



THE CITY OF SAN DIEGO

## REPORT TO THE PLANNING COMMISSION

DATE ISSUED: July 7, 2006 REPORT NO. PC-06-216

ATTENTION: Planning Commission  
Agenda of July 13, 2006

SUBJECT: Workshop on the Draft Economic Prosperity Element

REFERENCE: Manager's Report No. 05-038  
Planning Commission Report No. PC-05-070

### SUMMARY

THIS IS AN INFORMATION ITEM ONLY. NO ACTION IS REQUIRED ON THE PART OF THE PLANNING COMMISSION AT THIS TIME. This report focuses on the key economic prosperity issues which were discussed at the Planning Commission on March 16, 2006.

### BACKGROUND

In March 2005, the Planning Commission held a workshop to discuss the first draft of the Economic Prosperity Element. In the last year, the element has been revised significantly to address Planning Commission, City Council Land Use and Housing Committee, stakeholder and community planning group input. On March 16, 2005, the Planning Commission held a workshop to discuss revisions to the July 2005 draft update of the General Plan and, after public testimony and discussion, the Planning Commission requested an additional workshop on some issues raised at the meeting. Therefore, this report does not address all of the issues contained in the draft element, but focuses on providing a basis for staff recommended policies for the overall economic prosperity strategy. The working draft element attached to the report has also been reformatted since the March workshop to increase usability, clarity, and reduce redundancies.

### DISCUSSION

#### **1. What is the role of the Economic Prosperity Element in the General Plan?**

Enhancing the quality of life in San Diego is the foundation for the goals and policies contained in the General Plan. The economic vitality of the city provides the foundation for increased quality of life and livability, resulting in an increase in the standard of living for residents and

enhancement of community facilities due to the fiscal stability of the local government. In the past, plans, policies, and municipal operations have focused on the separation of land use planning and economic development disciplines which have often resulted in inefficient efforts to achieve quality of life goals. However, land use and economic prosperity policies are closely related. Some examples describing this relationship are contained in section I, of Attachment 1, The Economic Prosperity Element of the General Plan, prepared by the Council for Policy Initiatives (C.P.I.). The draft Economic Prosperity Element seeks to combine the efforts of each discipline to provide a more comprehensive approach to increasing the standard of living for San Diego residents, thereby enhancing the quality of life for all San Diegans.

The inclusion of economic considerations in the general plan is discussed in section 2 of Attachment 1. The state General Plan Guidelines indicate that most economic development elements are based on a desire to maintain and enhance the economic character of the community while providing for a stable annual budget. The guidelines acknowledge that the purpose and content of this type of element may vary widely between jurisdictions and offers a list of general issues that may be covered such as business development and retention, employment development, and business recruitment. Most significantly, a comprehensive approach to sustainable development and efficient land use patterns is dependent on a vibrant local economy. The draft Economic Prosperity Element focuses on economic trends, goals, and policies to provide a diverse and stable local economy.

In San Diego's General Plan Update, the prioritization and funding of the infrastructure necessary to support business development and fiscal stability are primarily addressed in the Public Services and Safety Element. However, this draft will be revised to include an additional discussion of infrastructure to address the quality, timeliness, and cost, and include affordable workforce housing as part of our economic infrastructure. Other issues to be added prior to the public review draft are community investment, or how to attract private and public capital to the city and our communities; and linking regional economic development initiatives to benefit the communities.

## **2. How will global and local economic and market trends impact the future use of our developed and vacant industrial land?**

A general history and background of how economic development efforts have responded to trends in San Diego is contained in the History of Economic Development Efforts in San Diego (see Attachment 2A). The Significance of Manufacturing describes why certain base sector and supporting uses will still seek to locate and expand in San Diego, even given the high rate of globalization which has severely effected certain other manufacturing operations (see Attachment 2b). This partially explains why demand is still strong for base sector uses in San Diego.

As stated in the draft Economic Prosperity Element, there is adequate long-term supply of industrial land when considering the entire San Diego region (see Attachment 5). However,

there is a scarcity of vacant or developable industrial land within the city as further discussed in Attachment 3, Industrial Land Supply, Demand, and Intensification. From a regional perspective, the most efficient land use pattern would encourage continued employment development in close proximity to workers' residences, transportation and transit infrastructure, and other public facilities, such as in the city rather than the more outlying areas of the region.

A more efficient use of employment lands is encouraged in the element. However, the ability for more intense industrial structures to counterbalance the lack of available land is limited. Although some types of industries such as electronics and software development have begun to occur in higher rise office-type structures, most industries still require large clear heights which can only be accommodated in low-rise buildings. An industry's ability to absorb higher costs is the primary factor in determining industrial intensity (see Attachment 3). With the exception of portions of the University and Torrey Pines communities which are subject to the 30-foot height limit of the coastal zone, the city's current regulations (at a 2.0 floor area ratio), do not limit the development of higher intensity office-type structures in industrial zones.

