

bae urban economics

## San Ysidro Community Plan Update Background Conditions Assessment and Market Analysis

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# INTRODUCTION

This report has been prepared to support the San Ysidro Community Plan update process. It provides an overview of demographic and economic trends and real estate market conditions for the San Ysidro Community Plan Area (CPA), leading to estimates of potential future demand for additional supportable development. This report is intended to inform the community, stakeholders, and the City of San Diego and its consultants as community plan land use alternatives are prepared. Future work by BAE will further support the community plan update by analyzing plan alternatives for development feasibility and economic / fiscal impacts, preparing an Economic Prosperity Element, and outlining financing strategies for plan implementation.

## Methodology

The analysis and conclusions in this report were based on the following methodologies:

- **Demographic Trends.** The City of San Diego maintains an extensive data library, and works closely with the San Diego Association of Governments (SANDAG) to prepare data for use in community plan updates. Thus, most of the data utilized in this report to describe demographic and economic conditions in San Ysidro was provided by the City of San Diego to BAE, and includes estimates specifically made by SANDAG for the San Ysidro Community Plan Area. It is important to note that these SANDAG estimates were prepared prior to the release of 2010 Census data, and may therefore overstate population growth and related demographic trends for San Ysidro and the City of San Diego.<sup>1</sup>
- **Economic Trends.** Most of the data included in this report was provided by the City of San Diego to BAE. In some cases, the data is associated with confidentiality constraints, and is described in this report with those caveats.
- **Real Estate Market Conditions.** The real estate market conditions section of this report is based on a blend of data provided by the City of San Diego to BAE, and other sources available to BAE, including private data vendors and primary research through phone interviews and field observations.
- **Estimates of Future Potential Market Demand.** Every effort was made in this report to provide quantitative estimates of potential future market demand for new development in San Ysidro. However, it should be noted that market conditions are cyclical, and the long-awaited real estate market recovery has not yet uniformly taken hold in San Diego. Thus, demand estimates in this report were conservatively formulated.
- **Stakeholder Interviews.** This report also includes findings based on a series of stakeholder interviews conducted by BAE during late 2011. The list of stakeholders interviewed is included in the Appendix to this report.

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<sup>1</sup> SANDAG formulated its estimates of 2010 and future conditions, prior to release of 2010 Census data, which shows that the City of San Diego did not grow as rapidly between 2000 and 2010 as anticipated by SANDAG. This situation has occurred throughout California, due in part to the impacts of the recession in the latter part of the decade.

## History of San Ysidro Development

San Ysidro began as a small-scale farming community. Between 1906 and 1918, it existed as the Little Landers farming community,<sup>2</sup> an agrarian commune based on William Ellsworth Smythe's principles of family farming. When the Hatfield flood of 1916 wiped out the irrigation pumping system and crops, the Little Landers community began to decline.

Starting in the 1920s, San Ysidro developed as a residential community. This trend accelerated during Prohibition, when US residents moved to San Ysidro to open saloons across the border, spurring tourism by US residents in Tijuana. Towards the end of World War II, the shortage of US labor led to the national Bracero program, which continued through 1964; it allowed Mexican nationals to work in the US legally without obtaining permanent residency. Many of these workers eventually settled in San Ysidro with their families.



In the 1950s, San Ysidro residents believed that it would be fiscally burdensome to continue separate municipal services and petitioned the City of San Diego to annex the community, resulting in its annexation in 1957. San Ysidro, and the adjacent Otay Mesa communities, are essentially separated from the rest of San Diego to the north by the cities of Chula Vista and National City; as shown in Figure 1, only a narrow strip of City jurisdiction through San Diego Bay provides a physical connection with the rest of the City.

San Ysidro has experienced ongoing residential and commercial development since World War II due to the growth in border traffic and regional population, and development of the freeway system. In 1957, US Highway 101 was upgraded to a freeway from National City to the border. In subsequent decades, I-805 and State Route 905 were constructed. These freeways, along with rail lines, have divided the San Ysidro community into three subareas.

The core residential subarea is bounded by the freeways and is largely built out with a mix of historic, older, and relatively newer multifamily and single family developments and subdivisions, along with local serving retail and services. The east of Interstate 805 subarea includes a hillside area with clusters of single family residential development; closer to the border, a border commercial area with

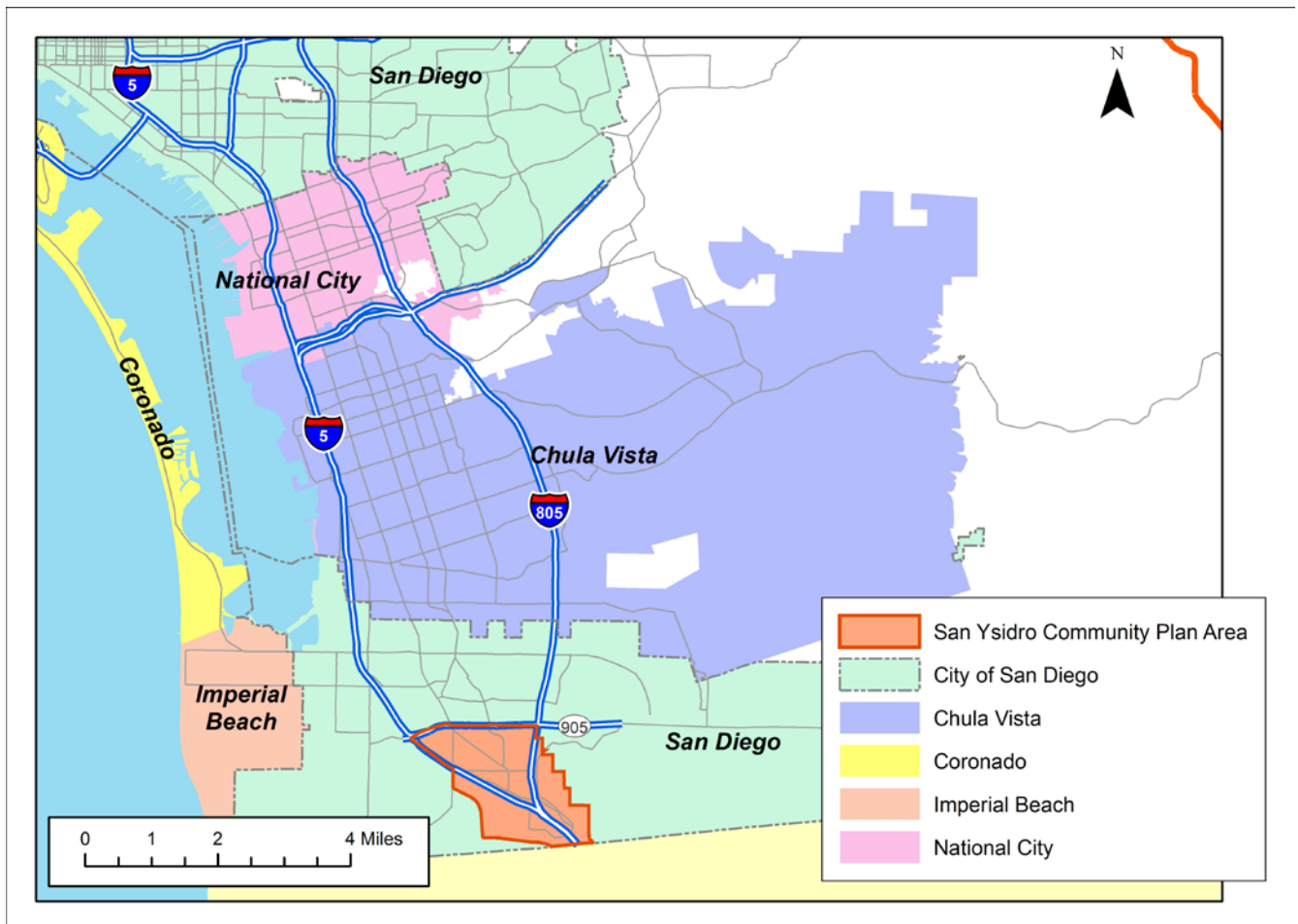
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<sup>2</sup> Lee, Lawrence B. "The Little Landers Colony of San Ysidro" *The Journal of San Diego History*. Winter 1975, Vol 21, Number 1. <http://www.sandiegohistory.org/journal/75winter/littlelanders.htm>

smaller retail spaces and related lodging and services; and at its southern edge the San Ysidro Land Port of Entry (LPOE), operated by US Customs and Border Protection. The west of Interstate 5 subarea contains a commercial area with larger format and outlet retail, along with older multifamily developments, a newer single family subdivision, and a small industrial area. Because of how San Ysidro has been divided, and its many decades of development, there is within each subarea a wide diversity of uses, building types, and property conditions.

Projects for the remaining vacant sites, as well as redevelopment of existing properties, are in various stages of consideration and planning for development. Continued growth in the San Diego and Tijuana border regions, as well as cross-border traffic and trade, are expected to create ongoing potential for future investment in development in the area.

**Figure 1: San Ysidro Community Plan Area and Regional Context**



## Community Plan Area Context

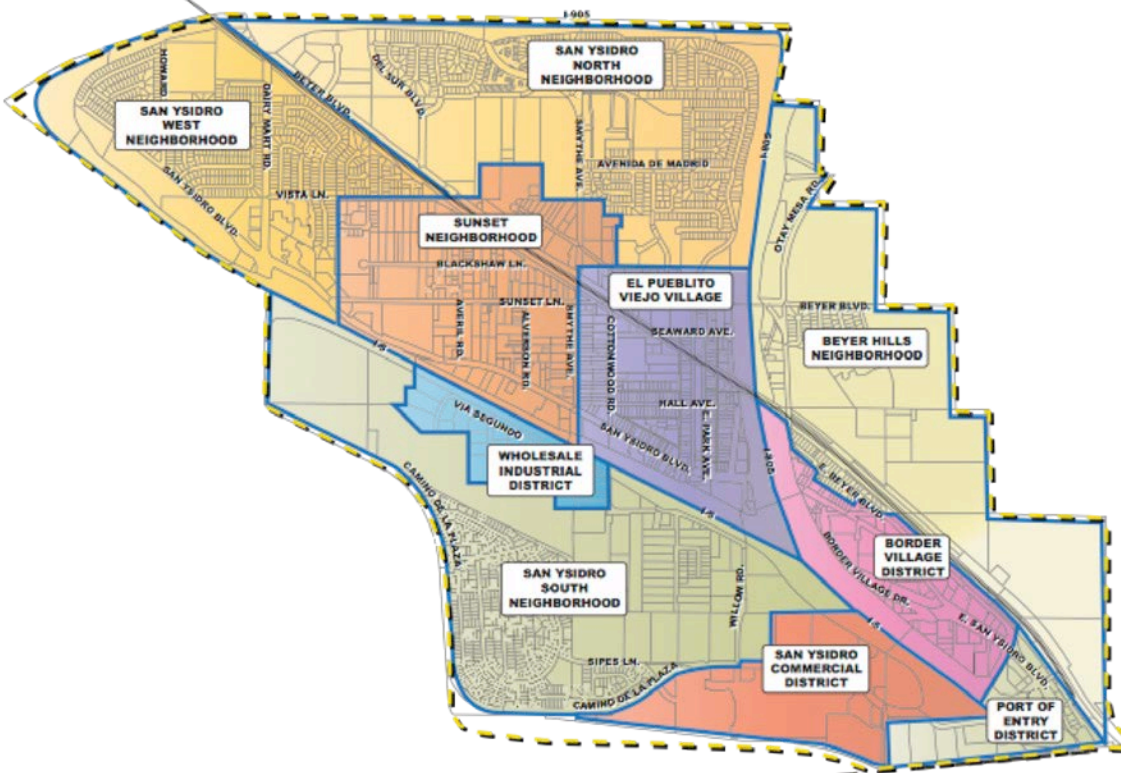
San Ysidro consists of approximately 1,800 acres located in the southernmost portion of the City of San Diego. The San Ysidro Community Plan Area (CPA) is bounded to the south by the US/Mexico border, to the east by the Otay Mesa community, to the north by State Route 905 (SR-905) and the Otay Mesa-Nestor community, and to the west by the open space of the Tijuana River Valley. Figure 1 shows the boundaries of the San Ysidro Community Plan area.

The San Ysidro Land Port of Entry (LPOE), operated by US Customs and Border Protection and considered to be the busiest international land border crossing in the world, is at the southern edge of the CPA. The LPOE serves Mexican and American tourists, shoppers, workers, students, and others, with many crossing on a daily or weekly basis. The extensive vehicle delays, often extending to two hours or more, have resulted in heavy pedestrian traffic through the LPOE. Those crossing on foot are able to use the adjacent San Ysidro Intermodal Transit Center to connect with the San Diego Metropolitan Transit System Trolley and bus routes, private jitneys and shuttles, Greyhound long distance bus service, and private vehicles. A number of private parking lots on both sides of the border are used by many crossing the border to take advantage of the faster pedestrian crossing; anecdotally some frequent crossers keep vehicles parked on both sides of the border.

The US/Mexico border has been a driving factor in San Ysidro's growth throughout its history. Combined with the impact of freeways and rail lines, the CPA has evolved into three distinct subareas: a core subarea that lies within the triangle defined by the freeways; the subarea east of Interstates 5 and 805; and the subarea west of Interstate 5. Within each of these three primary subareas there are multiple districts that can be identified, based on the diversity of land uses and the widely varying age and conditions of properties, reflecting development patterns over many decades. These subareas and districts are shown in Figure 2 and described below.



Figure 2: San Ysidro Community Plan Area – Subareas and Districts



Sources: RRM Design Group; Kimley-Horn & Assocs.; City of San Diego

***Core Subarea Bounded by the Freeways***

This subarea is separated from the rest of San Ysidro by Interstates 5 and 805, and State Route 905, enclosing the subarea in a triangular shape. It is further bisected by rail lines that extend from the LPOE and parallel Beyer Boulevard, and are used for the San Diego and Imperial Valley Railroad freight line and the San Diego Trolley.

This is the core residential area in San Ysidro, where most of its population lives, with a mix of historic, older, and relatively newer multifamily and single family developments and subdivisions. East and West San Ysidro Boulevard, between Interstate 805 and State Route 905, is the primary commercial corridor with a range of local serving retail stores and services, including three grocery stores, and some tourism-oriented services near Interstate 805 and the Via De San Ysidro on/off-ramps to Interstate 5. The northern side of West San Ysidro Boulevard is constrained along a portion of its length by a grade change that limits the size of buildable lots.

*El Pueblito Viejo Village District.* Bounded by Smythe Avenue, Interstates 5 and 805, and extending north of Beyer Boulevard, this is the most historic area of San Ysidro. The Beyer Boulevard Trolley Station is located in the middle of it, with its large parking lot presenting a potential joint development opportunity. North of Beyer Boulevard are several community and social service facilities. Most of the development in this area is small multifamily and single family development of varying ages from pre-World War II to new construction. Many of the older properties are on small lots, with a number in poor condition and/or sited in a manner inconsistent with current standards. There are a number of vacant lots near the Trolley Station that could accommodate development. Along West Olive Drive is a small commercial district that includes a La Bodega Supermarket. The commercial area along East and West San Ysidro Boulevard contains a diverse mix of retail, including auto- and tourism-related uses, but relatively limited dining choices aside from fast food outlets. Between East and West Park Avenue is the San Ysidro Community Park, along with a library that is considered undersized for the community's needs.

*Sunset Neighborhood District.* West of the El Pueblito Viejo Village District, with a small area across Beyer Boulevard, this is a primarily residential area with a diverse mix of multifamily and single family residences of varying age and condition, including a number of properties on small and irregular lots. Commercial development along the southern side of West San Ysidro Boulevard includes older shopping centers with a variety of retail uses, including a Lucky Supermarket, and a Post Office. At its western edge, on the north side of San Ysidro Boulevard where the southern edge of the street is bounded by Interstate 5, there are fast food outlets and a motel.

*San Ysidro West Neighborhood District.* The westernmost portion of this subdistrict, south of Beyer Boulevard, it is primarily a residential area with multifamily and single family developments built over the past several decades that are newer than most of the housing stock to the east. Southwest of Dairy Mart Road and West San Ysidro Boulevard is the La Pacific RV Resort. The area around the intersection of West San Ysidro Boulevard at the Dairy Mary Road on/off-ramp to Interstate 5 contains several fast food and a casual dining restaurant, a motel, and a neighborhood center anchored by a Neighbors Supermarket.

*San Ysidro North Neighborhood District.* This district is located north of Beyer Boulevard, and is bounded by State Route 905 and Interstate 805. It is located on a hillside, and the upper reaches are primarily single family subdivisions built over the past several decades. The Las Lomas Mobile Home park is also located in this area. Closer to Beyer Boulevard there are a number of multifamily developments and a Border Patrol Station. A cluster of industrial buildings is located along Precision Park Lane at Beyer Boulevard, near State Route 905. Beyer Boulevard and the rail lines, along with a limited number of streets that cross them, serve to physically separate this area from the rest of the core residential area.

#### ***East of Interstates 5 and 805 Subarea***

This subarea lies east of the Interstates, and is further bisected by the Trolley and freight rail lines. The northerly area extends into the hills that define the eastern edge of San Ysidro.



*Beyer Hills Neighborhood District.* East of Interstate 805, along Beyer Boulevard, East Beyer Boulevard, and Otay Mesa Road, and north of the rail lines, are clusters of single family residential development. A limited amount of older residential is located along East Beyer Boulevard. The owners of the undeveloped hillside area further to the east are proposing extensive new residential and other development; its consideration will be subject to a future City planning process distinct from the San Ysidro Community Plan Update.

*Border Village District.* This district surrounds East San Ysidro Boulevard adjacent to Interstate 5 and 805, the LPOE, and the Trolley and freight rail lines. A limited amount of commercial and industrial uses are located along East Beyer Boulevard. The primary use in this area is a border commercial area that has developed primarily along East San Ysidro Boulevard from Interstate 805 south to Camino de la Plaza, and which itself contains several district nodes. The area between Camino de la Plaza, East San Ysidro Boulevard, and Interstate 5 contains a mix of older lodging, fast food, and retail shop space, with a significant amount of undeveloped land behind these uses extending to Interstate 5, creating the potential for redevelopment if these sites can be assembled. East of East San Ysidro Boulevard and north of Camino de la Plaza are several parcels with older buildings containing community uses and older retail spaces that are upslope, and that also represent underutilized sites.

East San Ysidro Boulevard, starting from the intersection with Border Village Road and continuing to Virginia Road, as well as Border Village Road, is the core of the border commercial area and is densely populated with multiple small strip centers and free standing buildings that contain small shop spaces featuring Mexican-themed merchandise, apparel, and other items targeted at Mexican purchasers, as well as US shoppers. The buildings here range from newer construction to older remodeled buildings. This area also has a large number of US bank branches along with currency exchange stores serving cross-border traffic.

Between Virginia Road, East San Ysidro Boulevard, and Border Village Road is an older neighborhood center, now anchored by a 99 Cents store, a CVS pharmacy, a Reilly Auto Parts store, and other retail stores. East San Ysidro Boulevard from this area, north to Interstate 805, contains older and lower density freestanding retail buildings. There is an underutilized parcel bounded by East San Ysidro Boulevard, Center Street, and the Interstate 805 northbound onramp.

*Port of Entry District.* The Port of Entry District is the area currently most intensely affected by northbound pedestrian and vehicular border traffic. Adjacent to Camino de la Plaza are several privately owned parking lots, a motel, and a fast food restaurant. Further south, below the Interstate 5 northbound access ramp, is the LPOE facility, whose reconfiguration is discussed later in this section. East of the LPOE is the existing San Ysidro Intermodal Transit Center (ITC), with its Trolley station and other transportation services. SANDAG is currently planning for a reconfigured ITC, in conjunction with the reconfigured LPOE, discussed later in this section. East of the ITC is a multi-story retail center that is the first facility pedestrians see when they exit the LPOE; it contains a food court along with other retail.

### ***West of Interstate 5 Subarea***

This subarea lies west of Interstate 5, and is bounded to the west by open space and border areas. The reconfigured LPOE at its final buildout will extend across Interstate 5 into this area, taking the existing parking area south of Camino de la Plaza for use by the LPOE.

*San Ysidro Commercial District.* This area contains the Las Americas Premium Outlets center, which contains a large variety of outlet apparel retail stores, along with dining uses. Property on either side of this center is in the process of being developed into an expansion of the outlet center and other destination retail. Across Camino de la Plaza, is an older community shopping center that is now anchored by a K-Mart, Marshall's, and Ross, along with other retailers and fast food. The remaining undeveloped property in this area is between Camino de la Plaza, Virginia Street, and the Interstate 5 southbound onramp to Mexico; it has previously been used for parking, and now is being used for an outdoor bodega-style market.

*San Ysidro South Neighborhood District.* North of the Commercial District, this District consists of a number of older multifamily developments along Willow Road and west of it, with a limited number of older and smaller single family residences. The Rancho Del Rio Mobile Home Park is located in this area. Camino de la Plaza, as it heads west and north towards Dairy Mart Road, is the western boundary of the relatively new Coral Gate single family subdivision, which is bounded on the north and east by protected open space. Willow Road as it reaches Interstate 5 turns west and becomes Calle Primera; at its intersection with Via De San Ysidro and Interstate 5 on/off-ramps there is a small highway commercial and tourist services retail node, along with a motel.

