are Industry Clusters?**

Michael Porter, a 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 the North County to move beyond the general industry assessment to identify regional economic drivers, shared resources that are needed (including human resources), 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 clusters except for Healthcare, meaning they are able to sell their products or services to a market beyond just the residents of North County.

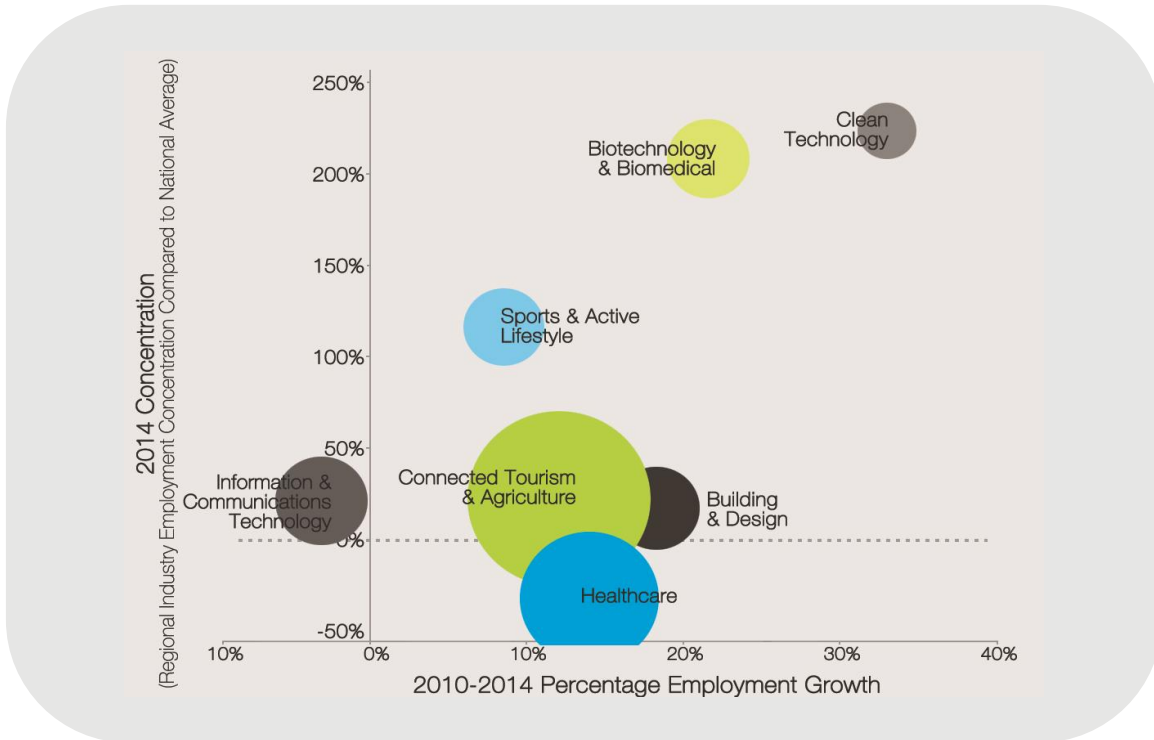
- Biotechnology and Biomedical Devices is a particularly important cluster for North County accounting for the research, development and production of medical equipment and pharmaceuticals.
- Building & Design involves the design and building of residential and non-residential buildings and the interior 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 and 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.

Figure 7 displays the relative size of employment in each industry cluster within the region (by the size of the sphere), the relative industry concentration within the region (% higher or lower the concentration of the cluster nationwide), and the overall employment growth or decline from 2010 to 2014. Clean Technology and Biotechnology and Biomedical in North County each sit at a concentration more than three times the national average and have experienced growth of greater than 20 percent since 2010.

**Figure 7: San Diego North County Industry Clusters by Concentration & Growth from 2010 to 2014<sup>10</sup>**



The table below shows current employment for each of the industry clusters in North County. Given the average earnings per job, it should not be surprising that Connected Tourism & Agriculture largely employ Tier 3 occupations, while industry clusters like Biotechnology & Biomedical Devices as well as ICT firms largely employ Tier 1 occupations.

**Table 1: Industry Cluster Employment and Earnings (2014)<sup>11</sup>**

Industry Cluster	Employment	Average Earnings Per Job
Connected Tourism & Agriculture	60,924	\$26,625
Healthcare	35,053	\$64,763
Information & Communications Technology	15,281	\$125,016
Building & Design	14,065	\$83,431
Biotechnology & Biomedical	12,915	\$116,787
Sports & Active Lifestyle	11,481	\$47,135
Clean Technology	6,377	\$89,674

<sup>10</sup> Source: EMSI 2014.4 Class of Worker, QCEW and Non-QCEW

<sup>11</sup> Source: EMSI 2014.4 Class of Worker, QCEW and Non-QCEW



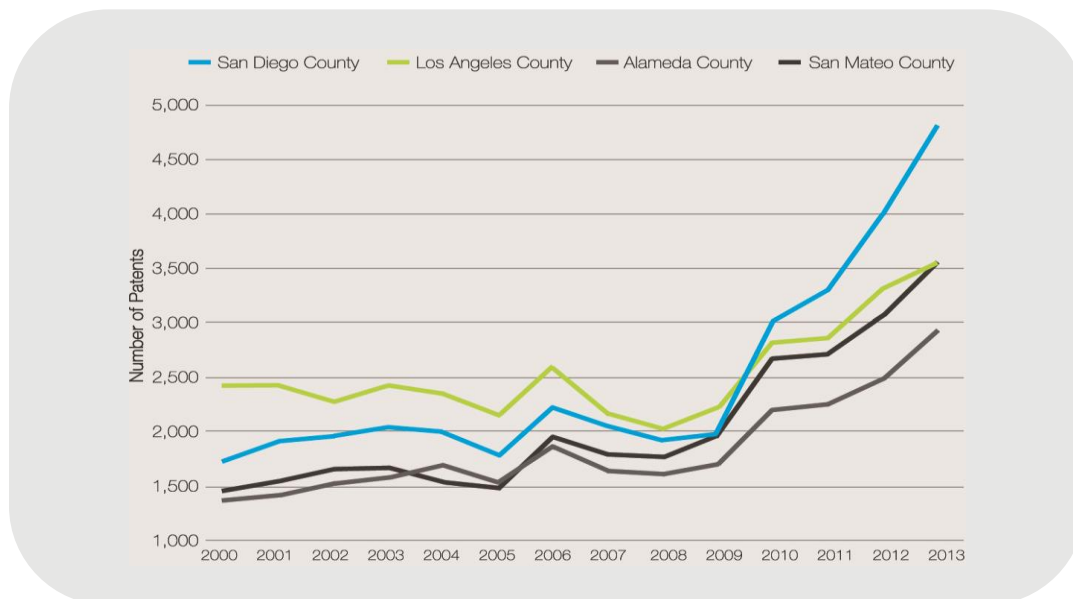
# Innovation

Innovation and the ability to take new ideas and create new products and services, is a critical ingredient for many of North County's industry clusters. 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 investment in the region. Patents are a measure of the generation of new ideas, while investments measure confidence and value in the area's businesses and entrepreneurs.

## Patents

San Diego County ranked second in among all U.S. counties in 2013, with a total of 4,805 approved utility patents. Santa Clara County led the pack with nearly 13,000 approved patents in 2013 (12,855). Growth in utility patents countywide over the one year period between 2012 and 2013 was nearly 20 percent (19.9%). Looking back over five years (2008 to 2013), the growth rate was a staggering 153 percent. In comparison, growth for Santa Clara County was 79 percent over the same time period.

