

KEARNY MESA COMMUNITY PLAN UPDATE

Economic Context Report



May 2017

The following memorandum report summarizes preliminary findings for the Economic Context study. The purpose of this report is to illustrate existing conditions and trends in the Kearny Mesa Community Planning Area (Kearny Mesa) and present high-level findings to inform the ongoing Community Plan Update. Since Kearny Mesa supports a regionally significant concentration of major employers, jobs, prime industrial lands, and fiscal revenue, an understanding of the area's economic base is essential.

AECOM has completed the preliminary analysis summarizing existing conditions and trends for the following topics:

- 1) Economic Base
- 2) Selected Fiscal Revenue
- 3) Real Estate Context
- 4) Demographic and Socio-Economic Characteristics

This memorandum report organizes its main findings by these topics and summarizes preliminary conclusions for Kearny Mesa compared to selected geographies, including the County of San Diego as a whole, the City of San Diego, and adjacent Community Plan areas. Detailed supporting data are available upon request. As the Community Plan preparation unfolds, particularly with input from stakeholders and the public and subsequent analyses, the economic findings will evolve to inform the final draft Community Plan.

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EXECUTIVE SUMMARY

The Kearny Mesa Community Planning area (Kearny Mesa) is one of San Diego's most significant employment centers with a concentration of defense and aerospace, information and communications technology, manufacturing, and Cleantech jobs. The Community Plan should align with the City of San Diego Economic Development Strategy (Economic Development Strategy), which has as its core economic development mission and strategic objectives the creation of a wide spectrum of job opportunities, including middle-income jobs, expansion of the economic base, increase in local economic activity, the generation of new tax revenues for essential public services, and an increase in neighborhood business activity.

Many of Kearny Mesa's businesses and much of its employment coincide with three of the four economic base sectors identified in the Economic Development Strategy – manufacturing and innovation, international trade and logistics, and the military. Additionally, the City General Plan's Economic Prosperity Element emphasizes the protection of prime industrial lands and avoiding the siting of uses, such as sensitive receptors, that would potentially impact the continued viability of industrial land uses and economic activities, especially in the identified base sectors. The General Plan's Economic Prosperity Element also identifies affordable workforce housing as a component of the City's economic infrastructure. The Kearny Mesa Community Plan is an opportunity to coordinate these various factors for the benefit of the City's and region's economy.

Kearny Mesa's central location and supply of 549 acres of prime industrial land help to attract employers in many of the region's export-oriented sectors. Many companies are long-time legacies or prodigies of the community's original and historic role as a center of San Diego's aerospace and technologically-based manufacturing, services, and research & development (R&D). Kearny Mesa's economic base shows significant overlap with San Diego's priority

growth industries, with nine of the 13 identified clusters having a significant presence in the community. Approximately half of all jobs in Kearny Mesa are in sectors related to administration and support; waste management and remediation; professional, scientific and technical services; manufacturing; and the management of companies and enterprises. Kearny Mesa also hosts a major public sector presence, including San Diego County administrative and operations facilities, San Diego County Water Authority administration, San Diego Gas & Electric Company, and operations facilities for the San Diego Unified School District and the City of San Diego. In addition, major health care facilities and hospital complexes include Kaiser Permanente. Other important facilities are just outside Kearny Mesa, such as the Sharp/Rady's hospital complex and administration buildings, Mesa Community College, and Marine Corps Air Station Miramar.

The Economic Development Strategy includes an analysis of the net fiscal impacts to the City from different land uses. Uses that make up a significant portion of the core economic base sectors, such as manufacturing plants, R&D laboratories, business offices, and hotels and motels on average have net positive impacts on the City's bottom line. Manufacturing plants and R&D laboratories have a significant presence in Kearny Mesa and, therefore, contribute positively in terms of net fiscal impacts. Other land uses that do not form part of the core base sectors but have positive net fiscal impacts, such as vehicle dealerships, multifamily residential, and large retailers also are present in Kearny Mesa.¹

Kearny Mesa is home to some of the region's most prominent private base sector employers, including Cubic Corporation, L3 Communications, Raytheon, Northrop Grumman, KIO Networks, ResMed, Solar Turbines Inc., Kyocera, and Jack in the Box. The area also has auto

¹ City of San Diego Economic Development Strategy. Page 72. <https://www.sandiego.gov/sites/default/files/legacy/economic-development/pdf/economicdevelopmentstrategy.pdf>

dealerships and an emerging Pan Asian entertainment and cultural district along the Convoy corridor.

The community's economic impact extends across the region. More than 90,000 workers receive wages paid by companies in Kearny Mesa though their job locations may be outside of the area. Approximately 43,000 of those employees work at jobs located within Kearny Mesa. Additionally, these sectors directly and indirectly support both high- and middle-wage jobs. Middle-wage job growth in particular is critically needed given that recent economic cycles have led to the increasing characterization of San Diego as having an hourglass economy: a high number of low-wage jobs, some high-wage jobs, and few middle-income jobs in between.

While the area has a long history as a center for manufacturing and the aerospace and defense industries, Kearny Mesa has increasingly drawn interest as a residential location. Though still lagging neighboring communities in the number of residents, Kearny Mesa's population has increased sharply since 2000, adding approximately 5,500 residents. The estimated population of 9,000 is on average younger (higher share of adults age 30-39), more affluent (higher share of upper middle-income households and lower share of low and moderate-income categories), and better educated than the County and City overall. The area also has a proportionately larger Asian population.

Due to the separation of the more heavily residential Serra Mesa community from the Kearny Mesa Community Planning Area in 1992, the proportion of housing to jobs within Kearny Mesa is relatively low. However, from a broader jobs/housing relationship perspective, Kearny Mesa draws workers who live throughout the region. The surrounding residential communities of Serra Mesa, Clairemont Mesa, Mira Mesa, and Tierrasanta may also be considered part of Kearny Mesa's primary market area for commercial-retail and commercial-restaurant outlets. The Economic Development Strategy also references the City General Plan Land Use Element and calls for the siting of residential and mixed use areas to create neighborhood, community

and urban village centers that are compatible with surrounding land uses. To the extent that these uses do not conflict with prime industrial lands in Kearny Mesa, these centers can support the goal of spurring growth in neighborhood businesses and supporting base and non-base economic sectors in the planning area.

1. ECONOMIC BASE CONTEXT

AECOM gathered key data to understand the economic base of Kearny Mesa. The preliminary analysis and findings from these subsections illustrate economic activity, including 1) employment, (2) industry mix, (3) location quotients, and (4) commuting patterns. Overall, these data confirm the strength of Kearny Mesa as a major regional employment center for the region's and City's base sector, traded-industries.

As one of San Diego's major employment centers, the continued evolution of its employment profile will influence the future potential of the majority of the growth sectors identified in the City's Economic Development Strategy. These sectors, which include construction, healthcare, biotech, defense, and advanced manufacturing among others have a significant footprint in Kearny Mesa and provide needed middle- and high-wage jobs critical for sustained robust economic development. Kearny Mesa's employment by sector and firm size is described in more detail below.

1.1. EMPLOYMENT

Kearny Mesa encompasses San Diego Census Tract 85.11 and most of Census Tract 93.06. The analysis draws economic data reported for these census tracts to represent trends for the community overall, including areas that are outside but adjacent to the official Community Plan boundaries. Companies in these census tracts employ 6.8 percent of the City of San Diego's

private sector jobs, even though Kearny Mesa comprises only 0.7 percent of the countywide population. The largest employing sectors in the community, making up more than 60 percent of all public and private jobs in these census tracts, are:

- Public Administration
- Administrative, Waste Management, and Remediation
- Professional, Scientific, and Technical Services
- Manufacturing
- Retail Trade
- Management of Companies and Enterprises

In addition to these industries, Kearny Mesa has a high percentage of jobs in the health care and social assistance and construction sectors (**Table 1.1**). The area's major employers include, but are not limited to:

Aerospace/Defense

- Senior Aerospace
- Cubic Corp.
- L3 Communications
- Raytheon
- KIO Networks
- Northrup Grumman
- Kyocera America
- General Atomics

Biotechnology/Medical Devices

- ResMed (Corporate Headquarters)

Cleantech/Energy Efficiency

- Maxwell Technologies
- Solar Turbines Inc.

Utilities

- San Diego Gas & Electric

Food & Beverages

- Jack in the Box (Corporate Headquarters)
- Frito Lay

Publishing and Marketing

- Pro Specialties Group
- Imaging Technologies Inc.

Public Administration

- County of san Diego
- San Diego County Water Authority
- City of San Diego
- San Diego Unified School District

Health Care

- Kaiser Permanente
- Sharp HealthCare
- Children's Hospital

The utilities, construction, wholesale trade, health care and social assistance, arts, entertainment and recreation, and public administration sectors all saw gains in the number of jobs between 2010 and 2014. Though manufacturing, finance and insurance, real estate and rental and leasing, and professional, scientific, and technical services still compose a relatively bigger share of employment in Kearny Mesa, these sectors have experienced a decline in the number of jobs since 2000. Other sectors whose employment increased still saw their share of aggregate employment decline. This was attributable to the introduction of many new public administrative jobs in Kearny Mesa.

The San Diego Association of Governments' (SANDAG) employment projections indicate that Kearny Mesa may see a compound annual growth rate of 0.3 percent between 2020 and 2035 across all sectors with the highest increases in the transportation and warehousing, information, leisure and hospitality, and other service sectors based on regional trends and the currently adopted Community Plan (**Table 1.2**). According to SANDAG, the City and County will show growth in construction, transportation and warehousing, finance and insurance, and real estate, information, professional and business services, and leisure and hospitality (**Tables 1.3 and 1.4**). Citywide and countywide growth in transportation and warehousing, information, and leisure and hospitality overlaps with projected strengths in Kearny Mesa (**Figure 1.1**).

While manufacturing employment is projected to fall, a decline in manufacturing employment does not necessarily mean a contraction of the manufacturing sector. Nationally, manufacturing output is rising, though employment lags due to increasing automation. Manufacturing, according to the National University System Institute for Policy Research (NUSIPR), is considered the "largest single driver of the San Diego economy."² This is

² City of San Diego Economic Development Strategy. Page 29. <https://www.sandiego.gov/sites/default/files/legacy/economic-development/pdf/economicdevelopmentstrategy.pdf>

attributed to its core role in the regional innovation economy, high diversity, wages, and multiplier effect, and the likelihood that jobs will be filled by local residents. This sector is supported by a diverse workforce and numerous research and educational institutions that create high-value added products. From 2005 to 2015, manufacturing output in the County of San Diego grew at a Compound Annual Growth Rate of 3.5 percent³ while the inflation rate averaged 2 percent.⁴

Note that the City's share of total countywide employment, at a projected 62 percent in 2020 and 61 percent in 2035, far exceeds the City's share of countywide population of 44 percent in 2020 and 2030. The City of San Diego draws disproportionately from a workforce that lives outside the City, and Kearny Mesa is indicative of this commute pattern.

³ U.S. Census Bureau. County Business Patterns. <https://www.census.gov/programs-surveys/cbp.html>.

⁴ Caltrans. San Diego County Economic Forecast. http://www.dot.ca.gov/hq/tpp/offices/eab/socio_economic_files/2011/San_Diego.pdf.

**Table 1.1: Kearny Mesa Firm-based Jobs by Major Industry Sector¹
(2010-2014)**

Industry Sector	2010		2014	
	Jobs	% Share	Jobs	% Share
Agriculture, Forestry, Fishing and Hunting	6	0.0%	13	0.0%
Mining, Quarrying, and Oil and Gas Extraction	2	0.0%	5	0.0%
Utilities	845	1.2%	2,596	2.9%
Construction	3,531	5.2%	5,223	5.8%
Manufacturing	8,655	12.7%	7,682	8.6%
Wholesale Trade	2,815	4.1%	3,664	4.1%
Retail Trade	6,030	8.8%	6,658	7.4%
Transportation and Warehousing	1,693	2.5%	1,853	2.1%
Information	2,900	4.2%	3,323	3.7%
Finance and Insurance	3,608	5.3%	2,670	3.0%
Real Estate and Rental and Leasing	1,291	1.9%	1,141	1.3%
Professional, Scientific, and Technical Services	9,838	14.4%	8,922	9.9%
Management of Companies and Enterprises	5,963	8.7%	6,040	6.7%
Admin., Waste Management & Remediation	10,321	15.1%	11,135	12.4%
Educational Services	1,285	1.9%	1,378	1.5%
Health Care and Social Assistance	3,913	5.7%	5,283	5.9%
Arts, Entertainment, and Recreation	495	0.7%	697	0.8%
Accommodation and Food Services	2,889	4.2%	3,332	3.7%
Other Services	1,591	2.3%	1,901	2.1%
Public Administration	625	0.9%	16,320	18.2%
Total for all Sectors	68,296		89,836	

1 Firm-based jobs include all jobs with wages paid by businesses in Kearny Mesa regardless of the location of the job

Source: U.S. Census Bureau, OnTheMap Application and LEHD Employment Statistics (2014)

Table 1.2: Kearny Mesa Jobs in Place Projections by Industry¹ (2015-2035)

Industry Sector	2015	2020	2035	CAGR²
Agriculture and Mining	14	14	14	0.0%
Construction	3,744	3,789	3,896	0.2%
Manufacturing	2,177	2,197	2,164	-0.1%
Wholesale	1,579	1,599	1,661	0.3%
Retail	3,459	3,500	3,585	0.2%
Transportation and Warehousing	755	767	840	0.6%
Finance, Insurance, and Real Estate	2,623	2,657	2,770	0.3%
Information	1,030	1,045	1,114	0.4%
Professional and Business Services	8,460	8,576	9,031	0.3%
Leisure and Hospitality	4,450	4,512	4,772	0.4%
Other Service	1,193	1,211	1,294	0.4%
Education and Health Services	5,053	5,118	5,313	0.2%
Government	6,834	6,914	7,062	0.1%
Self-Employment	2,367	2,398	2,502	0.3%
All Sectors	43,737	44,297	46,018	0.3%

¹ Jobs in place include those jobs physically located within Kearny Mesa

² Compound Annual Growth Rate (2020-2035)

Source: SANDAG Regional Growth Forecast, 6/2015; AECOM 12/2016

Table 1.3: Employment Projections by Industry within the City of San Diego (2020 -2035)

Industry	2020	2035	CAGR¹
Agriculture	1,733	1,604	-0.5%
Construction	40,079	46,424	1.0%
Manufacturing	49,757	49,177	-0.1%
Wholesale	23,615	25,193	0.4%
Retail	88,584	91,929	0.2%
Transportation and Warehousing	18,153	19,959	0.6%
Finance, Insurance, and Real Estate	52,686	58,947	0.8%
Information	18,518	23,311	1.5%
Professional and Business Services	167,397	181,104	0.5%
Leisure and Hospitality	116,445	126,301	0.5%
Other Services	36,767	39,072	0.4%
Education and Health Services	133,616	142,395	0.4%
Government	139,340	145,130	0.3%
Self-Employment	63,066	68,357	0.5%
All Sectors	949,756	1,018,903	0.5%

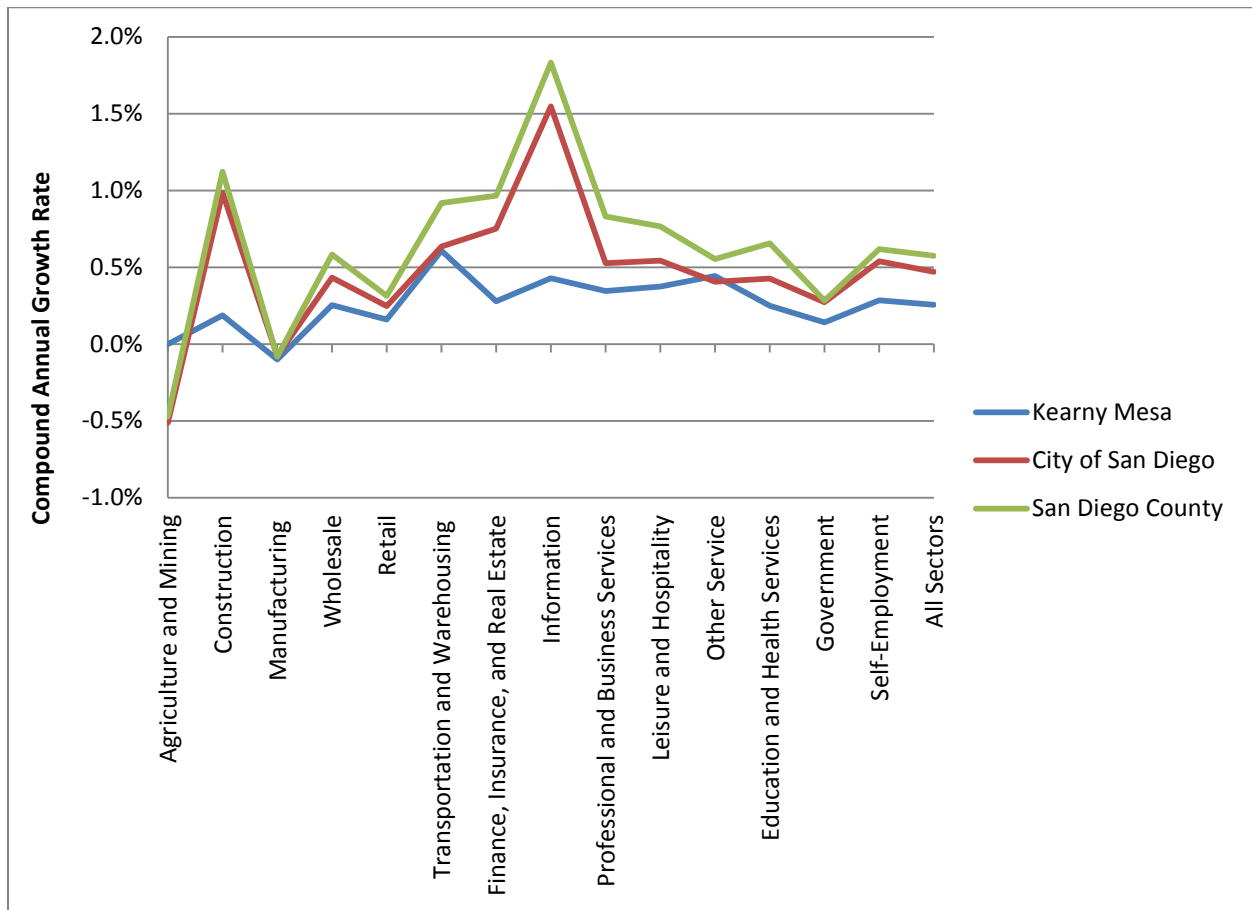
Source: SANDAG Regional Growth Forecast, 6/2015; AECOM 12/2016

Table 1.4: Employment Projections by Industry for San Diego County (2020-2035)

Industry	2020	2035	CAGR ¹
Agriculture	9,169	8,540	-0.5%
Construction	69,751	82,466	1.1%
Manufacturing	95,638	94,459	-0.1%
Wholesale	45,062	49,168	0.6%
Retail	150,632	157,858	0.3%
Transportation and Warehousing	30,230	34,671	0.9%
Finance, Insurance, and Real Estate	79,068	91,328	1.0%
Information	27,746	36,431	1.8%
Professional and Business Services	242,593	274,636	0.8%
Leisure and Hospitality	184,273	206,637	0.8%
Other Services	54,853	59,582	0.6%
Education and Health Services	176,402	194,530	0.7%
Government	250,652	261,487	0.3%
Self-Employment	104,111	114,201	0.6%
All Sectors	1,520,180	1,665,994	0.6%

Source: SANDAG Regional Growth Forecast, 6/2015; AECOM 12/2016

Figure 1.1: Projected Compound Annual Growth Rate by Industry for San Diego County, City of San Diego, and Kearny Mesa (2020-2035)



Source: SANDAG Regional Growth Forecast, 6/2015; AECOM 12/2016

Given Kearny Mesa’s long-standing history as an aerospace, defense, and manufacturing center, as well as home to several corporate headquarters, most of the area’s employment concentrates in older, larger companies (**Tables 1.5 and 1.6**). Kearny Mesa has a relatively smaller percentage of jobs in newer and smaller firms though the presence of companies in emerging industry clusters indicates opportunities for more business startup activity (**Section 1.2**).