*Wholesale Industrial District.* North of Via De San Ysidro, Calle Primera becomes Via Segundo, with Interstate 5 frontage, and extends to Via Trecero. This area contains a number of industrial and flex buildings. Many of the buildings with frontage on Via Segundo and Interstate 5 visibility have largely become wholesale outlets offering a wide range of commercial goods. This area also includes a self-storage facility and until recently, contained an indoor San Ysidro Swap Meet.

## Current Planning and Development Initiatives

In addition to the community plan update process, there are several major planning and development projects which will shape San Ysidro's future. These include a US General Services Administration (GSA) project to reconfigure and expand the LPOE, development of a new Intermodal Transit Center, and expansion of the San Ysidro Rail Yard. The San Diego Redevelopment Agency, prior to its recent dissolution, was proceeding with the development of a Pilot Village concept, a new public park and library, and other investments in the San Ysidro Redevelopment Project Area. These planning and development initiatives are described in the following sections.

### *San Ysidro Port of Entry Master Plan*

GSA is in the process of implementing a three phase expansion and reconfiguration of the LPOE. The LPOE currently handles passenger vehicle, bus, and pedestrian traffic<sup>3</sup>, processing approximately 50,000 northbound vehicles and 26,000 northbound pedestrians per day. The high traffic levels that pass through LPOE result in extensive delays, of up to two hours or more for vehicles during peak periods, with up to 2,900 cars queued to cross the border. Numerous studies have estimated that border delays result in multi-billion dollar annual losses to the San Diego regional economy.

Caltrans and the GSA project that by 2025 the number of primary inspections will increase 28 percent from increased border crossings, and wait times at the current facility could increase to 10 hours. Besides providing the ability to accommodate growth in cross-border traffic, reconfiguration of the LPOE allows US Customs and Border Protection to implement enhanced border security programs.

Phases 1 and 2 of the LPOE project address work east of Interstate 5, has received Congressional appropriation, and is currently under construction. It will increase the number of vehicular crossing lanes, reconfigure the east pedestrian crossing area and construct new pedestrian crossing bridges, as well as redesign the existing LPOE facility and related support functions.

Phase 3 has not received Congressional appropriation and it is unknown at this time when Congress will provide funds for its construction. This phase will have a major impact on the San Ysidro Commercial District through relocation of the southbound lanes of Interstate 5 to the west, creation of southbound inspections areas for entry into Mexico, addition of a west pedestrian crossing, and loss of the approximately 1,200 car parking lot south of Camino de la Plaza that is used by border crossers. Additionally, the existing transit connections in the San Ysidro Commercial District along Camiones Way are located in the LPOE expansion area, and will be relocated to a new Virginia Avenue Transit Center.

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<sup>3</sup> Trucks and commercial vehicles utilize the Otay Mesa Port of Entry, approximately 5.3 miles in a straight line, or 9 miles by road, east of San Ysidro LPOE.

### ***San Ysidro Intermodal Transit Center (ITC)***

The City of San Diego completed a concept study for the relocation and reconfiguration of the ITC to complement the reconfiguration of the LPOE project. The current design of the transit station results in conflicts between the multiple modes of transit that use the facility (SDMTS Trolley and buses, private jitneys and shuttles, long distance bus services, and private vehicle drop off and pick up). The area around the existing ITC also suffers from severe traffic congestion, as well as convoluted access to the northbound lanes of Interstate 5.

The concept study for a new ITC would include a multi-level facility that would shift the Trolley tracks to the east, and include ground floor retail uses. This design would impact the existing retail building to the east of the current ITC. The planning effort has also considered the extent to which the ITC project could complement redevelopment of private property adjacent to it. Community members have expressed interest in the creation of a larger ITC facility that could house expanded retail, office, and other uses to better take advantage of border crossing activity.

SANDAG will soon commence the next phase of planning for the ITC. The planning effort will refine the proposed design, conduct a market study, evaluate partnership opportunities, identify funding strategies, and prepare a final plan for a new ITC. There is at this time no adopted timeline for construction of a new ITC.

**Figure 3: Intermodal Transit Center Conceptual Site Plan**



### ***Rail Yard Expansion Project***

It is anticipated that goods movement demand by rail, especially from northern Baja California, will soon surpass the existing capacity of the San Ysidro yard to accommodate rail cars and yard switching. The San Ysidro Rail Yard has been approved for an expansion project, which will increase storage capacity from 100 to 196 cars. This will allow for an increase in cross border rail goods movement from 10,000 carloads per year to 19,600 on the south line. The project adds track to an existing rail yard, and includes acquisition of property and development of an access road, drainage and detention facilities, and expansion of the yard lead and storage tracks. It will enhance the primary purpose of this line, which is to facilitate cross-border rail service and connections with the Burlington Northern Santa Fe rail yard and rail lines near the Port of San Diego.

### ***Pilot Village***

In 2004 the San Diego City Council approved the Mi Pueblo Pilot Village proposal as one of five innovative City of Villages demonstration projects. The proposed project is in the heart of the community along the historic commercial core of San Ysidro Boulevard, stretching from Interstate 805 to Cottonwood, and into the residential neighborhood immediately adjacent. It is linked through Pathways to Knowledge, a system of pedestrian connections throughout the community and to the Las Americas Plaza next to the international border. Some of the highlights of this project include its proposal to revitalize an aging, underutilized commercial district while providing an enhanced and pedestrian friendly connection between historic San Ysidro, the new community, a regional shopping plaza, a mixed use project and a future branch library in the San Ysidro community.

It proposes 1,143 residential dwelling units, almost 25 percent of which would be affordable housing. It includes a public market (Mercado), social services (Casa Familiar offices), commercial office, public plazas, community gardens, senior housing and a linear park, along with a proposed 20,000-square-foot branch library and a 5,000-square-foot community center. The design theme builds upon the Latino New Urbanism, an urban design philosophy that incorporates many different types of uses, higher density and an accommodation of unit types and site planning for extended family living arrangements.

The Mi Pueblo proposal is being further refined as a part of the community plan update process. Some changes to the original proposal may be brought forward as a result of community input, traffic studies, further developments in library planning, and other inputs. In addition, a shift in focus from San Ysidro Boulevard to the Beyer Trolley Station may present more opportunities to promote transit-oriented development (TOD) on a number of vacant and underutilized properties near the station. Another consideration is that since Redevelopment tools are no longer available (as discussed below), the original plan's program that required land assembly from many small privately owned parcels may no longer be feasible. Given that consideration, project changes may be warranted and will be a topic for community discussion.

### ***San Ysidro Redevelopment Project Area***

The San Ysidro Redevelopment Project Area contains approximately 766 acres of land located in central San Ysidro, generally bound by the border to the south, Caithness Drive to the north, East

Beyer Boulevard to the east, and the Tijuana River levee to the west. The San Diego Redevelopment Agency adopted a Project Area Redevelopment Plan that outlines how it will utilize tax increment from the Project Area, and other resources, to support a range of projects to further redevelopment. Through 2011, its accomplishments included assistance for:

- Development of the Las Americas Premium Outlet center;
- Camino de la Plaza streetscape improvements;
- San Ysidro streetlight improvement project;
- Assistance for the San Ysidro Health Center expansion project;
- Assistance to Casa Familiar social services agency;
- Planning for West San Ysidro Boulevard and Averil Street streetscape improvements;
- \$2.5 million funding commitment for a new San Ysidro public library;
- Funding for affordable housing projects (El Pedregal Family Apartments, Verbeña Family Apartments, Casitas de la Florecitas affordable homeownership, for a total of 133 dwelling units); and
- Housing rehabilitation projects (financial assistance for HELP home rehabilitation programs, financial assistance to Urban Corps for home rehabilitation programs).

In 2011, the California Legislature adopted a series of bills to dissolve redevelopment agencies and distribute funds to property tax recipient agencies including school districts, except for funds needed for payment of legally binding obligations. This was done to enable a reduction in State aid to these agencies. After legal challenges, the dissolution became effective on February 1, 2012.

Pursuant to the provisions of the legislation, the San Diego City Council agreed that the City would act as the successor agency to the Redevelopment Agency. The role of a successor agency is limited to ensuring payment on binding contracts and debt obligations incurred prior to January 1, 2011, as set forth in an Enforceable Obligations Payment Schedule (EOPS) pursuant to the legislation. The successor agency cannot enter into new obligations, nor continue planning efforts or project negotiations for projects not on the EOPS.

There is currently a great deal of other uncertainty on how the provisions of the legislation will be implemented, possibly resulting in future litigation on issues that the legislation did not fully address. Thus, for San Ysidro, even though design assistance for a new public library, and the Agency's 2002 commitment to the City for \$2.5 million in funding assistance for the new library, are listed in the EOPS, the wording of the dissolution legislation has created uncertainty on the extent to which such commitments will be carried out.

Redevelopment agencies have historically been a leading source of funding and technical assistance for projects that contribute to community revitalization and produce affordable housing. The loss of this tool will create near-term challenges for implementation of the Community Plan Update. While replacement financing tools to spur revitalization exist, and others are anticipated, it is not yet clear how California cities will in the future pursue redevelopment-type activities. It is worth noting that cities in other states have created non-profit economic development corporations to leverage a variety of funding sources and provide technical expertise to plan and implement projects.



## DEMOGRAPHIC AND ECONOMIC TRENDS

This chapter analyzes demographic and economic trends for the San Ysidro Community Plan Area (CPA). It should be noted that selected data used for this chapter is based on estimates of demographic trends prepared by the San Diego Association of Governments (SANDAG) for the San Ysidro CPA prior to release of the 2010 US Census. Since the City and County of San Diego did not grow as rapidly between 2000 and 2010 as anticipated prior to the 2010 Census count, the SANDAG estimates for 2010 may overestimate population and household counts for San Ysidro. Nevertheless, the trends described by the SANDAG estimates used in this report likely remain relatively accurate. Another key data source for demographic factors used in this chapter is from the American Community Survey (ACS), a US Census process conducted on a rolling-sample basis for small geographic areas (e.g., Census Tracts) over a five year time period. For San Ysidro, the time period covered by this data set at the time this report was drafted (Fall 2011) was for 2005 through 2009. This data source provides extensive detail for demographic variables, but its collection method means that it represents the span of time during which it was collected, rather than a single point in time. A map showing the San Ysidro Community Plan Area, the boundaries of Census Tracts, and the boundaries of Zip Codes (also used for some data), is shown in Appendix A to this report.

### *Regional Context for San Ysidro Community Plan Area (CPA)*

In order to understand demographic and economic forces impacting San Ysidro, it is important to first assess the community's key location at the US/Mexico border, and the economic factors which affect both countries in this region. The following table profiles 2006 estimates of the combined San Diego/Tijuana region. As shown, the combined bi-national region contains almost 4.5 million residents, 2.1 million workers, and a combined gross regional product of over \$155.2 billion.

**TABLE 1: SAN DIEGO/TIJUANA REGION DEMOGRAPHICS (2006 ESTIMATES)**

	2006		
	San Diego	Tijuana Region	Combined Region
Population (a)	3,066,820	1,417,730	4,484,550
Land Area (sq. miles) (b)	4,261	1,071	5,332
Population Per Square Mile	720	1,317	1,019
Labor Force (c)	1,537,220	594,830	2,132,050
Gross Regional Product (US \$millions) \$	143,650	\$ 11,576	\$ 155,226
Total Housing Units (e)	1,118,410	357,064	1,475,474
Median Household Income (f)	\$ 63,737	\$ 14,240	
	Forecast for 2030		
Population (g)	3,984,753	2,422,071	6,406,824
Housing Units (h)	1,383,803	803,021	2,186,824

**Sources for San Diego Region:**

- a) SANDAG
- b) SANDAG
- c) SANDAG
- d) San Diego Regional Chamber of Commerce
- e) SANDAG
- f) SANDAG
- g) SANDAG
- h) SANDAG

**Sources for Tijuana Region:**

- Istituto Nacional de Estadística Geografía e Informática (2005)
- Secretaría de Desarrollo Económico de Tijuana, XVII Ayuntamiento de T
- Istituto Nacional de Estadística Geografía e Informática (2005)
- Secretaría de Desarrollo Económico de Tijuana, XVII Ayuntamiento de T
- Istituto Nacional de Estadística Geografía e Informática (2005)
- Secretaría de Desarrollo Económico de Tijuana, XVII Ayuntamiento de T
- Consejo Nacional de Población (CANAPO)
- Consejo Nacional de Población (CANAPO)

Overall Source: South County Economic Development Council; San Diego Association of Governments, BAE 2012.

## Population and Household Trends

### *Population and Household Growth*

San Ysidro constitutes a small portion of the City's total population; according to SANDAG, in 2010 the San Ysidro CPA had an estimated population of 28,707, representing just 2.1 percent of the City's total. Population grew modestly in the CPA between 2000 and 2010, increasing 6.5 percent compared to City (12.5 percent) and the County (14.6 percent) for the same period. The number of households in the CPA declined, with a loss of 1.9 percent of households, compared to an increase of 5.8 percent in households citywide, and a 7.5 percent increase countywide.

**TABLE 2: POPULATION AND HOUSEHOLD TRENDS, 2000 - 2010**

<u>San Ysidro</u>	<u>2000</u>	<u>2010</u>	<u>% Change</u>
Population	26,953	28,707	6.5%
Households	6,922	6,790	-1.9%
<b>City of San Diego</b>			
Population	1,223,401	1,376,173	12.5%
Households	450,691	477,008	5.8%
<b>San Diego County</b>			
Population	2,813,833	3,224,432	14.6%
Households	994,677	1,068,797	7.5%

Data from SANDAG 2010 estimates for CPA, City, and County.

Sources: U.S. 2000 Census; SANDAG; City of San Diego; BAE, 2011.

### *Age Distribution*

The San Ysidro CPA has a notably young population; the CPA's median age of 24.5 years in 2010 was well below the City's (35.6 years) and the County's (35.3 years). Over half of the CPA's residents (51.4 percent) were below age 25, compared to just over one-third of the City and County residents. At the other end of the age spectrum, the CPA has a smaller share of people aged 65 year or older (6.8 percent) than the City (11.3 percent) or the County (11.7 percent).

**TABLE 3: AGE DISTRIBUTION, 2010**

<u>Age Cohort</u>	<u>San Ysidro</u>	<u>City of San Diego</u>	<u>San Diego County</u>
Under 18	37.6%	22.6%	23.9%
18-24	13.8%	11.3%	11.5%
25-34	15.5%	15.0%	14.2%
35-44	10.8%	15.6%	14.0%
45-59	12.6%	19.5%	19.9%
60-64	2.8%	4.6%	4.8%
65-74	3.7%	5.7%	5.8%
Over 75	3.1%	5.6%	5.9%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Median Age</b>	<b>24.3</b>	<b>35.6</b>	<b>35.3</b>

Data from SANDAG 2010 estimates for CPA, City, and County.

Sources: SANDAG; City of San Diego; BAE, 2011.

### *Race and Ethnicity*

San Ysidro's population is characterized by an extremely large Hispanic component. As shown below, over 90 percent of CPA residents are Hispanic, compared to only 28 percent of City residents and 31 percent of County residents. Only two percent of CPA residents are Non-Hispanic Whites, compared to 45 percent in the City and 49 percent countywide.

**TABLE 4: RACE AND ETHNICITY**

<b>Race/Ethnicity</b>	<b>San Ysidro</b>	<b>City of San Diego</b>	<b>San Diego County</b>
Non-Hispanic/Latino			
White	2.2%	44.5%	49.2%
Black/African American	0.8%	6.9%	5.2%
Native American & Alaskan Native	0.1%	0.4%	0.5%
Asian	3.0%	15.5%	10.3%
Native Hawaiian & Pacific Islander	0.2%	0.5%	0.5%
Other	0.0%	0.3%	0.3%
Two or More Races	1.0%	3.7%	3.4%
Hispanic/Latino - All Races	<u>92.7%</u>	<u>28.3%</u>	<u>30.6%</u>
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Data from SANDAG 2010 estimates for CPA, City, and County.

Sources: SANDAG; City of San Diego; BAE, 2011.

### *Household Size and Composition*

Along with a young and largely Hispanic population, the CPA has a large average household size. According to SANDAG, in 2010 the average household size in the CPA was 4.21 persons, compared to 2.80 persons for the city overall and 2.90 persons countywide. The CPA also has a larger share of households with children under age 18 (58.6 percent) than the City (30.7 percent) or the County (35.0 percent). In addition, the CPA has a substantially larger share of family households containing related individuals (83.2 percent) than the City (58.7 percent) or County (66.0 percent). These demographic characteristics underscore the need to provide ample public facilities geared towards families with children, including parks, playgrounds, libraries, and recreational facilities.

**TABLE 5: HOUSEHOLD COMPOSITION**

<b>Household Type (a)</b>	<b>San Ysidro</b>	<b>City of San Diego</b>	<b>San Diego County</b>
Non-Family	16.8%	41.3%	34.0%
Family			
Married Couple	51.3%	43.4%	49.6%
Other Family	31.9%	15.3%	16.4%
<b>Family Households</b>	<b>83.2%</b>	<b>58.7%</b>	<b>66.0%</b>
<b>Households with Children Under 18</b>	<b>58.6%</b>	<b>30.7%</b>	<b>35.0%</b>
<b>Average Household Size (b)</b>	<b>4.21</b>	<b>2.80</b>	<b>2.93</b>

(a) From 2005-2009 American Community Survey (ACS). Estimate based on continuous sampling from 2005 through 2009. For data from ACS, San Ysidro has been defined by the "best fit" of Census Tracts, consisting of Census Tracts 100.05, 100.09, 100.12, 100.13, 100.15, and 101.11. This is an area somewhat larger than the CPA boundaries.

(b) Data from SANDAG 2010 estimates for CPA, City, and County.

Sources: U.S. Census, American Community Survey; SANDAG; City of San Diego; BAE, 2011.

### *Household Tenure*

Even though San Ysidro has a high proportion of families, the CPA has a relatively low rate of home ownership. Less than 40 percent of CPA households are owners; compared to ownership rates of over 50 percent citywide and over 57 percent countywide.

**TABLE 6: HOUSEHOLD TENURE**

<b>Tenure</b>	<b>San Ysidro</b>	<b>City of</b>	<b>San Diego</b>
		<b>San Diego</b>	<b>County</b>
Owner-Occupied	37.6%	50.6%	57.1%
Renter-Occupied	62.4%	49.4%	42.9%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

From 2005-2009 American Community Survey (ACS). Estimate based on continuous sampling from 2005 through 2009. For data from ACS, San Ysidro has been defined by the "best fit" of Census Tracts, consisting of Census Tracts 100.05, 100.09, 100.12, 100.13, 100.15, and 101.11. This is an area somewhat larger than the CPA boundaries.

Sources: U.S. Census, American Community Survey; BAE, 2011.

### *Educational Attainment*

As shown, San Ysidro residents have lower levels of educational attainment than City and County residents. Approximately 47 percent of residents 25 or older do not have a high school diploma, compared to less than 15 percent citywide and countywide. Residents also have a low college attainment level, with 17 percent having a college degree, compared to 48 percent citywide and 42 percent countywide.

**TABLE 7: EDUCATIONAL ATTAINMENT, POPULATION AGE 25+**

<b>Educational Attainment</b>	<b>San Ysidro</b>	<b>City of</b>	<b>San Diego</b>
		<b>San Diego</b>	<b>County</b>
Less than 9th Grade	28.1%	7.1%	7.3%
9th to 12th Grade, No Diploma	18.9%	6.6%	7.5%
High School Graduate (incl. Equivalency)	20.1%	17.4%	20.2%
Some College, No Degree	15.7%	20.9%	23.0%
Associate Degree	7.6%	7.4%	8.0%
Bachelor's Degree	7.2%	24.7%	21.3%
Graduate/Professional Degree	2.3%	15.9%	12.7%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Population with College Degree</b>	<b>17.1%</b>	<b>48.0%</b>	<b>42.0%</b>

(a) From 2005-2009 American Community Survey (ACS). Estimate based on continuous sampling from 2005 through 2009. For data from ACS, San Ysidro has been defined by the "best fit" of Census Tracts, consisting of Census Tracts 100.05, 100.09, 100.12, 100.13, 100.15 and 101.11. This is an area somewhat larger than the CPA boundaries.

Sources: U.S. Census, American Community Survey; BAE, 2011.

### ***Labor Force Participation, Employment, and Unemployment***

The ACS data set also tracks labor force participation, employment, and unemployment for the Census Tracts approximating San Ysidro. As shown, CPA residents have a somewhat lower labor force participation rate than the City or County, with 58 percent of San Ysidro residents either employed or seeking work, compared to almost 67 percent of the City overall, and 66 percent for the County. In addition, San Ysidro residents have a higher unemployment rate of 8.7 percent at the time the data was collected, compared to 6.3 and 6.7 percent, respectively, for the City and the County.