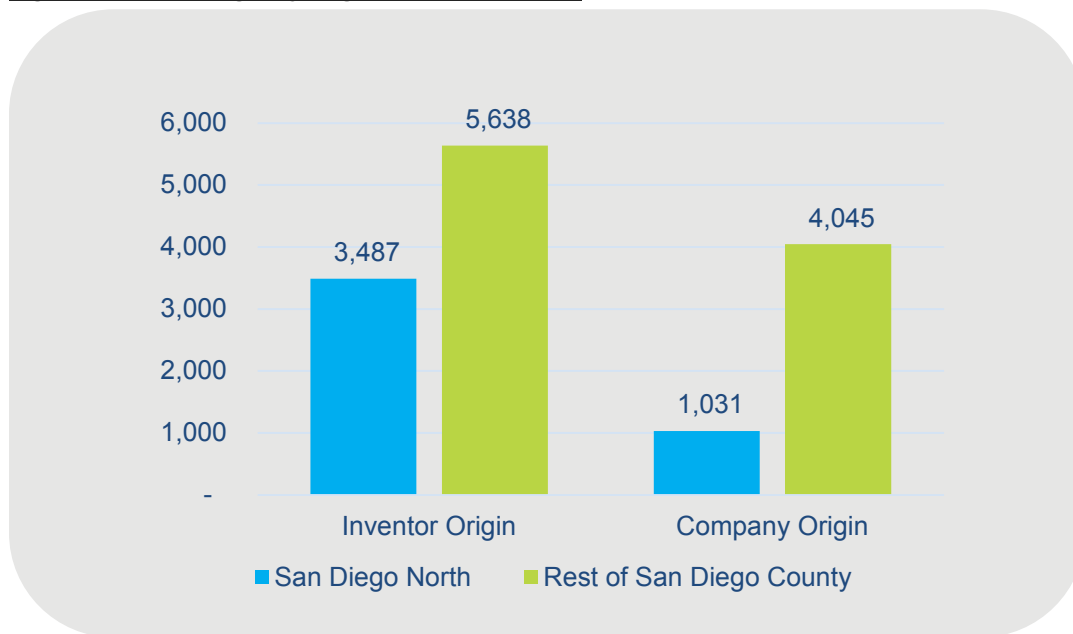
**Figure 8: Approved Patents by California County from 2000 to 2013<sup>12</sup>**



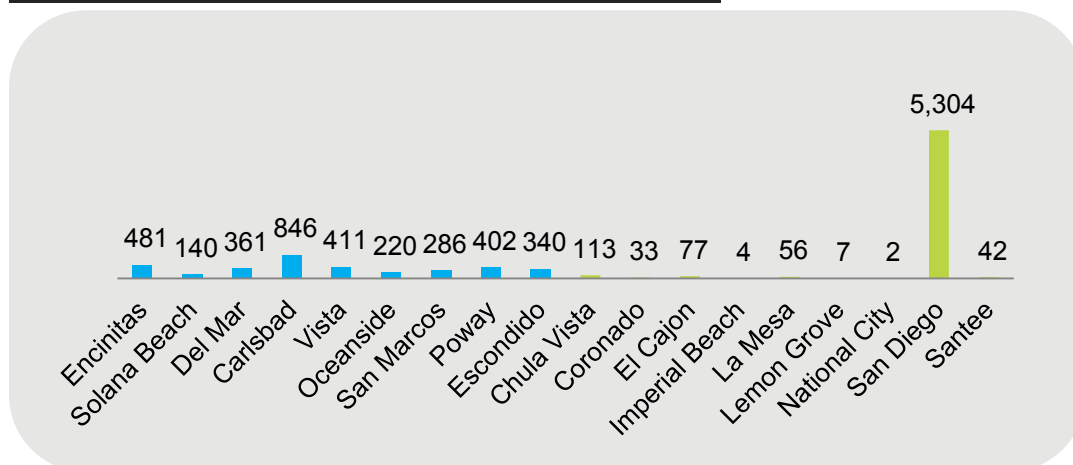
<sup>12</sup> Source: U.S. State Patenting Breakout by Regional Component; Count of 2000 - 2013 Utility Patent Grants, retrieved from:  
[http://www.uspto.gov/web/offices/ac/ido/oeip/taf/countyall/usa\\_county\\_gd.htm](http://www.uspto.gov/web/offices/ac/ido/oeip/taf/countyall/usa_county_gd.htm) &  
<http://patft.uspto.gov/netathtml/PTO/search-bool.html>

Identifying patents by origin at the regional level<sup>13</sup>, the North County represented over 38 percent of patents by inventor origin countywide in 2014, and a fifth of patents by company origin (20%). The North County's production level for approved patents outweighs its county share of population (37%) and jobs (31%).

**Figure 9: Patent Origin by Regional Totals (2014)<sup>14</sup>**



**Figure 10: San Diego County Patents by Inventor Origin (2014)**



<sup>13</sup> Defined at the city level for San Diego North County and Rest of San Diego County.

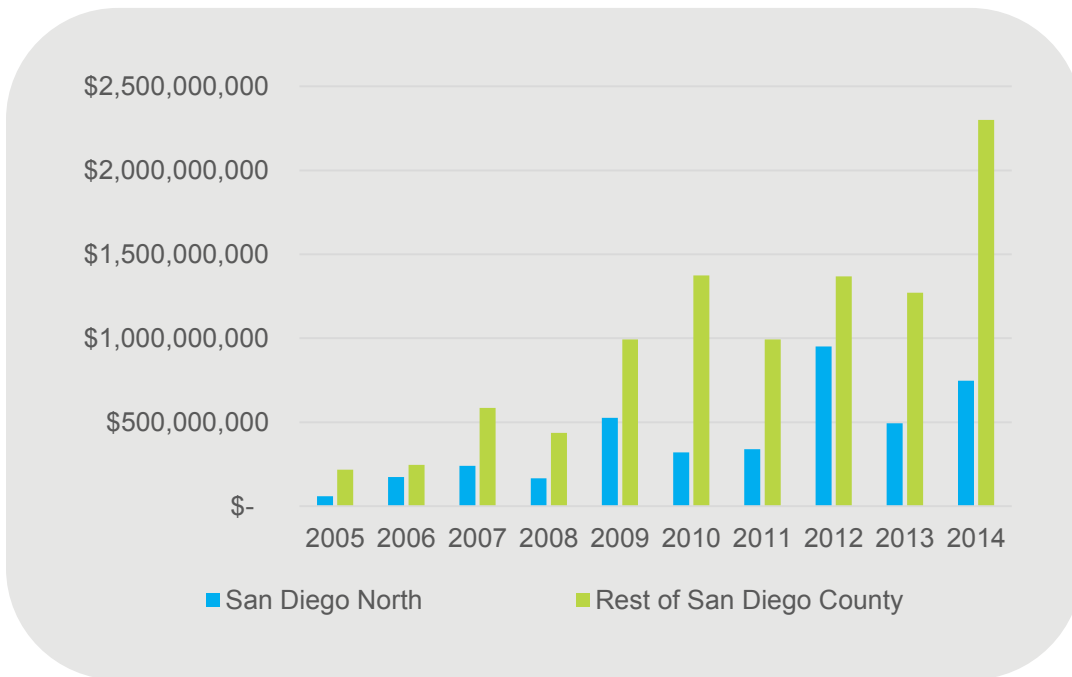
<sup>14</sup> Source: U.S. State Patenting Breakout by Regional Component; Count of 2014 Utility Patent Grants, retrieved from:

[http://www.uspto.gov/web/offices/ac/ido/oeip/taf/countyall/usa\\_county\\_gd.htm](http://www.uspto.gov/web/offices/ac/ido/oeip/taf/countyall/usa_county_gd.htm) &  
<http://patft.uspto.gov/netathtml/PTO/search-bool.html>

## Total Investment

Total reported investment (venture, seed, angel, debt finance, equity, etc.) for North County companies in 2014 was almost three-quarters of a billion dollars, the second highest total recorded over the last ten years (\$951 million in 2012). North County investment was just under 25 percent of all reported investment in San Diego County in 2014.<sup>15</sup>