The Economic Development Strategy also includes an objective to increase the number of locally owned small businesses, spurring economic activity that remains in the City through initial expenditures and successive rounds of re-spending. Local small businesses also expand opportunities - especially in the case of startups linked to the innovation economy - to provide inputs and services to manufacturing, military, and other sectors, furthering overall City economic development objectives.

Table 1.5: Employment by Firm Size for Kearny Mesa Compared with San Diego County (Only private jobs)

Firm Size	Kearny Mesa		San Diego County	
	Employed	% of Total	Employed	% of Total
0-19 Employees	10,116	13.3%	249,200	22.2%
20-49 Employees	7,040	9.2%	117,896	10.5%
50-249 Employees	10,337	13.6%	180,011	16.0%
250-499 Employees	5,132	6.7%	62,274	5.6%
500+ Employees	43,627	57.2%	512,409	45.7%

Source: US Census Bureau, OnTheMap Application and LEHD Origin-Destination Employment Statistics (2014)

Table 1.6: Employment by Firm Age for Kearny Mesa Compared with San Diego County (Only private jobs)

Firm Age	Kearny Mesa		San Diego County	
	Employed	%	Employed	%
0-1 Years	1,710	2.2%	43,449	3.9%
2-3 Years	3,482	4.6%	75,283	6.7%
4-5 Years	2,699	3.5%	51,255	4.6%
6-10 Years	5,951	7.8%	127,980	11.4%
11+ Years	62,410	81.8%	823,823	73.4%

Source: US Census Bureau, OnTheMap Application and LEHD Origin-Destination Employment Statistics (2014)

1.2. REGIONAL PRIORITY INDUSTRY CLUSTERS

In 2012, SANDAG identified 13 targeted industry clusters in the San Diego region in its regional economic development strategy. Clusters are export-oriented economic drivers that contribute to higher regional job and wage growth. The analysis estimates industry cluster employment within Kearny Mesa using firm number and size estimates by zip code. Employment reflects average firm size (i.e. using the midpoint of the range provided for each firm size category) multiplied by the number of firms for the relevant 6-digit North American Industry Classification System (NAICS) codes. The analysis includes all employment in zip codes 92123 and 92111, which lie partly outside of the Kearny Mesa Community Planning area boundaries.

The economic base of Kearny Mesa's and its environs' shows significant overlap with San Diego's priority industries, with nine of the 13 identified clusters having a significant presence in the community. These nine clusters comprise an estimated 20.6 percent of private employment and 16.7 percent of total employment in Kearny Mesa (**Table 1.7**). Information and communications technology is the largest cluster within Kearny Mesa, and one of the highest paying clusters. Eight of the nine clusters within Kearny Mesa had annual average wages higher than the regional average (across all industries). The exception is the entertainment and hospitality cluster, with wages lower than the regional average.

In addition to these 13 industry clusters, SANDAG identified potential new clusters, such as cybersecurity and maritime industries. Some of Kearny Mesa's major employers, including L3 Communications-Telemetry, RF Products, and KIO Networks, belong to these identified potential cluster groups, thus positioning the area to capture growth resulting from new cluster formation. Again, both existing and potential new clusters also largely conform to the identified base economic sectors outlined in the City's Economic Development Strategy. Refer to

Appendix Figures A.1 – A.12 for maps of cluster presence and intensity throughout the San Diego region.

The Economic Development Strategy outlines several strategies for facilitating the future growth of the manufacturing and innovation, international trade and logistics, and military economic base sectors. These strategies include policies and initiatives that range from preserving industrial lands to providing incentives and increasing the procurement of locally produced goods as inputs and/or end use products.

Table 1.7: Estimated Cluster Employment within Kearny Mesa

Industry Cluster	# of Firms	Est. Emp.
Action Sports Manufacturing	5	20
Advanced Precision Manufacturing	19	192
Aerospace, Navigation, and Maritime Technologies	57	3,948
Apparel Manufacturing	7	124
Biomedical Devices and Products	35	1,703
Biotechnology and Pharmaceuticals	28	544
Cleantech	54	1,093
Entertainment and Hospitality	63	2,000
Fruits and Vegetables	0	0
Horticulture	4	20
Information and Communications Technology	237	7,012
Publishing and Marketing	70	3,852
Specialty Foods and Microbreweries	2	10
Total	581	20,518

Source: SANDAG, 2016

Advanced Precision Manufacturing

The advanced precision manufacturing cluster had a limited but significant presence within the Kearny Mesa area with medium to high job density. According to SANDAG, Kearny Mesa had the highest job density of advanced precision manufacturing jobs in San Diego County.

Although relatively small, between 2010 and 2015, this cluster saw a 10 percent growth in regional employment and has been identified as one of the emerging economic sectors. Kearny Mesa is one of the potential focus areas for this growth.

Aerospace, navigation, and maritime technologies

The aerospace, navigation, and maritime technologies sector had a significant presence with medium to high job density in the Kearny Mesa area. Employment within the cluster is spread widely across the County, with higher concentrations along the southern coast of the City of San Diego, National City, and Chula Vista, which are proximate to military installations. About 4,000 of these jobs were in the Kearny Mesa area. Between 2010 and 2015, employment in this industry cluster remained stable.

Biomedical devices and products

The biomedical devices and products cluster had a significant presence within the Kearny Mesa area with low to medium job density. These industries also cluster heavily in the Golden Triangle/Mira Mesa and North County areas. Between 2010 and 2015, this industry cluster experienced 5 percent growth in jobs.

Biotechnology and pharmaceuticals

The biotechnology and pharmaceuticals cluster had a small presence in the Kearny Mesa area with low job density. Jobs within this cluster showed a distribution similar to the biomedical devices and products cluster. However, the sector overall employed a larger number of people (in absolute terms). In 2010, approximately 550 of these jobs were within the Kearny Mesa area. Between 2010 and 2015, this industry cluster experienced 14 percent growth in employment, and may be looking increasingly to Kearny Mesa as a lower cost location that is still relatively near the region's Biotech centers closer to University of California San Diego (UCSD).

Cleantech⁵

The Cleantech industry cluster had a significant presence within Kearny Mesa, which may be shrinking due to a declining employment trend and low job density. Approximately 1,000 of these jobs were within the Kearny Mesa area. Between 2010 and 2015, the Cleantech industry cluster experienced a 9 percent decrease in employment.

Entertainment and Hospitality

The entertainment and hospitality industry cluster had a significant presence within the Kearny Mesa area with low to medium job density. In 2015, approximately 2,000 of these jobs were within the area, mostly related to business-related hotels in the community. Also, SANDAG classifies food service within this cluster, of which there are several concentrations within Kearny Mesa. Employment in this sector has held steady.

Information and Communications Technologies

The information and communications technologies (ICT) industry cluster had the largest presence in Kearny Mesa, with medium to high job density in the area. The ICT sector is widely distributed throughout business centers in the region, with a high concentration around the Golden Triangle/Mira Mesa and Kearny Mesa areas. In 2010, approximately 7,000 of these jobs were within the Kearny Mesa area. Between 2010 and 2015, employment in the ICT cluster remained flat.

Publishing and marketing

The publishing and marketing industry cluster had a significant presence within the Kearny Mesa area, with low to medium job density. According to SANDAG, approximately 4,000 of

⁵ Cleantech includes firms that design or produce clean energy products, water treatment systems, and non-fossil fuels or provide environmental and technical consulting services

these jobs were within the area. Between 2010 and 2015, employment in the industry cluster remained stagnant.

1.3. LOCATION QUOTIENT AND SHIFT-SHARE ANALYSIS

Location quotient (LQ) analysis identifies what makes a regional economy unique by quantifying how concentrated a particular industry is in a region compared to the nation overall. An LQ of greater than 1.0 indicates that an area has proportionately more workers than the nation in a specific sector, implying that the region produces more of a product or service than area residents can consume and that excess is available for export.

A caveat is that while a higher LQ means greater representation of an industry, it may also be attributable to a lack of economic diversity and presence of other industries. Also, an area may have a relatively high LQ in an industry that is declining. However, LQs are a good first indicator of industries for which an area has a relative comparative advantage, although more analysis is required.

In 2015, San Diego County had notably high employment LQs in real estate and rental and leasing; professional and technical services; management of companies and enterprises; arts, entertainment, and recreation; and accommodation and food services (**Table 1.8**). Technical Appendix **Table A.1** includes detailed LQ data by subsector. Particular subsector strengths in the County include audio and video equipment manufacturing, ship and boat building, scientific research and development services, and communications equipment manufacturing.

Although San Diego County does not have a particularly high concentration of employment in manufacturing overall, the County is specialized in pharmaceutical and medicine manufacturing (2.44), electronic instrument manufacturing (2.94), communications equipment manufacturing (4.58), audio and video equipment manufacturing (7.49), ship and boat building (5.34) and

aerospace product and parts manufacturing (2.39). These industries align with the region's targeted industry clusters and are consistent with Kearny Mesa's strengths in defense and aerospace, information and communications technology, and manufacturing.

The Economic Strategy has as one of its objectives the increase in the manufacturing sector and in particular cites an increase in employment in the sector as a goal. As noted earlier, the trend towards automation has led to a decline in overall employment but not the importance of the sector as the primary driver of the regional economy. As a result, while future growth in the sector is not expected to result in dramatic levels of job growth due to automation policies, initiatives that support the expansion of manufacturing could lead to regional job growth in supporting industries and reinforce the sector's role as a primary driver of the economy of the City and the region overall. Also, growth in manufacturing output through automation and increased productivity could lead to greater demand for manufacturing land and building area, even if employment does not grow.

Additionally, data do not include nearby Mexico. Tijuana alone has over 600 export-oriented manufacturing firms (*maquiladores*) employing over 200,000 people.⁶ Together, the bi-national metropolitan area has a material manufacturing base. Several companies in Kearny Mesa have relationships or satellite facilities in northern Baja California, Mexico. According to some companies interviewed, the proximity to Mexico and wage rates there gives the San Diego region, including Kearny Mesa, a stronger competitive position for manufacturing than other regions in California.

⁶ Subsecretaría de empleo y productividad laboral. Baja California.
<http://www.stps.gob.mx/gobmx/estadisticas/pdf/perfiles/perfil%20baja%20california.pdf>.

**Table 1.8: San Diego County Location Quotient - 2015 Annual Average
(All Industries)**

NAICS Code	Industry Description	Employment	% of Employment	LQ
11	Agriculture, forestry, fishing and hunting	9,016	0.79%	0.74
31-33	Manufacturing	104,009	9.07%	0.87
42	Wholesale Trade	43,650	3.80%	0.77
44-45	Retail Trade	145,257	12.66%	0.96
48-49	Transportation and Warehousing	22,160	1.93%	0.50
51	Information	23,616	2.06%	0.88
53	Real estate and rental and leasing	27,531	2.40%	1.36
54	Professional and technical services	125,664	10.95%	1.50
55	Management of companies and enterprises	21,799	1.90%	1.02
56	Administrative and waste services	81,018	7.06%	0.95
61	Educational Services	27,925	2.43%	1.06
62	Healthcare and social assistance	158,171	13.79%	0.89
71	Arts, entertainment, and recreation	27,397	2.39%	1.31
72	Accommodation and food services	154,770	13.49%	1.23
81	Other services, except public administration	49,408	4.31%	1.18
99	Unclassified	7,966	0.69%	3.13

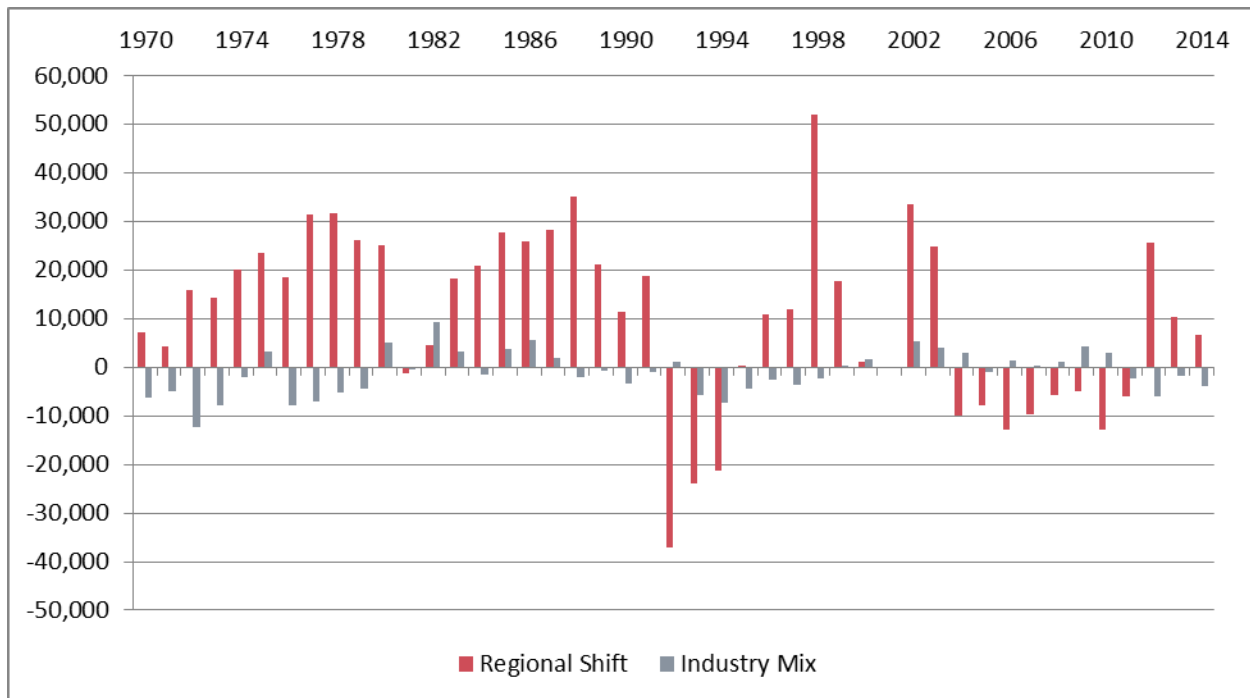
Source: BLS QCEW, 2015

Shift-share analysis divides a region’s growth into three components: national growth effect, regional industry mix effect, and regional competitiveness effect.

- National growth effect – measures how much the total employment in a local area increased because of growth in the national economy
- Industry mix effect – identifies fast growing or slowly growing industrial sectors in a local area based on the national growth rates for the individual industry sectors. Thus, a local area with an above-average share of the nation’s high growth industries would have grown faster than a local area with a high share of low growth industries
- Regional shift (regional competitiveness) effect – highlights a local area’s leading and lagging industries. This compares a local area’s growth rate in an industry sector with the growth rate of the same sector at the U.S. level. A leading industry is one where that industry’s local area growth rate is greater than the U.S. growth rate and vice versa for a lagging industry.

Between 1970 and 1990, the San Diego region’s employment growth exceeded the national average. Most of this growth was due to “regional shift,” in which San Diego County’s leading industries grew at rates above the national average for those industries (**Figure 1.2**).

Figure 1.2: Regional Shift and Industry Mix: San Diego County Compared to the United States

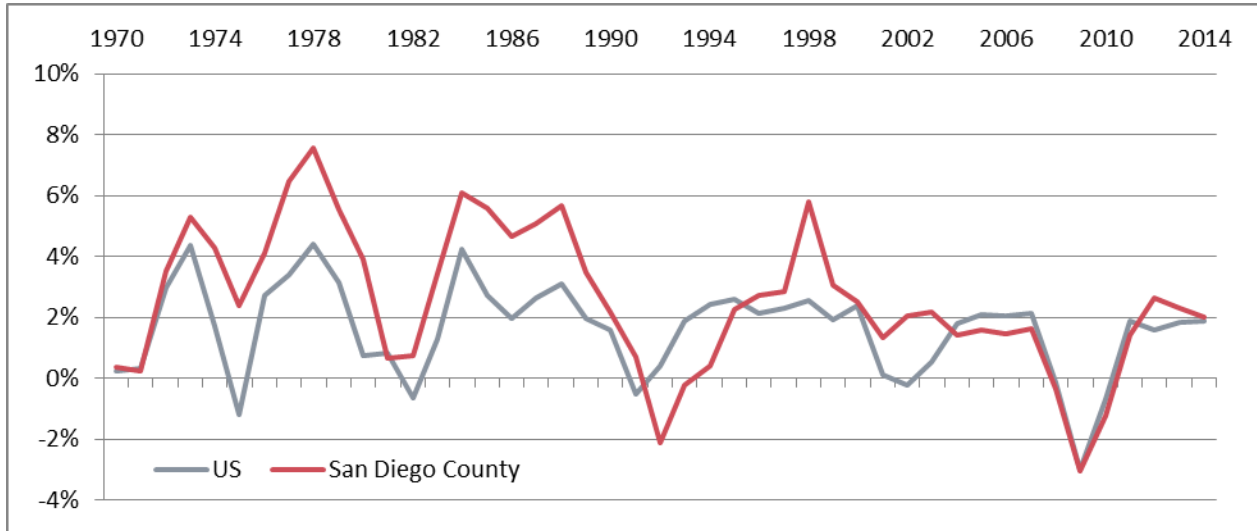


Source: Bureau of Labor Statistics Quarterly Census of Employment and Wages, 2016

Because of contractions in defense spending in the 1990s, San Diego County’s largest private employer, General Dynamics (employing 12,000 in Kearny Mesa and 17,000 in the larger San Diego area) shuttered its Kearny Mesa Campus. Other defense companies also downsized or relocated. Thus, during the 1990s, San Diego County’s growth rate moderately lagged the national average.