**TABLE 8: LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT, AGE 16+**

	<b>San Ysidro</b>	<b>City of San Diego</b>	<b>San Diego County</b>
<b>Total Population Age 16 and older</b>	<b>20,084</b>	<b>1,038,097</b>	<b>2,337,491</b>
In Labor Force	58.0%	66.8%	66.1%
In Armed Forces	0.4%	2.8%	3.1%
In Civilian Labor Force	57.7%	64.0%	62.9%
Employed	52.7%	60.0%	58.7%
Unemployed	5.0%	4.1%	4.2%
Not in Labor Force	42.0%	33.2%	33.9%
Civilian Unemployment Rate	8.7%	6.3%	6.7%

(a) From 2005-2009 American Community Survey (ACS). Estimate based on continuous sampling from 2005 through 2009. For data from ACS, San Ysidro has been defined by the "best fit" of Census Tracts, consisting of Census Tracts 100.05, 100.09, 100.12, 100.13, 100.15 and 101.11. This is an area somewhat larger than the CPA boundaries.

Sources: U.S. Census, American Community Survey; BAE, 2011.

### ***Household Income***

Reflecting the younger age distribution, higher unemployment, and lower educational attainment levels of residents, the CPA has lower levels of household incomes than the City or county. The CPA has a much higher concentration of households with incomes below \$50,000 (64.2 percent) than the City (40.8 percent), or County (40.0 percent). In addition, the area has a higher percentage of individuals in poverty (26 percent) than the City (13.1 percent) or County (11.5 percent).

**TABLE 9: HOUSEHOLD INCOME AND POVERTY RATES**

<b>Income Category (a)</b>	<b>San Ysidro</b>	<b>City of San Diego</b>	<b>San Diego County</b>
Less than \$15,000	18.5%	10.3%	9.2%
\$15,000-\$24,999	16.4%	8.8%	8.6%
\$25,000-\$34,999	14.8%	8.6%	8.9%
\$35,000-\$49,999	14.4%	13.1%	13.2%
\$50,000-\$74,999	20.0%	17.5%	18.0%
\$75,000-\$99,999	6.2%	13.4%	13.6%
\$100,000-\$149,999	6.3%	15.3%	15.7%
\$150,000-\$199,999	1.4%	6.6%	6.6%
\$200,000 or more	1.9%	6.5%	6.1%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Median HH Income (a)</b>	<b>\$35,184</b>	<b>\$61,962</b>	<b>\$62,901</b>
<b>Individuals in Poverty (b)</b>	<b>26.0%</b>	<b>13.1%</b>	<b>11.5%</b>

(a) From 2005-2009 American Community Survey (ACS). Estimate based on continuous sampling from 2005 through 2009. For data from ACS, San Ysidro has been defined by the "best fit" of Census Tracts, consisting of Census Tracts 100.05, 100.09, 100.12, 100.13, 100.15, and 101.11. This is an area somewhat larger than the CPA boundaries.

(b) Calculated from the universe of individuals for whom poverty status is known, not all individuals. From ACS 2005-2009.

Sources: U.S. Census, American Community Survey; BAE, 2011.

### ***Commute Patterns***

According to estimates made by the US Census in 2009, most of San Ysidro's working residents commuted to jobs located outside of San Ysidro or the immediate surrounding area; only eight percent of San Ysidro's employed residents remain in San Ysidro to work, while 45 percent commute to jobs located elsewhere in the City of San Diego, 29 percent commute elsewhere within the County, and 18 percent work outside of San Diego County.

Conversely, because so few of San Ysidro's residents work locally, most of the jobs in San Ysidro are held by in-commuters, including more than 2,000 workers who commute from far distances outside of San Diego County to work in San Ysidro.

It is important to note that the data below is based on Census Tracts (see Appendix A map), and includes the area to the east of the CPA, which has additional jobs, particularly in Otay Mesa (which in turn emphasizes that San Ysidro residents must go outside San Diego to access employment).



**TABLE 10: COMMUTER FLOWS, 2009**

*Note: Includes areas adjacent to San Ysidro Community Plan Area*

<b>San Ysidro Employed Residents by Place of Work</b>	<b>Number of Workers</b>	<b>% Total</b>
San Ysidro	1,090	8.0%
City of San Diego, outside San Ysidro	6,164	45.0%
San Diego County, outside San Diego City	3,966	29.0%
All Other Locations	<u>2,470</u>	<u>18.0%</u>
<b>Total</b>	<b>13,690</b>	<b>100.0%</b>

<b>San Ysidro Workers by Place of Residence</b>	<b>Number of Workers</b>	<b>% Total</b>
San Ysidro	1,979	17.6%
San Diego County, outside San Ysidro	7,185	64.0%
All Other Locations	<u>2,055</u>	<u>18.3%</u>
<b>Total</b>	<b>11,219</b>	<b>100.0%</b>

From the U.S. Census Bureau's Longitudinal Employer-Household Dynamics program's On the Map, a tool created by combining administrative data on employment with Census data. The employment data are based on Quarterly Workforce Indicators (QWI) a set of economic indicators on employment. Note that this data source has limitations with respect to covered employment and other factors; for example most Federal employment is not included. Thus the numbers here should not be taken to represent all workers, but should still provide a general "order of magnitude" picture of commute flows between areas. Counts of workers are not directly comparable with other sources. San Ysidro has been defined by the "best fit" of Census Tracts, consisting of Census Tracts 100.05, 100.09, 100.12, 100.13, 100.15, and 101.11. This is an area somewhat larger than the CPA boundaries.

Sources: Census LEHD On The Map, 2009; BAE, 2011.

## Economic Trends

### *Regional Context*

The San Diego-Tijuana region is the largest bi-national metropolitan area in North America, with San Ysidro located both at the border that splits the region as well as near its geographic center. As described in the previous section of this report, the combined bi-national region had a reported gross regional product (e.g., measure of economic activity) of over \$155.2 billion in 2006. With a combined population of almost 4.5 million, the region benefits from economic growth on both sides of the border. The region has a diverse economic base, including electronics, manufacturing, high-technology, biotech, agriculture, construction, defense, and service and tourism related sectors. San Ysidro plays a key role in this bi-national region, as the busiest land port of entry in the world, with almost 30.6 million northbound individual crossings in 2010.

The following describes San Ysidro employment trends, and then elaborates on the economic forces shaping the CPA due to its location in the center of this dynamic bi-national region, which may provide increased opportunities for economic development in the CPA.

### *San Ysidro Employment Trends*

The best available employment data for small area geographies like San Ysidro CPA is available from the State of California Employment Development Department (EDD), based on employer-reported jobs related to workers enrolled in required unemployment insurance programs. However, it should

be noted that actual employment data is difficult to analyze and publish for the San Ysidro Community Plan Area (CPA), due to the small amount of employment in certain industry sectors creating suppressed data / confidentiality issues, as well as the potential under-counting of local jobs due to several challenges in the data series.<sup>4</sup> Thus, the following data has been arrayed to show the larger private industry sectors for which data covering San Ysidro is available and publishable, compared to the same sectors in San Diego County over the 2004-2009 time period.

As shown, retail was the largest private industry sector in both 2004 and 2009, accounting for 32 percent of reported employment in San Ysidro in 2009. Retail employment also grew rapidly, increasing 21 percent in San Ysidro in the five-year period. This trend was countercyclical to the County, which lost almost 10 percent of its retail employment during the same period. It is important to note that according to SANDAG in 2008, there were approximately 6,300 government workers in San Ysidro. As Table 11 is summarizing private sector jobs the SANDAG government employment is not included in the data shown below. Retail employment also grew rapidly, increasing 21 percent in San Ysidro in the five-year period. This trend was counter-cyclical to the County, which lost almost 10 percent of its retail employment during the same period.

**TABLE 11: EMPLOYMENT BY INDUSTRY SECTOR, 2004-2009**

Selected Private Industry Sectors (a)	Employment 2004-2009						Concentration of Sectors			
	San Ysidro (b)			San Diego County (c)			San Ysidro		San Diego County	
	2004	2009	Change	2004	2009	Change	2004	2009	2004	2009
Retail Trade	1,992	2,406	20.8%	144,900	130,500	-9.9%	24.8%	32.6%	11.4%	10.5%
Accommodation & Food Services	755	713	-5.6%	123,600	130,500	5.6%	9.4%	9.7%	9.7%	10.5%
Health Care & Social Assistance	546	599	9.7%	101,600	116,900	15.1%	6.8%	8.1%	8.0%	9.4%
Manufacturing	1,252	417	-66.7%	104,300	95,400	-8.5%	15.6%	5.6%	8.2%	7.7%
Finance & Insurance	360	413	14.7%	52,800	43,800	-17.0%	4.5%	5.6%	4.2%	3.5%
Wholesale Trade	672	341	-49.3%	41,900	40,700	-2.9%	8.4%	4.6%	3.3%	3.3%
Transportation & Warehousing	531	232	-56.3%	22,100	19,900	-10.0%	6.6%	3.1%	1.7%	1.6%
Professional, Scientific, & Technical Services	88	181	105.7%	99,800	108,100	8.3%	1.1%	2.5%	7.8%	8.7%
Other Services	104	90	-13.5%	47,900	47,000	-1.9%	1.3%	1.2%	3.8%	3.8%
Real Estate & Rental & Leasing	86	80	-7.0%	29,100	26,500	-8.9%	1.1%	1.1%	2.3%	2.1%
Management of Companies & Enterprises	61	45	-26.2%	18,200	15,300	-15.9%	0.8%	0.6%	1.4%	1.2%
<b>Subtotal</b>	<b>6,447</b>	<b>5,517</b>	<b>-14.4%</b>	<b>786,200</b>	<b>774,600</b>	<b>-1.5%</b>	<b>80.4%</b>	<b>74.7%</b>	<b>61.8%</b>	<b>62.5%</b>
<i>Additional Undisclosed Employment (a)</i>	<i>1,573</i>	<i>1,864</i>	<i>18.5%</i>	<i>485,300</i>	<i>464,700</i>	<i>-4.2%</i>	<i>19.6%</i>	<i>25.3%</i>	<i>38.2%</i>	<i>37.5%</i>
<b>Total Employment</b>	<b>8,020</b>	<b>7,381</b>	<b>-8.0%</b>	<b>1,271,500</b>	<b>1,239,300</b>	<b>-2.5%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Data for San Ysidro is for Zip Code 92173

a) Data shown excludes industry sectors for which employment data can not be disclosed in San Ysidro (due to confidentiality rules).

Additional undisclosed employment include jobs in Agriculture, Information, Utilities, Construction, Administration & Support, Educational Services, Arts/Entertainment/Recreation, Government, and Unclassified.

(b) San Ysidro data from Quarterly Census of Wages and Employment (QCEW). This data source excludes some wage and salary jobs, particularly in the government sector. Self-employed workers are also excluded. Some jobs may also be mis-classified by zip code due to where the employer chooses to report place of work.

Data shown are annual average employment.

(c) From Current Employment Statistics (CES) series, which are the official employment counts in CA, and provide more complete coverage of wage and salary employment than the data series used for San Ysidro (QCEW). Self-employed workers are still excluded. CES data not available for sub-county area such as San Ysidro.

Data shown are annual average employment.

Sources: CA EDD; City of San Diego; BAE, 2011.

<sup>4</sup> For San Ysidro, the small size of some employment sectors prevents reporting of the data, due to State of California non-disclosure rules. Under-reporting is also likely present due to anomalies including likely high self-employment (and thus not covered by standard unemployment insurance, the source of the data set used here), large numbers of US Customs and Border Protection workers reporting officially to an address outside of San Ysidro (and thus counted as located elsewhere), and other factors.

The table shows several other interesting trends among the industry sectors for which data is available and can be reported. Accommodations and Food services, the next largest private industry sector in San Ysidro, lost employment during the period, compared to growth in this sector countywide. Nevertheless, this sector's concentration among the reported private industry sectors in San Ysidro is relatively similar to the County's share, suggesting that San Ysidro's hotels and restaurants may be employing typical numbers, but likely could improve with targeted lodging development products and restaurant offerings, especially given the very substantial border traffic and activity at Las Americas Outlets. Health care and social services are not as concentrated in San Ysidro as throughout the County, and the CPA's jobs in this sector did not grow quite as rapidly as elsewhere in the County; this finding suggests another sector to further explore for increased economic development, particularly in health care.

Manufacturing, which accounted for almost 16 percent of jobs shown in 2004 in San Ysidro, has experienced much more rapid decline in the five-year period (- 67 percent decline in employment) than for the County overall (- 9 percent). This major decline in a key local sector should be further explored in future economic development strategic planning for the CPA.

One of the most notable and unique sectors in San Ysidro is Finance and Insurance. As evidenced on the ground, with 10 bank branches, Mexico car insurance providers, and currency exchange stores located in the core of San Ysidro, this sector has a large concentration in the CPA (six percent of jobs shown for 2009 in San Ysidro, compared to four percent for the County). The CPA's Finance and Insurance sector employment also grew rapidly for the period, up 15 percent in San Ysidro compared to a decrease of - 17 percent for this sector in the County. Stakeholder interviews conducted for this report suggested that this competitive advantage of attracting banks and related financial businesses serving cross-border commerce should be further expanded as economic development strategies are formulated for the CPA.

Both Wholesaling and Transportation/Warehousing appear to be losing ground in San Ysidro for the period, losing 49 and 56 percent of employment, respectively. The County also lost jobs in these two sectors, but at a slower rate. The Professional and Technical sector, which is relatively small in San Ysidro, experienced rapid growth during the period compared to the County.

Finally, as mentioned previously, these data do not adequately account for Government employment, particularly compared to known levels of federal employment associated with the San Ysidro LPOE. If accurate counts could be included in the above table, this sector would be the largest sector in San Ysidro (approximately 6,300 jobs), and also is likely a rapidly-growing sector given the border crossing needs for customs as well as homeland security.

**Taxable Retail Sales Trends**

Another important indicator of economic trends in San Ysidro is retail sales. Data is available for taxable retail sales in the CPA, which can be analyzed across years, and also compared by store category to larger area benchmarks.

Retail outlets in San Ysidro can be broadly categorized as either region-serving or local-serving based on their location. The region-serving retail is concentrated in the Las Americas Premium Outlets center, attracting shoppers from a broad area. Because this center is so large, it is analyzed separately from the more local-serving, smaller stores found in the core of the CPA.

**Las Americas Premium Outlets**

The Las Americas Premium Outlets, with 125 outlet stores in approximately 570,000 square feet, generated over \$227 million in taxable sales in 2010, considerably more than the \$139 million generated in the remainder of the San Ysidro CPA. Moreover, despite the overall economic climate, taxable sales in Las Americas grew by six percent between 2005 and 2010, driven by increasing apparel sales. The center’s positioning as a value-oriented shopping destination may have contributed to this growth, as shoppers across the US have shifted to discounted retail goods during the recession.

**TABLE 12: TOTAL TAXABLE SALES FROM LAS AMERICAS OUTLETS, 2005-2010**

Taxable Sales in 2010 \$000

<u>Business Type</u>	<u>2005 (a)</u>	<u>2010 (a)</u>	<u>Change</u>	<u>Percent Change</u>
Apparel Stores	\$143,927	\$168,169	\$24,242	17%
Other Retail Stores	\$19,734	\$19,273	(\$460)	-2%
Aggregated Confidential Categories (b)	<u>\$49,810</u>	<u>\$39,749</u>	<u>(\$10,061)</u>	<u>-20%</u>
<b>Total Taxable Sales</b>	<b>\$213,471</b>	<b>\$227,192</b>	<b>\$13,721</b>	<b>6%</b>

(a) All data reported in 2010 thousands of dollars. Reported taxables sales for Las Americas have been provided by the City, based on State Board of Equalization (SBOE) data as reported from MuniServices, the City’s taxable sales consultant.

(b) All other major categories, including non-retail businesses generating sales tax, could not be reported for Las Americas separately due to state disclosure rules, in order to protect the confidentiality of individual firm data. These confidential economic segments are summed into the "Aggregated Confidential Categories." The following segments were confidential for the Las Americas Outlets:

- |                                    |                               |
|------------------------------------|-------------------------------|
| Auto Dealers & Auto Supplies       | General Merchandise Stores    |
| Building Materials/Farm Implements | Home Furnishings & Appliances |
| Drug Stores                        | Packaged Liquor Stores        |
| Eating & Drinking Places           | Service Stations              |
| Food Stores                        | All Other Outlets             |

Sources: SANDAG, 2010; State Board of Equalization and MuniServices, 2011; City of San Diego, 2011; BAE, 2011.

According to a center representative interviewed for this study, Premium Outlets (part of the Simon Property Group), with more than 50 similar centers throughout the US, considers Las Americas as one of its top-grossing properties. Las Americas Outlets initially drew customers primarily from surrounding areas and across the border, but more recent information indicates that the center has

expanded its draw to attract shoppers from northern parts of San Diego. The representative estimates that currently, roughly one-third of Las Americas customers come from elsewhere in San Diego and the County.

Reflecting the success of the Las Americas center, plans are being implemented by The Shamrock Group to develop two new retail centers on either side of it. On a 10-acre site to the west of Las Americas, The Plaza at the Border, a new center of 98,000 square feet of retail will be built in a mid-box format, targeted to more value-oriented customers. This expansion, not planned to be directly integrated with the Outlets, is reportedly 75 percent pre-leased, and is planned to be anchored by a Ross and TJ Maxx stores, although the developer would not reveal additional store names. Anchor spaces are leasing for \$15 to \$28 per square foot per year, with smaller stores leasing for \$30 to \$42 per square foot per year triple-net (NNN)<sup>5</sup>. In addition, to the east of Las Americas, The Outlets at the Border center will be built with an additional 140,000 square feet, expected to open in September 2013. This site will be integrated into the Las Americas site, and will also be adjacent to the future Virginia Avenue Transit Center which is anticipated to be constructed as part of Phase 3 of the LPOE reconfiguration. Approximately 35 percent of this new outlet space has received letters of intent to lease space.

***Border-Oriented and Local-Serving Retail (San Ysidro excluding Las Americas)***

San Ysidro also has a number of smaller retailers serving both local residents and commerce related to the border crossing. Trends for San Ysidro's retailers other than Las Americas Outlets are presented below.<sup>6</sup> It should also be noted that the sales figures discussed below consist of taxable sales only, which excludes most purchases of food for home consumption, prescriptions, and some other items. Thus the sales shown for food stores understate total sales, as roughly just one-third of grocery store sales are taxable.

For these retailers, total taxable sales were slightly below \$140 million in 2010, a substantial decline of nearly 25 percent from 2005 levels (after adjustment for inflation), likely reflecting the impacts of the recession. A similar decline of 19 percent in taxable sales was experienced by retailers overall in the City of San Diego, during the same period, as shown. Despite the overall decline, it is notable that San Ysidro's apparel store sales increased by 15 percent during the period suggesting a core strength in this category

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<sup>5</sup> NNN, or triple-net, means tenants pay all operating expenses, including property taxes, insurance, and maintenance.

<sup>6</sup> The retail sales data presented here are derived from taxable sales as collected by the State Board of Equalization (SBOE) and reported to the City of San Diego by MuniServices, a consulting firm with a specialty in the analysis of sales tax revenues for California jurisdictions. While published SBOE data are only available for entire cities, MuniServices was able to provide the sub-city data presented here. Due to differences in reporting methodologies, the data presented here for San Diego city may vary from the SBOE published data.

**TABLE 13: TOTAL TAXABLE SALES FROM LOCAL SERVING BUSINESSES, 2005-2010**

Taxable Sales in 2010 \$000

Business Type	San Ysidro CPA, excl Las Americas Outlets (a)				City of San Diego			
	2005 (b)	2010 (b)	\$ Change	% Change	2005 (b)	2010 (b)	\$ Change	% Change
<i>Retail Stores</i>								
Apparel Stores	\$39,217	\$45,184	\$5,967	15%	\$1,055,467	\$1,073,812	\$18,345	2%
Food Stores	\$11,577	\$15,534	\$3,957	34%	\$834,796	\$853,784	\$18,988	2%
Eating and Drinking Places	\$18,555	\$18,166	(\$389)	-2%	\$2,557,791	\$2,505,842	(\$51,949)	-2%
Service Stations	\$58,650	\$30,117	(\$28,533)	-49%	\$1,555,353	\$1,455,278	(\$100,076)	-6%
Other Retail Stores	\$15,647	\$8,631	(\$7,016)	-45%	\$2,792,039	\$2,026,465	(\$765,574)	-27%
Aggregated Confidential Categories (c)	<u>\$34,793</u>	<u>\$19,116</u>	<u>(\$15,677)</u>	<u>-45%</u>	<u>\$7,347,504</u>	<u>\$5,482,586</u>	<u>(\$1,864,918)</u>	<u>-25%</u>
<b>Subtotal for Retail</b>	<b>\$178,438</b>	<b>\$136,748</b>	<b>(\$41,690)</b>	<b>-23%</b>	<b>\$16,142,950</b>	<b>\$13,397,767</b>	<b>(\$2,745,183)</b>	<b>-17%</b>
<i>All Other Outlets</i>	\$5,657	\$2,743	(\$2,914)	-52%	\$5,799,083	\$4,376,121	(\$1,422,962)	-25%
<b>Total for All Outlets</b>	<b>\$184,095</b>	<b>\$139,491</b>	<b>-\$44,605</b>	<b>-24%</b>	<b>\$21,942,032</b>	<b>\$17,773,887</b>	<b>(\$4,168,145)</b>	<b>-19%</b>

Notes:

(a) In order to better show local serving businesses in the CPA, the Las Americas Outlets have been excluded from this analysis.