**Figure 11: Overall Investment by Region from 2005 to 2014**

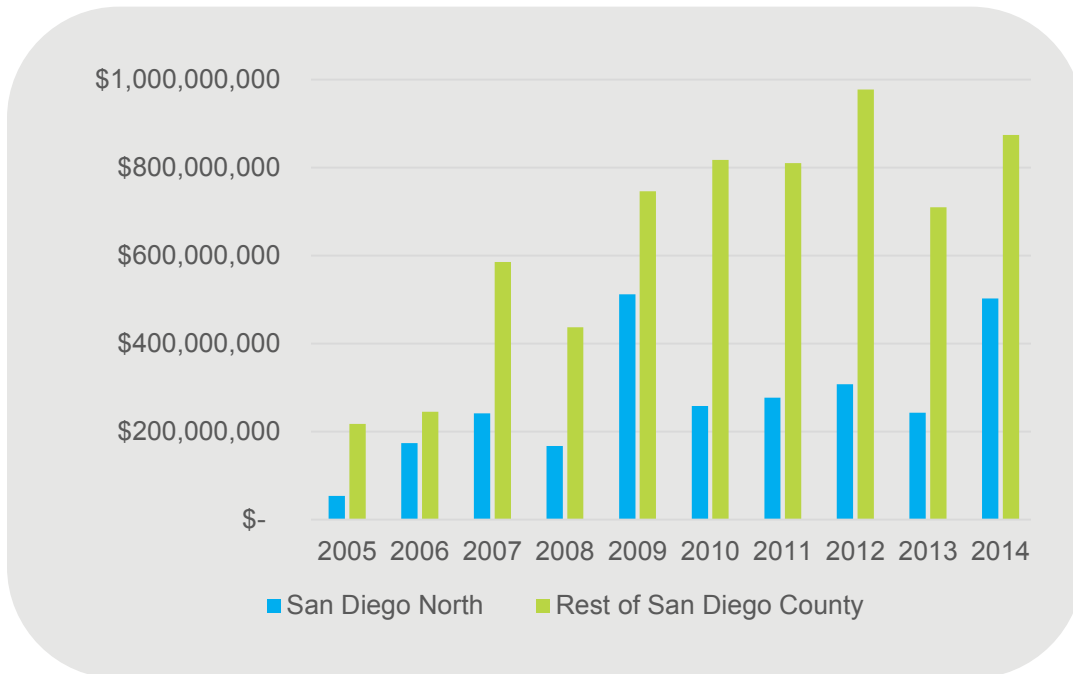


<sup>15</sup> Economic Advancement Research Institute (EARI) Analysis of Crunchbase Dataset 2015 Q1 for San Diego County

## Start-up Investment

Start-up investment was responsible for the majority of all reported investment in the North County region, with companies receiving over half a billion dollars in venture, seed or angel investments in 2014 (37% of all start-up funding in San Diego County).

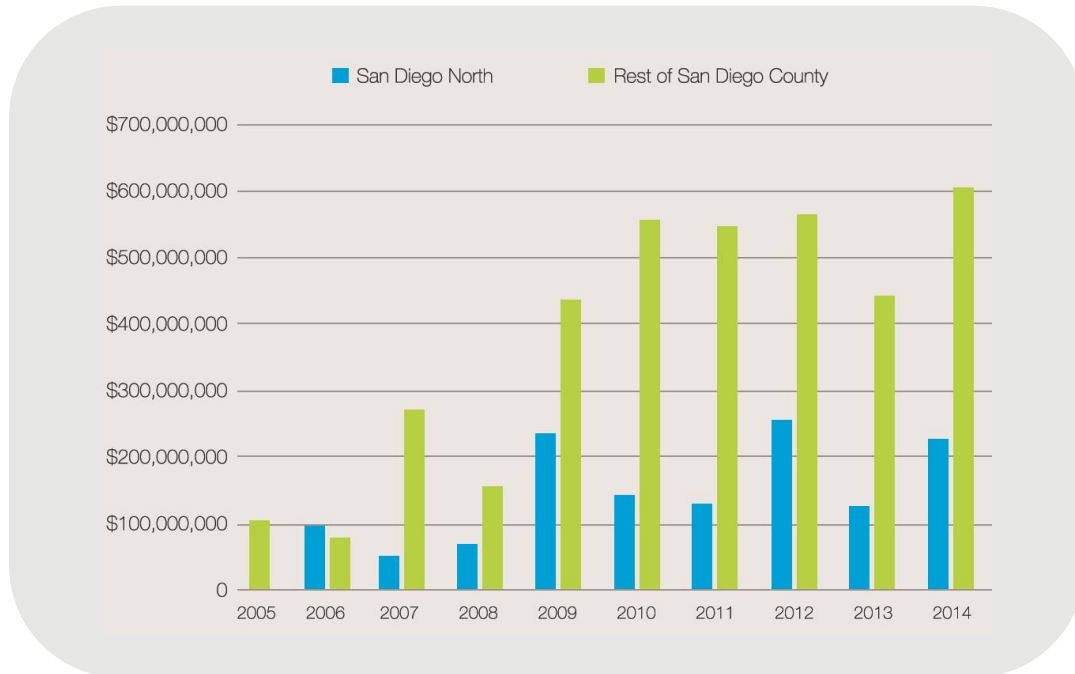
**Figure 12: Start-up Investment by Region from 2005 to 2014<sup>16</sup>**



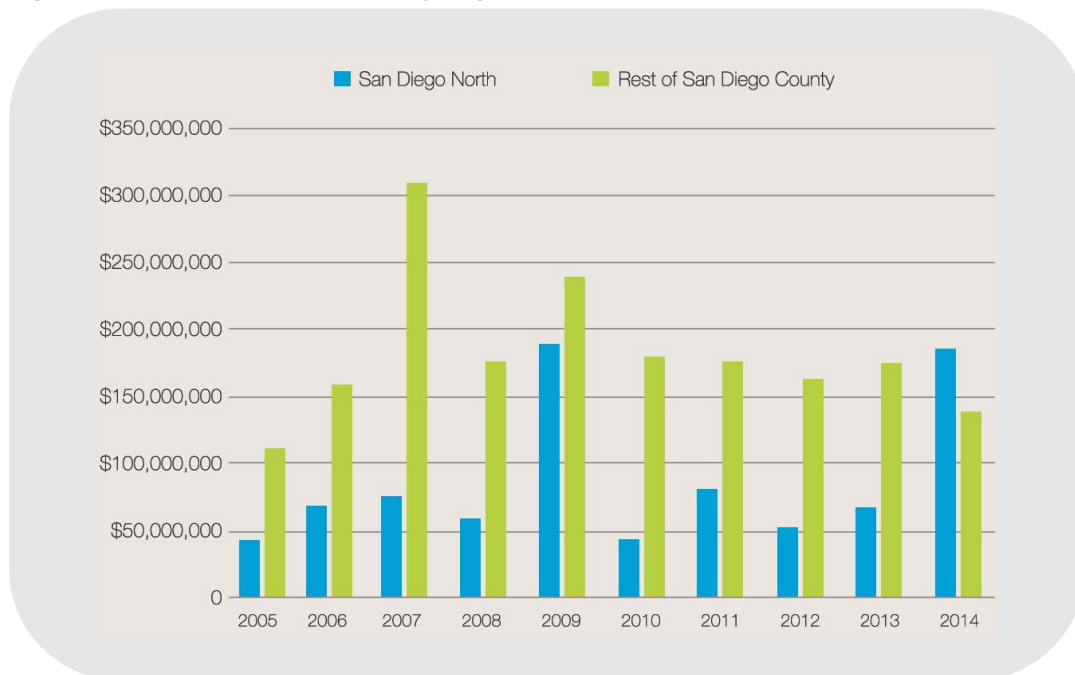
The figures on the following page further breakout start-up investment by company type. Biotech and Healthcare firms attracted the most start-up funding activity through 2014 with approximately \$228 million in investment, while Information and Communications Technologies (ICT) companies drew over \$185 million in total venture, seed or angel investments. North County ICT start-ups received more funding than their counterparts in the rest of San Diego County (\$138 million) in 2014.

<sup>16</sup> Economic Advancement Research Institute (EARI) Analysis of Crunchbase Dataset 2015 Q1 for San Diego County

**Figure 13: Biotech & Healthcare Start-up Investment by Region from 2005 to 2014<sup>17</sup>**



**Figure 14: ICT Start-up Investment by Region from 2005 to 2014<sup>18</sup>**



<sup>17</sup> Economic Advancement Research Institute (EARI) Analysis of Crunchbase Dataset 2015 Q1 for San Diego County