**3. What industries are most important to developing a strong economic base in San Diego? How can we encourage the continued growth of these industries?**

In San Diego, the economic base is primarily composed of industries in the manufacturing sector, certain subsets of the service sector, two sectors comprising "visitor industries," and the national security and international affairs subsector (the military). The manufacturing sector includes research and development, assembly, warehousing, distribution, and related administrative functions. Since the last draft, export-oriented businesses included in the industrial subsector of Professional, Scientific, and Technical Services were added to the types of base sector industries that the city is seeking to encourage. These businesses are becoming increasingly more important to the economy provided that the services are base sector in nature. This subsector is particularly suited to locate in the more urbanized areas of the city such as Urban and Neighborhood Villages

The Economic Prosperity Element emphasizes the importance of maintaining a diversity of industries in creating a stable economy but focuses on the manufacturing, research and development, and support functions since they are base-sector industries which also produce needed middle-income employment. Economic Base and Non-Base Industries provides additional information regarding the significance of base-sector uses over non-base sector uses (see Attachment 4). The practical benefits of supporting base-sector uses are also discussed in Attachment 6, *Los Angeles' Industrial Base Suffers from Scarcity of Land*, which is an interview with Los Angeles Economic Development Chief Jack Kyser. The recent release of his report, *Key Industrial Land Use Findings and Issues* is a comprehensive study of industrial land use trends in the city of Los Angeles. Although Los Angeles' economy is more mature and diverse than San Diego's, there are striking similarities relative to industrial development patterns over the last several decades.

The draft Economic Prosperity Element recommends three approaches to encouraging important industries to remain, locate, and expand in San Diego:

- a. **Business Incentives.** The element contains a policy to update the existing business incentive programs to provide incentives to projects and industries which have a demonstrated potential of providing middle-income jobs and contributing to community revitalization and village development.
- b. **Community Plan Land Use Designations.** One of the primary tools to accomplish expansion of the economic base is the creation of land use designations for future use in community plan updates. A wider variety of land use designations for both industrial and commercial land uses will be available to meet citywide and community objectives (see Attachment 7b). Industrial designations were revised and added to the menu to more specifically address the types of uses permitted in each. For example, none of the proposed industrial designations permit commercial retail uses except as accessory to the primary use. The Light Industrial designation would no longer permit office uses that do not support a primary industrial use in the city, particularly multi-tenant office uses. Multi-tenant industrial uses required for emerging industries would still be permitted. However, other industrial designations, such as the Business Park designation, are available for application which provide for more intense office uses in conjunction with most light industrial uses.
- c. **The Collocation Policy.** San Diego is only one of many large cities with rising housing prices that have experienced the conversion of low-cost industrial land to residential uses in the last decade. For examples of other city's efforts to address residential use of industrial land, see Attachment 11. San Diego's proposed collocation policy developed with over two years of stakeholder input protects base sector manufacturing, research and development and secondary uses from sensitive receptor land uses through the citywide identification and mapping of prime industrial lands (see Attachment 8). The proposed policy would not allow consideration of community plan amendments for residential uses or discretionary permits for assembly and other institutional uses within areas identified as prime industrial land. Six criteria for identification of prime industrial land were developed to provide a more consistent basis for identification. The community maps in Attachments 13a through 13e also indicate where there is a lack of consensus regarding the boundaries recommended by staff which is further explained in Attachment 7a, Communities with Prime Industrial Land. A full analysis of all the areas against the criteria is provided in Attachment 9, Prime Industrial Land Matrix.

San Diego may be experiencing negative economic impacts due to concerns of businesses seeking to locate or expand in San Diego regarding the lack of housing for its workforce. One of the primary goals of the Housing Element is to provide an adequate inventory of housing to meet the needs of all San Diegans. Two major obstacles to achieving that goal are the lack of land designated for residential development that is not constrained by

physical or other factors and community opposition to higher density housing. Although identification of prime industrial areas would remove approximately half of all industrial

land from future consideration for residential uses, these areas contribute significantly to all segments of the regional economy and are not suitable for residential uses due to the potential for land use conflicts. The Housing Element contains policies to identify more locations for housing and designate higher residential densities in the vicinity of major employment centers and transit service. The Economic Prosperity Element recommends that communities identify areas where collocation could occur when updating their community plans. The proposed Business Park/Residential designation could be applied in these areas.

The Industrial and Prime Industrial Land Map identifies all of the existing industrially-designated land in the city as well as the most significant employment areas that support base sector industries (see Attachment 8). Most of the “non-prime” industrial areas contain a preponderance of nonindustrial uses such as office and commercial. Within these industrial areas outside of prime industrial land, conversion to other uses could occur, including residential uses subject to the analysis in the policy. One of the major factors for consideration if residential use is appropriate in their ability to locate in areas where the existence of toxic air contaminants or storage of hazardous substances would not affect sensitive receptors. The policy recommends that project studies be reviewed on a case by case basis to determine an adequate distance if the site is within one-quarter mile of the hazardous substance or air contaminant. No study would be required if there is a 1000-foot distance separation between the two properties (see Attachments 10a and 10b for more information regarding the 1,000-foot distance separation).