(b) All data reported in 2010 thousands of dollars. Reported taxable sales for San Ysidro and the City have been provided by the City, based on State Board of Equalization (SBOE) data as reported from MuniServices, the City's taxable sales consultant. Due to variations in how data are reported, totals by category and overall may not match SBOE-published results.

(c) Several major retail categories could not be reported for San Ysidro separately due to state disclosure rules, in order to protect the confidentiality of individual firm data. These confidential economic segments are summed into the "Aggregated Confidential Categories." The following segments were confidential in the San Ysidro CPA (less Las Americas) geography:

- Auto Dealers & Auto Supplies
- Building Materials/Farm Implements
- Drug Stores
- General Merchandise Stores
- Home Furnishings & Appliances
- Packaged Liquor Stores

Sources: SANDAG, 2010; State Board of Equalization and MuniServices, 2011; City of San Diego, 2011; BAE, 2011.

***Retail Leakage***

Retail leakage measures whether an area is attracting shoppers from outside the area or is losing resident expenditures to other areas. Given appropriate data, it is possible to focus on particular types of retail and restaurant types. "Injections" occur when there are more sales than predicted by an area's resident expenditures, and "leakages" occur when local sales levels indicate that residents are shopping elsewhere. These leakages may indicate gaps in the retail mix of an area and opportunities to attract additional retailers or restaurants to the area.

For San Ysidro excluding Las Americas, the analysis shown below suggests some store types are receiving injections from customers beyond the local resident and worker population, such as service stations, apparel, and food stores. Other store types, including restaurants and the "aggregated" category (which includes general merchandise, home furnishings, home improvement, drugstores, and specialty stores), suggesting that some of these store types could be supported by local unmet demand as well as complement the regional store drawing power; however, due to disclosure rules, it is difficult to point to specific store types.



**TABLE 14: SAN YSIDRO RETAIL LEAKAGE ANALYSIS (EXCLUDING LAS AMERICAS SALES)**

<b>Business Type</b>	<b>Per Capita Taxable Sales (a)</b>	<b>Per Capita Demand (b)</b>	<b>Retail Injection/ (Leakage)</b>
<i>Retail Stores</i>			
Apparel Stores	\$1,574	\$443	\$1,131
Food Stores	\$541	\$352	\$189
Eating and Drinking Places	\$633	\$1,034	(\$401)
Service Stations	\$1,049	\$600	\$449
Other Retail Stores	\$301	\$836	(\$535)
Aggregated Confidential Categories (c)	\$666	\$2,262	(\$1,596)
<b>Subtotal for Retail</b>	<b>\$4,764</b>	<b>\$5,528</b>	<b>(\$765)</b>
<i>All Other Outlets</i>	\$96	\$1,806	(\$1,710)
<b>Total for All Outlets</b>	<b>\$4,859</b>	<b>\$7,334</b>	<b>(\$2,416)</b>

(a) Taxable retail sales reported for 2010 in San Ysidro CPA (excluding Las Americas), divided by total population of CPA as estimated by SANDAG. All data reported in 2010 dollars. Taxable sales excludes food, prescription drugs, and some other items. Reported taxables sales for San Ysidro and the City have been provided by the City, based on State Board of Equalization (SBOE) data as reported from MuniServices, the City's taxable sales consultant. Due to variations in how data are reported, totals by category and overall may not match SBOE-published results.

(b) Benchmarked to citywide per capita taxable sales, adjusted to reflect San Ysidro's lower median income that is 57 percent of the City's median income. Citywide per capita sales estimated using population as estimated by SANDAG in 2010.

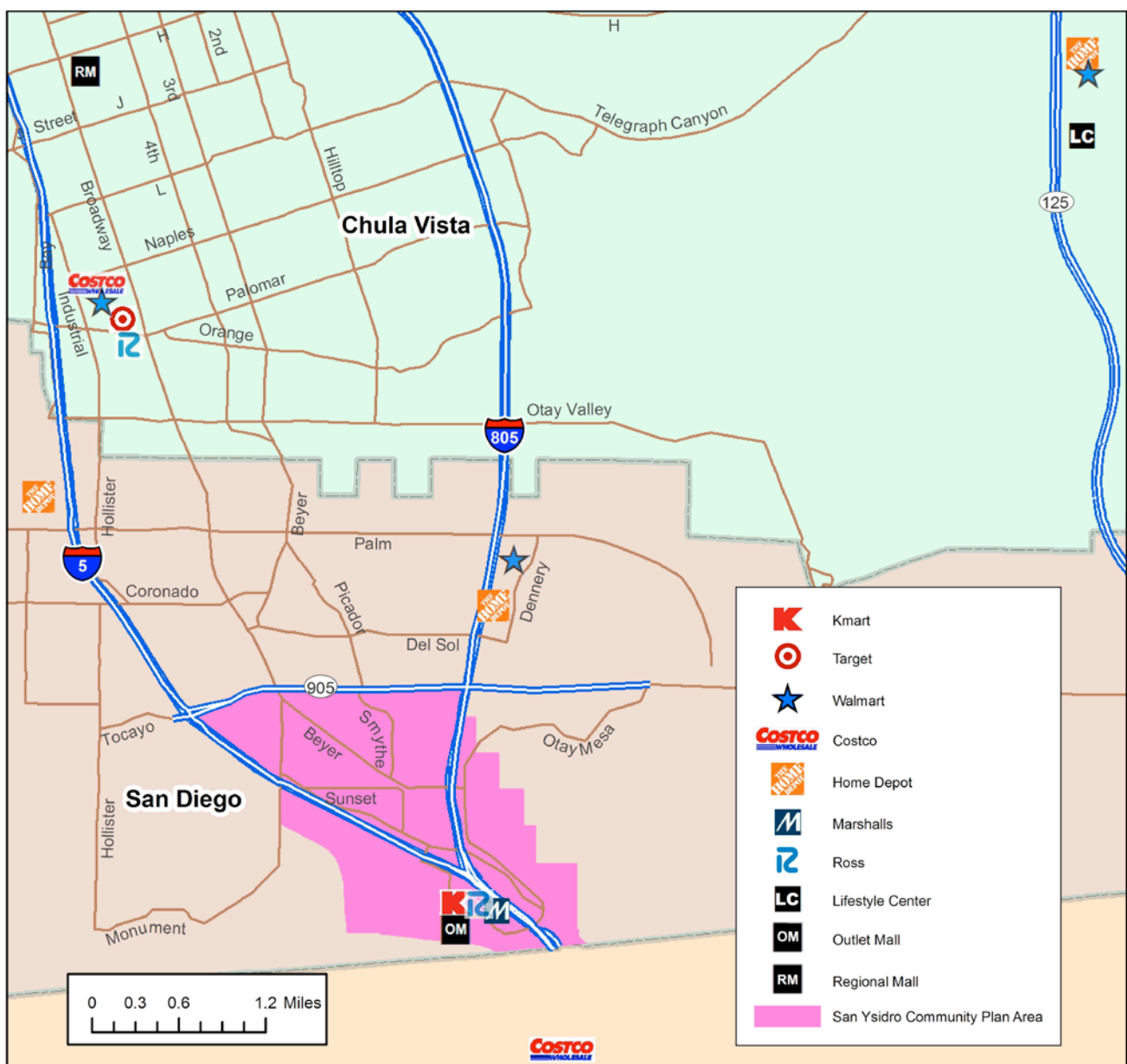
(c) Several major retail categories could not be reported for San Ysidro separately due to state disclosure rules, in order to protect the confidentiality of individual firm data. These confidential economic segments are summed into the "Aggregated Confidential Categories." The following segments were confidential in the San Ysidro CPA (less Las Americas) geography:

- Auto Dealers & Auto Supplies
- Building Materials/Farm Implements
- Drug Stores
- General Merchandise Stores
- Home Furnishings & Appliances
- Packaged Liquor Stores

Sources: SANDAG, 2010; State Board of Equalization and MuniServices, 2011; City of San Diego, 2011; BAE, 2011.

In order to expand on the leakage analysis, BAE also mapped the location of regional big-box format stores in the areas surrounding San Ysidro. As shown below, the southern part of the City of San Diego/northern Tijuana is well served by a host of regional malls and typical big-box value merchandisers. One of the potential gaps in this spatial pattern is Walmart, which does not have a store positioned to directly capture the retail traffic from border-crossers and shoppers at the Las Americas Premium Outlets (although it does have five stores located in Tijuana and further north in Chula Vista).

**FIGURE 4: LOCATION OF EXISTING LARGE-FORMAT VALUE RETAILERS**



Source: BAE, 2012.

***Cross-Border Commerce and San Ysidro Land Port of Entry (LPOE)***

The San Ysidro LPOE is the busiest international land border crossing in the world. According to the US Department of Transportation, there were approximately 37,000 vehicles and 18,000 pedestrians crossed the LPOE daily in 2010, with wait times averaging 1.5 to 2 hours during the morning commuter peak period.<sup>78</sup> On an annual basis, this daily volume totaled 30.6 million

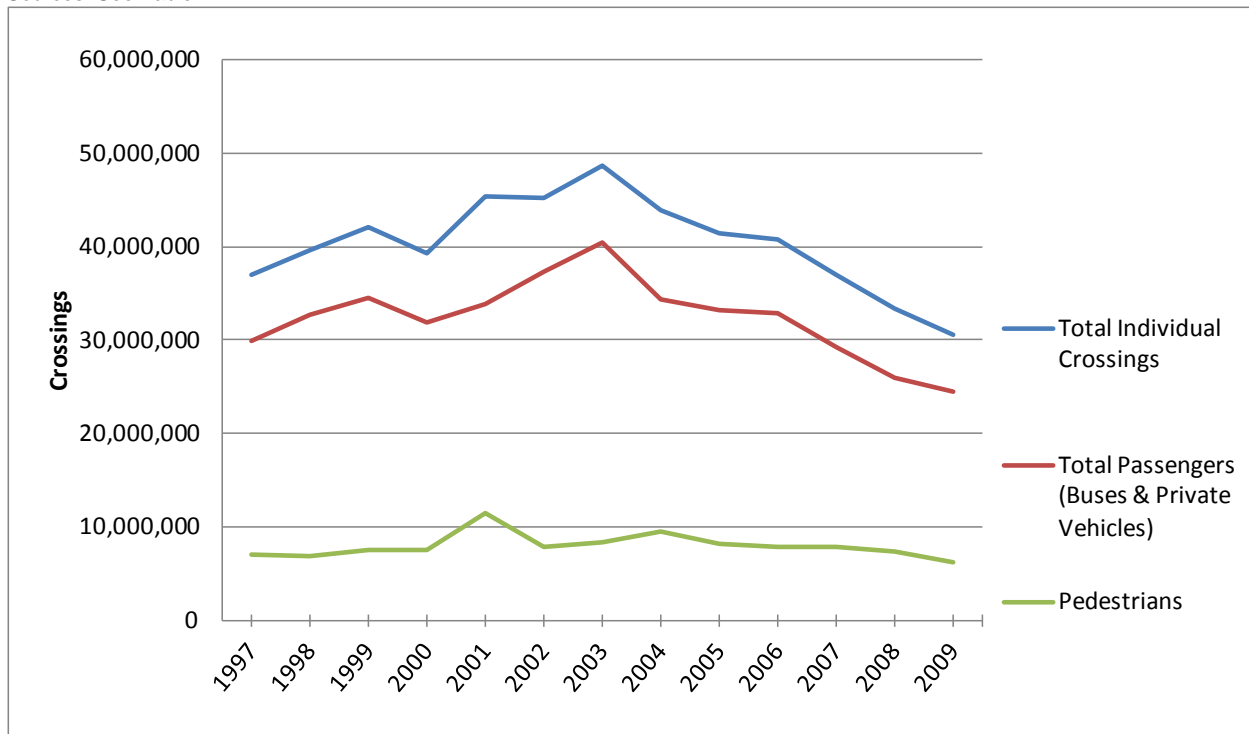
<sup>7</sup> US Department of Transportation, Research and Innovative Technology Administration, Bureau of Transportation Statistics, based on data from the Department of Homeland Security, US Customs and Border Protection, Office of Field Operations, 2011.

individual northbound crossings at the San Ysidro Port of Entry in 2010.

The figure and table below shows trends in border crossings at the LPOE between 1997 and 2010. As indicated, approximately one-quarter of all individual crossings in 2010 were pedestrians. Although there is some speculation that vehicle-crossing wait times are resulting in more pedestrian crossings, the data indicate that the share of pedestrian crossings has been fairly consistent over time. Although crossings are expected to increase over the next 30 years, crossings have decreased in recent years, likely reflecting the US economic downturn. Moreover, anecdotes from stakeholder interviews suggest that the delays and difficulties in crossing the border are a factor behind Mexican residents doing shopping trips making fewer trips, with fewer passengers, but combining purchases for multiple households.

**Figure 5: San Ysidro LPOE Northbound Individual Border Crossings**

Sources: See Table 14



<sup>8</sup> San Ysidro Land Port of Entry Improvements Project, San Ysidro, California, Draft Environmental Impact Statement, United States General Services Administration, May 2009.

**TABLE 15: SAN YSIDRO LPOE NORTHBOUND ANNUAL BORDER CROSSINGS**

Year	Vehicle Crossings			Annual Change
	Private Vehicles	Buses	Total	
1997	13,213,420	96,208	<b>13,309,628</b>	n/a
1998	14,474,686	107,563	<b>14,582,249</b>	1,272,621
1999	15,269,561	108,025	<b>15,377,586</b>	795,337
2000	15,237,428	101,244	<b>15,338,672</b>	(38,914)
2001	15,001,616	102,627	<b>15,104,243</b>	(234,429)
2002	16,441,766	97,042	<b>16,538,808</b>	1,434,565
2003	17,408,481	110,820	<b>17,519,301</b>	980,493
2004	17,621,030	109,946	<b>17,730,976</b>	211,675
2005	17,208,106	105,930	<b>17,314,036</b>	(416,940)
2006	17,135,163	100,632	<b>17,235,795</b>	(78,241)
2007	15,696,262	97,726	<b>15,793,988</b>	(1,441,807)
2008	13,672,329	87,787	<b>13,760,116</b>	(2,033,872)
2009	13,354,887	72,450	<b>13,427,337</b>	(332,779)
2010	13,348,364	70,548	<b>13,418,912</b>	(8,425)

Year	Individual Crossings			Annual Change
	Total Passengers (Buses & Private Vehicles)	Pedestrians	Total	
1997	29,942,934	7,046,923	<b>36,989,857</b>	n/a
1998	32,734,925	6,909,382	<b>39,644,307</b>	2,654,450
1999	34,447,132	7,558,174	<b>42,005,306</b>	2,360,999
2000	31,809,105	7,542,450	<b>39,351,555</b>	(2,653,751)
2001	33,900,601	11,435,946	<b>45,336,547</b>	5,984,992
2002	37,371,514	7,903,483	<b>45,274,997</b>	(61,550)
2003	40,425,492	8,302,110	<b>48,727,602</b>	3,452,605
2004	34,415,334	9,457,600	<b>43,872,934</b>	(4,854,668)
2005	33,260,814	8,156,350	<b>41,417,164</b>	(2,455,770)
2006	32,929,007	7,811,614	<b>40,740,621</b>	(676,543)
2007	29,265,625	7,756,569	<b>37,022,194</b>	(3,718,427)
2008	26,020,236	7,289,862	<b>33,310,098</b>	(3,712,096)
2009	24,388,012	6,188,126	<b>30,576,138</b>	(2,733,960)
2010	24,150,906	6,439,952	<b>30,590,858</b>	14,720

Sources: U.S. Department of Transportation, Research and Innovative Technology Administration, Bureau of Transportation Statistics, Border Crossing/Entry Data, based on the U.S. Department of Homeland Security, Customs and Border Protection; City of San Diego; BAE, 2011.

San Ysidro has a major stake in the LPOE improvement project and Customs and Border Protection mitigating the current extensive delays for those waiting to cross the border. A study from 1994 indicated that shopping was a primary reason to cross into the US for more than two-thirds of Mexican nationals. Other reasons were social in nature, like visiting family and friends, or are work related.<sup>9</sup>

Additional detail on the trip purposes and demographic profile of pedestrians crossing the border is available from a survey commissioned by the South County Economic Development Council (*San Ysidro Pedestrian Crossing Report*, August 2011). According to this study, United States Customs and Border Patrol processed over 17,500 pedestrian crossers on an average day in 2010. The survey was administered in July 2010 and June 2011, with over 5,800 responses obtained from northbound crossers to the United States. Of the survey respondents, 27 percent cross on a daily basis, 29 percent cross a couple of times a week, 15 percent cross once a week, 14 percent once a month, 9 percent once annually, and 6 percent a few times a year. The survey analysis deemed those crossing more than once a week as “frequent crossers,” totaling 56 percent of those surveyed.

Reasons for crossing were very interesting (note that multiple answers were allowed). Thirty-one percent of respondents cited shopping as their motivation for crossing the border, followed by 23 percent citing business/work, 20 percent to visit family and friends, 10 percent for school, six percent for medical services, and four percent for tourism. “Other” responses included pedestrians crossing for banking purposes, mail collection, and personal reasons. Of the frequent crossers (e.g., more than once per week), 37 percent cross for business/work related reasons, followed by 24 percent crossing to shop. Thus, although it is difficult to apply these multiple answers to the average daily pedestrian counts, it appears that at least 5,425 daily northbound crossers counted shopping as among their reasons to cross at the San Ysidro border crossing. Although no comparable automobile crossing surveys were identified for this report, it is likely that large numbers of northbound crossings by car also involve shopping trips to the US. This large northbound traffic represents potential additional retail, banking, dining, and personal services customers for merchants in San Ysidro, particularly for those walking from the border to transit (e.g., bus and trolley) for travel further north.

Viewed from another perspective, according to the San Diego Convention and Visitors Bureau, in 2010 there were approximately 3.5 million Mexican day visitors to San Diego County, representing nearly 10 percent of all northbound individual crossings. These visitors represent 24 percent of all day visitors and 12 percent of all County visitors. These visitors come to shop, sightsee, and spend time in San Ysidro and many additional destinations throughout San Diego County.

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<sup>9</sup> Who Crosses The Border: A View of the San Diego/Tijuana Metropolitan Region, San Diego Dialogue, UCSD Division of Extended Studies and Public Programs, 1994.

## Summary of Demographic and Economic Trends

In summary, the San Ysidro Community Plan Area can be characterized as a relatively modestly-growing community with a longstanding history and a strong local identity. Residents of San Ysidro are relatively young, with lower levels of educational attainment, lower household incomes, and higher rates of poverty and unemployment than the City or County of San Diego overall. Households tend to be larger in San Ysidro than the average for the City of San Diego, and roughly two-thirds of San Ysidro households are renters. Although the community's Census Tracts showed over 11,000 jobs in San Ysidro in 2009, just 18 percent of these jobs were held by San Ysidro residents, with the balance held by in-commuters. Conversely, over 13,600 San Ysidro residents (92 percent of employed residents) commuted elsewhere to work.

Employment sectors showing relative strength in San Ysidro include Retail, Finance and Insurance, and Wholesaling/Transportation & Warehousing. Manufacturing employment in San Ysidro appears to be declining more rapidly than the general decline seen throughout San Diego and the US as a whole.

One of the strongest economic engines in San Ysidro currently is the Las Americas Outlets, which has seen an increase in sales during the recession. Retail in this area will further be enhanced by the development of two new centers, adding almost 240,000 square feet of new space (98,000 square feet for value-oriented retailers, and 140,000 more square feet of outlet stores). This will be an increase of over 40 percent in retail space at this very successful location, adding even more retail shoppers to the local mix. One of the Community Plan update's challenges will be to capture this spurt in economic growth to benefit the community, linking these new customers to other portions of San Ysidro's economy and local workforce.

# REAL ESTATE MARKET CONDITIONS

This chapter profiles recent and current real estate market conditions for for-sale housing and rental units, along with office, retail, industrial, and flex space. This analysis deepens the understanding of how the CPA could accommodate new development projects.

## Market-Rate Residential Market

### *Housing Inventory*

San Ysidro contains approximately 8,100 housing units. The inventory of housing varies considerably from the overall profile of San Diego’s housing inventory, including a higher proportion of units in multifamily complexes of five units or more, and a higher proportion of units in mobile homes or “other” structures. San Ysidro also has a lower proportion of single-family attached units (e.g., townhouses), suggesting an opportunity for this type of development product.