<sup>18</sup> *Id.*

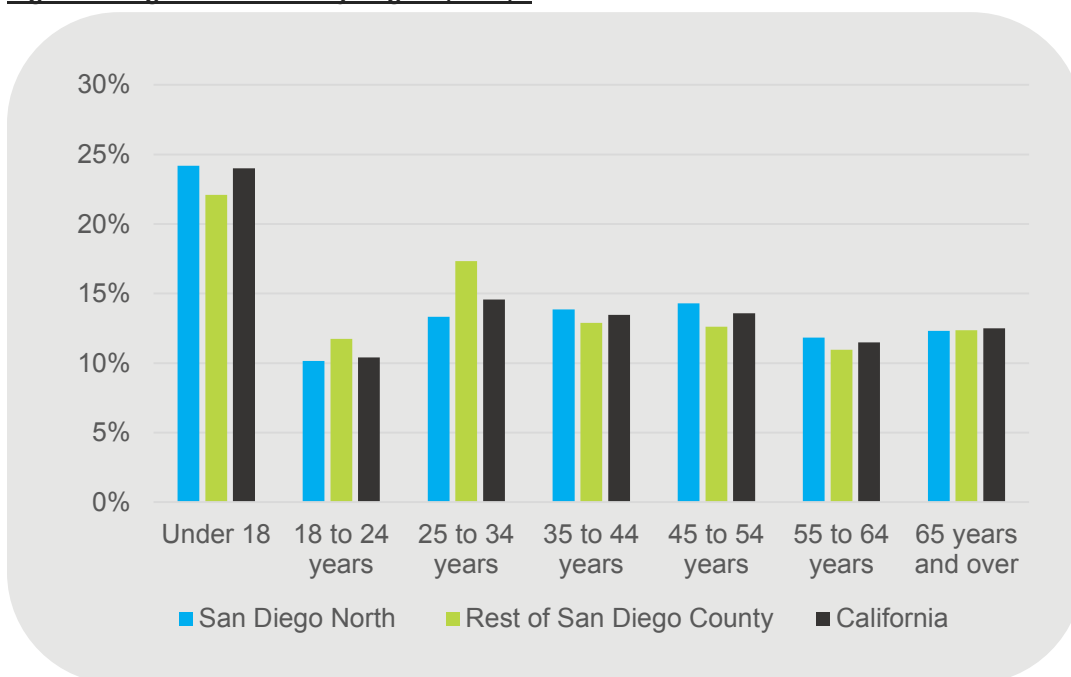
# People

## Demographics

Approximately 1,182,900 people live in the North County, which is about 37 percent of the overall population in San Diego County. The majority of these residents live in the NC Coast sub-region (420,800), followed by NC Inland (346,500), the NC Central Coast (257,100), and the NC Central Inland (158,500) sub-region.

The North County region has a higher proportion of younger residents (under 18 years of old) and older residents (50 years and older) than the rest of San Diego County and California as a whole. Reviewing North County sub-regions, the NC Central Coast has the highest proportion of residents under the age of 18 (25%) while the NC Central Inland maintains the highest proportion of residents aged 55 or older (28%).

**Figure 15: Age Distribution by Region (2013)<sup>19</sup>**

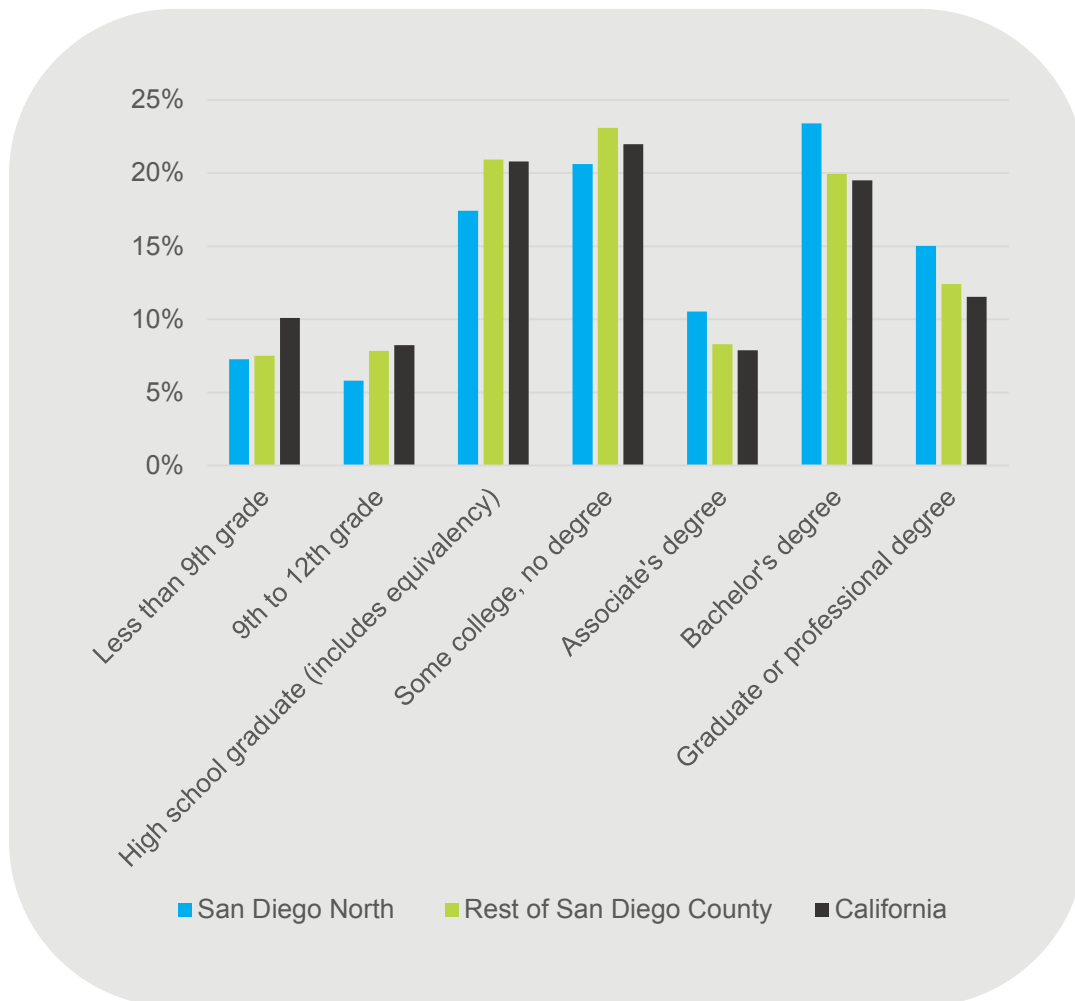


<sup>19</sup> Source: American Community Survey (ACS) 2013 5-year estimates

North County residents are also a higher educated population proportionally when compared to the rest of San Diego County and the state. Almost two of every five individuals (25 years of age and older) in North County possesses a bachelor's degree or higher (38%), which indicates a vibrant talent pool for businesses in the region as well as those just beyond its borders (rest of San Diego County and Southern California).

The NC Central Coast boasts the highest educated populace among North County sub-regions, with 63 percent of residents (25 years of age and older) with a bachelor's degree or higher. Conversely, the NC Inland sub-region has the highest proportion of residents (25 years of age and older) with less than high school equivalency (21%).

**Figure 16: Educational Attainment for the Population 25 Years and Older by Region (2013)<sup>20</sup>**



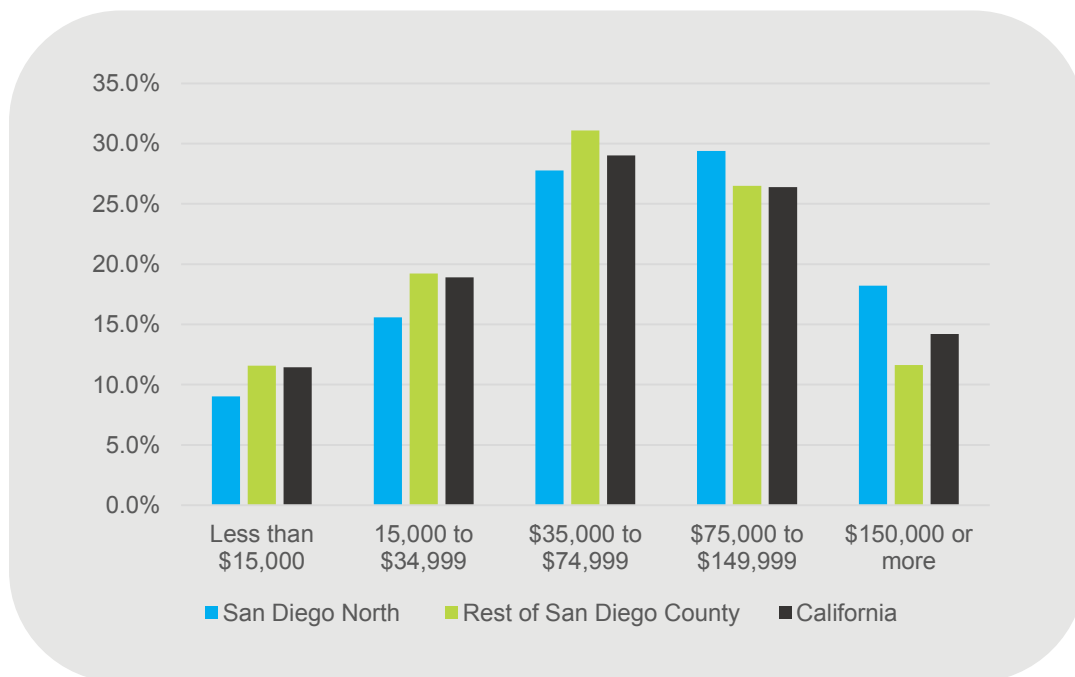
<sup>20</sup> American Community Survey (ACS) 2013 5-year estimates

The educated population of North County continues to correlate with higher household incomes. As in 2012, almost one in five households in 2012 had an annual income of \$150,000 or more (18%), which is a considerably higher proportion than the rest of San Diego County (12%). Just as impressive, nearly half (48%) of all households in North County accumulated at least \$75,000 in yearly income (rest of San Diego County: 38%; California: 41%).