Since 2000, San Diego County has exceeded national average employment growth, particularly in the industries of mining, wholesale and retail trade, finance, insurance and real estate, and services, which all exhibited positive regional competitiveness effects (**Figure 1.3**). The finance, insurance, and real estate, and services industry sectors contributed to the positive industry mix effect for San Diego County (LQ>1).

Figure 1.3: Employment Growth: San Diego County and United States



Source: BLS QCEW, 2016

1.4. LABOR-FORCE COMMUTE DATA AND MODE DISTRIBUTION

The commuting analysis compiled origin-destination data from Longitudinal Employer-Household Dynamics 2014 data for Census Tracts 85.11 and 93.06. The analysis extracted commuting data on a census tract level by mode of transportation from the 2006 to 2010 American Community Survey.

Kearny Mesa is primarily an employment center, with a small residential base. In general, the labor force employed within Kearny Mesa commutes into the area from throughout the San Diego region with no significant patterns in the geographic distribution of the census tracts of origin.

The top five origin census tracts for in-commuters are as follows.

- 1) 85.10 - Linda Vista
- 2) 170.32 - Black Mountain Ranch/Rancho Bernardo
- 3) 133.10 - Otay Ranch Village West, Otay Ranch and Sunbow (Chula Vista)
- 4) 83.60 - Scripps Miramar Ranch
- 5) 85.07 - Clairemont Mesa

Conversely, most of the labor force living in Kearny Mesa commutes out of the area for work. Out of a total labor force of approximately 4,600 residents, 800 (17.5 percent) have a work commute that begins and ends in Kearny Mesa, meaning that the employee both lives and works in the community (**Table 1.9**). As a comparison, approximately 18 percent of the labor force living in Downtown San Diego also works in the same community. This is well above neighboring areas such as Clairemont Mesa and Sorrento Mesa which have rates in the low single digits.

Automobiles are the preferred mode of transportation for all commuters with over 96 percent of the labor force commuting into and out of Kearny Mesa by car. For incoming and outgoing workers not commuting by car, bus is the most popular mode of transportation (**Table 1.10**).

Cars remain the preferred mode of choice for Kearny Mesa residents that also work within the area. An interesting trend observed for people who both live and work in Kearny Mesa is that a high number of them work at home, indicating they are either self-employed or own small businesses based out of their homes. Additionally, state and regional policies and planning frameworks such as Senate Bill 375, the regional transportation plan, and the City's Climate Action Plan all emphasize reducing automobile reliance and vehicle miles traveled (VMT). Planned transit and active transportation investments in the region, City, and Kearny Mesa

would support connectivity to prime industrial lands and mixed use and residential areas. This is expected to have beneficial impacts, including reducing the economic costs of congestion for businesses and workers. This would likely enhance the ability to retain and attract the businesses and talent necessary to expand the core economic base sectors.

Table 1.9: Inflow and Outflow of Labor in Kearny Mesa (2014)

Factor	Number	Percent
Employed in the Area	94,089	100.0%
Net Inflow (in-commuters)	93,286	99.1%
Living in the Area	4,596	100.0%
Net outflow (out-commuters)	3,793	82.5%
Living and employed in the area	803	17.5%
Inflow Job Characteristics		
Number of internal jobs filled by in-commuting workers	93,286	100.0%
Workers in "Goods Producing"	13,043	14.0%
Workers in "Trade, Transportation and Utilities"	15,117	16.2%
Workers in "All Other Services"	65,126	69.8%
Outflow Job Characteristics		
Number of external jobs filled by out-commuting residents	3,793	100.0%
Workers in "Goods Producing"	354	9.3%
Workers in "Trade, Transportation and Utilities"	546	14.4%
Workers in "All Other Services"	2,893	76.3%
Interior Flow Job Characteristics		
Number of Internal jobs filled by residents	803	100.0%
Workers in "Goods Producing"	131	16.3%
Workers in "Trade, Transportation and Utilities"	127	15.8%
Workers in "All Other Services"	545	67.9%

Source: US Census Bureau, OnTheMap Application and LEHD Origin-Destination Employment Statistics (2014).

Table 1.10: Inflow and outflow of labor in Kearny Mesa by Mode of Transportation (2014)

Mode	Number of Commuters	Percent of Total
Total, all means of transportation	76,542	100.0%
Car, truck or van (including passenger)	73,362	95.8%
Bus or trolley bus	1,099	1.4%
Streetcar or trolley car	45	0.1%
Subway or elevated	30	0.0%
Railroad	88	0.1%
Bicycle	244	0.3%
Walked	622	0.8%
Motorcycle	416	0.5%
Other	238	0.3%
Worked at home	370	0.5%

Source: U.S. Census Bureau, American Community Survey 2006-2010 Five-year estimates. Special Tabulation: Census Transportation Planning

1.5. COMMERCIAL, INDUSTRIAL, AND RESIDENTIAL IMPACT FEES

The following subsection summarizes applicable development fees within Kearny Mesa for 2017: Development Impact Fee (community-specific) and citywide housing impact fee (Technical Appendix **Table A.2** includes a detailed Development Impact Fee Schedule).

- Development Impact Fee
 - Within urbanized communities that are near buildout, Development Impact Fees (DIF) are collected to mitigate the impact of new development by financing needed public facilities identified in the Public Facilities Financing Plan. Upon determination

- of the area of benefit and buildout population, the estimated cost to construct the facilities is divided between residential and non-residential development.
- Kearny Mesa’s residential DIF (\$8,610) exceeds the average DIF of \$7,472 but the non-residential components (transportation and fire) are among the lowest fees.
 - Kearny Mesa’s DIF per dwelling unit is higher than the neighboring communities of Linda Vista and Serra Mesa but substantially lower than Tierrasanta.
- **Applicable City Fees**
 - **Citywide Regional Transportation Congestion Improvement Program Fee (RTCIP):** New development contribution to the region’s transportation system to offset the negative impact of growth on congestion and mobility. In accordance with voter approval of TransNet 2 in 2004 the RTCIP was established. Each local agency is required to have its own procedure or program to collect this fee. The City assesses these fees only on residential development. In Kearny Mesa this fee is in addition to the DIF.
 - **Housing Impact Fee:** Contributes to San Diego Housing Trust Fund to meet the City’s affordable housing needs. The City collects fees only on non-residential development projects. As recommended by the Economic Development Strategy, the City amended the Municipal Code to exempt manufacturing and warehouse uses from the Housing Impact Fee.

2. SELECTED FISCAL REVENUE CONTEXT

AECOM gathered data on retail sales tax and transient occupancy tax (TOT) collected within Kearny Mesa. The City collects sales tax from any establishment that sells consumer goods directly to the consumer. Overnight and/or lodging accommodations, such as hotels and motels generate TOT. General collected tax trends illustrate the direct fiscal impact of the Kearny Mesa commercial economy on the City's budget.

2.1. TAXABLE SALES IN KEARNY MESA

The analysis aggregated sales tax data from six major retail corridors that capture a significant portion of the retail establishments within Kearny Mesa. In 2015, the City collected approximately \$16.5 million in sales tax revenues across the identified corridors, approximately 6.5 percent of total sales tax revenue. Kearny Mesa Road was the corridor with the highest amount of sales tax at \$3,887,946, reflecting auto sales from dealerships such as BMW of San Diego, Lexus San Diego, Kearny Mesa Toyota, Mercedes-Benz of San Diego, and big box retail, such as Staples. Other corridors including Balboa Avenue, Clairemont Mesa Boulevard east, and Convoy Street also reported total sales tax in the \$3.8 million range. Clairemont Mesa Boulevard west reported the lowest amount of sales tax collected. Businesses along this corridor tend to be small-scale outlets specializing in fast food and convenience retail.

Table 2.1 details the total aggregate sales tax collected by the City for each major retail corridor. All corridors have seen increases in sales tax collected since 2000 with particularly strong growth along Balboa Avenue and Convoy Street, the spine of the emerging Pan Asian entertainment and cultural district. From 2000 – 2015 the average inflation rate was 2.8% while the CAGR for the corridors in aggregate was 3.3 percent.

Table 2.1: Sales Tax Collected in Kearny Mesa by Corridor and CAGR (2000-2015)

Retail Corridor	2000	2005	2010	2015	CAGR
Balboa Avenue	\$1,491,882	\$1,582,144	\$2,777,944	\$3,887,654	6.6%
Clairemont Mesa Blvd (west of CA 163)	\$2,339,899	\$2,969,674	\$2,361,878	\$3,433,187	2.6%
Clairemont Mesa Blvd (east of CA 163)	\$400,717	\$505,591	\$637,253	\$524,747	1.8%
Convoy Street	\$2,415,373	\$2,743,013	\$2,491,618	\$3,830,755	3.1%
Kearny Mesa Road	\$2,789,999	\$4,495,649	\$3,050,475	\$3,887,946	2.2%
Kearny Villa Road	\$722,067	\$775,303	\$740,968	\$1,027,810	2.4%
Total	\$10,159,937	\$13,071,374	\$12,060,136	\$16,592,099	3.3%

Source: City of San Diego, 2015

2.2. TRANSIENT OCCUPANCY TAX COLLECTED IN KEARNY MESA

AECOM gathered the total taxes collected by visitor-serving establishments in the 92111 and 92123 zip codes with the clear majority of such establishments located within the Kearny Mesa area. In 2015, the City collected approximately \$3.7 million in TOT from Kearny Mesa hotels and motels. **Table 2.2** shows total TOT collected from 2000 to 2015 in five-year increments.

Table 2.2: Transient Occupancy Tax (TOT) Collected in Kearny Mesa¹ (2000-2015)

	2000	2005	2010	2015	CAGR
Total TOT Collected (including penalties)	\$2,129,665	3,221,677	2,884,729	\$3,750,279	3.84%

¹ Note totals include tax collected within the 92111 and 92123 zip codes

Source: City of San Diego, 8/2016

3. REAL ESTATE CONTEXT

AECOM evaluated the commercial real estate market fundamentals (i.e. vacancy rates, rental rates, absorption, historical development trends, etc.) for four property types within the Kearny Mesa commercial real estate (CRE) market (primary market) to provide context into potential supply/demand factors that may affect long-term real estate development opportunities for properties within the area⁷. Relevant property types within Kearny Mesa include industrial, office, and for-rent residential multifamily properties. The market area used to evaluate these market dynamics reflects the Kearny Mesa Community Plan boundaries; the analysis includes other broader market characteristics where relevant. As noted previously, land uses present in Kearny Mesa such as manufacturing, R&D, residential multifamily, vehicle dealerships, business office, large retailers, and hotels and motels on average tend to have positive fiscal impacts for the City. The following section provides an overview of average annual rents, vacancy, absorption, and inventory for each of the market sectors⁸. All figures present data in current dollars (not adjusted for inflation). Again, the inflation rate during the 2000 – 2015 period was 3.3 percent.

3.1. INDUSTRIAL MARKET

The primary market area has reported positive net absorption since 2014 with a 3-year average of approximately 100,000 square feet (SF). Overall market demand has been stable or positive since 2012 with the notable exception of negative absorption of 500,000 SF in 2013,

⁷ Data presented within this document were derived from third-party sources; all findings are subject to General and Limiting Conditions.

⁸ Total inventory numbers are based on a 2016 Q3 survey and may not reflect the current market.

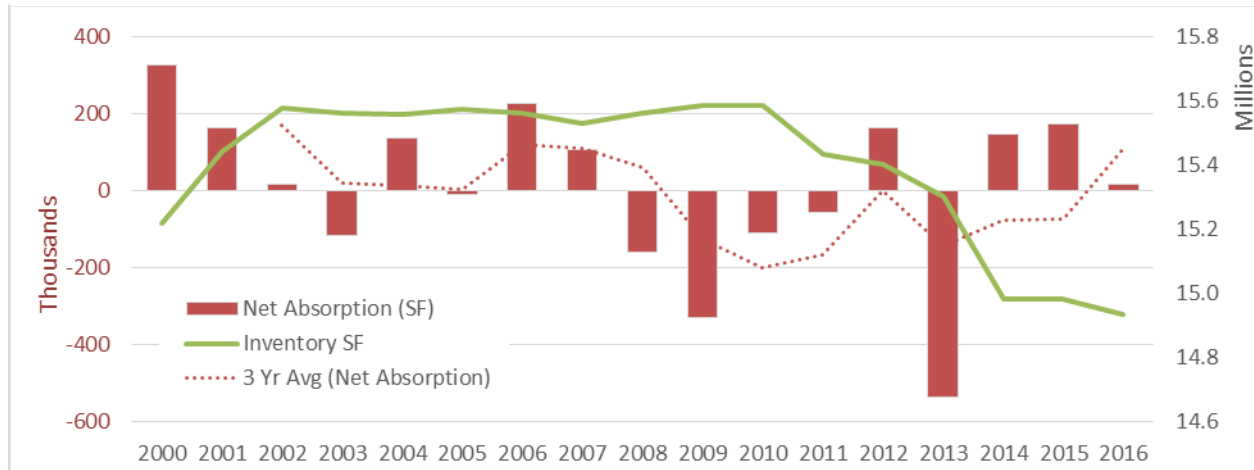
which coincides with a drop in inventory. **Figure 3.2** details the historical absorption and inventory changes from 2000 to 2016 within Kearny Mesa.

Figure 3.1: Average Annual Vacancy and Rent (NNN): Industrial Sector (2000-



Source: CoStar Group Inc., 12/2016

Figure 3.2: Annual Net Absorption and Total Inventory: Industrial Sector



Source: CoStar Group Inc., 12/2016

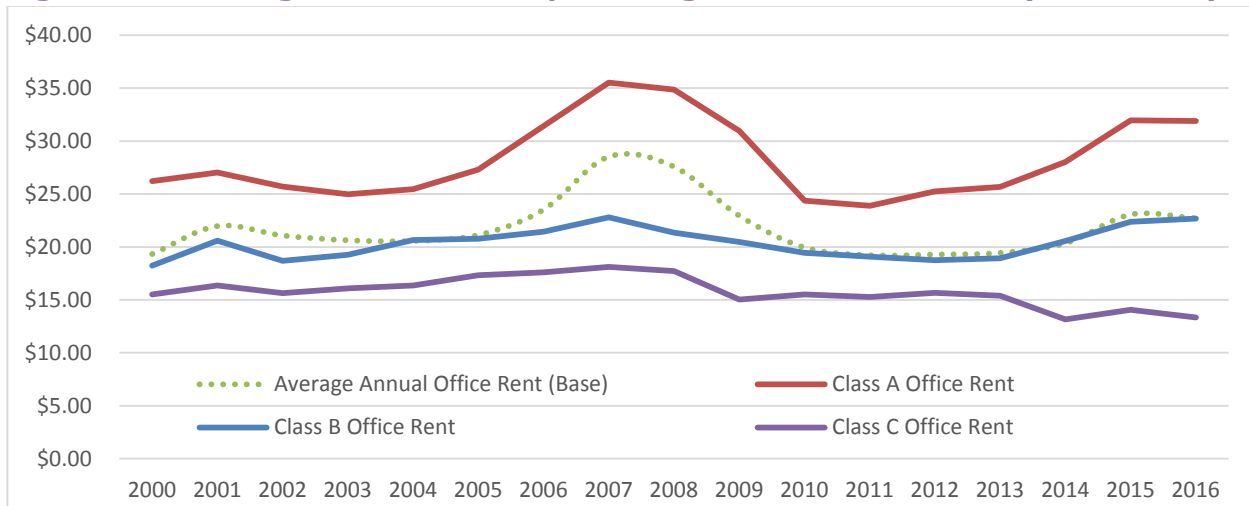
Overall, industrial real estate trends and local market characteristics continue to pressure current inventory, driving rents in a positive direction. National trends suggest demand for industrial and logistical space (i.e., variation on warehousing and flex space) will continue to increase, particularly in markets near major transportation routes. Kearny Mesa’s excellent accessibility will allow it to take advantage of these overall trends, as reflected in declining and currently low vacancy rates in the industrial property sector.

3.2. OFFICE MARKET

The analysis evaluated office market fundamentals for the primary market area based on building class (A, B, or C) to delineate demand for varying types of office space throughout Kearny Mesa. Overall, market fluctuations appear consistent across all office types with Class B office space being the most prominent in the market area and—as expected—performing more consistently. As of Q3 2016, there is approximately 2.9 million SF of Class A office space, 5.7 million SF of Class B office space, and 1.7 million SF of Class C office space within Kearny Mesa

with an average rental rate of \$22.71/SF. **Figure 3.3** details the historical rents across all classes of office space.