When considered by tenure, San Ysidro shows several interesting patterns. The CPA’s proportion of owned vs. rented single family detached and attached units are similar to the City overall. However, San Ysidro’s owner occupied multifamily unit proportions are lower than the City’s suggesting the opportunity for more condominium products. In both San Ysidro and the City overall, substantial portions of mobile home occupants own their unit, a tenure characteristic not always understood by the casual observer.<sup>10</sup>

**TABLE 16: HOUSING INVENTORY BY TYPE AND TENURE**

	Housing Inventory By Type of Unit				Housing Inventory by Tenure					
	San Ysidro		City of San Diego		San Ysidro			City of San Diego		
	Total	Percent	Total	Percent	Owner	Renter	Vacant	Owner	Renter	Vacant
Single Family Detached	3,022	37.1%	240,680	46.6%	69.4%	25.6%	5.0%	74.1%	21.3%	4.7%
Single Family Attached	350	4.3%	47,428	9.2%	47.1%	38.0%	14.9%	53.6%	40.5%	5.9%
Multi-Family 2-4 Units	698	8.6%	43,778	8.5%	9.7%	86.4%	3.9%	15.7%	75.7%	8.6%
Multi-Family 5+ Units	3,380	41.5%	178,144	34.5%	5.8%	86.2%	8.0%	15.4%	73.9%	10.7%
Mobile Homes & Other	691	8.5%	6,882	1.3%	46.7%	44.7%	8.5%	68.2%	23.6%	8.2%
<b>Total</b>	<b>8,141</b>	<b>100.0%</b>	<b>516,912</b>	<b>100.0%</b>	<b>35.0%</b>	<b>58.1%</b>	<b>6.9%</b>	<b>46.9%</b>	<b>45.8%</b>	<b>7.3%</b>

(a) From 2005-2009 American Community Survey (ACS). Estimate based on continuous sampling from 2005 through 2009. For data from ACS, San Ysidro has been defined by the "best fit" of Census Tracts, consisting of Census Tracts 100.05, 100.09, 100.12, 100.13, 100.15 and 101.11. This is an area somewhat larger than the CPA boundaries.

Sources: U.S. Census, American Community Survey; BAE, 2011.

<sup>10</sup> Given the small number of units in these categories and the sampling methods used, these differences in vacancy rates between San Ysidro and the City may not be statistically significant. It should also be noted that this data covers a time period in part prior to the recession, so current vacancies are likely to be higher.

San Ysidro's housing stock, when considered by year built, also indicates several interesting patterns. Just less than 40 percent of the City's housing units were built prior to 1970, while only 24 percent of San Ysidro's units fall in that older category. From 1970 through the end of the 1980s, over 57 percent of San Ysidro's stock was built, compared to just 41 percent for the City overall. Since 1990, the proportions are more similar, with 19 percent of each area's stock built since 1990.

**TABLE 17: HOUSING UNITS BY YEAR BUILT**

<b>Year Built</b>	<b>San Ysidro</b>		<b>City of San Diego</b>	
	<b>Units</b>	<b>Percent</b>	<b>Units</b>	<b>Percent</b>
<b>2005 or later</b>	111	1.4%	9,688	1.9%
<b>2000 to 2004</b>	761	9.3%	36,589	7.1%
<b>1990 to 1999</b>	656	8.1%	54,188	10.5%
<b>1980 to 1989</b>	1,567	19.2%	93,808	18.1%
<b>1970 to 1979</b>	3,084	37.9%	119,675	23.2%
<b>1960 to 1969</b>	880	10.8%	69,563	13.5%
<b>1950 or earlier</b>	1,082	13.3%	133,401	25.8%
<b>Total</b>	8,141	100.0%	516,912	100.0%

(a) From 2005-2009 American Community Survey (ACS). Estimate based on continuous sampling from 2005 through 2009. For data from ACS, San Ysidro has been defined by the "best fit" of Census Tracts, consisting of Census Tracts 100.05, 100.09, 100.12, 100.13, 100.15 and 101.11. This is an area somewhat larger than the CPA boundaries.

Sources: U.S. Census, American Community Survey; BAE, 2011.

The above housing production includes three housing developments built since 2004 with assistance from the San Diego Redevelopment Agency: 80 dwelling units at the Verbeña Family Apartments, and 45 dwelling units at the El Pedregal Family Apartments, both projects targeting households between 30 percent and 60 percent of Area Median Income; and the Casitas de la Florecitas affordable homeownership development, with 8 units.



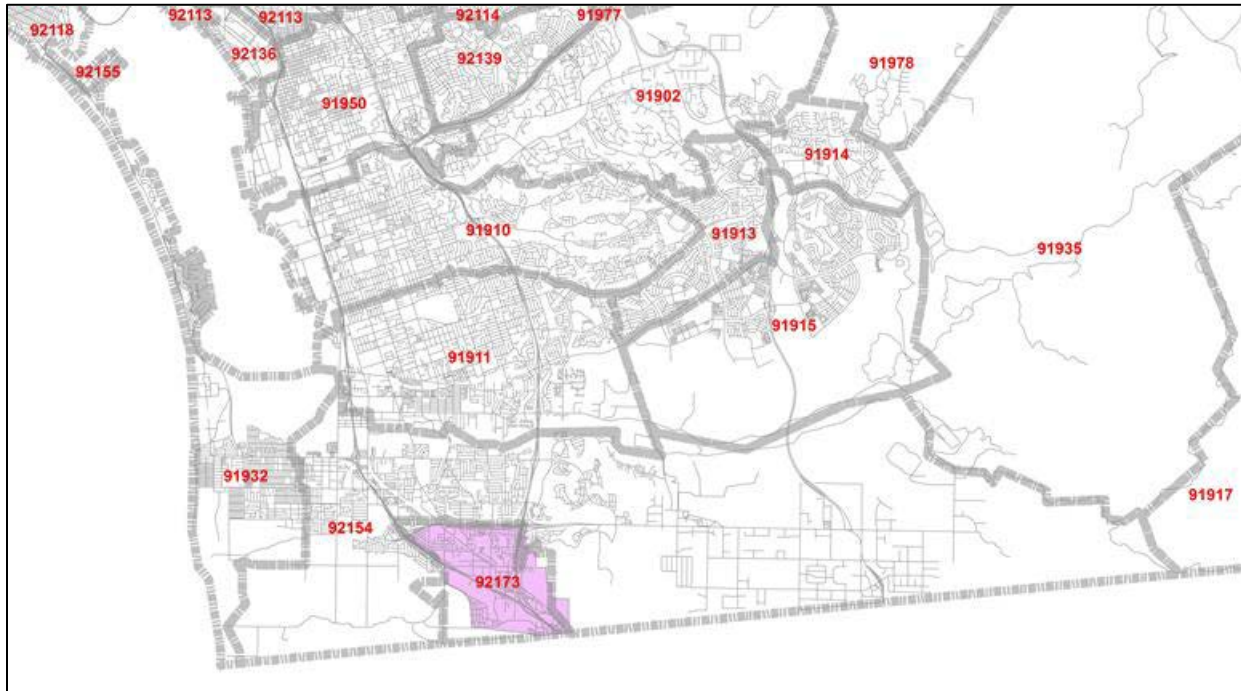
### Overview of For Sale Housing Market

The for-sale housing market in San Ysidro and surrounding areas is depicted in a “snapshot” view below, for the period of December 2011. As shown, San Ysidro had similar resale volumes as Imperial Beach in December 2011 (15 resales in San Ysidro compared to 13 resales in Imperial Beach), while the volume of sales in Chula Vista was more robust. None of the geographies recorded any sales of new homes in December 2011. Of the sales shown, San Ysidro had the lowest median sale price among the areas, with a median single family unit selling at \$192,000 in San Ysidro compared to the range of \$243,000 to \$380,000 for the other geographies. This pattern of lower median price was repeated for condominium resales. When all home sales (both single family and condominiums) are combined (far right of the table), the price change over December 2010 for San Ysidro appears the most dramatic among the areas, dropping over 32 percent. It should be noted however, that this snapshot can be misleading, since it is for just a single month (December 2011), and the volume of sales in San Ysidro is limited, impacting the level of median price.

**TABLE 18: HOME SALES BY ZIP CODE, DECEMBER 2011**

Place	ZIP Code	Resale						New			All Home Sales		
		Single-Family			Condominiums			All Combined New			All Combined		
		# of Sales	Median Price	% Chg 12 months	# of Sales	Median Price	% Chg 12 months	# of Sales	Median Price	% Chg 12 months	# of Sales	Median Price	% Chg 12 months
San Ysidro	92173	7	\$192,000	-24.7%	8	\$85,000	-13.3%	-	n/a	n/a	15	\$130,000	-32.5%
Nestor	92154	41	\$259,500	-7.3%	7	\$130,000	-21.7%	-	n/a	n/a	48	\$255,000	0.0%
Imperial Beach	91932	6	\$247,500	-23.1%	7	\$177,500	14.5%	-	n/a	n/a	13	\$229,000	-8.4%
Chula Vista S	91911	44	\$243,000	-11.6%	14	\$138,000	2.2%	-	n/a	n/a	58	\$225,000	-9.5%
Chula Vista SE	91915	29	\$380,000	5.5%	28	\$210,000	-8.7%	32	\$359,000	-1.9%	89	\$318,000	-5.4%
City of San Diego											1,247	\$322,500	-6.5%

Source: DQ News, Home Sales by Zip Code, January 2012; BAE, 2012..



To provide a more in-depth look at San Ysidro's for-sale housing market, all full and verified sales recorded with the San Diego County Assessor were obtained for a six month period spanning April 1, 2011 through September 30, 2011, as shown below. It should be noted that all of the sales are resales of existing units: San Ysidro has not added new units in the past several years, and there are no currently selling newly-constructed market rate units in San Ysidro.

As shown below, San Ysidro recorded a total of 287 housing unit sales for the six month period between April 1 and September 30, 2011 for which bedroom count data was available. Single family sales were primarily for four-bedroom homes, with 13 five-bedroom and two six-bedroom homes as well, reflecting the relatively large household sizes in San Ysidro. Condo units were substantially smaller in terms of both square footage and bedroom counts; two-bedroom units were the predominant type sold during the period.

**TABLE 19: PRICE DISTRIBUTION OF HOUSING REALES BY BEDROOM COUNT, APRIL 1-SEPT. 30, 2011**

Single-Family Homes	Number of Units Sold (a)							Total
	0 BRs	1 BRs	2BRs	3BRs	4BRs	5BRs	6BRs	
Less than \$50,000	0	0	0	0	0	0	0	0
\$50,000-\$99,999	0	0	0	0	0	0	0	0
\$100,000-\$149,999	0	0	3	0	0	0	0	3
\$150,000-\$199,999	0	0	0	5	6	0	0	11
\$200,000-\$249,999	0	0	0	15	21	0	0	36
\$250,000-\$299,999	0	0	0	3	45	5	1	54
\$300,000-\$399,999	0	0	0	1	14	7	1	23
\$400,000 or more	0	0	0	0	1	1	0	2
<b>Total</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>24</b>	<b>87</b>	<b>13</b>	<b>2</b>	<b>129</b>
<b>Median Sale Price</b>	n/a	n/a	\$128,000	\$226,000	\$275,000	\$300,000	\$298,750	\$268,500
<b>Average Sale Price</b>	n/a	n/a	\$124,000	\$225,804	\$267,522	\$305,267	\$298,750	\$260,711
<b>Average Size (sf)</b>	n/a	n/a	854	1,302	1,555	1,868	2,000	1,530
<b>Average Price/sf</b>	n/a	n/a	\$146	\$179	\$175	\$164	\$151	\$173

Condos	Number of Units Sold (a)							Total
	0 BRs	1 BR	2BRs	3BRs	4BRs	5BRs	6BRs	
Less than \$50,000	9	2	0	0	0	0	0	11
\$50,000-\$99,999	3	16	35	5	0	0	0	59
\$100,000-\$149,999	0	2	46	19	1	0	0	68
\$150,000-\$199,999	1	0	0	9	1	0	0	11
\$200,000-\$249,999	0	0	3	3	0	1	0	7
\$250,000-\$299,999	0	0	0	0	1	0	0	1
\$300,000-\$399,999	0	0	1	0	0	0	0	1
\$400,000 or more	0	0	0	0	0	0	0	0
<b>Total</b>	<b>13</b>	<b>20</b>	<b>85</b>	<b>36</b>	<b>3</b>	<b>1</b>	<b>0</b>	<b>158</b>
<b>Median Sale Price</b>	\$47,000	\$67,500	\$105,000	\$127,000	\$156,500	\$210,000	n/a	\$105,000
<b>Average Sale Price</b>	\$54,887	\$67,591	\$107,715	\$135,111	\$180,500	\$210,000	n/a	\$106,561
<b>Average Size (sf)</b>	400	563	876	1119	1417	1795	n/a	869
<b>Average Price/sf</b>	\$137	\$120	\$124	\$123	\$124	\$117	n/a	\$124

(a) Consists of all full and verified sales of single-family residences and condominiums in the 92173 ZIP code between 4/1/2011 and 9/30/2011. Excludes sales to institutional buyers, including banks, corporations, and trusts.

Sources: DataQuick; BAE, 2011.

### ***Competitive Position***

For the Community Plan Update, new housing targeted at market-rate buyers is under consideration. To examine potential market demand, given that no newly-constructed multifamily units are offered for sale within the CPA, this study analyzed nearby “competitive” supply of newly-constructed, currently selling multifamily units, including both townhouse projects and stacked-flat condominiums. The data shown below was initially obtained from Hanley Wood, a private data vendor that tracks newly-constructed home sale information by development project. BAE then contacted each project sponsor to collect additional information, as noted in the “comments” section.

As shown, there are currently two condominium projects offered for sale, both in Chula Vista. These projects’ pricing currently ranges from \$200,000 for the smallest units (two-bedrooms) up to over \$349,000 for a four-bedroom floorplan. Sales staff reported that the larger units tend to be more popular. Navy families using Veterans Administration (VA) loan programs, along with Mexican nationals (reportedly paying mostly all-cash), are among the typical buyers.

Competitive supply also includes five currently-selling townhouse projects, all also located in Chula Vista. These projects are priced between a low of \$225,900 for a two-bedroom townhouse at the Mosaic at Las Verdes project, to a high of over \$375,000 for a large three-bedroom unit at Andorra. Many of these project sponsors report military families using VA loans, and some of the projects also estimate that between five and 10 percent of recent buyers were Mexican nationals. Most of the sponsors interviewed noted that virtually no buyers were conventional borrowers using 20 percent downpayment mortgage programs.

The findings of the analysis conducted for this study indicate that San Ysidro may experience moderate to strong market demand in the next decade for multifamily for-sale units, particularly if they are designed to house larger households and are competitive in price and quality with offerings in Otay Nestor, Chula Vista, and other nearby areas. In addition, given the presence of Mexican nationals in the marketplace in nearby locations, it is likely that both stacked-flat condominiums and townhouse units would also be in strong demand in mixed-use projects in San Ysidro.

**TABLE 20: CURRENTLY SELLING MULTIFAMILY HOUSING**

<u>Project Name/Developer /Address</u>	<u>Opening Date/Current Status</u>	<u>Type</u>	<u>Sq. Ft.</u>	<u>Number of Units</u>			<u>Price Range</u>	<u>Price/Sq.Ft.</u>	<u>Monthly Absorption Rate (b)</u>	<u>Comments</u>
				<u>Total Planned</u>	<u>Sold in 2011 (a)</u>	<u>Units Remaining</u>				
<b>Condos</b>										
<b>Avalon (Sunrise Company)</b>	8/2011	2 Bed/2 Bath	1,163				\$200,000	\$172		Largest unit is most popular due to 2-car garage. Interest from investors, retirees, 1st-time buyers, people looking for their children. Builder thinks area around I-905 will be next development boom area.
1456 Santa Victoria Road	currently selling	3 Bed/2.5 Bath	1,588				\$257,900	\$162		
Chula Vista, CA 91913		3 Bed/2.5 Bath	1,621				\$267,900	\$165		
(619) 397-5890				165	8	154	\$209,900-\$267,900	\$159-\$180	0.9	
<b>Treviana (Cornerstone Communities)</b>	5/2004	2 Bed/2.5 Bath	1,245				\$215,000	\$173		Best-selling units are 2-story. Lots of young couples. Lots of Navy families. About 10% are Mexican nationals. Last price decrease was about 1 year ago. Most buyers are VA or FHA (low downpayments).
1941 Caminito Alcalá	currently selling	2 Bed/2.5 Bath	1,400				\$255,000	\$182		
Chula Vista, CA 91913		3 Bed/2.5 Bath	1,820				\$296,000	\$163		
(619) 216-1601		4 Bed/2.5 Bath	1,820				\$300,000	\$165		
				212	11	20	\$235,990-\$340,990	\$183-\$208	0.9	
<b>Townhouses</b>										
<b>Andorra (Cornerstone Communities)</b>	4/2005	3 Bed/2.5 Bath	1,445				\$285,990	\$198		Largest units sell best due to open floor plan. Buyers are military families and local nurses. About 5% are Mexican nationals fr Mexico City/Guadalajara buying vacation homes/investments. Last price decrease in January was \$5,000.
1437 Caminito Sicilia	currently selling	3 Bed/2.5 Bath	1,760				\$345,990	\$197		
Chula Vista, CA 91915		3 Bed/2.5 Bath	2,230				\$374,000	\$168		
(619) 421-9981				135	10	24	\$299,990-\$379,990	\$170-\$208	0.8	Buyers have difficulties obtaining loans due to income ratios and credit scores.
<b>Clover (Shea Homes)</b>	6/2007	2 Bed/2 Bath	1,579				\$285,900	\$181		No information available.
1727 Rolling Water Drive, #1	currently selling	2 Bed/2 Bath	1,728				\$297,900	\$172		
Chula Vista, CA 91915		3 Bed/3 Bath	1,874				\$317,900	\$170		
(619) 397-0964		3 Bed/3 Bath	1,891				\$325,900	\$172		
				112	20	10	\$285,900-\$368,900	\$170-\$205	1.6	
<b>Cordova at Windingwalk (Brookfield Homes)</b>	7/2007	3 Bed/3 Bath	1,655-1,725							Largest units were more popular until recently, but last 2 years, smallest units are selling best. Buyers are 85% military, 5% Mexican nationals with cash, buying for investment. Mexican nationals from Mexico City, not Bajo. Also some empty nester buyers. Prices decreased \$110K since 2007. Almost all use FHA or VA loans. No one has 20% down.
1822 Casa Morro Street		3 Bed/2.5 Bath	1,794				\$302,900	\$169		
Chula Vista, CA 91915		3 Bed/2.5 Bath	1,849-1,860				\$314,900	\$170		
(619) 781-8400		4 Bed/3 Bath	1,984-1,993				\$345,900	\$174		
		4 Bed/3 Bath	2,011-2,024				\$350,900	\$174		
				180	20	90	\$298,657-\$366,666	\$182-\$182	1.6	
<b>Mosaic at Lomas Verdes (Shea Homes)</b>	6/2007	2 Bed/2.5 Bath	1,243				\$225,900	\$182		Best-selling units are largest floor plan due to 2-car side-by-side garage. No Mexican nationals as buyers. Mostly VA loans. Last price drop was in October 2011.
1804 Olive Green Street, #1	currently selling	2 Bed/2.5 Bath	1,479				\$236,900	\$160		
Chula Vista, CA 91913		3 Bed/3.5 Bath	1,454				\$246,900	\$170		
(619) 482-1301		3 Bed/3 Bath	1,625				\$263,900	\$162		
		3 Bed/3.5 Bath	1,738				\$261,900	\$151		
		3 Bed/3.5 Bath	1,663				\$251,900	\$151		
				218	0	147	\$225,900-\$263,900	\$157-\$192	N/A (c)	
<b>Tapestry at Lomas Verderes (Shea Homes)</b>	7/2007	3 Bed/3.5 Bath	1,822				\$322,900	\$177		Best-elling units are largest four plans due to large bedroom sizes. No Mexican nationals as buyers. Mostly military buyer. Last price drop was Oct. 2011.
1805 Olive Green Street	currently selling	3 Bed/3.5 Bath	2,097				\$335,900	\$160		
Chula Vista, CA 91913		3 Bed/3.5 Bath	2,253				\$346,900	\$154		
(619) 482-1288				98	10	40	\$322,900-\$346,900	\$154-\$177	0.8	

Notes:

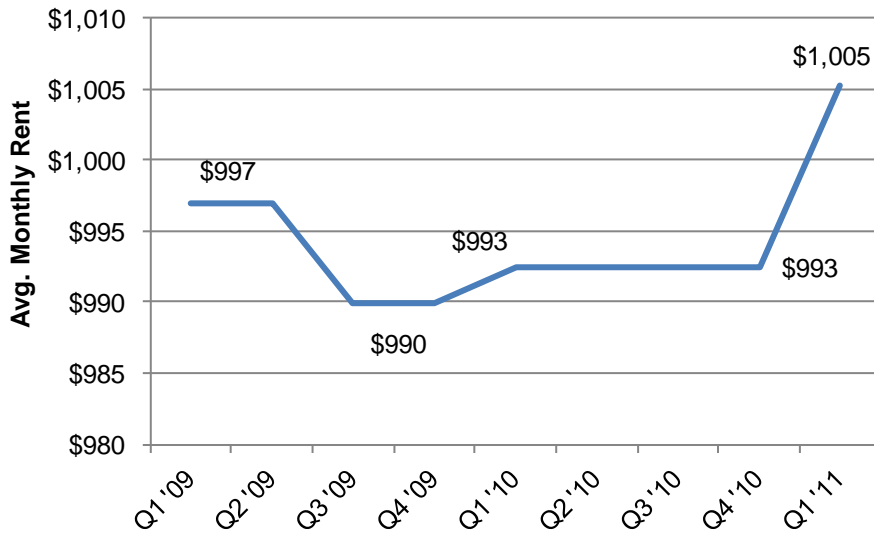
- (a) Sold during Hanley Wood report period of December 1, 2010 through November 30, 2011.
- (b) Monthly absorption rate, or average number of units sold per month over Hanley Wood report period.
- (c) NA because no units sold during Hanley Wood report period.