Not surprisingly, the NC Central Coast sub-region not only leads in terms of educational attainment, but a third of all households (33%) reported an annual household income of \$150,000 or more in 2013. More striking, 59 percent of these households reported an annual household income of \$200,000 or more.

The proportion of households in the North County with reported annual incomes of less than \$35,000 in 2013 was highest in the NC Inland sub-region (32%), followed by the NC Coast sub-region (28%), the NC Central Inland (16%), and finally the NC Central Coast (16%).

**Figure 17: Household Income Distribution by Region (2013)<sup>21</sup>**

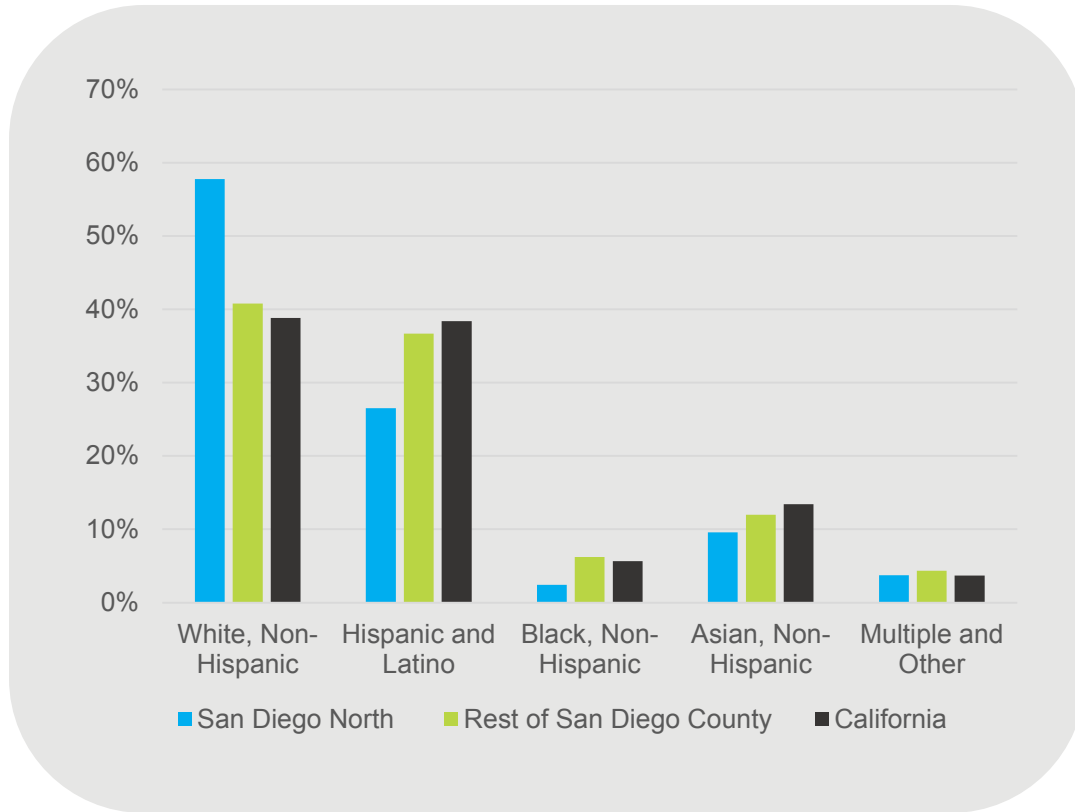


<sup>21</sup> Source: American Community Survey (ACS) 2013 5-year estimates



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

**Figure 18: Ethnicity by Region (2013)<sup>22</sup>**



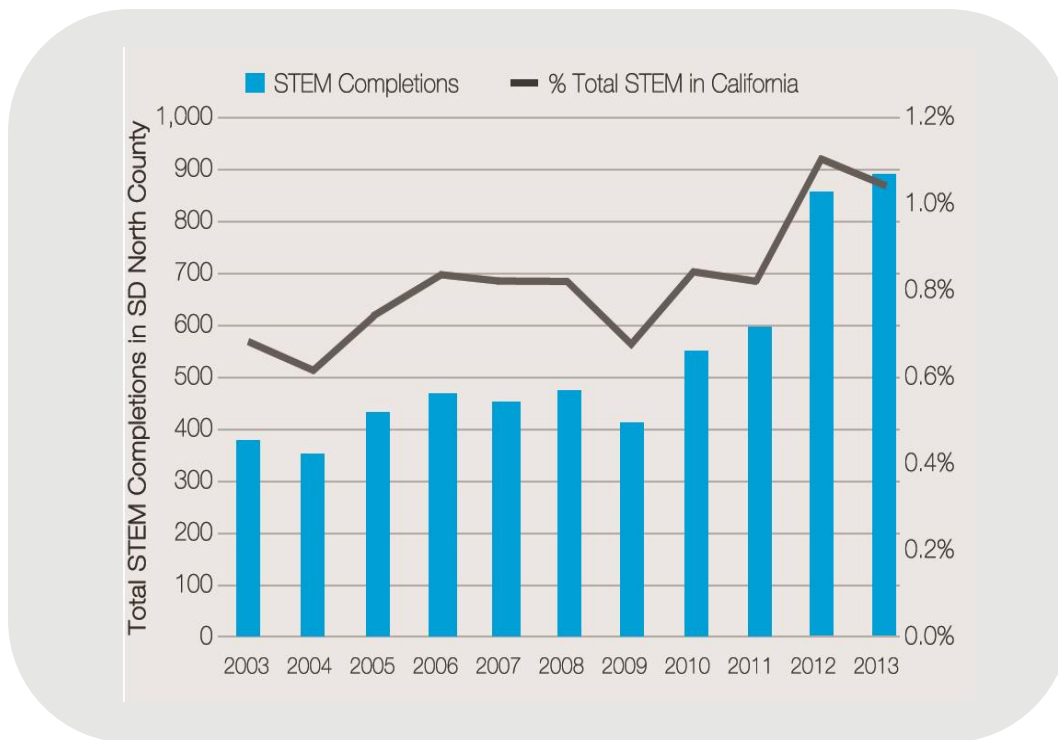
<sup>22</sup> Source: American Community Survey (ACS) 2013 5-year estimates

## Education

The number of STEM completions at the North County's postsecondary institutions (California State University San Marcos, MiraCosta College, and Palomar College) has steadily risen from 2009 to 2013. While the region saw considerable growth in STEM completions from 2011 to 2012 (43% growth), that growth dropped off dramatically between 2012 and 2013 (4% growth). The 4 percent growth in STEM completions translates to 35 additional STEM completions over the previous year (2012).

The North County's share of total STEM completions in California decreased in 2013 to 1.0%, down from 1.1% in 2012. It is worth noting, that North County represents just over three percent of California's population but only one percent of the total STEM completions for 2 or 4 year college or university degrees.