The Strategic Framework Element and the City of Villages strategy places an emphasis on determining how and where new growth will occur, and, in particular, how and where to accommodate additional housing. Importantly, the strategy seeks to target areas where additional density could occur in locations where employment uses are integrated. The strategy identifies increasing housing opportunities that enable the workforce to live close to the employment centers. Within these other industrially designated areas, outside of the prime industrial lands, there is the potential to locate workforce housing within or proximate to employment centers. In addition to providing opportunities for additional housing within these areas, there is an added benefit of reducing traffic with the opportunity to walk or bike to work. Conversion within these areas to other uses could also contribute significantly to community revitalization.

#### **4. What is the role of non-base industries in community and economic development?**

Although several policies were developed to protect these important industrial lands from encroachment by nonindustrial uses, the draft element balances this approach by encouraging infill development and intensification of non-base sector uses. The amount of non-base economic sectors such as the public, service and the retail sectors is directly proportionate to the size of the population and strength of the economic base. While these sectors provide essential services and jobs for residents, they cannot expand beyond the capacity of the economic base on which they are dependent.

Non-base sector uses benefit the economy by providing enough jobs to lower the overall

unemployment rate. Growth in non-base employment can also be directed into communities and locations, such as urban and neighborhood villages, where community revitalization is desired as recommended by the draft element. Adequate land in the city is available for these uses as they typically locate in office-type structures which are allowed in almost all commercial designations and most industrial land use designations.

**5. Should the Economic Prosperity element address the inequitable distribution of economic opportunity?**

The state General Plan Guidelines recommend that a proactive approach to future development in the form of sustainable development principals be considered in the General Plan. The following specifically recommended policies represent a two-sided approach to equitable development included in the draft Economic Prosperity Element:

- *Promote economic opportunity for all segments of the population.* The draft Economic Prosperity Element seeks to increase the standard of living for all San Diegans. Attachment 1, Economic Prosperity in the General Plan C.P.I., documents some of the wage and other gaps that exist in our economy. Policies were also developed to encourage the creation and expansion of middle-income employment and higher-paying employment opportunities in low-wage industries. In recent years, San Diego has lost middle-income employment opportunities (see Attachment 2b). The policies in section E, the Employment Development section of the draft element, also support employee benefits and career adders in low-wage industries.
- *Develop workforce skills consistent with evolving local economies.* The second side of economic opportunity requires the development of a workforce whose skills meet the needs of employers in San Diego's expanding knowledge-based, high-technology industries. The policies in section D, the Education and Workforce Development section of the element, support programs and organizations which match job training to the requirements of growing industries in San Diego. If San Diego residents have the opportunity to acquire the skills to fill the high-technology jobs that are being created, then businesses expanding or locating to San Diego will not have to import well-trained workers from other areas of the country which provides an incentive for businesses to remain in the region.

**COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS**

It has been the goal of the Planning Department to increase community involvement and expand the role of public participation in the process of developing the new General Plan. Outreach has

taken place through a series of forums, mass e-mail distributions, workshops, presentations and meetings to stakeholder groups, planning groups, and the Community Planners Committee. Specific information regarding some of the outreach efforts for the Economic Prosperity Element is contained in Attachment 12. The Community Planners Committee recommendations on the July 2005 Draft are contained in Attachment 14.

## CONCLUSION

The current working draft represents significant edits to the July 2005 draft, based on both public input and overall policy direction provided by the Planning Commission and the Land Use and Housing Committee to date. Prior to September 2006, it is anticipated that a public hearing draft will be released which refines the element based on the most recent workshops' recommendations.

Respectfully submitted,

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- Attachments:
1. CPI Economic Prosperity Issues in the General Plan
  - 2a. History and Trends of Economic Development in San Diego
  - 2b. The Significance of Manufacturing
  3. Industrial Land Supply, Demand and Intensification
  4. The Role of the Economic Base
  5. Draft Economic Prosperity Element
  6. L.A. Industrial Base Suffers from Scarcity of Land
  - 7a. Communities with Prime Industrial Land
  - 7b. Table LU-4-Menu of Com. Plan Industrial Land Use Designations
  8. Citywide Map of Industrial and Prime Industrial Land
  9. Prime Industrial Land Matrix
  - 10a. Summary of Health Issues
  - 10b. EHC 1000-foot Separation
  11. Other Jurisdictions' Industrial/Residential Policies
  12. Public Input
  - 13a. Clairemont Mesa Prime Industrial Land Map
  - 13b. Scripps Miramar Ranch Prime Industrial Land Map
  - 13c. Linda Vista Prime Industrial Land Map
  - 13d. Navajo Prime Industrial Land Map
  - 13e. Kearny Mesa Prime Industrial Land Map
  14. Economic Prosperity Element Community Planners Committee Recommendations and Staff Response