Sources: Hanley Wood; Shea Homes staff; Cornerstone Communities staff; Brookfield Homes staff; Sunrise Company staff; BAE, 2012.

### Overview of Rental Housing Market

Information on rental properties in San Ysidro was obtained from RealFacts, a private data vendor, for Zip Code 92173. RealFacts provides market data for rental properties with 50 units or more; in San Ysidro, only three rental properties fall within this category, all of which were constructed between 1970 and 1986.

Figure 6: Average Monthly Rent, San Ysidro Apartment Complexes, 2009-2011



Sources: RealFacts; BAE, 2011.

Additional information on each of these complexes (e.g., Casa de Miranda, Ocean Breeze, and Park Haven Apartments) was collected through direct interviews, as summarized on the following table. As shown, current occupancy rates are relatively strong, ranging from 95 to 99 percent for these San Ysidro complexes. All three projects have a range of one- to four-bedroom units, designed to attract larger household sizes commonly found in San Ysidro.

### Competitive Position





The table on the next page also profiles rental projects in surrounding competitive areas, including Otay Mesa and Chula Vista. Compared to San Ysidro, the multifamily housing stock in Otay Mesa and Chula Vista offers newer complexes, with a more comprehensive range of amenities. Occupancy rates in the competing areas range from 96 to 100 percent for the projects shown. Rental rates, both per unit and per square foot, are substantially higher in these competing Otay Mesa and Chula Vista projects. If new rental projects were developed in San Ysidro, it is likely the costs to develop would need to be supported by these higher market rate rents, in the \$1,200 range for one-bedroom units, and the \$1,400 to \$1,500 range for two-bedroom units. Financial analysis to be conducted later in the San Ysidro CPA update process by BAE will explore the rents needed to support new construction in more detail.

**TABLE 21: CURRENTLY RENTING HOUSING UNITS**

NOVEMBER, 2011

Name/Address Stories/Year Built	Unit Type	Num.	Num. Vacant	Approx Size (sf)	Rent		\$/sf		Parking	Tenant- Paid		
					Low	High	Low	High		Utilities	Amenities	
<b>In San Ysidro</b>												
<b>Casa de Miranda Apts</b> 260 Cottonwood Rd 2 stories, built in 1970	1BR/1BA	16	2	700	\$895	\$895	\$1.28	\$1.28	1 parking stall/unit included in rent.	Electric	Play area, laundry on site.	
	2BR/1BA	68	3	800	\$975	\$975	\$1.22	\$1.22				
	3BR/2BA	24	0	1,200	\$1,175	\$1,175	\$0.98	\$0.98				
	4BR/2BA	<u>12</u>	<u>1</u>	1,400	\$1,350	\$1,350	\$0.96	\$0.96				
	<b>Total</b>	<b>120</b>	<b>6</b>									
	Occupancy rate	95%			No free rent							
<b>Ocean Breeze Apts</b> 561 W. San Ysidro Blvd 2 stories, built in 1986	1BR/1BA	64	1	637	\$945	\$945	\$1.48	\$1.48	Included in rent.	All	Laundry on-site, A/C, dishwasher, play areas, pool, spa, fitness center, patio/balcony, onsite management.	
	2BR/1BA	48	0	800	\$1,100	\$1,100	\$1.38	\$1.38	1 space/unit for 1BR units.			
	2BR/2BA	48	0	852	\$1,230	\$1,230	\$1.44	\$1.44	1BR units.			
	3BR/2BA	<u>64</u>	<u>1</u>	1000	\$1,400	\$1,400	\$1.40	\$1.40	2 spaces/unit for 2BR & 3BR units.			
	<b>Total</b>	<b>112</b>	<b>1</b>									
	Occupancy rate	99%			No free rent							
<b>Park Haven Apts</b> 4224 Camino de la Plaza 2 stories, built in 1985	1BR/1BA	N/A	N/A	N/A	\$810	\$810	N/A	N/A	Included in rent.	Gas & electric	Laundry, outdoor common areas. patio/balcony	
	2BR/1BA	N/A	N/A	N/A	\$950	\$950	N/A	N/A				
	2BR/2BA	N/A	N/A	N/A	\$1,050	\$1,050	N/A	N/A				
	3BR/1BA	N/A	N/A	N/A	\$1,075	\$1,075	N/A	N/A				
	3BR/2BA	N/A	N/A	N/A	\$1,200	\$1,200	N/A	N/A				
	4BR/2BA	<u>N/A</u>	<u>N/A</u>	N/A	\$1,400	\$1,400	N/A	N/A				
	<b>Total</b>	<b>455</b>	<b>14</b>									
	Occupancy rate	97%			No free rent							
<b>In Otay Mesa</b>												
<b>Pacific Point</b> 2271 Palm Avenue 2 stories, 2-BR units built 1986, 1-BR units built in 2010	1BR/1BA	12	0	666	\$1,125	\$1,175	\$1.69	\$1.77	1 space/BR	Water, trash, electric, sewer.	Swimming pool, laundry onsite, onsite management & maintenance, patios, A/C, dishwasher	
	2BR/2BA	<u>152</u>	<u>0</u>	900	\$1,150	\$1,270	\$1.28	\$1.41	Included. \$15 parking fee at move-in.	Renters' insurance required.		
	<b>Total</b>	<b>164</b>	<b>0</b>									
	Occupancy rate	100%			\$300 off 1st mo's rent							

Source: BAE, November 2011.

Name/Address Stories/Year Built	Unit Type	Num.	Num. Vacant	Approx Size (sf)	Rent		\$/sf		Parking	Tenant-	
					Low	High	Low	High		Paid Utilities	Amenities
<b>In Chula Vista</b>											
<b>Missions at Sunbow</b> 824 E. Palomar St 3 stories, built in 2003 	1BR/1BA	N/A	4	724	\$1,220	\$1,220	\$1.69	\$1.69	1 space/unit included in rent. \$50/mo for carport. \$115/mo for garage.	Water, gas, electric, trash sewer	Play area, fitness center, clubhouse, business center, gated,theater, spa, hot tub, sauna, pool, A/C, washer/dryer in unit, patio/balcony.
	2BR/2BA	N/A	11	1,142	\$1,570	\$1,865	\$1.38	\$1.63			
	3BR/2BA	N/A	0	1,327	\$1,850	\$1,870	\$1.39	\$1.41			
	<b>Total</b>	<b>336</b>	<b>15</b>								
Occupancy rate		96%			No free rent						
<b>Teresina Apts</b> 1250 Santa Cora Ave 3 stories, built in 2000 	1BR/1BA	N/A	5	743	\$1,180	\$1,180	\$1.59	\$1.59	1 space/unit included in rent. 1st floor units have attached garages.	All	Play area, patio, fitness center, swimming pool, A/C, dishwasher, washer/dryer in unit.
	2BR/2BA	N/A	4	992	\$1,485	\$1,605	\$1.50	\$1.62			
	3BR/2BA	N/A	6	1,161	\$1,780	\$2,030	\$1.53	\$1.75			
	<b>Total</b>	<b>440</b>	<b>15</b>								
Occupancy rate		97%			No free rent						
<b>Terra Vista Otay Ranch</b> 1441 Santa Lucia Rd 3 stories, built in 2001 	1BR/1BA	66	0	782	\$1,375	\$1,450	\$1.76	\$1.86	1 garage space & 1 unreserved space per unit included in rent	All	Pool, spa, fitness center, dishwasher, clubhouse, BBQ, tot lot, meeting room, A/C, washer/dryer in unit.
	2BR/2BA	76	0	1,186	\$1,750	\$1,990	\$1.48	\$1.68			
	3BR/2BA	28	0	1,356	\$2,025	\$2,175	\$1.49	\$1.60			
	<b>Total</b>	<b>170</b>	<b>0</b>								
Occupancy rate		100%			No free rent						
<b>Pinnacle at Otay Ranch</b> 1310 Santa Rita Drive 3 stories, built in 2002 	1BR/1BA	126	1	809	\$1,335	\$1,490	\$1.65	\$1.84	1 reserved space per unit included in rent. Additional unassigned parking also available.	All	BBQ, business center, clubhouse playground, fitness centers, pools, spas, washer/dryer in unit fireplaces in some units, hardware floors on first story.
	2BR/2BA	222	6	1,159	\$1,690	\$1,920	\$1.46	\$1.66			
	3BR/2BA	16	0	1,445	\$2,215	\$2,215	\$1.53	\$1.53			
	<b>Total</b>	<b>364</b>	<b>7</b>								
Occupancy rate		98%			No free rent						

Source: BAE, November 2011.

## Industrial and Flex Space Markets

### Overview of Industrial and Flex Space Market

The market for industrial space in San Ysidro has experienced dramatic fluctuations in recent years. In 2002, San Ysidro's inventory of approximately 793,000 square feet of industrial space, according to CoStar, was nearly fully occupied, and lease rates averaged \$0.83 per square foot per month, NNN. Since then, the inventory has remained unchanged, but lease rates fell to a low of \$0.65 per square foot per month by 2008. Rents increased again in the 2007 through 2009 period, but the data shows a major decline in rents since 2009 in San Ysidro, likely reflecting the impacts of the severe economic downturn. Occupancy in San Ysidro has been strong throughout the period shown; with vacancy rates below two percent for the period, until 2010. By way of comparison, most industry analysts consider industrial vacancy rates below 10 percent as indicative of a healthy market.

During the same period, the City's industrial real estate market increased slightly, from 69 million square feet in 2002 to almost 73 million square feet by the 4<sup>th</sup> Quarter of 2011. Net absorption for the period averaged almost 236,000 square feet per year. Vacancy rates increased during the recession, peaking at 9.1 percent in 2009. Citywide average lease rates also declined during the recession.

**TABLE 22: OVERVIEW OF INDUSTRIAL REAL ESTATE MARKET, SAN YSIDRO AND CITY OF SAN DIEGO**

Year (a)	San Ysidro Community Plan Area					City of San Diego				
	Total Inventory (sq. ft.)	Total Occupied Inventory (sq. ft.)	Annual Net Absorption (sq. ft.) (b)	Vacancy Rate	Avg. Lease Rate (Sq. Ft./Month) (c)	Total Inventory (sq. ft.)	Total Occupied Inventory (sq. ft.)	Annual Net Absorption (sq. ft.) (b)	Vacancy Rate	Avg. Lease Rate (Sq. Ft./Month) (c)
2002	793,232	790,632	(600)	0.3%	\$0.83/nnn	69,096,630	64,834,207	756,166	5.4%	\$0.63/nnn
2003	793,232	780,240	(10,392)	1.6%	n/a (d)	70,176,638	65,580,001	745,794	5.9%	\$0.60/nnn
2004	793,232	788,732	8,492	0.6%	n/a (d)	70,545,223	66,323,460	743,459	4.9%	\$0.65/nnn
2005	793,232	791,132	2,400	0.3%	n/a (d)	71,656,571	66,778,567	455,107	5.9%	\$0.69/nnn
2006	793,232	789,732	(1,400)	0.4%	\$0.65/nnn	72,408,030	67,504,320	725,753	4.8%	\$0.71/nnn
2007	793,232	786,164	(3,568)	0.9%	\$0.70/nnn	72,558,024	68,396,029	891,709	5.2%	\$0.72/nnn
2008	793,232	793,232	7,068	0.0%	\$0.71/nnn	72,975,565	67,571,242	(824,787)	6.2%	\$0.72/nnn
2009	793,232	784,674	(8,558)	1.1%	\$0.71/nnn	73,190,808	65,931,250	(1,639,992)	9.1%	\$0.64/nnn
2010	793,232	781,242	(3,432)	1.5%	\$0.47/nnn	73,072,674	66,110,202	178,952	9.0%	\$0.64/nnn
2011	793,232	772,127	(9,115)	2.7%	\$0.49/nnn	72,911,779	66,434,123	323,921	8.3%	\$0.66/nnn
<b>Average Annual Absorption (sq. ft.)</b>			<b>(1,911)</b>			<b>235,608</b>				

**Notes:**

(a) Based each year's Q4 data.

(b) Includes absorption from direct leases and sublets.

(c) Avg. lease rate shown is for NNN (does not include services such as janitorial, maintenance, utilities, etc.)

(d) Information not available for these years.

Sources: CoStar; City of San Diego; BAE, 2012.

In addition to industrial space, San Ysidro contains a small amount of "flex space," located in two buildings totaling 17,700 square feet according to CoStar. Flex space is defined by CoStar as a light industrial or flex-zoned buildings with at least 50 percent of the space used as office. This product type has grown increasingly popular in certain markets, as business owners need the ability to conduct front office functions under the same roof with warehouse, assembly, storage or research activities in a more light industrial setting. According to CoStar, the City of San Diego flex space inventory has grown slightly since 2002, and has generally experienced a decrease in overall



occupancy. For the last period shown (4<sup>th</sup> quarter 2011), San Diego overall had a relatively high vacancy rate of nearly 16 percent for flex space, and rents were relatively low, averaging \$1.09 per square foot per month, NNN.

**TABLE 23: FLEX SPACE OVERVIEW, SAN YSIDRO AND CITY OF SAN DIEGO**

Year (a)	San Ysidro Community Plan Area					City of San Diego				
	Total Inventory	Occupied Inventory	Annual Net Absorption	Vacancy Rate	Avg, Lease Rate (Sq. Ft./Month)	Total Inventory	Occupied Inventory	Annual Net Absorption	Vacancy Rate	Avg, Lease Rate (Sq. Ft./Month)
	(sq.ft.)	(sq. ft.)	(sq.ft.) (b)	Rate	(c)	(sq.ft.)	(sq. ft.)	(sq.ft.) (b)	Rate	(c)
2002	17,701	17,701	0	0.0%	n/a (d)	29,828,135	26,526,339	(520,381)	9.7%	\$1.28/nnn
2003	17,701	17,701	0	0.0%	n/a (d)	29,819,135	26,068,759	(457,580)	11.2%	\$1.24/nnn
2004	17,701	17,701	0	0.0%	n/a (d)	29,787,541	25,998,731	(70,028)	10.7%	\$1.31/nnn
2005	17,701	17,701	0	0.0%	n/a (d)	30,151,843	26,933,871	935,140	9.0%	\$1.38/nnn
2006	17,701	17,701	0	0.0%	n/a (d)	30,587,584	27,721,940	788,069	8.4%	\$1.49/nnn
2007	17,701	17,701	0	0.0%	n/a (d)	30,582,584	27,369,134	(352,806)	9.6%	\$1.52/nnn
2008	17,701	17,701	0	0.0%	n/a (d)	30,708,485	26,827,649	(541,485)	11.3%	\$1.51/nnn
2009	17,701	17,701	0	0.0%	n/a (d)	30,760,739	26,078,438	(749,211)	14.8%	\$1.22/nnn
2010	17,701	17,701	0	0.0%	n/a (d)	30,735,739	25,461,447	(616,991)	16.3%	\$1.17/nnn
2011	17,701	17,701	0	0.0%	n/a (d)	30,730,339	25,053,172	(408,275)	15.9%	\$1.09/nnn
<b>Average Annual Absorption (sq. ft.)</b>			<b>0</b>					<b>(199,355)</b>		

Notes:

(a) Based each year's Q4 data.

(b) Includes absorption from direct leases and sublets.

(c) Avg. leases rate shown is for NNN (does not include services such as janitorial, maintenance, utilities, etc.)

(d) Information not available for these years.

Sources: CoStar; City of San Diego; BAE, 2012.

### Competitive Position

Despite the strong performance of San Ysidro's industrial and flex space markets outlined above, it is important to understand how San Ysidro compares to competing locations nearby, such as Otay Mesa. As shown below, according to Cassidy Turley BT (a large office and industrial brokerage firm that publishes market reports for the area), San Ysidro's space in these categories appears to be competitively priced, achieving slightly higher rents than Otay Mesa, but lower rents than other parts of San Diego County.

**TABLE 24: COMPETITIVE MARKETS FOR WAREHOUSE, DISTRIBUTION, AND FLEX SPACE**

Q1 2011

Market Area	Avg. Asking Rent/sq.ft. per Month (a)		
	WH/Dist.	R&D/Flex	Total
San Ysidro	\$0.55	\$0.75	\$0.57
Otay Mesa	\$0.53	-	\$0.52
South County	\$0.54	\$1.02	\$0.57
San Diego County	\$0.61	\$1.07	\$0.79

(a) Asking rents are NNN.

Source: Cassidy Turley BT; BAE, 2012.

Despite these positive indicators for industrial and flex space in San Ysidro, it is important to note key differences between San Ysidro and Otay Mesa. Substantial industrial, warehouse/distribution, and flex space has been developed in Otay Mesa during the past 26 years, since the opening of the

Otay Mesa border crossing for trucks (and other vehicles), resulting in an inventory of more than 14 million square feet of this type of combined space category (compared to less than one million square feet in San Ysidro). According to CoStar data, there are 31 industrial properties in San Ysidro, with an average building size of 25,600 square feet. By comparison, there are 352 industrial properties in Otay Mesa, with an average building size of 47,300 square feet. The largest industrial building in San Ysidro, aside from a self-storage facility, is 61,500 square feet. By comparison, there are 82 properties in Otay Mesa larger than 61,000 square feet, and 48 buildings that are larger than 100,000 square feet.<sup>11</sup> While Otay Mesa offers smaller industrial space, as does San Ysidro, it offers more choices for larger industrial users. For those users dependent upon cross-border trucking, the Otay Mesa LPOE provides a competitive advantage that San Ysidro simply cannot match because the San Ysidro LPOE does not allow truck traffic.

The ability of San Ysidro to maintain a strong occupancy rate suggests a base of companies that find it to be a competitive location. San Ysidro has also evolved some distinctive uses for space, including in the Wholesale Industrial District west of Interstate 5, where industrial space is being used for wholesale and service commercial functions, drawing on the heavy vehicular traffic on Interstate 5 and San Ysidro's attraction for wholesale sales to Mexican retailers. This suggests market demand for a modest amount of additional industrial space over the planning period, particularly in locations that can attract a combination of industrial, wholesale, and flex users. This type of smaller-floorplate light industrial and flex space may also be well suited for San Ysidro's hillside parcels, particularly in proximity to the expanding Rail Yard facility.

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<sup>11</sup> These figures include proposed seven proposed buildings in Otay Mesa, totaling 977,000 square feet and with an average size of 140,000 square feet. CoStar does not identify any proposed industrial buildings in San Ysidro.

## Office Market

### Overview of Office Market

The office market in San Ysidro is relatively limited in terms of both existing supply and vacant space. An analysis of private data vendor from CoStar, obtained from the City of San Diego, indicates that San Ysidro has an office space inventory of less than 117,000 square feet, and this inventory has not changed since 2002. It should be noted that this data vendor compiles information primarily for private, multi-tenant buildings (and thus excludes single-occupancy and government-occupied buildings). As shown below, commensurate with patterns seen throughout the City of San Diego, San Ysidro's office market had high occupancy (low vacancy rates) during the strong economic period of 2003 through 2008, and then experienced rising vacancies and falling rental rates as the recession took hold in 2009. Today, San Ysidro's limited office market appears to have a lower vacancy rate than for the City overall (8.7 percent compared to 12.4 percent), although average rental rates in San Ysidro are somewhat lower at \$1.80 per square foot per month on a full service basis, than the average citywide (\$2.10 per square foot per month on a full service basis).