**Figure 19: Total STEM Completions (2 or 4 Year Degrees) from 2003 to 2013<sup>23</sup>**



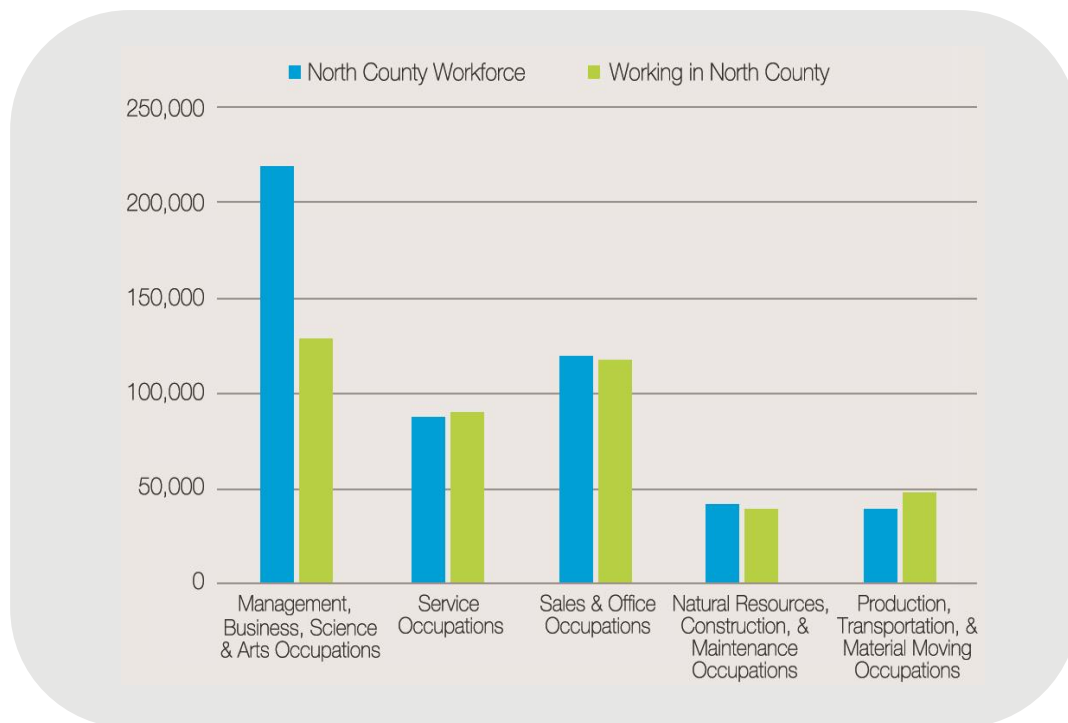
<sup>23</sup> Source: Integrated Postsecondary Education Data Systems (IPEDS) 2013 and historical CIP Identified Completions

## 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.

As the figure below reveals, the North County has a larger resident workforce than the total amount of workers employed in the region (resident workforce: 510,000; employed in the region: 459,000). 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 20: Resident Workforce vs. Working in the Region by Occupations<sup>24</sup>**



<sup>24</sup> Source: American Community Survey (ACS) 2013 5-year estimates & EMSI 2014.4  
Class of Worker, QCEW and Non-QCEW

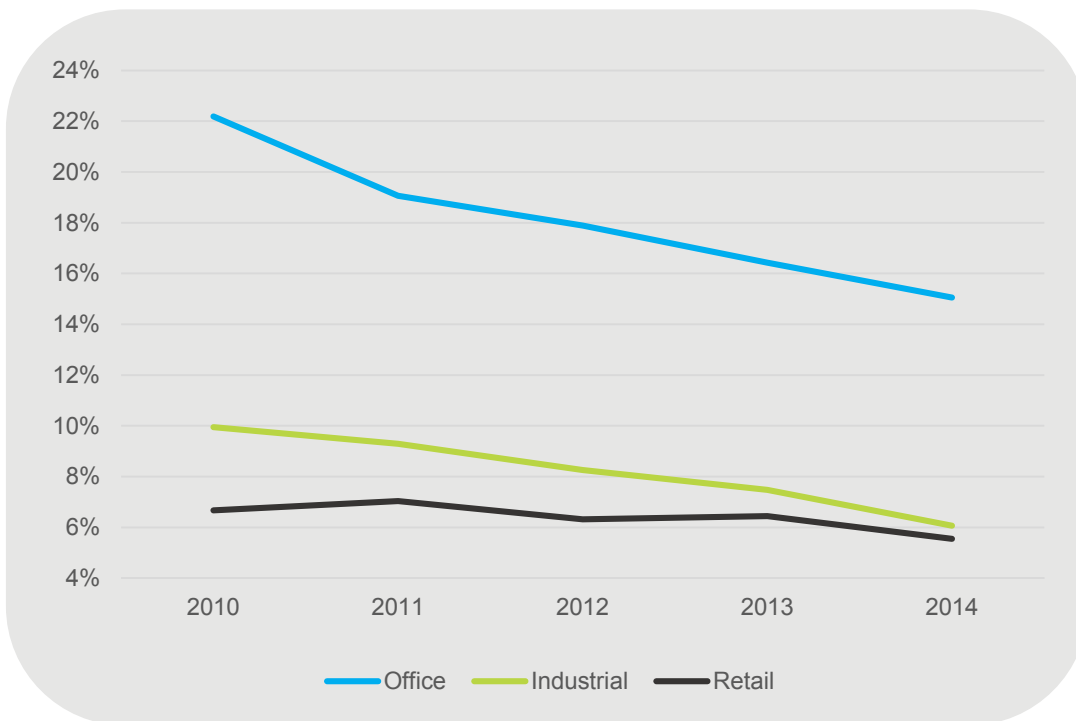
# Place

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 2014. The declining vacancy rates in North County become an even stronger indicator of economic improvement when you consider that commercial real estate inventories increased by five 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 and retail increased by ten percent or more over the same time period.

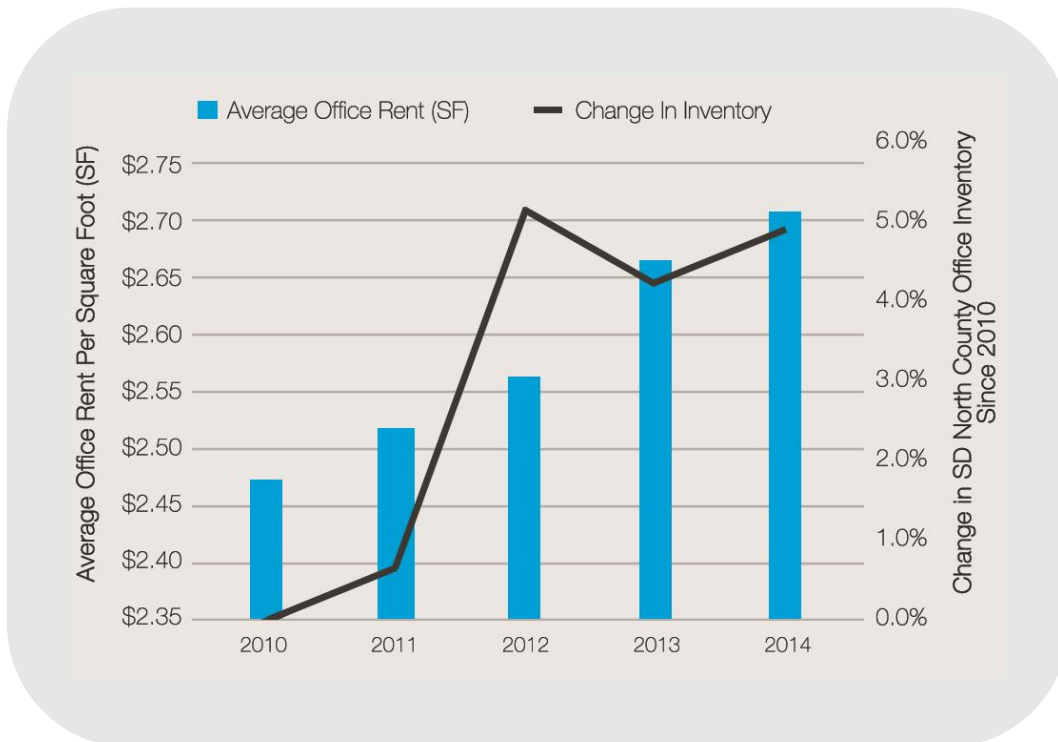
**Figure 21: Vacancy Rate by Commercial Type in North County (2010 to 2014)<sup>25</sup>**



<sup>25</sup> Source: DTZ

The figure below reveals the average office rents (per square foot) and the proportional change in office inventory both in North County from 2010 to 2014. It is worth noting that North County experienced a five percent increase in office inventory with a corresponding 10 percent increase in average rents from 2010 to 2014, while over the same period of time the rest of San Diego County saw a 2 percent decline in office inventories and only a five percent increase in average rents. These figures support the improving North County economy in comparison to the rest of San Diego County.