Figure 3.3: Average Annual Rent by Building Class: Office Sector (2000-2016)

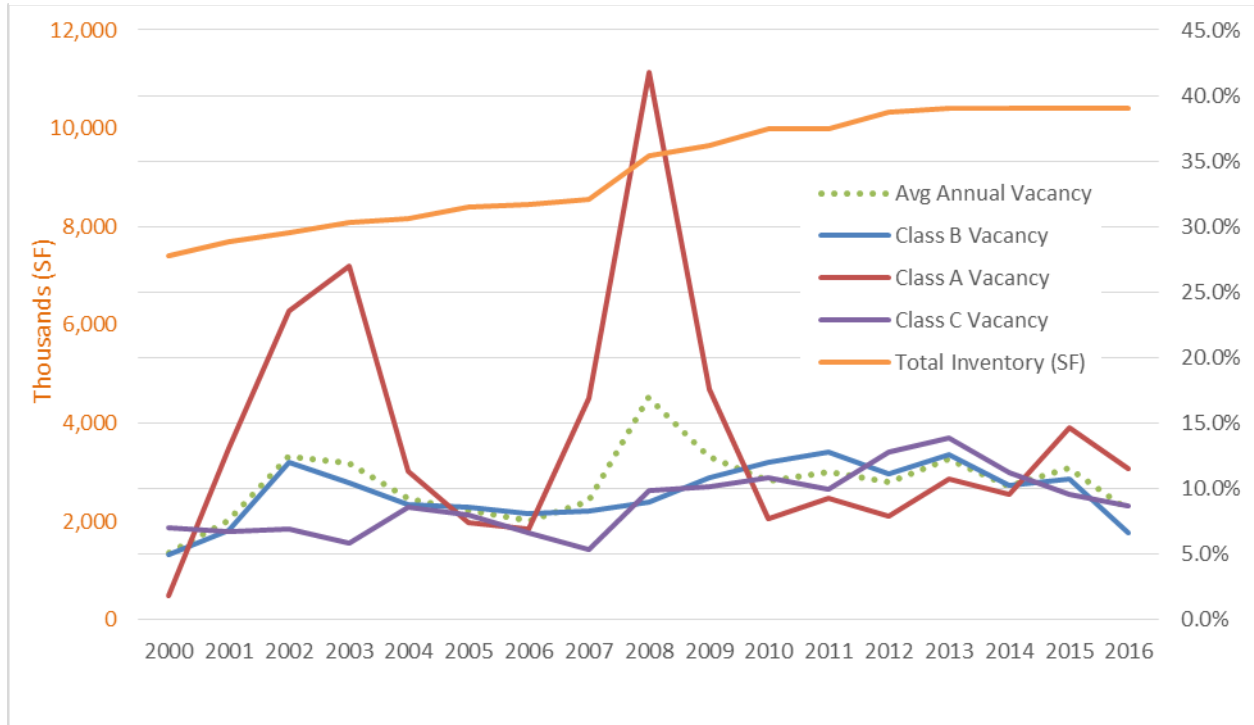


Source: CoStar Group Inc., 12/2016

Vacancies across office classes have remained generally consistent since 2010. Average annual vacancy for the overall office market was 11.6 percent in 2015. Current marked demand has pushed average vacancies below the 5-year average to 8.7 percent in 2016. **Figure 3.4** details the average annual vacancy for each class of building, as well as an overall average between 2000 and 2016.

Overall demand for office space appears to be increasing in the short term; however, rents seem to be stabilizing for the current economic conditions, suggesting the primary market area is poised to remain consistent in the short term.

Figure 3.4: Supply and Vacancy by Building Class: Office Sector 2000-2016



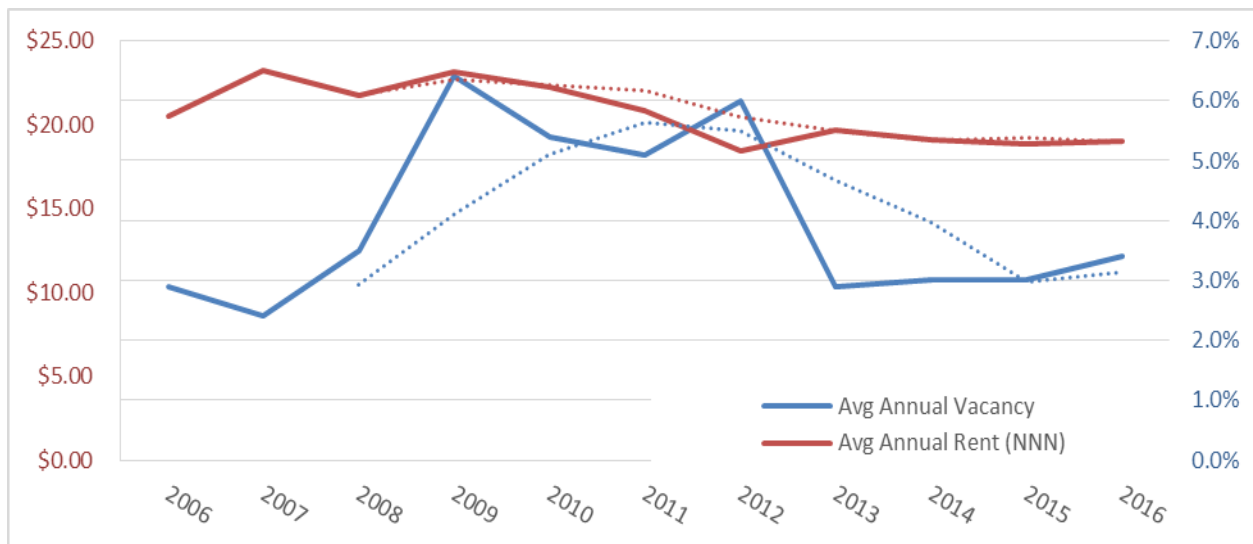
Source: CoStar Group Inc., 12/2016

3.3. RETAIL MARKET

The analysis collected retail market fundamentals for the past decade (2006-2016) for the primary study area. However, it is important to note some establishments in Kearny Mesa that may qualify as “retail” businesses chose to locate in properties that are primarily warehouses or light manufacturing. Since this product is typically classified as industrial space, the industrial section of this analysis best illustrates applicable trends. For this reason, the retail market and associated properties included in this analysis fall under the more traditional definition of retail space (i.e., built to promote consumer facing transactions).

Retail rental/lease rates in Kearny Mesa have remained constant over the last three years at approximately \$19.01/SF (NNN) annually compared to the broader San Diego market at \$25.76/SF (NNN).⁹ As expected, vacancy rates remained constant for a similar timeframe with a slight increase in 2015 and early 2016. As of Q3 2016, retail vacancy in Kearny Mesa was reported at 3.4 percent, which is consistent with the overall market (City of San Diego) condition of 3.5 percent. **Figure 3.5** details the annual vacancy and associated rents for all retail space within Kearny Mesa.

Figure 3.5: Average Annual Vacancy and Rent (NNN): Retail Sector (2006-2016)



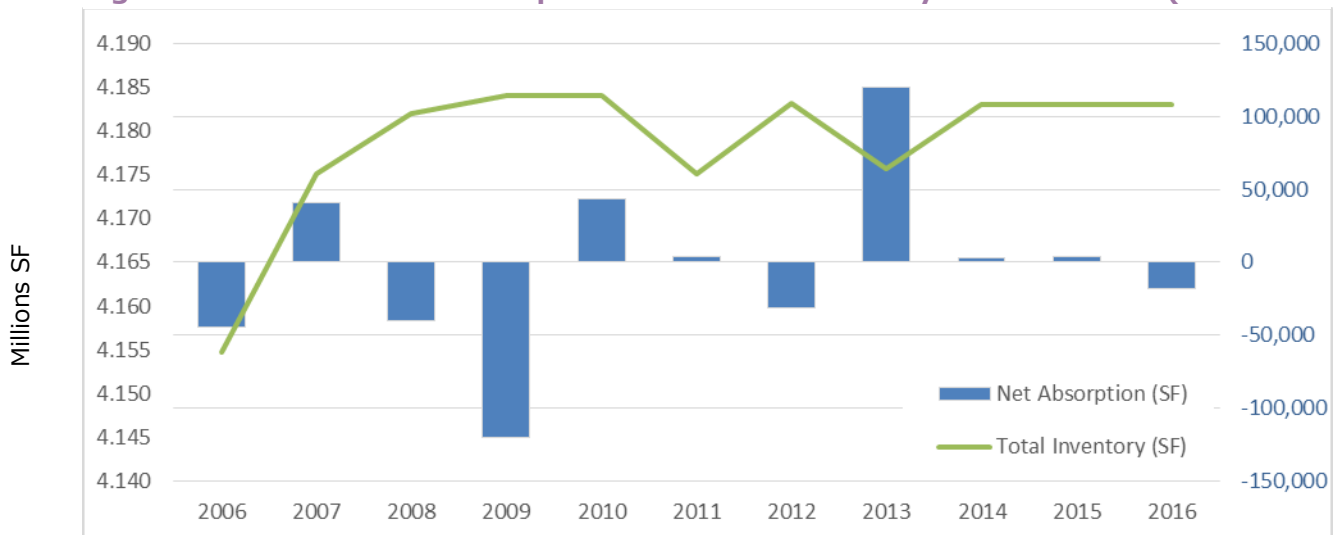
Source: CoStar Group Inc., 12/2016

Absorption trends within the retail sector of Kearny Mesa have remained consistent since 2010. Fluctuations in inventory—or more likely—demolish and replace construction cycles have

⁹ NNN is also called the “triple net lease” and refers to a lease arrangement where the tenant or lessee is responsible for paying some or all of the property taxes, insurance, and maintenance.

contributed to the minor variations in absorption in recent years. Within the last decade, the market added approximately 30,000 SF of new retail space, suggesting a limited demand and/or room for growth in the current market area. **Figure 3.6** details the retail absorption and inventory trends from 2006 to 2016. Overall, the retail market of Kearny Mesa appears stable; and a significant shift would likely be a result of a change in inventory or land regulations.

Figure 3.6: Annual Net Absorption and Total Inventory: Retail Sector (2006-



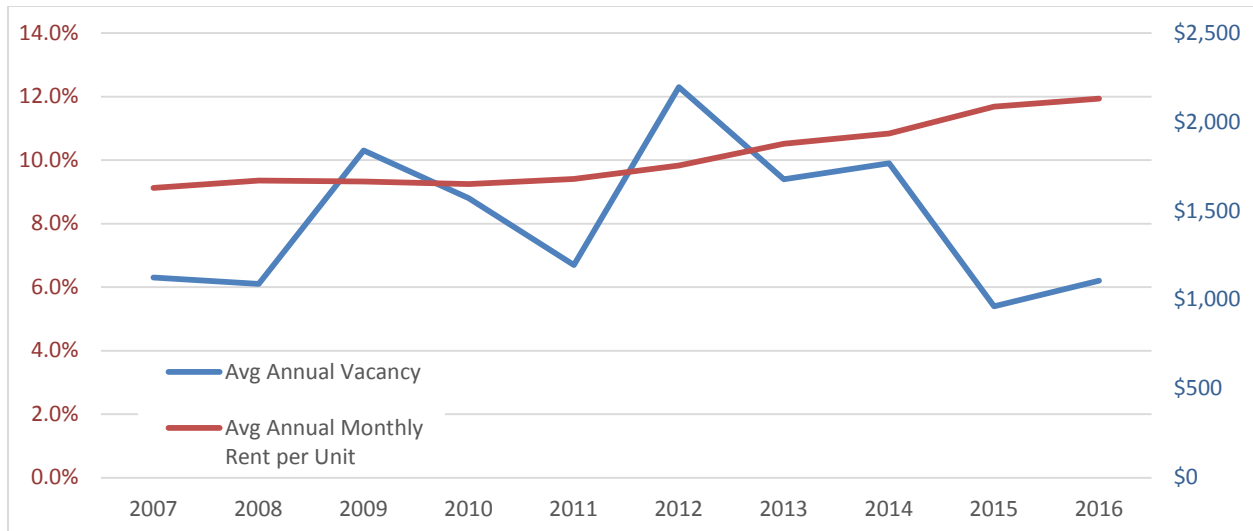
Source: CoStar Group Inc., 12/2016

3.4. FOR-RENT RESIDENTIAL (MULTIFAMILY) MARKET

The for-rent multifamily residential market is limited in Kearny Mesa, reporting approximately 2,615 units. However, the market has been growing significantly over the previous decade with the addition of nearly 1,300 units. There are limited development opportunities within the market area for construction of new multifamily properties, which appear to have constrained potential new deliveries within Kearny Mesa under the existing Community Plan. Newer residential properties in the area offer superior amenity packages, drawing premium rents compared to other areas throughout the broader market.

Average monthly rental/lease rates have increased consistently over the last decade from approximately \$1,600 per unit in 2007 to \$2,200 per unit in 2016. Current vacancies are approximately 6 percent in Kearny Mesa, which is higher than the broader market of 3.7 percent; however, rents within the area are significantly higher than the overall average of approximately \$1,400. **Figure 3.7** details average annual vacancies and average price per unit for 2007 to 2016.

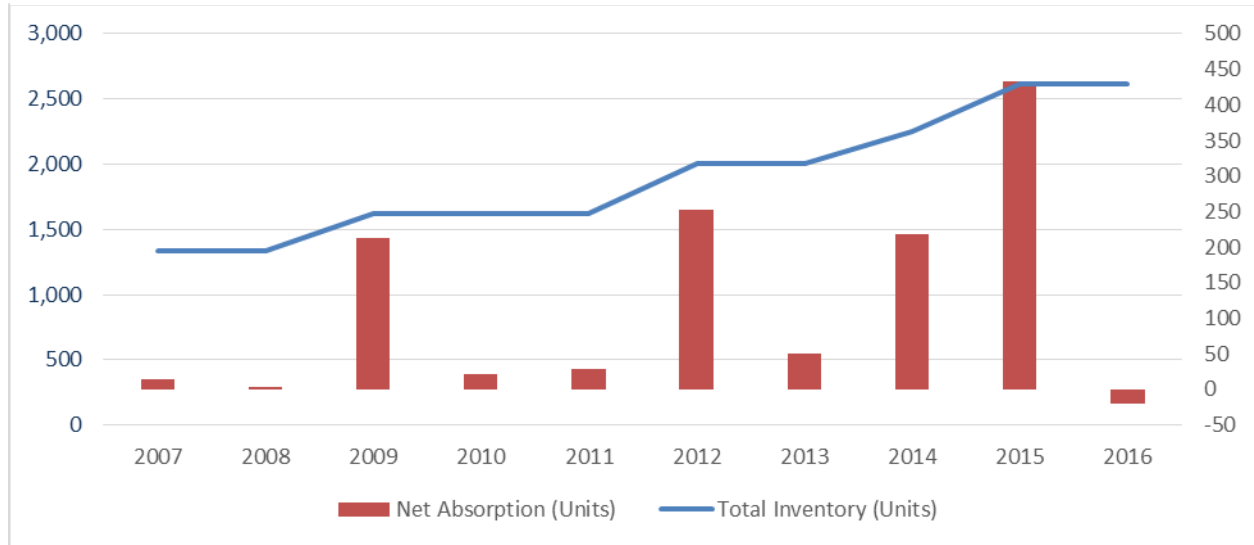
Figure 3.7: Average Annual Vacancy and Rent (NNN): Multifamily Sector (2007-2016)



Source: CoStar Group Inc., 12/2016

The market has consistently added new multifamily inventory since 2009 and absorption has remained positive throughout the lease-up cycles. However, 2016 is the first year in the last decade to report a negative absorption (-20 units). **Figure 3.8** details the total inventory and absorption trends from 2007 to 2016. Overall, the Kearny Mesa market reports higher rents than the broader market with a slightly higher vacancy rate.

Figure 3.8: Annual Net Absorption and Total Inventory: Multifamily Sector



Source: CoStar Group Inc., 12/2016

3.5. ESTIMATED FUTURE LAND USE DEMAND

The demand for future real estate development is largely a factor of the economic growth within a given market; more specifically, growth within a particular employment sector. The anticipated—or realized—growth within an industry creates a demand for additional occupied space, resulting in increased demand for real estate development. If the given market cannot support the additional demand due to land or development constraints, potential tenants who may require larger properties may choose to locate elsewhere, and tenants that choose to take advantage of the location-based benefits of the area would likely see increased rents.

Employee projections presented in **Section 1.1** were used to estimate the future demand for commercially developed real estate within the Kearny Mesa Community Planning Area.

Employee densities consistent with the City of San Diego General Plan provided the anticipated growth by major land use categories.

During the 2015-2020 timeframe, Kearny Mesa is estimated to demand an additional 227,000 SF of leasable commercial real estate space (office, retail, industrial, and other) with an additional 788,850 SF for years 2020-2035. Overall, by 2035, it is estimated that the Kearny Mesa economy may require an additional one million SF of new commercial space. **Table 3.1** details the estimated growth for time periods 2015-2020 and 2020-2035 by major industry sector and land use.

Table 3.1: Estimated Future Commercial Building Space Demand by Land Use (2015-2035)

Industry Sector	Land Use	Leasable SF/ Employee	2015-2020	2020-2035
			2020 SF	2035 SF
Manufacturing	Industrial	400	8,000	(13,200)
Wholesale	Industrial	500	10,000	31,000
Retail	Retail	350	14,350	29,750
Transportation and Warehousing	Industrial	800	9,600	58,400
Finance, Insurance, and Real Estate	Office	300	10,200	33,900
Information	Office	300	4,500	20,700
Professional and Business Services	Office	300	34,800	136,500
Leisure and Hospitality	Other	1,400	86,800	364,000
Other Service	Other	300	5,400	24,900
Education and Health Services	Office	300	19,500	58,500
Government	Office	300	24,000	44,400
	Total		227,150	788,850
	Industrial		27,600	76,200
	Retail		14,350	29,750
	Office		93,000	294,000
	Other		92,200	388,900

Source: SANDAG Regional Growth Forecast, 6/2015; City of San Diego; AECOM 5/2017

4. DEMOGRAPHIC AND SOCIO-ECONOMIC CONTEXT

This section summarizes demographic data for the County of San Diego (County), the City of San Diego (City) and Kearny Mesa. Prior to 1980, Kearny Mesa was almost exclusively a commercial/industrial area. The introduction of housing through the conversion of industrial and commercial lands, in particular the former General Dynamics property, and recent multifamily construction, has produced significant changes in population size and demographic characteristics. While still lagging neighboring communities in the number of residents, Kearny Mesa's population has increased sharply since 2000. The area also has a proportionately larger Asian population. Community residents are more affluent than City and County residents overall, a trend that has accelerated in conjunction with new residential development. Community residents are slightly better educated than City and County residents as a whole with a higher percentage of adults obtaining a Bachelor's Degree or higher. Household size in Kearny Mesa remains significantly less than the City and County averages. The community has a higher proportion of adults age 30-39 and children under the age of 10 relative to the City and County.

4.1. POPULATION AND GROWTH

Kearny Mesa has the smallest population base among the five adjoining community planning areas with approximately 9,011 residents (as of January 1, 2015). Reflecting a sharp increase in multifamily residential construction over the last 5 years, the community added almost 3,500 residents between 2010 and 2015 (**Table 4.1**). From 1980 to 2014, Kearny Mesa's population increased at more than three times (7 percent) the annual growth rate of 2 percent in the County and City; however, this growth occurred from a very low residential base. Kearny

Mesa grew so quickly due to the addition of residential projects that the current estimated population exceeds SANDAG’s projected 2050 population prepared in 2012. SANDAG is in the process of updating its population forecasts.