**TABLE 25: OFFICE MARKET OVERVIEW, SAN YSIDRO AND CITY OF SAN DIEGO**

Year (a)	San Ysidro Community Plan Area					City of San Diego				
	Total Inventory (sq.ft.)	Total Occupied (sq. ft.)	Annual Net Absorption (sq.ft.) (b)	Vacancy Rate	Avg, Lease Rate (Sq. Ft./Month) (c)	Total Inventory (sq.ft.)	Total Occupied (sq. ft.)	Annual Net Absorption (sq.ft.) (b)	Vacancy Rate	Avg, Lease Rate (Sq. Ft./Month) (c)
2002	116,658	108,158	1,700	7.3%	n/a (d)	72,086,509	63,545,493	407,494	10.9%	\$2.23/fs
2003	116,658	112,158	4,000	3.9%	n/a (d)	72,752,773	64,070,589	525,096	10.6%	\$2.19/fs
2004	116,658	110,758	(1,400)	5.1%	n/a (d)	73,651,677	66,271,261	2,200,672	8.7%	\$2.25/fs
2005	116,658	110,318	(440)	5.4%	n/a (d)	74,921,052	68,314,070	2,042,809	7.8%	\$2.41/fs
2006	116,658	111,918	1,600	4.1%	\$2.50/fs	76,704,971	68,931,050	616,980	9.4%	\$2.59/fs
2007	116,658	111,128	(790)	4.7%	\$2.50/fs	78,644,535	69,799,588	868,538	10.2%	\$2.71/fs
2008	116,658	113,678	2,550	2.6%	\$2.05/fs	80,924,906	69,123,827	(675,761)	13.1%	\$2.66/fs
2009	116,658	105,306	(8,372)	9.7%	\$1.00/fs	81,817,311	69,553,552	429,725	13.8%	\$2.31/fs
2010	116,658	105,956	650	9.2%	\$1.00/fs	82,296,303	70,474,770	921,218	13.7%	\$2.17/fs
2011	116,658	104,884	(1,072)	8.7%	\$1.80/fs	82,376,303	71,147,050	672,280	12.4%	\$2.10/fs
<b>Average Annual Absorption (sq. ft.)</b>			<b>(157)</b>	<b>800,905</b>						

**Notes:**

(a) Based each year's Q4 data.

(b) Includes absorption from direct leases and sublets.

(c) Avg. lease rate shown is for full service (includes all service such as janitorial, maintenance, utilities, etc.)

(d) Information not available for these years.

Sources: CoStar; City of San Diego; BAE, 2012.

### Competitive Position

Local stakeholders interviewed for this report suggested that they believe a larger, more vibrant office market could be generated in San Ysidro to serve Mexican companies that need a physical US presence. It is likely most of this potential demand would be for smaller businesses needing 500 to 5,000 square feet of office space. This type of product could experience moderate to strong demand, and should be considered in suitable locations as part of mixed-use projects.

## Retail Market

### Overview of Retail Space Market

San Ysidro has a well-defined retail real estate market, including likely strong demand for specific types of future retail space. As described previously, the single largest retail node, Las Americas Premium Outlets, generates more taxable retail sales than the rest of San Ysidro combined. New development adjacent to Las Americas is adding 240,000 square feet in new retail space.

According to data from CoStar shown below, including Las Americas, San Ysidro has approximately 1.6 million square feet of retail space. Excluding Las Americas, the remaining inventory is approximately one million square feet. Vacancy rates have remained exceptionally low throughout the economic boom and downturn, as indicated below. Both vacancy rates and average rents in San Ysidro outperformed the overall City of San Diego data, as of the end of 2011.

**TABLE 26: RETAIL MARKET OVERVIEW, SAN YSIDRO AND CITY OF SAN DIEGO**

Year (a)	San Ysidro Community Plan Area					City of San Diego				
	Total Inventory (sq.ft.)	Occupied Inventory (sq. ft.)	Annual Net Absorption (sq.ft.) (b)	Vacancy Rate	Avg. Lease Rate (Sq. Ft./Month) (c)	Total Inventory (sq.ft.)	Occupied Inventory (sq. ft.)	Annual Net Absorption (sq.ft.) (b)	Vacancy Rate	Avg. Lease Rate (Sq. Ft./Month) (c)
2006	1,573,783	1,519,454	20,228	3.5%	\$2.06/nnn	56,693,329	54,246,252	(157,855)	4.1%	\$2.27/nnn
2007	1,573,783	1,526,255	6,801	3.0%	\$2.05/nnn	56,847,461	54,983,470	737,218	3.2%	\$2.25/nnn
2008	1,573,783	1,539,952	13,697	2.1%	\$2.10/nnn	56,934,318	54,627,406	(356,064)	3.7%	\$2.30/nnn
2009	1,573,783	1,539,854	(98)	2.2%	\$2.06/nnn	57,018,606	54,181,928	(445,478)	4.8%	\$2.12/nnn
2010	1,573,783	1,544,858	5,004	1.8%	\$1.89/nnn	57,013,753	54,431,794	249,866	4.2%	\$2.08/nnn
2011	1,579,554	1,537,990	(6,868)	2.6%	\$2.31/nnn	56,999,283	54,638,599	206,805	3.8%	\$2.00/nnn
<b>Average Annual Absorption (sq. ft.)</b>			<b>6,461</b>			<b>39,082</b>				

**Notes:**

- (a) Based each year's Q4 data.
- (b) Includes absorption from direct leases and sublets.
- (c) Avg. lease rate shown is for NNN (does not include services such as janitorial, maintenance, utilities, etc.)
- (d) Information not available for these years.

Sources: CoStar; City of San Diego; BAE, 2012.

In general, these indicators suggest that additional retail space in San Ysidro, ranging from potentially small amounts of neighborhood-serving stores and restaurants, to regional value-oriented outlets such as Walmart, to other types of specialty stores being added to Las Americas, will experience strong demand. Stakeholders interviewed for this report agree that retail space generally experiences strong demand in San Ysidro, especially smaller spaces in the 3,000 to 6,000 square foot range. It is anticipated that the reconfigured LPOE and ITC facilities and other development initiatives will further support new retail space.

### Competitive Position

A distinguishing characteristic of the San Ysidro retail market is the segmentation of its retail space by both type and target customers, into three distinct retail nodes. As described previously, Las Americas has become a highly successful bi-national outlet center, spurring new retail development. This center, and existing and new ones around it, feature a mix of outlet and large format national retailers that offer branded merchandise, along with sit-down dining and fast food outlets and

services to enhance shopping trips. Given the success of this space, there may be potential for this demand to expand east of Interstate 5, particularly given that many shoppers crossing the border pass through this area on their way to Las Americas and other retail west of the freeway.

By comparison, in the Border Village District most of the retail space is in small shops and small retail strips that house independent retailers, with only one shopping center anchored by the 99 Cents Only Store, CVS, and O'Reilly Auto Parts store. The merchandise offered by retailers in this area tends to be more ethnic, along with local cafes and fast food outlets. Interspersed in this retail area are a range of financial and tourism services, including bank branches, money exchange stores, and Mexico insurance sales. While this area has heavy foot traffic, stakeholder interviews suggest that as much as 80 percent of the total sales by independent retailers in this area may be wholesale sales to Tijuana merchants.

Within the core residential areas bounded by Interstate 5 and 805, and State Route 905, retail tends to be more local-serving along with services, aside from clusters of fast food, lodging, and insurance sales at the on/off-ramps to Interstate 5 at Via De San Ysidro and Dairy Mart Road. It is more spread out in a linear fashion along the length of East and West San Ysidro Boulevard. There are several neighborhood-scale shopping centers, including one anchored by a Lucky supermarket, and another on West San Ysidro Boulevard and Dairy Mart Road anchored by a Neighbors Supermarket. A free-standing La Bodega Market on East Olive Drive represents the third grocery store in this area. There is much less apparel retailing in this area than the other two nodes. There are a limited number of national retailers. Dining choices tend to be a small number of independent cafes, along with fast food.

The segmentation of San Ysidro's retail market appears robust, appropriate to market dynamics, and likely to continue in the future. A number of the retail properties, particularly in the core residential area, are older and in need of modernization to attract new retailers. Redevelopment and re-tenanting of these properties may be as significant a factor, or even more important, than development of new retail centers or spaces to enhance retail offerings in both the Border Village District and the core residential area.

## DEMAND ESTIMATES BY LAND USE

This chapter provides estimates of future demand for new development in the San Ysidro Community Plan Area. The demand estimates are based on adjusting previously-prepared forecasts by SANDAG for the CPA from 2015 to 2030. Adjustments have been made to accommodate potential additional demand estimated by BAE, due to demographic and economic trends, as well as market conditions, as described in this report.

### Demand for Housing

#### *Impact of Border Location on Residential Demand*

According to the National Association of Realtors, the total US existing home sales market was approximately \$1.07 trillion in the 12 months ending in March 2011. Foreign clients purchased an approximate \$41 billion share of homes, and recent immigrants (who have moved to the US within the past 2 years) and individuals with visas for more than 6 months purchased an additional \$41 billion, for total internationally oriented sales of \$82 billion, up from \$66 billion reported in 2010<sup>12</sup>.

The report goes on to note that California received 12 percent of all purchases by international home buyers, with seven percent of purchasers coming from Mexico. All-cash purchases represent 62 percent of sales because of the difficulty of obtaining financing. The most popular product types are single family detached homes (61 percent, vs. 88 percent for US buyers); followed by condos and apartments (26 percent); and townhouses (three percent). The under \$200,000 segment is growing, believed to represent the effect of a weaker dollar.

The South County Economic Development Council notes that in recent years there has been growth in high density, multifamily housing in Tijuana and along the Baja Coastline. Cited projects include NEWCITY Residential, a seven-tower development comprised of 500 units, located less than one-half mile from the LPOE. San Ysidro property owners interviewed for this study noted that they had considered building midrise residential prior to the recession, but in hindsight believe that this type of housing product would not have succeeded, and is unlikely to have market support in the near future.

Interviews with new residential developments in Chula Vista indicate that at some projects up to 10 percent of units are being sold to Mexican citizens. This trend could increase if proposed legislation passes that would provide a resident visa (non-working) to foreign citizens who purchase US real estate worth \$500,000 (this is separate from the existing EB-5 program that also provides a visa in return for investment of \$500,000 or more that leads to US job creation).

This suggests that new housing in San Ysidro that is competitive in price and quality with existing

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<sup>12</sup> 2011 Profile of International Home Buying Activity, Lawrence Yun, Jed Smith, Keunwon Chung, National Association of Realtors, May 2011.

offerings in Chula Vista could have the potential to attract Mexican residents as purchasers.

***Demand Estimate***

In order to estimate demand for housing units in the San Ysidro CPA, the existing SANDAG forecast for CPA population and household growth, prepared prior to the 2010 Census, was adjusted to account for a larger capture of citywide growth between 2015 and 2030. Both the SANDAG forecast and the “adjusted” forecast are shown below. In total, the adjusted forecast, which accommodates the potential to both improve market rate housing offerings to local and South County households, as well as capture demand from Mexican nationals, indicates that a total of 1,808 new housing units could be supported in the CPA by 2030. These units would be a mix of both for-sale multifamily (e.g., townhouses and stacked-flat condominiums), and will need to be designed to accommodate the larger household sizes found in the local marketplace. Additional recommended locations for these new units are provided in the Conclusion chapter at the end of this report.

**TABLE 27: HOUSING UNIT DEMAND ESTIMATE, 2015 – 2030**

Household Forecast - SANDAG													
	2015			2020			2025			2030			2015-2030 San Ysidro Total Increase
	San Ysidro CPA	City of San Diego	% in San Ysidro	San Ysidro CPA	City of San Diego	% in San Ysidro	San Ysidro CPA	City of San Diego	% in San Ysidro	San Ysidro CPA	City of San Diego	% in San Ysidro	
Population	28,466	1,463,525	1.9%	29,322	1,542,528	1.9%	30,592	1,614,752	1.9%	32,304	1,689,254	1.9%	3,838
Households	6,930	514,805	1.3%	7,217	549,849	1.3%	7,493	576,205	1.3%	7,862	602,319	1.3%	932
Avg. Household Size	4.1	2.8		4.1	2.8		4.1	2.8		4.1	2.8		
New Housing Unit													
<b>Demand for CPA (a)</b>	<b>7,277</b>			<b>7,578</b>			<b>7,868</b>			<b>8,255</b>			<b>979</b>

Household Forecast - Adjusted													
	2015			2020			2025			2030			2015-2030 San Ysidro Total Increase
	San Ysidro CPA	City of San Diego	% in San Ysidro	San Ysidro CPA	City of San Diego	% in San Ysidro	San Ysidro CPA	City of San Diego	% in San Ysidro	San Ysidro CPA	City of San Diego	% in San Ysidro	
Population (b)	28,466	1,463,525	1.9%	32,393	1,542,528	2.1%	33,910	1,614,752	2.1%	35,474	1,689,254	2.1%	7,008
Households (c)	6,930	514,805	1.3%	7,901	549,849	1.4%	8,271	576,205	1.4%	8,652	602,319	1.4%	1,722
Avg. Household Size (d)	4.1	2.8		4.1	2.8		4.1	2.8		4.1	2.8		
New Housing Unit													
<b>Demand for CPA (a)</b>	<b>7,277</b>			<b>8,296</b>			<b>8,684</b>			<b>9,085</b>			<b>1,808</b>

a) Household forecast increased by 5% to allow for normal market vacancies.  
 b) Population increased from 2020 through 2030 in San Ysidro by increasing share of City from 1.9% per SANDAG, to 2.1%. Reflects redevelopment of Pilot Village and capture of Mexican buyers.  
 c) Number of households calculated by holding avg. household size at SANDAG estimate, dividing by adjusted population in San Ysidro, yields increased household share of City total.  
 d) Avg. household size held constant per SANDAG estimate.  
 Note: Estimate does not include Otay Mesa parcels outside of San Ysidro CPA, which may also be developed as residential.  
 Sources: SANDAG Forecast 2050; BAE, 2012.

## Demand for Retail, Hotel, Institutional, Office, and Industrial Space

### *Impact of Border Location on Commercial Sectors*

Demand for commercial space in San Ysidro will be impacted by continued likely expansion of cross-border commerce. Several of San Ysidro's commercial sectors are expected to specifically benefit from increased commerce across the international border, as described below.

**Retail and Financial Services.** An assessment of the shopping traits of Mexican visitors to the South Texas border region revealed that Mexican shoppers exhibit a very high level of brand loyalty, are very price and quality conscious, and have especially favorable views of US products in terms of their technological advancement, price competitiveness, high quality, and variety of choices (Vincent et al., 2003)<sup>13</sup>. Similar findings were reported for Mexican shoppers from Baja California who pointed to prices, variety and quality as main reasons for shopping in the US (Sierra López and Serrano Contreras, 2002; San Diego Dialogue, 1994).

The two largest categories for retail expenditures by Mexican citizens in California is clothing (46 percent) and food and groceries (37 percent); together these two items represent 83 percent of total spending<sup>13</sup>. Total expenditures by Mexican residents visiting San Diego County (including non-retail expenditures) was estimated at \$2.7 billion in 2004. As noted previously, a survey of pedestrians crossing the border northbound indicated substantial shopping trips into San Diego County. Moreover, the success of the Las Americas Premium Outlets center, performing in the top 10 percent of Simon Property Group's Premium Outlet centers, is partly attributable to this trend.

San Ysidro has a unique cluster of bank branches, with a total of 10 bank branches located throughout the community's three main subareas (including two branches each for Bank of America and US Bank). This number of bank branches is more than would be expected in a community of San Ysidro's size and economic profile, and reflects capital flows from Mexican citizens wishing to put their savings in American banks, as well as American investments by Mexican citizens whose profits are kept in the US. As with retail, in the long-run greater prosperity in Mexico and a modernized financial sector may reduce demand for banking services by Mexican residents, but in the near- and medium-term this demand is expected to continue.

The Border Village District, east of Interstate 5, while also heavily oriented towards apparel, has a different mix of retailers, featuring primarily small merchants who are selling more Mexican-style items. Stakeholder interviews suggest that as much as 80 percent of the sales by retailers in this area may be wholesale sales to small merchants in the Tijuana region (Mexico's tariffs on directly imported apparel items is 30 percent, while most US tariffs are under 10 percent. Interviews identified that Mexican customs is now starting to collect an existing 20 percent tariff on apparel

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<sup>13</sup> *The Economic Impact of Mexican Visitors Along the US-Mexico Border: A Research Synthesis*, Suad Ghaddar, Cynthia J. Brown, University of Texas-Pan American, December 2005.



purchases brought into the country).

**Lodging.** The CPA currently has 13 operating motels that are targeted at the economy segment of the lodging market. Lodging facilities in this segment typically serve a combination of social, military, educational, tourists and recreational visitors, and family event users. According to the City of San Diego, the hotels in the 92173 zip code, which includes the San Ysidro area, generated approximately \$710,774 in Transient Occupancy Tax (hotel tax) in 2010. In 2010 ConVis (the San Diego Convention & Visitor Bureau) reported that the City of San Diego, National City and Chula Vista's hotels generated \$696,007, 2,047,484 and 126,980,695 in TOT, respectively. The San Ysidro hotels generated 0.56% of the City of San Diego's 2010 TOT revenue collected.

**Office and Industrial /Flex Space.** The maquiladora system allows US-based manufacturers to defer tariffs on goods made at factories located in Mexico. This system represents a substantial portion of trade activity in the San Diego / Tijuana region. The South County Economic Development Council notes that the 2008, the US accounted for \$705 million of direct investment in the manufacturing industry of Baja California, the most active Mexican border state in the maquiladora system. Manufacturing is the number one source of employment in Northern Mexico, and employs 49 percent of workers in Baja California.

Most companies in the system have located corporate headquarters and regional offices to oversee maquiladoras in South County area, primarily in Otay Mesa, with some located in Chula Vista. The large amount of land available in these areas, and the proximity to the Otay Mesa LPOE make it likely that the US locations of companies with maquiladoras will continue to locate in Otay Mesa because of its locational advantages, although there might be some potential for locations in San Ysidro from companies that support maquiladoras and other trade but do not directly require access to the Otay Mesa LPOE. It should be noted that companies based in eligible South County areas, including portions of San Ysidro, are eligible for State Enterprise Zone benefits that include tax credits, accelerated depreciation, and priorities for Industrial Development Bond applications.

***Demand Estimate for Retail, Hotel, Office, and Industrial/Flex Space***

The demand estimate shown in the following tables is based on the previously-prepared SANDAG forecast for jobs by industry sector for 2015 to 2030 for the San Ysidro CPA, adjusted by BAE to account for the competitive position of San Ysidro related to border crossings, cross-border commerce, and the relatively strong current market indicators noted in the real estate market chapter.

For each industry sector as noted, the SANDAG forecast was adjusted to accommodate both higher existing employment (when known from 2009 data), and these positive market trends, leading to higher shares of future citywide growth than forecast by SANDAG, in selected sectors. It should be noted that Government employment was not adjusted by BAE in the following table, due to limited information regarding this sector, and an assumption that most of the SANDAG-estimated government employment relates to the POE and its expansion. Moreover, it is important to note that the POE expansion and related government employment will be housed in specific buildings owned or leased by the federal government; as such, these do not represent additional development projects to be accommodated in the CPA.

The following page provides the SANDAG employment forecasts by industry sector, along with adjustments as noted, resulting in an increase in San Ysidro private employment of 1,626 jobs by 2030 (225 more jobs than anticipated by SANDAG for the CPA). The table on the next page converts these new jobs per the adjusted forecast into square feet of new development space supportable by this employment-based demand.