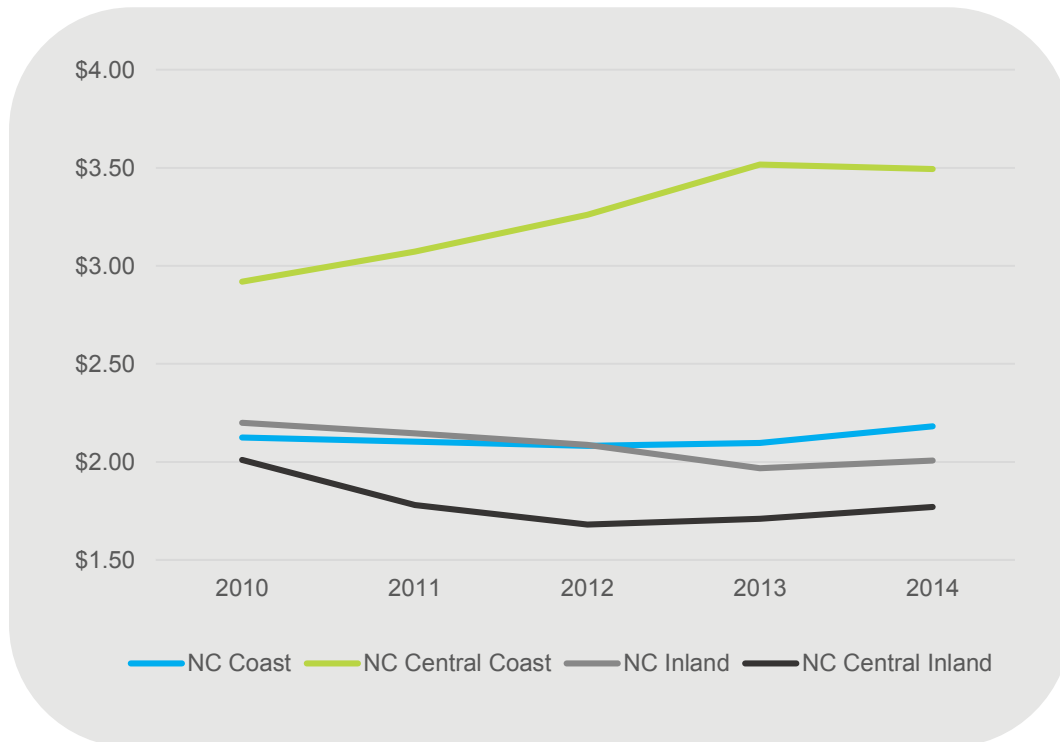
**Figure 22: Average Office Rent and Change in Office Inventory in North County (2010 to 2014)<sup>26</sup>**



<sup>26</sup> Source: DTZ

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 2013, with a plateau from 2013 to 2014, while the NC Coast has seen a less pronounced increase in average office rents. Both NC Central Inland and NC Inland experienced a decline in average rents over the 2010 to 2014 period, but also saw increasing inventory and declining vacancy rates.

**Figure 23: Average Office Rents in North County by Sub-Region (2010 to 2014)<sup>27</sup>**



<sup>27</sup> Source: DTZ

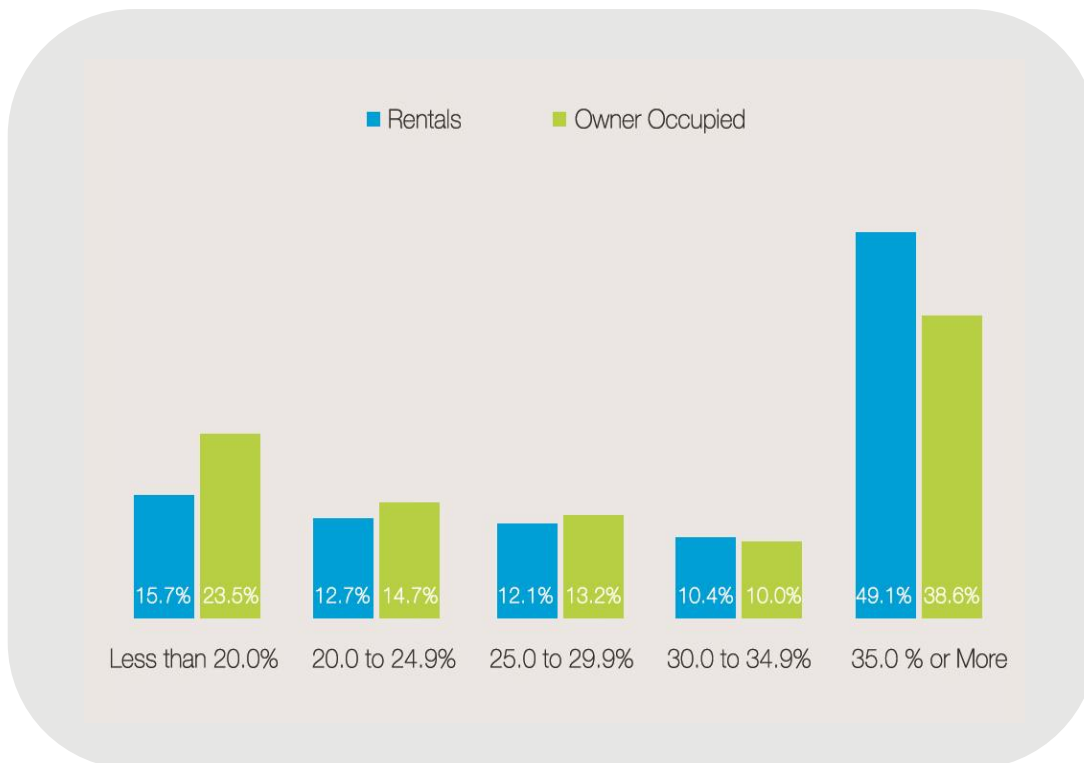
## Housing

The North County is home to higher housing costs when compared to the rest of San Diego County and 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; thirty-nine percent of home owners with a mortgage and nearly half of renters (49%) allocated over a third of their household earnings to shelter in 2012. Approximately 43 percent of all households in North County were renters.

The NC Coast and NC Inland are the costliest areas in the North County for renters, with 53 percent of residents in each area allocating 35 percent 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: 39%; NC Inland: 44%).

There is negative side to the high cost of housing in the North County besides the cost itself; medium to low wage earners will more likely live further away from the cities in which they work, contributing to higher traffic volume and congestion. 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 24: Gross Housing Costs as a Percentage of Household Income (2013)<sup>28</sup>**



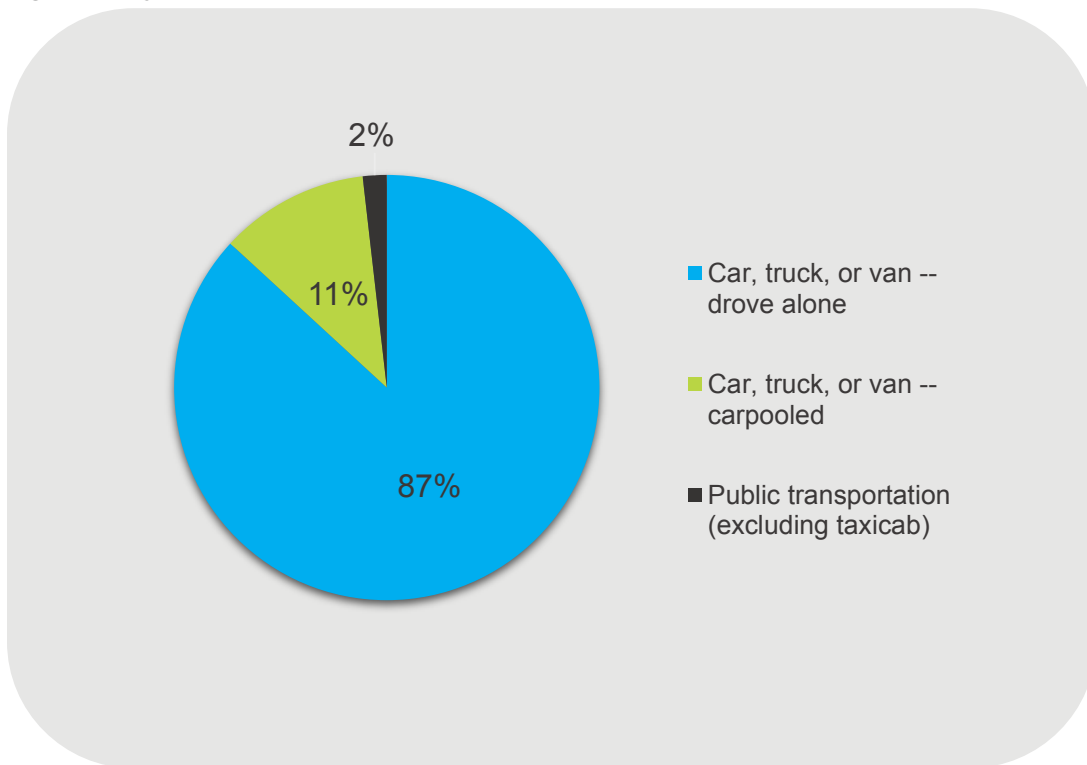
<sup>28</sup> Source: American Community Survey (ACS) 2013 5-year estimates