Table 4.1: Population Growth: 1980-2015

Area	1980	1990	2000	2010	2015	CAGR ¹
Kearny Mesa	-	-	3,423	5,598	9,011	7%
City of San Diego	875,538	1,110,549	1,177,582	1,255,446	1,313,959	2%
San Diego County	1,861,846	2,498,016	2,716,820	2,993,347	3,120,296	2%

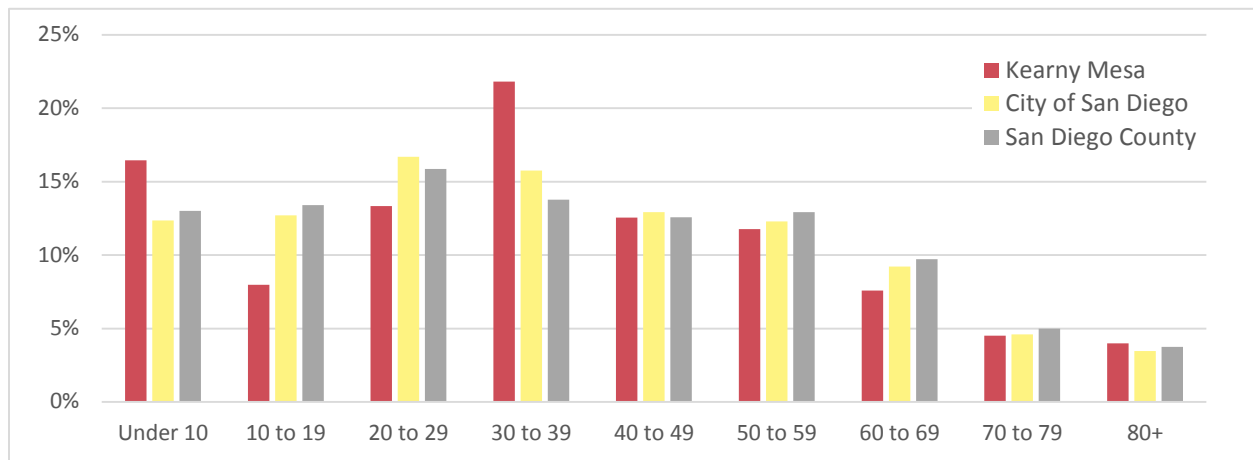
¹ Compound Annual Growth Rate

Source: U.S. Census Bureau; SANDAG; AECOM, 12/2016

4.2. AGE

Kearny Mesa has a higher than average share of children and adults 30-39 years, indicating a larger share of young families (**Figure 4.1**).

Figure 4.1: Population by Age 2015



Source: SANDAG, 12/2016

4.3. RACE AND ETHNICITY

The County, City, and Kearny Mesa are all becoming more diverse with Asian and Hispanic or Latino populations increasing from 2000 through 2015 (**Table 4.2**). Due to the relatively small population base, all race/ethnicity groups saw significant increases in Kearny Mesa since 2000 but the White, Asian, and Hispanic populations saw the largest absolute gains. The Asian population in Kearny Mesa is proportionately larger than the City and County overall. The share of population that is Black, while relatively smaller, is over 50 percent larger than the average citywide.

Table 4.2: Race and Ethnicity Distribution: 2000-2015

Race/Ethnicity	Kearny Mesa			City of San Diego			San Diego County		
	2000	2010	2015	2000	2010	2015	2000	2010	2015
White	53.9%	53.9%	49.9%	55.0%	48.5%	47.0%	49.4%	45.1%	43.9%
Asian	18.0%	18.0%	19.2%	8.7%	10.6%	11.1%	13.5%	15.7%	16.4%
Hispanic	16.6%	16.6%	18.5%	26.7%	32.0%	33.4%	25.4%	28.8%	29.9%
Black	5.8%	5.8%	6.6%	5.5%	4.7%	4.3%	7.6%	6.2%	5.7%
Pacific Islander	0.9%	0.9%	0.9%	0.4%	0.4%	0.5%	0.4%	0.4%	0.4%
American Indian	0.3%	0.3%	0.4%	0.5%	0.5%	0.5%	0.3%	0.3%	0.3%
Other	0.3%	0.3%	0.3%	0.2%	0.2%	0.2%	0.3%	0.3%	0.3%
Two or More	4.1%	4.1%	4.1%	2.9%	3.1%	3.1%	3.1%	3.3%	3.3%

Source: SANDAG; AECOM, 12/2016

Table 4.3 Kearny Mesa Population Change by Race/Ethnicity (2000-2015)

Race/Ethnicity	Percent Change	Population Change
White	48%	1,472
Asian	71%	722
Hispanic	79%	741
Black	81%	268
Pacific Islander	57%	30
American Indian	117%	21
Other	47%	9
Two or More	63%	146

Source: SANDAG; AECOM, 12/2016

4.4. AVERAGE HOUSEHOLD SIZE

While household sizes in all geographies have increased since 2000, household size in Kearny Mesa remains significantly less than the City and County overall, reflecting the greater than average share of multifamily housing (**Table 4.4**).

Table 4.4: Average Households Size 2000-2014

Area	2000	2010	2014
San Diego County	2.73	2.75	2.85
City of San Diego	2.61	2.60	2.72
Kearny Mesa	2.11	2.15	2.19

Source: U.S. Census Bureau; AECOM, 7/2016

4.5. HOUSEHOLD INCOME

In 2015, Kearny Mesa had a higher proportion of higher upper middle-income households (\$75,000-199,999 categories) than the County and City and a lower share of low and moderate-income categories (**Table 4.5**). By 2015, households earning \$75,000 to \$125,000 represented the largest income groups in the community. Household income levels in Kearny Mesa are higher than incomes in the four adjacent communities.

Table 4.5: Household Income Distribution: 2010-2015

Household Income	Kearny Mesa		City of San Diego		San Diego County	
	2010	2015	2010	2015	2010	2015
Less than \$15,000	6%	10%	11%	11%	9%	10%
\$15,000 to \$29,999	11%	7%	13%	12%	13%	13%
\$30,000 to \$44,999	10%	8%	13%	12%	14%	13%
\$45,000 to \$59,999	12%	12%	11%	11%	12%	11%
\$60,000 to \$74,999	11%	10%	10%	9%	10%	9%
\$75,000 to \$99,999	20%	14%	14%	13%	14%	13%
\$100,000 to \$124,999	13%	14%	9%	10%	9%	9%
\$125,000 to \$149,999	5%	13%	6%	6%	6%	6%
\$150,000 to \$199,999	7%	10%	7%	8%	7%	7%
\$200,000 or more	5%	2%	7%	8%	6%	7%

Source: SANDAG; AECOM, 12/2016

4.6. EDUCATION

Overall, the number of people with less than high school, high school, and some college or an associate degree has decreased since 2000. Residents of Kearny Mesa have obtained higher levels of education relative to the County and City as a whole with 40 percent of residents over the age of 18 earning a Bachelor’s Degree or higher (**Table 4.6**). The significant increase in

the proportion of adults with a college degree or higher in Kearny Mesa since 2000, combined with the relatively higher incomes, may indicate that many of the new residents are tied to the growing technical and professional services jobs and industries in the region.

Table 4.6: Education Attainment by Age (18 years and over): 2000-2014

Education Level	Kearny Mesa			San Diego County			City of San Diego		
	2000	2010	2014	2000	2010	2014	2000	2010	2014
Less than High School	14.7%	13.0%	7.4%	17.9%	14.4%	13.8%	17.1%	5.0%	12.2%
High School Graduate	26.3%	18.6%	19.0%	21.6%	21.6%	20.8%	18.5%	25.5%	17.9%
Some College/Associate Degree	45.1%	32.4%	33.4%	34.4%	33.8%	34.1%	33.4%	36.6%	32.2%
Bachelor's Degree or Higher	13.9%	36.0%	40.2%	26.1%	30.2%	31.3%	31.0%	32.9%	37.7%

Source: U.S. Census Bureau, 2000-2014; AECOM, 6/2016

4.7. EMPLOYMENT

Kearny Mesa residents report higher levels of employment than residents in the County and City overall (**Table 4.7**), except for teenagers and young adults less than 24 years old. This may indicate a growing college student population choosing to live in Kearny Mesa.

Table 4.7: Percent Employed by Age: 2000-2014

Age (years)	Kearny Mesa			San Diego County			City of San Diego		
	2000	2010	2014	2000	2010	2014	2000	2010	2014
16-19	66.7%	0.0%	0.0%	78.8%	74.6%	69.0%	75.5%	75.6%	69.3%
20-21	100%	28.0%	34.5%	89.1%	87.4%	82.8%	88.5%	88.1%	83.0%
22-24	100%	83.1%	72.7%	92.8%	89.3%	86.2%	92.4%	90.6%	86.8%
25-29	100%	100.0%	94.8%	94.1%	92.1%	89.8%	94.7%	92.8%	90.9%
30-34	100%	94.8%	96.6%	95.0%	93.4%	91.9%	95.3%	94.7%	92.5%
35-44	88.8%	94.8%	98.4%	95.7%	94.0%	92.2%	95.4%	94.2%	92.1%
45-54	100.0%	97.5%	95.0%	95.9%	93.7%	92.6%	95.6%	93.4%	92.9%
55-59	87.7%	88.6%	89.9%	96.4%	93.8%	92.2%	96.6%	94.4%	92.4%
60-61	100%	100%	100%	96.2%	92.6%	91.4%	95.9%	92.7%	92.5%
62-64	100%	100%	100%	95.9%	93.3%	92.5%	95.0%	92.7%	93.7%
65-69	100%	100%	100%	94.7%	93.8%	92.6%	95.8%	94.6%	92.8%
70-74	0%	100%	100%	94.1%	94.0%	92.9%	94.6%	95.6%	93.4%
75+	100%	100%	0%	83.8%	94.0%	92.3%	89.5%	92.4%	91.9%

Source: U.S. Census Bureau, 2000-2014; AECOM, 6/2016

4.8. LANGUAGE SPOKEN

The proportion of individuals speaking English only has decreased across the County, City, and Kearny Mesa from 2000 to 2010 (**Table 4.8**). Indicative of the area’s distinct Asian culture, a higher proportion of Kearny Mesa residents speak an Asian language than the County and City overall. The proportion of individuals speaking Spanish in Kearny Mesa has grown, but is significantly less than the citywide and countywide averages.

Table 4.8: Percent Language Spoken (2000-2010)

Language Spoken	Kearny Mesa		San Diego County		City of San Diego	
	2000	2010	2000	2010	2000	2010
English Only	80.7%	73.0%	67.0%	63.7%	62.6%	61.2%
Spanish	5.5%	9.9%	21.9%	24.4%	21.4%	22.2%
Other Indo-European Language	2.7%	4.3%	3.1%	3.0%	3.9%	4.0%
Asian and Pacific Language	11.1%	12.9%	7.1%	7.7%	11.1%	11.4%
Others	-	-	0.9%	1.2%	0.9%	1.2%

Source: U.S. Census Bureau, 2000-2010; AECOM, 6/2016

1. TECHNICAL APPENDIX

**Table A.1: San Diego County Location Quotient - 2015 Annual Average
(All Industries)**

NAICS Code	Industry Description	Annual Avg. of Employment	% of Employment	LQ of Avg. Annual Employment Relative to US
11	Agriculture, forestry, fishing and hunting	9,016	0.79%	0.74
111	Crop production	7,088	0.62%	1.30
112	Animal production and aquaculture	765	0.07%	0.31
113	Forestry and logging	ND	ND%	ND
114	Fishing, hunting and trapping	ND	ND%	ND
115	Agriculture and forestry support activities	1,114	0.10%	0.31
21	Mining, quarrying, and oil and gas extraction	388	0.03%	0.05
211	Oil and gas extraction	42	0.00%	0.02
212	Mining, except oil and gas	226	0.02%	0.12
213	Support activities for mining	120	0.01%	0.03
22	Utilities	5,497	0.48%	1.02
221	Utilities	5,497	0.48%	1.02
23	Construction	68,946	6.01%	1.11
236	Construction of buildings	15,171	1.32%	1.10
237	Heavy and civil engineering construction	6,666	0.58%	0.74
238	Specialty trade contractors	47,110	4.11%	1.19
31-33	Manufacturing	104,009	9.07%	0.87
311	Food manufacturing	5,820	0.51%	0.40
312	Beverage and tobacco product manufacturing	2,865	0.25%	1.32
313	Textile mills	264	0.02%	0.23
314	Textile product mills	622	0.05%	0.56
315	Apparel manufacturing	1,229	0.11%	0.94
316	Leather and allied product manufacturing	166	0.01%	0.59

321	Wood product manufacturing	493	0.04%	0.13
322	Paper manufacturing	815	0.07%	0.23
323	Printing and related support activities	3,024	0.26%	0.70
324	Petroleum and coal products manufacturing	100	0.01%	0.09
325	Chemical manufacturing	8,383	0.73%	1.07
326	Plastics and rubber products manufacturing	2,632	0.23%	0.4
327	Nonmetallic mineral product manufacturing	1,431	0.12%	0.37
331	Primary metal manufacturing	756	0.07%	0.20
332	Fabricated metal product manufacturing	6,885	0.60%	0.49
333	Machinery manufacturing	8,810	0.77%	0.81
334	Computer and electronic product manufacturing	25,056	2.18%	2.46
335	Electrical equipment and appliance mfg.	2,261	0.20%	0.61
336	Transportation equipment manufacturing	19,680	1.72%	1.26
337	Furniture and related product manufacturing	1,818	0.16%	0.50
339	Miscellaneous manufacturing	10,898	0.95%	1.92
42	Wholesale Trade	43,650	3.80%	0.77
423	Merchant wholesalers, durable goods	21,818	1.90%	0.77
424	Merchant wholesalers, nondurable goods	15,851	1.38%	0.80
425	Electronic markets and agents and brokers	5,981	0.52%	0.68
44-45	Retail Trade	145,257	12.66%	0.96
441	Motor vehicle and parts dealers	17,410	1.52%	0.93
442	Furniture and home furnishings stores	5,219	0.45%	1.15
443	Electronics and appliance stores	5,176	0.45%	1.04
444	Building material and garden supply stores	10,060	0.88%	0.84
445	Food and beverage stores	30,216	2.63%	1.02
446	Health and personal care stores	8,621	0.75%	0.86
447	Gasoline stations	4,725	0.41%	0.54
448	Clothing and clothing accessories stores	16,280	1.42%	1.24
451	Sports, hobby, music instrument, book stores	6,631	0.58%	1.08
452	General merchandise stores	28,455	2.48%	0.92
453	Miscellaneous store retailers	8,831	0.77%	1.10
454	Nonstore retailers	3,635	0.32%	0.74
48-49	Transportation and Warehousing	22,160	1.93%	0.50

481	Air transportation	1,702	0.15%	0.38
482	Rail transportation	ND	ND%	ND
483	Water transportation	ND	ND%	ND
484	Truck transportation	5,256	0.46%	0.38
485	Transit and ground passenger transportation	3,531	0.31%	0.78
486	Pipeline transportation	61	0.01%	0.13
487	Scenic and sightseeing transportation	747	0.07%	2.42
488	Support activities for transportation	4,591	0.40%	0.73
491	Postal service	60	0.01%	0.99
492	Couriers and messengers	4,646	0.40%	0.79
493	Warehousing and storage	1,523	0.13%	0.19
51	Information	23,616	2.06%	0.88
511	Publishing industries, except Internet	6,776	0.59%	0.97
512	Motion picture and sound recording industries	2,268	0.20%	0.58
515	Broadcasting, except Internet	3,002	0.26%	1.11
517	Telecommunications	8,039	0.70%	1.03
518	Data processing, hosting and related services	1,896	0.17%	0.66
519	Other information services	1,636	0.14%	0.70
52	Finance and Insurance	43,118	3.76%	0.78
521	Monetary authorities - central bank	ND	ND%	ND
522	Credit intermediation and related activities	18,244	1.59%	0.73
523	Securities, commodity contracts, investments	8,085	0.70%	0.92
524	Insurance carriers and related activities	16,632	1.45%	0.76
525	Funds, trusts, and other financial vehicles	ND	ND%	ND
53	Real estate and rental and leasing	27,531	2.40%	1.36
531	Real estate	208	0.02%	0.91
532	Rental and leasing services	21,702	1.89%	1.47
533	Lessors of nonfinancial intangible assets	5,622	0.49%	1.07
54	Professional and technical services	125,664	10.95%	1.50
541	Professional and technical services	125,664	10.95%	1.50
55	Management of companies and enterprises	21,799	1.90%	1.02
551	Management of companies and enterprises	21,799	1.90%	1.02
56	Administrative and waste services	81,018	7.06%	0.95

561	Administrative and support services	77,218	6.73%	0.95
562	Waste management and remediation services	3,800	0.33%	0.99
61	Educational Services	27,925	2.43%	1.06
611	Educational services	27,925	2.43%	1.06
62	Healthcare and social assistance	158,171	13.79%	0.89
621	Ambulatory health care services	71,218	6.21%	1.07
622	Hospitals	20,290	1.77%	0.43
623	Nursing and residential care facilities	26,258	2.29%	0.83
624	Social assistance	40,406	3.52%	1.22
71	Arts, entertainment, and recreation	27,397	2.39%	1.31
711	Performing arts and spectator sports	3,818	0.33%	0.87
712	Museums, historical sites, zoos, and parks	3,794	0.33%	2.57
713	Amusements, gambling, and recreation	19,785	1.72%	1.31
72	Accommodation and food services	154,770	13.49%	1.23
721	Accommodation	29,891	2.61%	1.61
722	Food services and drinking places	124,879	10.88%	1.17
81	Other services, except public administration	49,408	4.31%	1.18
811	Repair and maintenance	12,253	1.07%	0.99
812	Personal and laundry services	18,911	1.65%	1.39
813	Membership associations and organizations	15,685	1.37%	1.20
814	Private households	2,559	0.22%	0.93
99	Unclassified	7,966	0.69%	3.13
999	Unclassified	7,966	0.69%	3.13

Table A.2: Development Impact Fee Schedule. 2017

Community	Residential Development					Non-Residential Development	
	Trans	Park	Library	Fire	Total (per Dwelling Unit)	Trans (per ADT)	Fire (per 1,000 SF)
College Area	\$2,037	\$10,958	\$790	\$516	\$14,302	\$291	\$516
Downtown	\$1,304	\$5,426	-\$	\$1,153	\$7,883	\$326	\$807
Encanto Neighborhoods	\$2,023	\$6,671	\$37	\$436	\$9,167	\$289	\$436
Fairbanks Ranch	-\$	-\$	-\$	-\$	-\$	-\$	-\$
Golden Hill	\$917	\$8,107	-\$	\$252	\$9,276	\$131	\$252
Greater North Park	\$497	\$3,301	\$732	\$131	\$4,661	\$71	\$131
Kearny Mesa	\$490	\$7,569	\$475	\$75	\$8,610	\$70	\$75
La Jolla	\$895	\$4,076	\$335	\$169	\$5,475	\$195	\$169
Linda Vista	\$784	\$601	\$336	\$215	\$1,935	\$112	\$215
Mid-City	\$574	\$11,188	\$370	\$266	\$12,398	\$82	\$266
Midway/Pacific Hwy	\$6,734	\$636	\$69	\$17	\$7,456	\$962	\$17
Miramar Ranch North	-\$	-\$	-\$	-\$	-\$	-\$	-\$
Mission Beach	\$1,183	\$628	-\$	-\$	\$1,811	\$169	-\$
Mission Valley	\$987	\$10,677	\$383	\$229	\$12,276	\$141	\$229
Navajo	\$3,038	\$3,248	\$947	\$123	\$7,356	\$434	\$123
Ocean Beach	\$805	\$5,483	\$741	\$388	\$7,417	\$115	\$388
Old San Diego	\$4,914	-\$	-\$	\$316	\$5,230	\$702	\$316
Otay Mesa-Nestor	\$826	\$11,374	\$221	\$461	\$12,882	\$118	\$461
Pacific Beach	\$371	\$2,073	\$196	\$137	\$2,778	\$53	\$137
Peninsula	\$1,169	\$1,503	\$649	\$130	\$3,451	\$167	\$130
Rancho Bernardo	\$1,260	\$788	\$624	\$17	\$2,689	\$180	\$17

San Pasqual	SFR \$1,919 / MFR \$1,343	-\$	-\$	-\$	SFR \$1,919 / MFR \$1,343	\$192	-\$
San Ysidro	\$2,800	\$5,350	\$2,132	\$26	\$10,308	\$400	\$26
Serra Mesa	\$1,806	\$4,513	\$452	\$670	\$7,441	\$258	\$670
Skyline/Paradise Hills	\$980	\$4,227	\$959	\$263	\$6,429	\$140	\$263
Southeastern San Diego	\$917	\$8,258	\$9	\$50	\$9,234	\$131	\$50
South University City	\$238	\$569	\$664	\$676	\$2,147	\$130	-\$
Subarea II	-\$	-\$	-\$	-\$	-\$	-\$	-\$
Tierrasanta	\$12,229	\$2,818	\$819	\$717	\$16,583	\$1,747	\$717
Tijuana River Valley	\$2,800	\$5,350	\$2,132	\$26	\$10,308	\$400	\$26
Torrey Hills	-\$	-\$	-\$	-\$	-\$	-\$	-\$
Torrey Pines	\$532	\$9,800	-\$	-\$	\$10,332	\$76	-\$
Uptown	\$952	\$7,215	\$504	\$85	\$8,755	\$136	\$85
Via de la Valle	-\$	-\$	-\$	-\$	\$3,650		

Figures A.1 – A.12 illustrate the presence and intensity of SANDAG’s identified traded industry clusters throughout the San Diego region. The maps also show the boundary (in blue) of the Kearny Mesa Community Planning Area.