**TABLE 28: EMPLOYMENT FORECAST**

Employment Forecast - SANDAG (a)													
	2015			2020			2025			2030			2015-2030 San Ysidro Total
	San Ysidro CPA	City of San Diego	% in San Ysidro	San Ysidro CPA	City of San Diego	% in San Ysidro	San Ysidro CPA	City of San Diego	% in Ysidro	San Ysidro CPA	City of San Diego	% in San Ysidro	
<b>Private Employment</b>													
Retail Trade	1,643	61,166	2.7%	1,643	62,710	2.6%	1,643	66,350	2.5%	1,735	69,875	2.5%	92
Leisure and Hospitality	926	84,488	1.1%	1,219	92,475	1.3%	1,358	97,767	1.4%	1,443	101,727	1.4%	517
Education and Health Services	374	80,549	0.5%	695	88,471	0.8%	842	93,803	0.9%	924	97,843	0.9%	550
Finance and Real Estate	457	51,886	0.9%	457	52,810	0.9%	457	54,830	0.8%	457	56,679	0.8%	-
Manufacturing	452	48,095	0.9%	446	47,532	0.9%	446	47,532	0.9%	443	47,268	0.9%	(9)
Wholesale Trade	112	22,643	0.5%	112	22,708	0.5%	112	22,708	0.5%	112	22,708	0.5%	-
Transportation, Warehousing, Utilities	53	19,529	0.3%	53	19,569	0.3%	53	19,569	0.3%	53	19,569	0.3%	-
Professional and Business Services	307	154,081	0.2%	307	159,264	0.2%	464	164,992	0.3%	568	169,420	0.3%	261
Other Services	99	27,489	0.4%	99	28,241	0.4%	99	28,241	0.4%	99	28,309	0.3%	-
Construction	46	24,646	0.2%	46	25,783	0.2%	46	25,875	0.2%	46	26,324	0.2%	-
Information Services	62	31,947	0.2%	62	32,729	0.2%	62	33,321	0.2%	62	33,957	0.2%	-
Self-Employment	1,039	57,207	1.8%	1,039	59,555	1.7%	1,039	61,298	1.7%	1,039	62,926	1.7%	-
<b>Subtotal Private Employment</b>	<b>5,570</b>	<b>663,726</b>	<b>0.8%</b>	<b>6,178</b>	<b>691,847</b>	<b>0.9%</b>	<b>6,621</b>	<b>716,286</b>	<b>0.9%</b>	<b>6,981</b>	<b>736,605</b>	<b>0.9%</b>	<b>1,411</b>
Government	6,339	137,598	4.6%	6,658	145,538	4.6%	6,808	150,079	4.5%	6,909	154,378	4.5%	570
<b>Total Civilian Employment</b>	<b>11,909</b>	<b>801,324</b>	<b>1.5%</b>	<b>12,836</b>	<b>837,385</b>	<b>1.5%</b>	<b>13,429</b>	<b>866,365</b>	<b>1.6%</b>	<b>13,890</b>	<b>890,983</b>	<b>1.6%</b>	<b>1,981</b>

a) From SANDAG 2050 Forecast

Employment Forecast - Adjusted														
	Actual Jobs (from EDD 2009)	2015			2020			2025			2030			2015-2030 Ysidro Total Increase
		San Ysidro CPA	City of San Diego	% in San Ysidro	San Ysidro CPA	City of San Diego	% in San Ysidro	San Ysidro CPA	City of San Diego	% in Ysidro	San Ysidro CPA	City of San Diego	% in San Ysidro	
<b>Private Employment</b>														
Retail Trade and Restaurants - Adjusted (a)	2,406	2,886	61,166	4.7%	2,959	62,710	4.7%	3,131	66,350	4.7%	3,297	69,875	4.7%	411
Leisure and Hospitality Excluding Restaurants (b)	713	713	84,488	0.8%	1,017	92,475	1.1%	1,075	97,767	1.1%	1,119	101,727	1.1%	406
Education and Health Services - Adjusted (c)	599	644	80,549	0.8%	695	88,471	0.8%	842	93,803	0.9%	924	97,843	0.9%	280
Finance and Real Estate - Adjusted (d)	493	519	51,886	1.0%	528	52,810	1.0%	548	54,830	1.0%	567	56,679	1.0%	48
Manufacturing	417	452	48,095	0.9%	446	47,532	0.9%	446	47,532	0.9%	443	47,268	0.9%	(9)
Wholesale Trade - Adjusted (e)	341	340	22,643	1.5%	454	22,708	2.0%	454	22,708	2.0%	454	22,708	2.0%	115
Transportation, Warehousing, Utilities - Adjusted (f)	232	293	19,529	1.5%	294	19,569	1.5%	294	19,569	1.5%	294	19,569	1.5%	1
Professional and Business Services	226	307	154,081	0.2%	307	159,264	0.2%	464	164,992	0.3%	568	169,420	0.3%	261
Other Services	90	99	27,489	0.4%	99	28,241	0.4%	99	28,241	0.4%	99	28,309	0.3%	-
Construction		46	24,646	0.2%	46	25,783	0.2%	46	25,875	0.2%	46	26,324	0.2%	-
Information Services		62	31,947	0.2%	62	32,729	0.2%	62	33,321	0.2%	62	33,957	0.2%	-
Self-Employment		1,039	57,207	1.8%	1,039	59,555	1.7%	1,039	61,298	1.7%	1,039	62,926	1.7%	-
<b>Subtotal Private Employment</b>		<b>7,400</b>	<b>663,726</b>	<b>1.1%</b>	<b>7,946</b>	<b>691,847</b>	<b>1.1%</b>	<b>8,500</b>	<b>716,286</b>	<b>1.2%</b>	<b>8,911</b>	<b>736,605</b>	<b>1.2%</b>	<b>1,512</b>
Government		6,339	137,598	4.6%	6,658	145,538	4.6%	6,808	150,079	4.5%	6,909	154,378	4.5%	570
<b>Total Civilian Employment</b>		<b>13,739</b>	<b>801,324</b>	<b>1.7%</b>	<b>14,604</b>	<b>837,385</b>	<b>1.7%</b>	<b>15,308</b>	<b>866,365</b>	<b>1.8%</b>	<b>15,820</b>	<b>890,983</b>	<b>1.8%</b>	<b>2,082</b>

a) Retail trade in 2015 is adjusted up to account for existing 2,400 employees plus additional employees from Las Americas Expansion which will occur prior to 2015.

Las Americas additional retail employees from expansion assumed as: 240,000 sf exp 500 sf per employee = 480 new employees

2015 adjusted capture rate derived from then-employment (inc Las Americas) is carried forward thru subsequent periods and applied to city total

b) The SANDAG Leisure & Hospitality includes "eating and drinking" (e.g., restaurants and bars). However, restaurant jobs are included in "retail" for EDD 2009 data used as baseline here.

Thus, SANDAG estimate for this category of employment in 2015 was adjusted downward to match 2009 excluding EDD data, excluding restaurant employment.

Due to border crossing expansion, Leisure & Hospitality capture rate of 2020 - 2030 SANDAG citywide assumed to increase to 1.0% for San Ysidro by 2020.

c) Education & Health appeared to have an error in SANDAG 2015 capture rate (2015 was 0.3%, subsequent periods were 0.8% and 0.9% in SANDAG forecast)

2015 adjusted to future capture rate from SANDAG, resulting in increased 2015 jobs

d) Finance and Real Estate SANDAG estimate below actual jobs in Finance & Insurance for 2009. Also, this sector is expected to continue to grow in SY.

2015 SY adjusted to capture rate of 1.0% of citywide, and 1.0% capture rate applied to subsequent periods.

e) Wholesale trade in SANDAG 2015 is below 2009 EDD number (which is 1.5% of 2015 city total).

2015 SY adjusted to capture rate of 1.5% of citywide. Due to location and border commerce, future capture rate increased to 2.0% of citywide.

f) 2009 SY EDD had more jobs in this category than SANDAG estimate.

2015 SY adjusted to slightly higher than 2009, resulting capture rate of 1.5% of city applied to subsequent periods.

Note that SANDAG forecasts citywide jobs in this sector to remain flat through 2030.

As shown below, based on the adjusted employment forecast, San Ysidro will be able to support up to an additional 645,000 square feet of commercial space. Recommendations for the location and product types to accommodate this demand are included in the Conclusion chapter.

**TABLE 29: ESTIMATE OF RETAIL, OFFICE, AND INDUSTRIAL/FLEX SPACE, 2015 - 2030**

	Per Adjusted Forecast (a)			
	Increased Employment in San Ysidro 2015 - 2030	Sq. Ft. Per Job (b)	New Sq. Ft.	Land Use
Retail Trade	411	500	205,459	Retail
Leisure and Hospitality	406	350	142,099	Hotel
Education and Health Services	280	500	139,804	Institutional/Medical
Finance and Real Estate	48	250	11,983	Office
Manufacturing	-9	0	0	
Wholesale Trade	115	700	80,161	Industrial/Flex
Transportation, Warehousing, Utilities	1	0	0	Industrial/Flex
Professional and Business Services	261	250	65,250	Office
Other Services	0	0	0	
Construction	0	0	0	
Information Services	0	0	0	
Self-Employment	0	0	0	
<b>Subtotal Private Employment</b>	<b>1,512</b>		<b>644,755</b>	
<b>Summary By Land Use</b>				
Total New Retail Space			205,459	
Total New Hotel and Entertainment Space			142,099	
Total New Institutional/Medical Space			139,804	
Total New Office Space			77,233	
Total New Industrial/Flex Space			80,161	
<b>Grand Total New Supportable Space</b>			<b>644,755</b>	

a) see prior table for employment forecast adjusted by BAE.

b) Sq. ft. per new job based on industry standards.

Source: BAE, 2012.

## CONCLUSIONS: MARKET OPPORTUNITIES

### Summary of Overall Market Demand

As described in the previous chapter, the following new development is estimated to be supportable by market demand to the year 2030 in the CPA:

- Approximately 1,800 new housing units, including units priced for low- and moderate income households (including senior affordable housing), and units price for entry level to medium level renters and buyers, competitive with products found in Chula Vista and Otay Mesa;
- Approximately 200,000 square feet of new retail space including potentially a large-format value oriented store such as Walmart. In addition, this retail may include other small-scale retailers. Stakeholders have also envisioned creating a destination specialty “village” promoting international and Mexican goods and services, targeted to tourists visiting South County; further analysis is needed to flesh out this potential opportunity;
- Approximately 142,000 square feet of additional lodging and entertainment-related space. This opportunity requires further analysis to specify the type of hotel/motel product absent in the marketplace, but is likely to include one or more “extended-stay” products associated with border-crossing, international family and immigration visits, and related lodging demand. This category includes “leisure” sector jobs, which translates into entertainment space that could complement the destination specialty “village” identified above;
- Approximately 140,000 square feet of institutional and medical services space. This category includes child care, private schools (public schools are in “government”), social services, and medical clinics;
- Approximately 77,000 square feet of office space, primarily in smaller configurations to serve cross-border commerce and financial services. Some of this space may be built-to-suit (for financial services), while other small-suite offices may be appropriate for mixed-use projects; and
- Approximately 80,000 square feet of industrial and flex space, primarily serving small to medium-sized businesses.

#### ***Support for Development Product Type***

Most development to date in San Ysidro has been relatively low density, and has not exceeded three to four stories of multi-family residential or mixed-use development. These development trends are likely to continue into the future because sales prices and rental rents are unlikely to increase sufficiently to cover the much higher construction costs of mid-rise and high-rise development. Mid-rise and high-rise development is likely to be limited to projects for specific users who are willing to pay effective rents that are above market, or possibly sites directly adjacent to the LPOE.

The types of new development and redevelopment that are most likely to be supported by the market and be feasible include:

- Townhouse residential (including “two over one” and “two over two” type units);
- Multifamily residential that is modified wood-frame construction, including wrap residential and podium projects;
- Mixed-use development with ground floor commercial and commercial or residential uses above at densities no greater than a podium project; and
- Stand-alone commercial buildings of up to three stories, including one to two-story tilt-up flex industrial/office buildings.

## **Potential Market Opportunities by Subarea and District**

Within the CPA, the impact of the freeways and rail lines, as well as market segmentation and the decades of San Ysidro’s development, have led to a considerably diversity in land use by subarea and district and within these areas. This section addresses the potential for the identified element of market demand in various portion of the CPA.

### ***West of Interstate 5 Subarea***

This subarea is largely built out, with a limited number of potential infill sites in the San Ysidro South Neighborhood, including infill multifamily development in the residential area west of Willow Road. However, existing multifamily development in this area is unlikely to be redeveloped into denser projects due to the existing income generated by these properties, and the costs, risks and modest return associated with redevelopment.

Other opportunities for additional lodging, as well as a smaller office building, may also exist at sites near the south side of Interstate 5 at the Via De San Ysidro on/off-ramp, and its existing cluster of lodging and tourism related uses.

It is assumed that expansion of the Wholesale Industrial District is constrained by the undeveloped and protected open space west of it; absent this restriction there would be potential for additional industrial/flex development.

Pending development adjacent to Las Americas will leave one undeveloped site available for retail development in the San Ysidro Commercial District. This is an approximately 5.5 acre site on the north side of Camino De La Plaza, between Virginia Avenue and the southbound on-ramp to Interstate 5. Aside from this development opportunity, re-tenanting and redevelopment of the existing K-Mart/Marshall’s/Ross center is likely to occur in response to market opportunities and will provide opportunities to enhance retail offerings in this area.

### ***East of Interstates 5 and 806 Subarea***

This area has a range of market potential and development opportunities. Properties in the Port of Entry District adjacent to Camino De La Plaza and East San Ysidro Boulevard and the LPOE, including the ITC, have strong potential for redevelopment into various types of commercial or mixed-use development (and SANDAG is commencing the next phase of planning for reconfiguration of the

ITC).

The multiple properties north of Camino De La Plaza and west of East San Ysidro Boulevard represent a potential for land assembly of up to approximately 12 acres. This represents the single largest potential site in this area, and could be the site for a large format retail store, or alternatively for an international / Mexican-themed entertainment and specialty retail destination.

The Border Village District has experienced ongoing development and redevelopment of its commercial properties, and this is likely to continue. The dynamic nature of this area could make it appropriate to focus zoning controls on the form and scale of buildings, and less on uses. Additional uses in this area could include the introduction of additional lodging projects, as well as office space, either in locations of East San Ysidro Boulevard or above retail space. East San Ysidro Boulevard at Interstate 805 has several underutilized older highway commercial properties that are likely to be better suited for office or small scale industrial/flex uses (although the latter product type could include some commercial space on the East San Ysidro Boulevard frontage).

The Beyer Hills Neighborhood, in its lower portion across the railroad tracks from the Border Village District, presents an opportunity for industrial and flex space development. The upper portion of the CPA around the eastern end of Beyer Boulevard presents opportunities for residential, or because of the ready access to Interstate 805, the potential for industrial and flex space development, depending upon the impact of topography and other site constraints.

### ***Core Subarea***

By comparison to the other subareas, the Core subarea bounded by Interstates 5 and 805 and State Route 905, has experienced a lower level of investment and development activity, particularly along East and West San Ysidro Boulevard.

The previous difficulty in assembling numerous small sites for a larger Pilot Village project suggests an alternate strategy of seeking to develop a greater number of smaller-scale residential and mixed-use projects. This strategy, combined with streetscape and other improvements, can meet community needs and create opportunities for desired retail, including additional dining choices.

The El Pueblito Viejo Village District, and its Pilot Village, contain a number of infill sites around the Beyer Boulevard Trolley Station, including the potential for a joint development project on the station's parking lot. Smaller mixed-use projects on West San Ysidro Boulevard, particularly between Via De San Ysidro and Cottonwood Road, could enhance housing and retail choices, as well as include office space, while improving the street-level ambiance. This would be further enhanced by a streetscape and public improvement throughout this District. However, transformation of this stretch of West San Ysidro Boulevard is likely to be an incremental process that will take time.

The Sunset Neighborhood offers several potential sites for multifamily infill development. The retail centers between West San Ysidro Boulevard and Interstate 5 present could opportunities for re-tenanting to better meet resident desires for additional retail choices. Many of the properties on the

northern side of West San Ysidro Boulevard in this area are old and underutilized, but also present challenges in terms of topography and lot depth. Additional flexibility in the application of development standards to difficult sites could encourage their redevelopment.

### ***Role of Key Opportunity Projects and City-Owned Sites***

Over the past decade, San Ysidro has been an active location for new development, particularly for retail uses. The San Diego Redevelopment Agency played a key role in facilitating a number of projects. However, as noted earlier in this report, the elimination of redevelopment means an end to the key role the Agency played in facilitating site assembly, affordable housing, renovation of residential and commercial properties, and assistance in closing feasibility gaps for development projects. It is not possible to say with certainty at this time how the unwinding of redevelopment will affect properties under the control of the Agency.

However, several key infrastructure projects are underway or in the planning stages for San Ysidro; these will provide a framework for growth and meet community needs, but in themselves are not transformative or likely to shift San Ysidro's economy. These projects include the LPOE reconfiguration and expansion, the Virginia Avenue Transit Facility in Phase 3 of the LPOE project, the railyard expansion, the new community library and park, and other community-serving facilities.

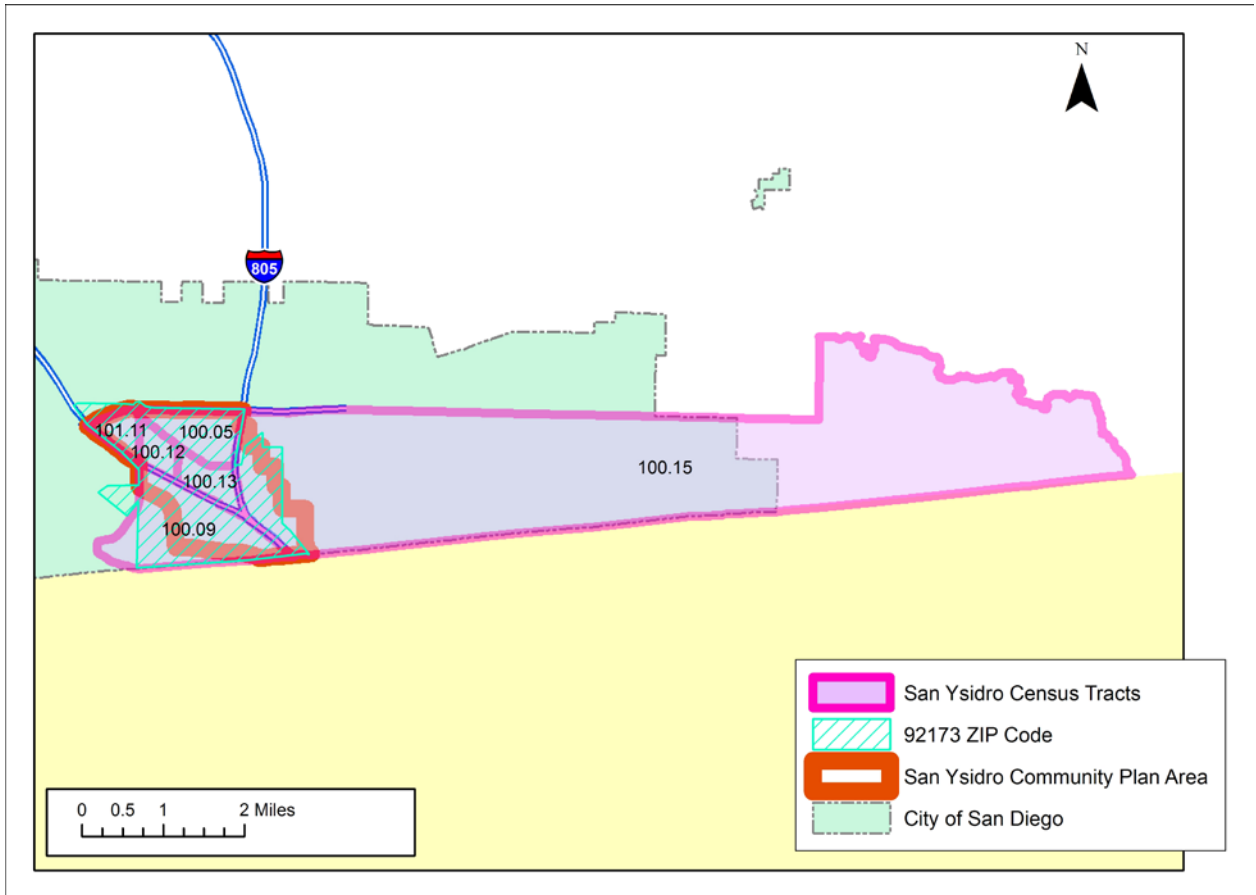
Other projects have the potential to be more transformative because they expand the local economy, attract additional investment, or support other types of desired uses. Examples of potentially transformative projects include the new retail development adjacent to Las Americas, the Pilot Village District concept, the ITC (depending upon the final plan for its development), and additional development in the Border Village area, including a potential international/Mexican-themed entertainment and specialty retail project.

Both infrastructure and transformative projects are important for enhancing the quality of life, supporting economic development, and providing a range of housing, shopping, and employment choices for residents. It is yet to be determined what successor financing mechanisms and other tools may be created to replace redevelopment in order to advance these types of projects.

There are several key City-owned sites, including a civic parcel within the Las Americas project, the Community Service Center in the Border Village District near the ITC, and the former fire station within the Pilot Village District. These properties represent assets to implement Community Plan Update recommendations, either through direct development of the properties via public-private partnerships, or potentially through a sale or swap of one or more of these properties to generate resources for other implementation actions. From a market perspective, it should be possible to attract new development to the Las Americas and Community Service Center site without the provision of subsidies. The former fire station presents the opportunity for a lead-off Pilot Village District project that can establish the market potential for mixed-use development in this area, and serve as a prototype for future projects. However, as a pioneering project it may require financial assistance to be feasible. The extent of the need for potential subsidies can be explored in upcoming financial feasibility analysis that is part of the Community Plan Update process.



# APPENDIX A: MAP OF COMMUNITY PLAN AREA, CENSUS TRACTS, & ZIP CODES



## APPENDIX B: STAKEHOLDERS INTERVIEWED FOR STUDY

### *Interviewees*

Israel Adato, San Ysidro Chamber of Commerce, Business Interests in Government (BIG) collaborative

Miguel Aguirre, INVESTCO Comercial Real Estate Services

Duncan Budinger, Partner/Director of Retail Development, The Shamrock Group

David Flores, Casa Familiar, Inc., San Ysidro Planning and Development Group

Abdee Gharavi, US General Services Administration

Jennifer Goudeau, Vice President, Barob Group, Ltd.

Susan Han, Vice President, United Community, Inc.

Anthony Kleppe, US General Services Administration

Steve Otto, former Executive Director, San Ysidro Business Association (retired), San Ysidro Smart Border Coalition, San Ysidro Transportation Collaborative

D. Barry Simons, Barob Group, Ltd.

Andrea Skorepa, President and CEO, Casa Familiar, Inc.

Susan Tinsky, Executive Director, San Diego Housing Federation

Jason M-B Wells, Executive Director, San Ysidro Chamber of Commerce, San Ysidro Smart Border Coalition, San Ysidro Redevelopment Project Area Committee

Sean Wherley, Policy Director, Housing Federation of San Diego