## Commute

Almost 409,000 workers 16 and over drove to work alone in 2013, while 53,400 carpooled, and 8,500 took public transportation on a regular basis. With over 462,000 commuters utilizing personal vehicles to get to work (either alone or in carpools), transportation infrastructure, particularly highway and road capacity and access to public transportation, is of high importance (both maintenance and expansion).

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

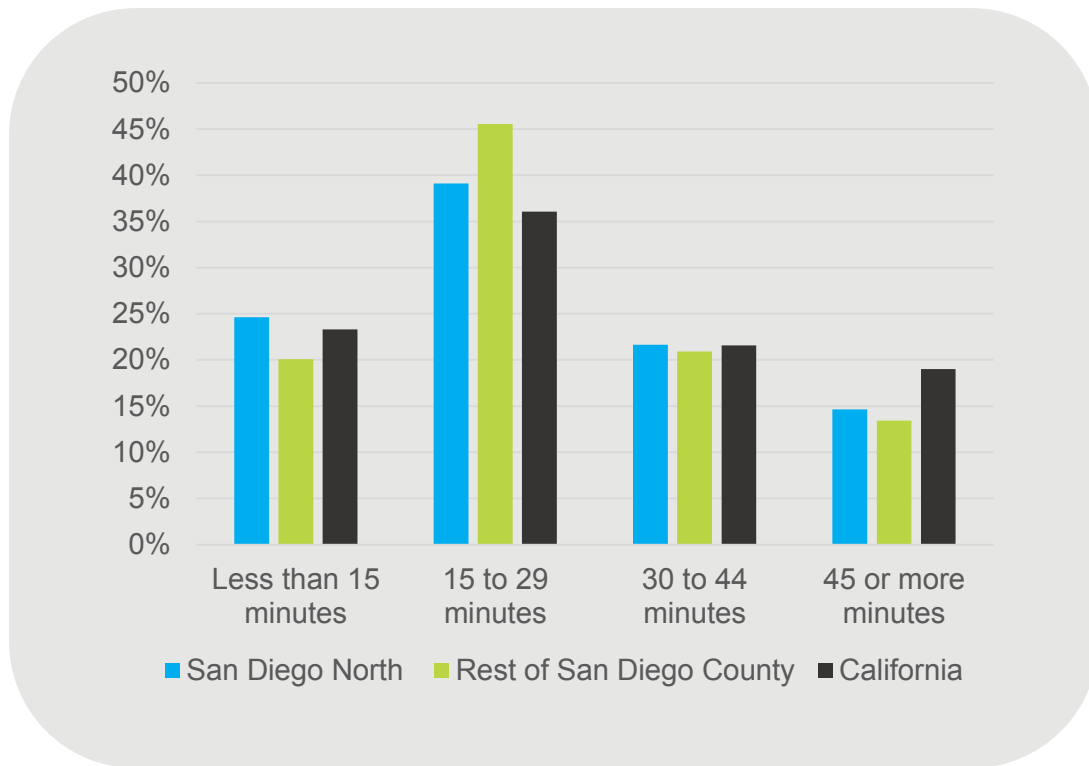
**Figure 25: Type of Travel to Work for Workers 16 Years and Older (2013)<sup>29</sup>**



<sup>29</sup> Source: American Community Survey (ACS) 2012 5-year estimates



**Figure 26: Travel Time to Work for Workers 16 Years and Older by Region (2013)<sup>30</sup>**



<sup>30</sup> Source: American Community Survey (ACS) 2013 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 the Economic Modeling Specialists Inc. (EMSI) 2014.4 Complete Employment dataset for the zip code defined North County. The EMSI Complete Employment dataset includes state and federal level data sources and include QCEW and non-QCEW workers.

EMSI 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) 2013 5-year estimates for the census tract defined North County.

Educational completion statistics were compiled from the Integrated Postsecondary Education Data System (IPEDS) for the years 2003 to 2013. Completions were combined for all North County postsecondary schools.

## APPENDIX B:

### NORTH COUNTY ZIP CODES

<b>NC Coast Region</b>
<b>City &amp; Zip Codes</b>
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)

<b>NC Central Coast Region</b>
<b>City &amp; Zip Codes</b>
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)

<b>NC Central Inland Region</b>
<b>City &amp; Zip Codes</b>
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)

<b>NC Inland Region</b>
<b>City &amp; Zip Codes</b>
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)

**Appendix "B"**  
**CEDS COMMITTEE MEMBERS**

<b>Name</b>	<b>Company/Organization</b>	<b>Private Sector</b>
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	Lounsbery, 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	
Clay Phillips	City of Escondido	
Julie Procopio	City of Escondido	
Jack Raymond	The Raymond Companies	X
Patricia Reno	RBC Wealth Management	X
Dennis Synder	Charter High School	
George Weir	Weir Asphalt Company	X
<b>Total Committee Members: 20</b> <b>Private Sector Members: 11</b> <b>Private Sector as % of total: 55%</b>		



Appendix C



**2014**  
**NORTH  
COUNTY  
CRAFT  
BREW  
REPORT**

NATIONAL UNIVERSITY SYSTEM  
INSTITUTE FOR POLICY RESEARCH

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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.<sup>1</sup>

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.

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<sup>1</sup> 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)
<b>Economic Activity (in millions)</b>	185.4	49.7	37.2	272.3
<b>Employment</b>	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:

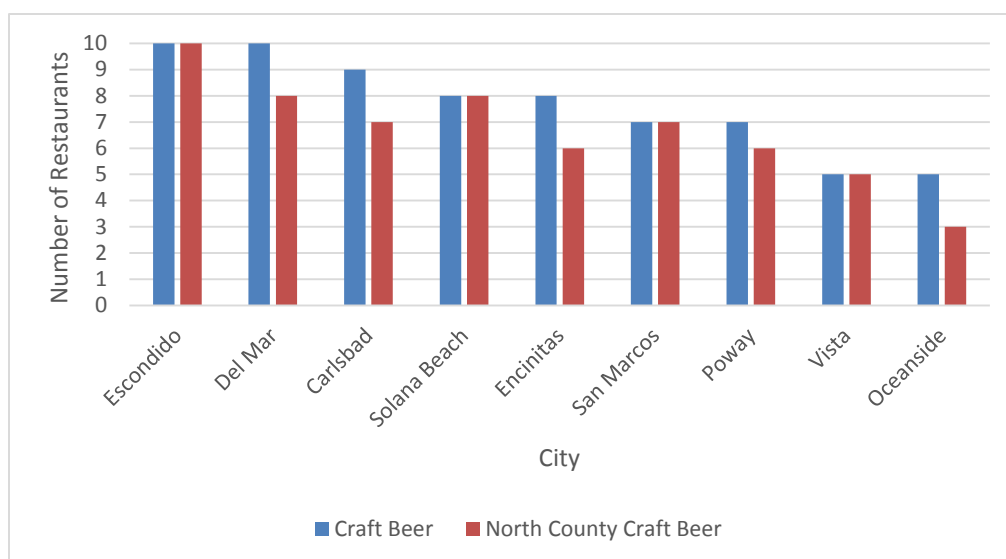
- 1) if they sell craft beer
- 2) if they sell North County craft beer.

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.



**Appendix D is located on the Web at:**

<https://www.escondido.org/Data/Sites/1/media/PDFs/Business/ComprehensiveEconomicDevelopmentStrategy.pdf>



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