Figure A.1: Action Sports Manufacturing

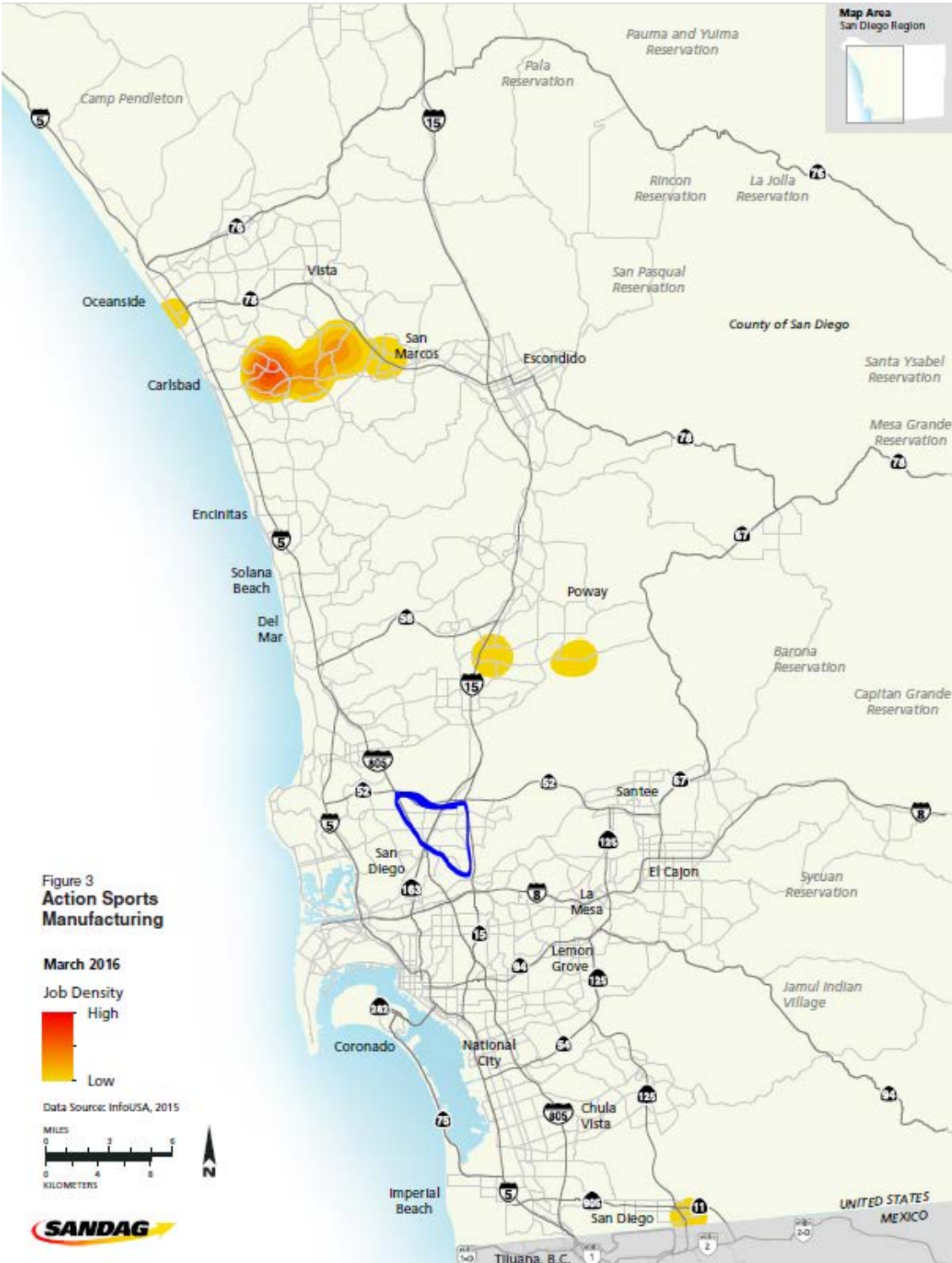


Figure A.2: Advanced Precision Manufacturing

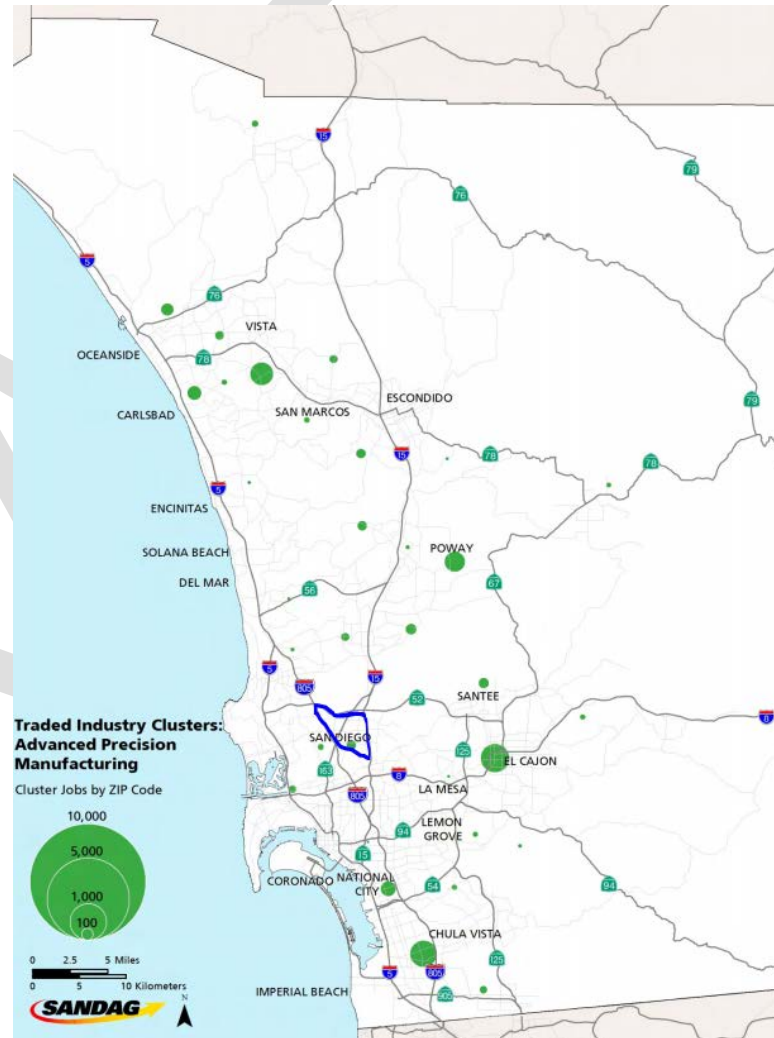
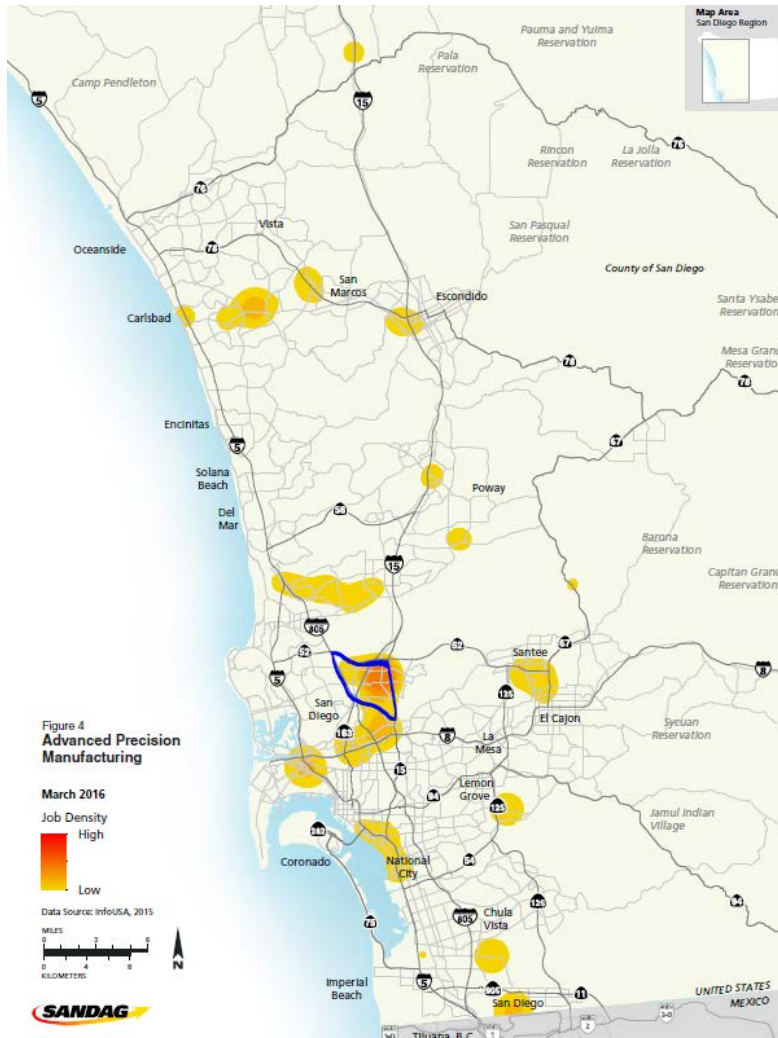


Figure A.3: Aerospace, Navigation, and Maritime

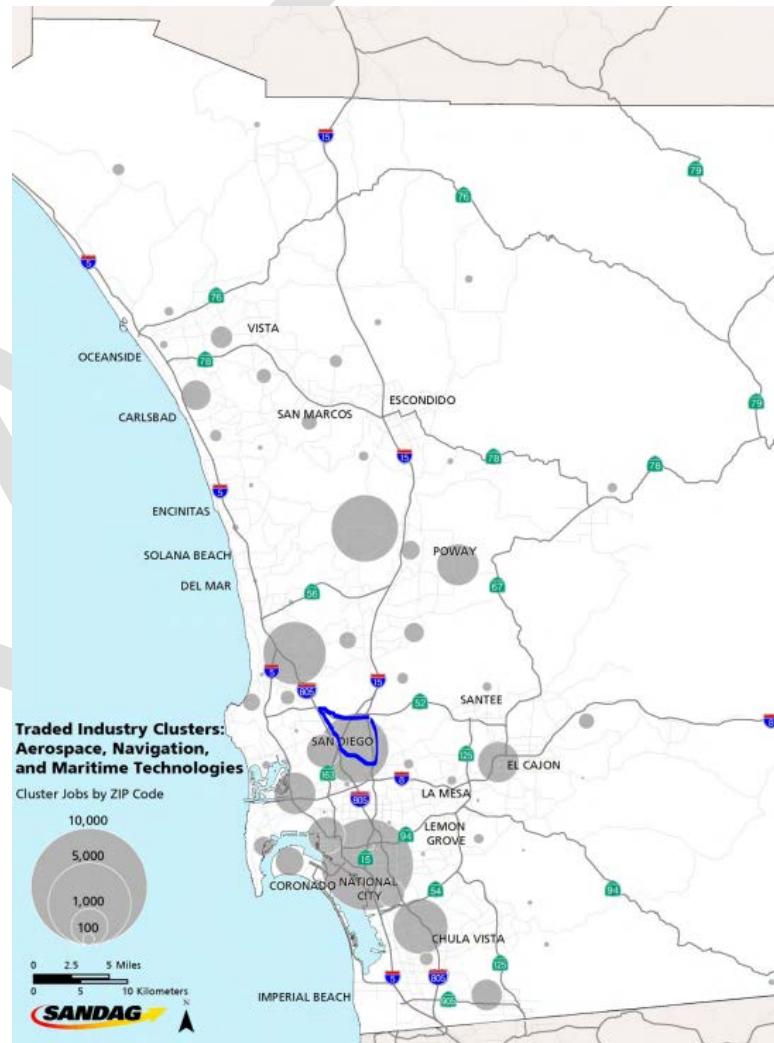
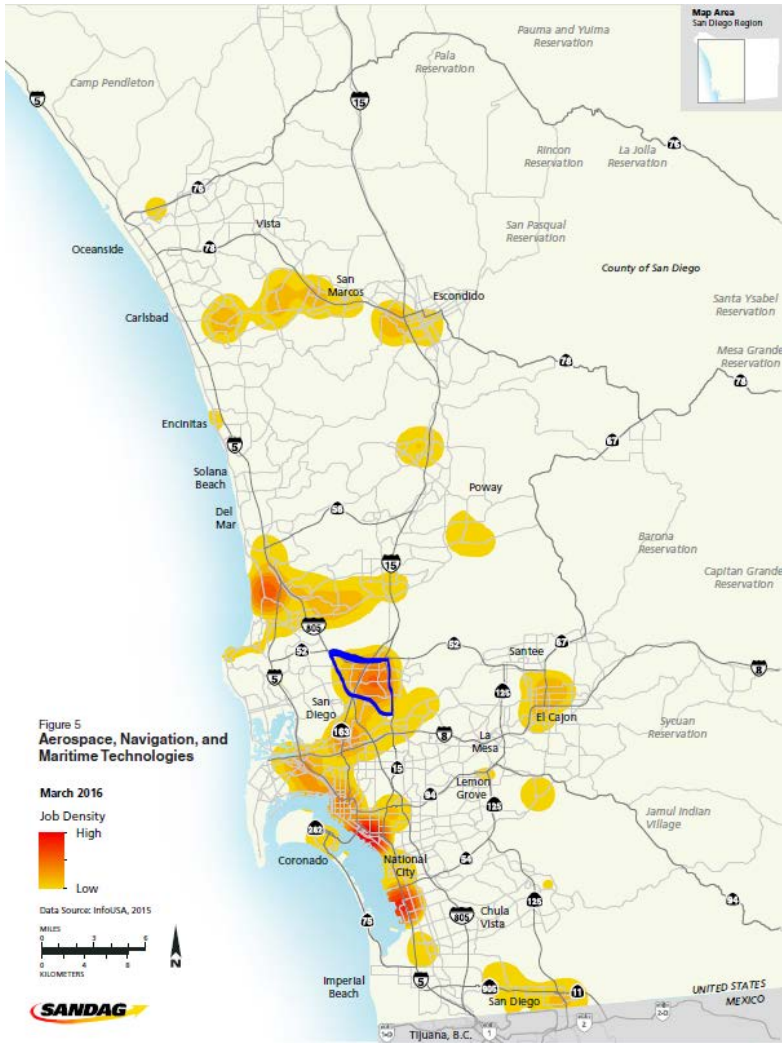


Figure A.4: Apparel Manufacturing

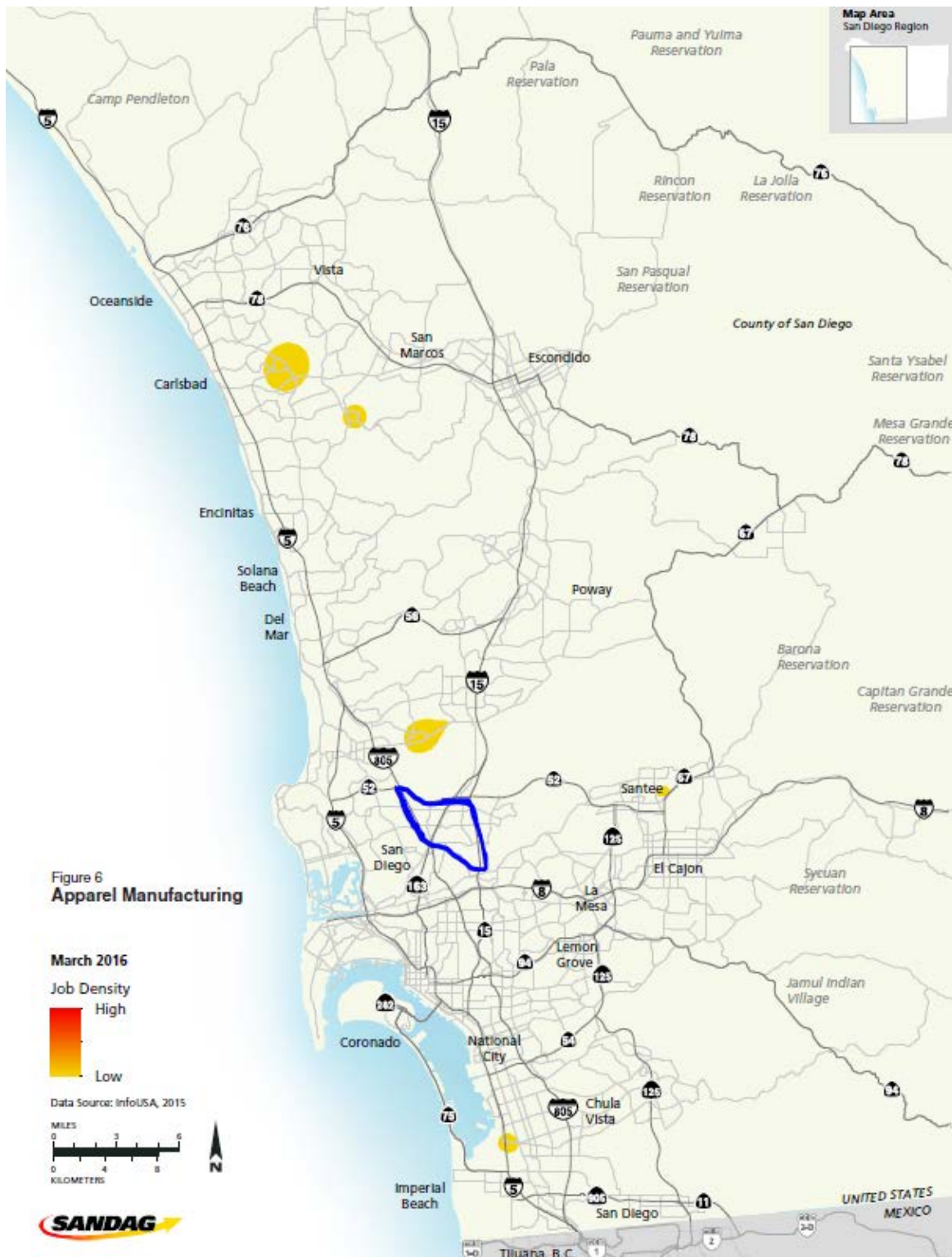


Figure A.5: Biomedical Devices and Products

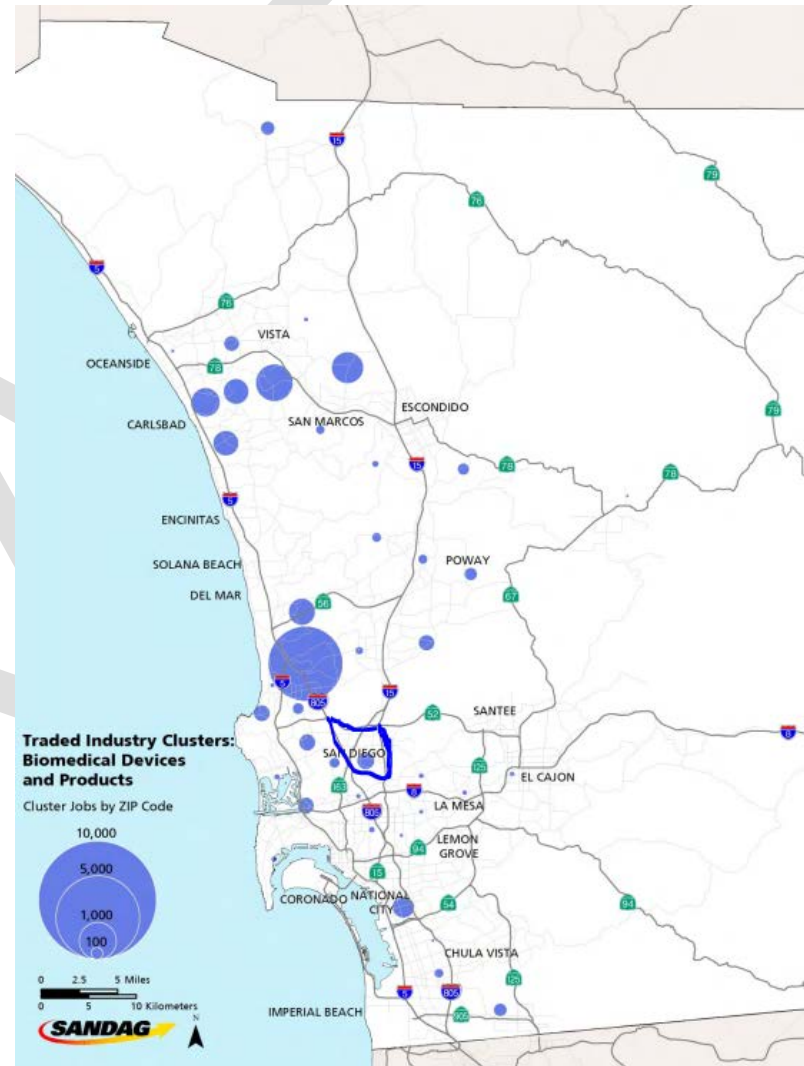
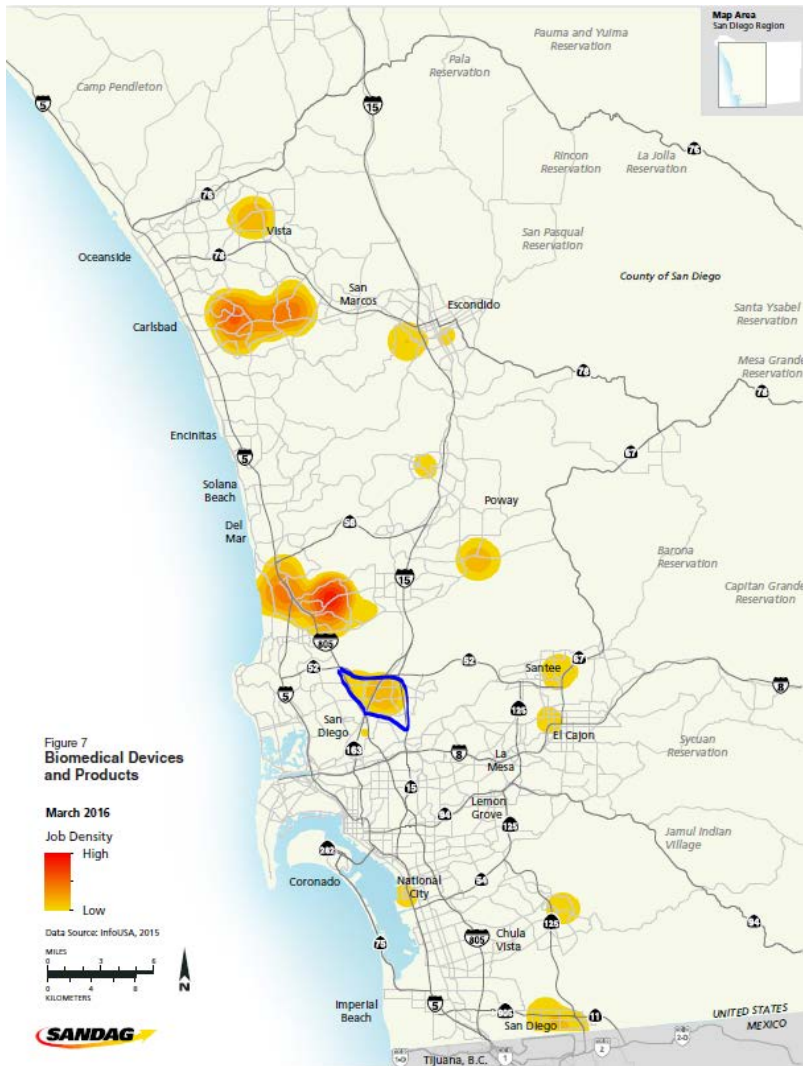


Figure A.6: Biotechnology and Pharmaceuticals

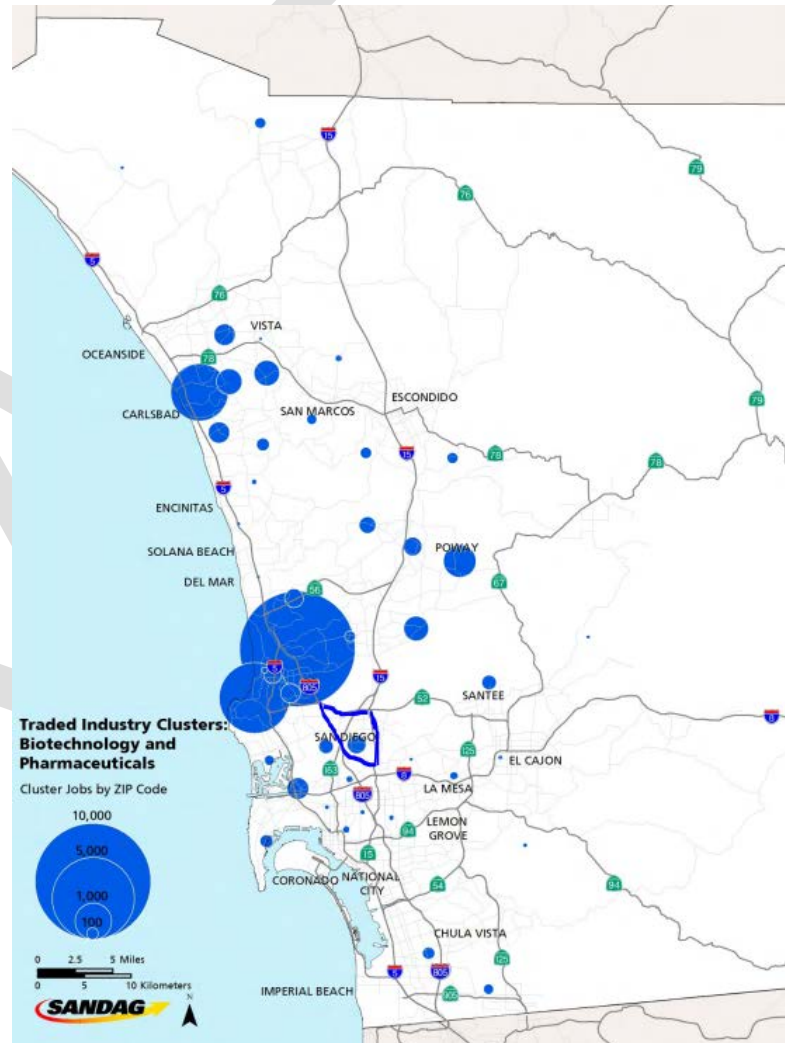
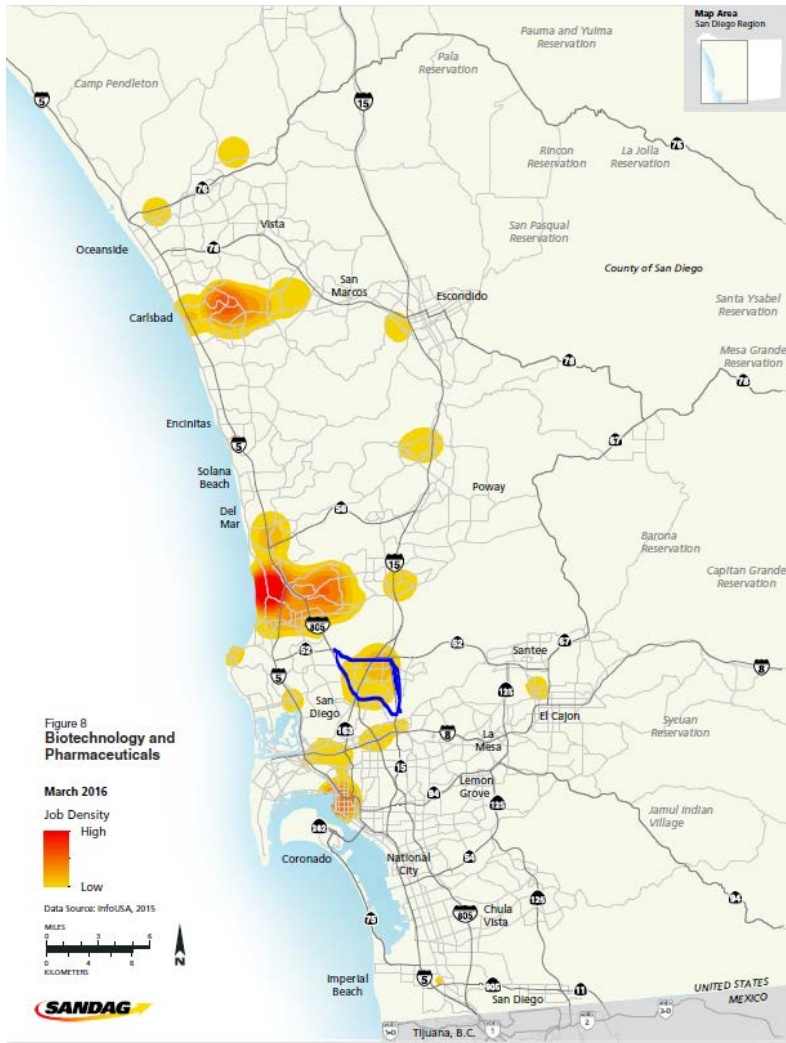


Figure A.7: Cleantech

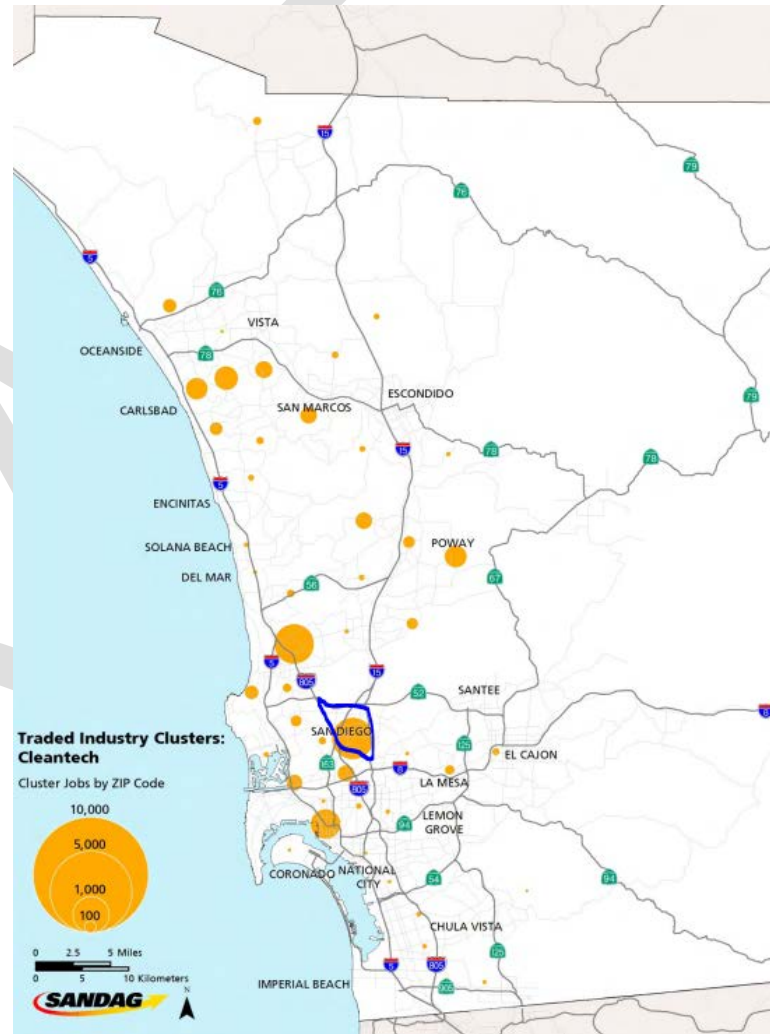
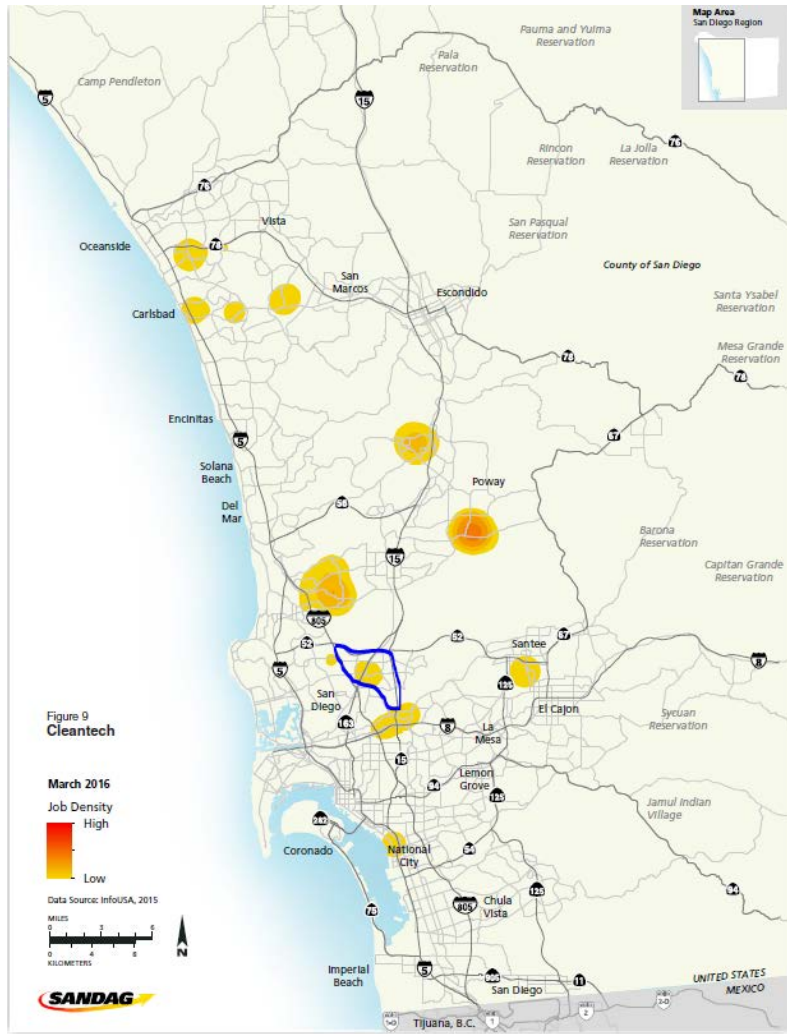


Figure A.8: Entertainment and Hospitality

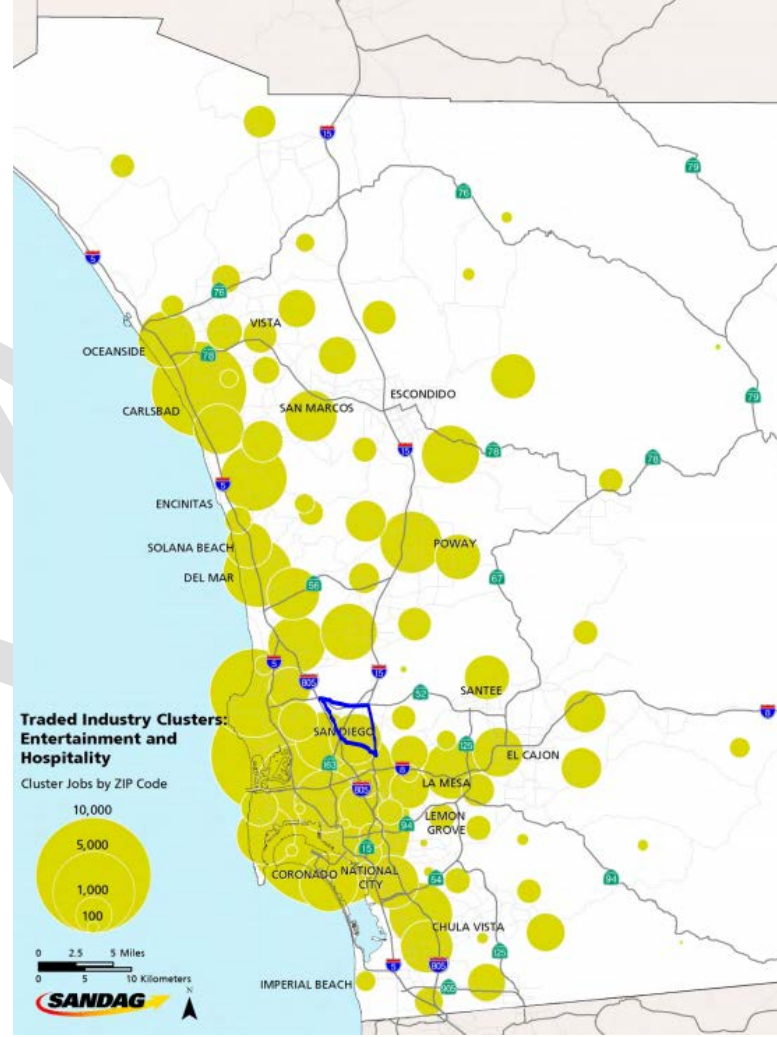
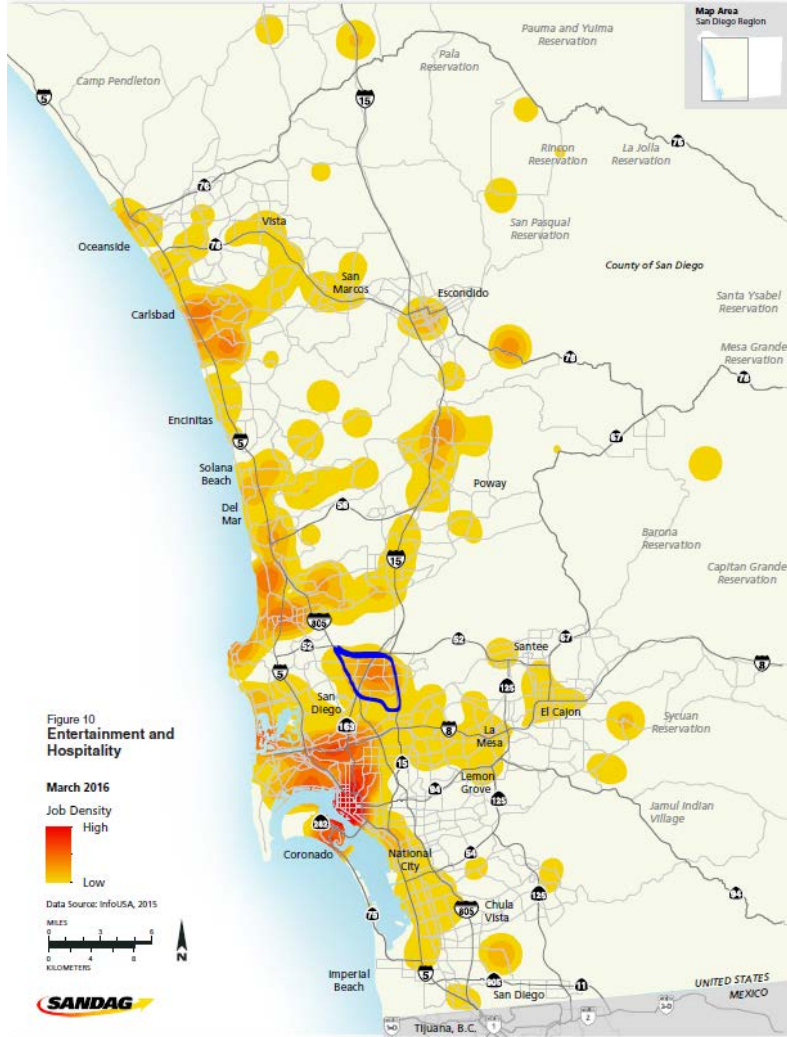


Figure A.9: Fruits and Vegetables and Horticulture

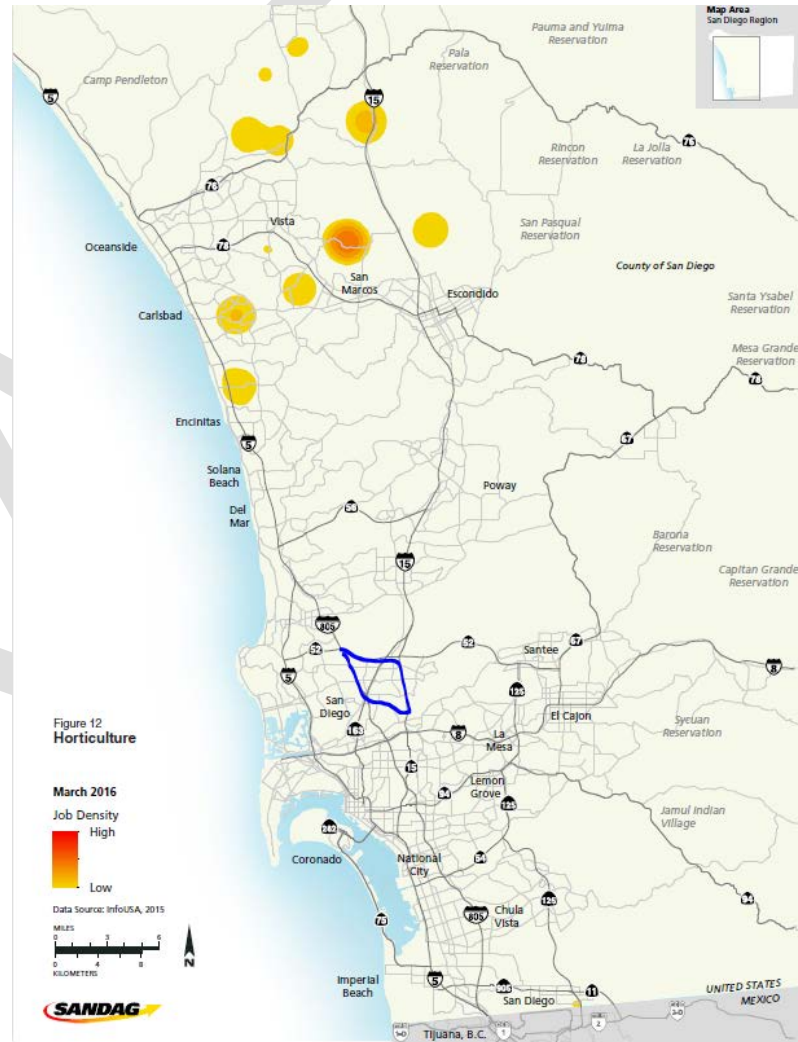
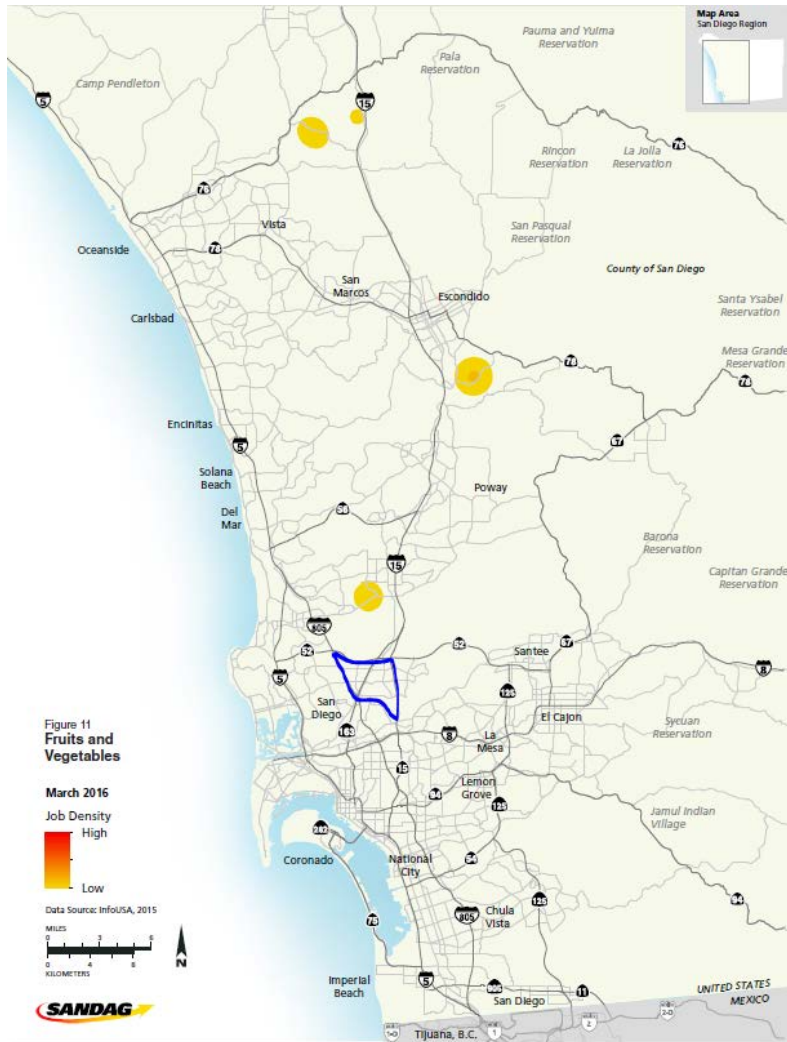


Figure A.10: Information and Communications Technologies

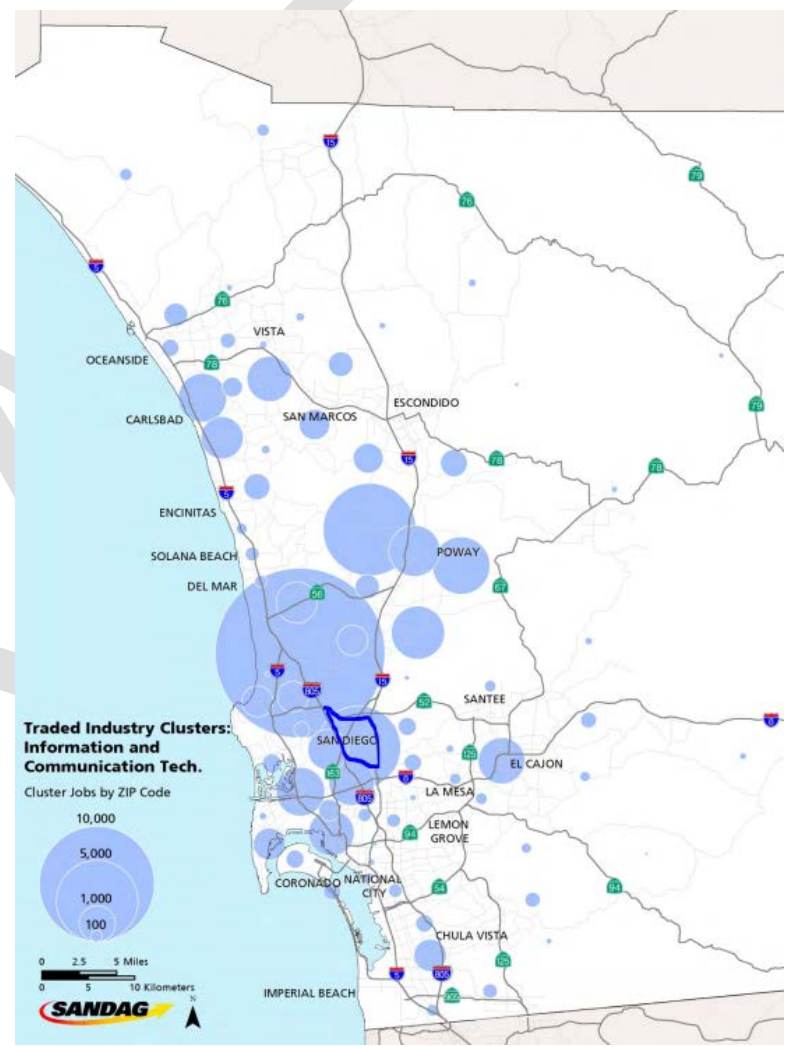
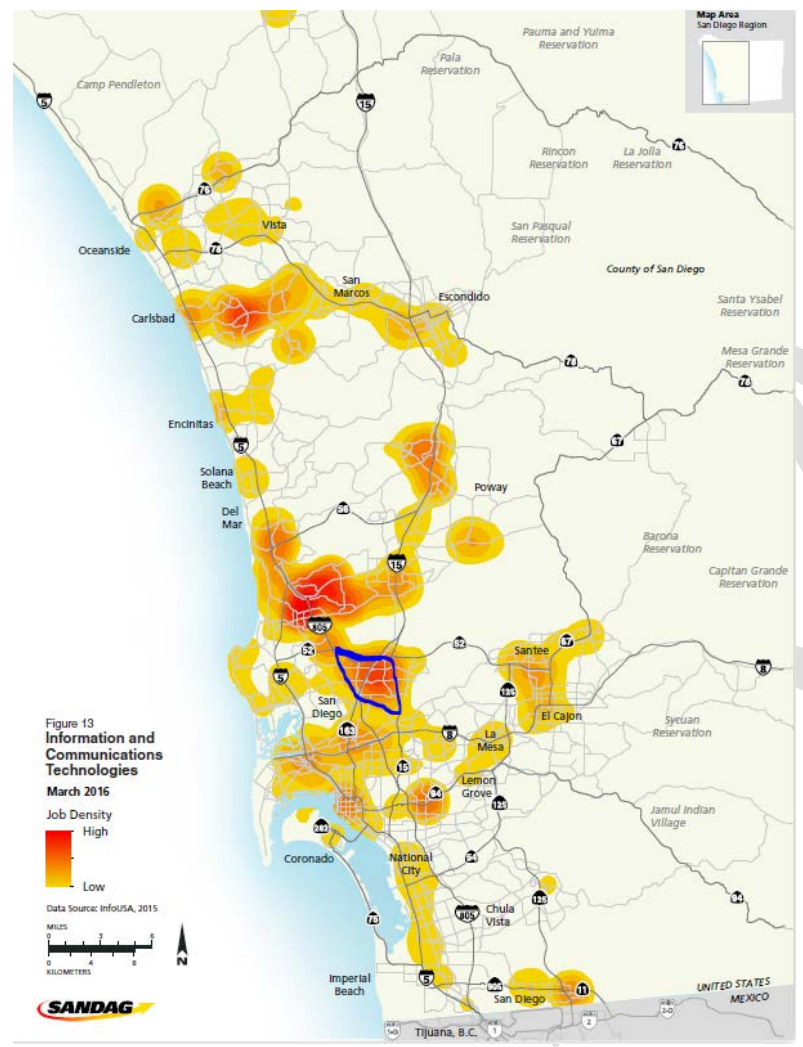


Figure A.11: Publishing and Marketing

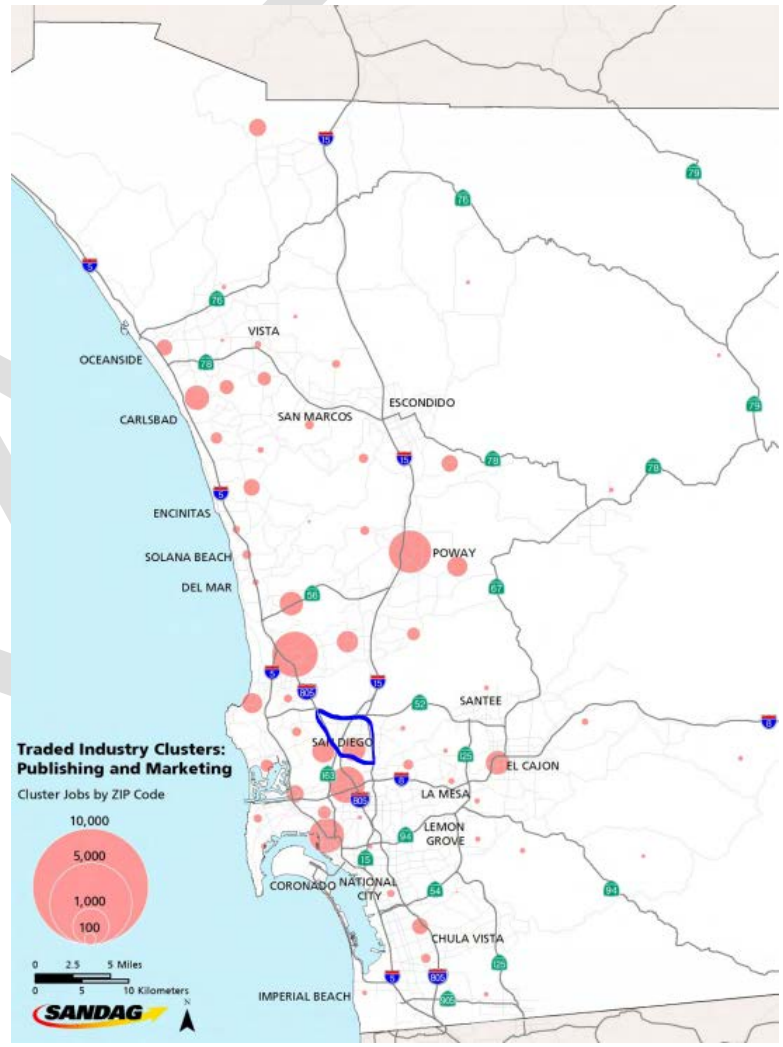
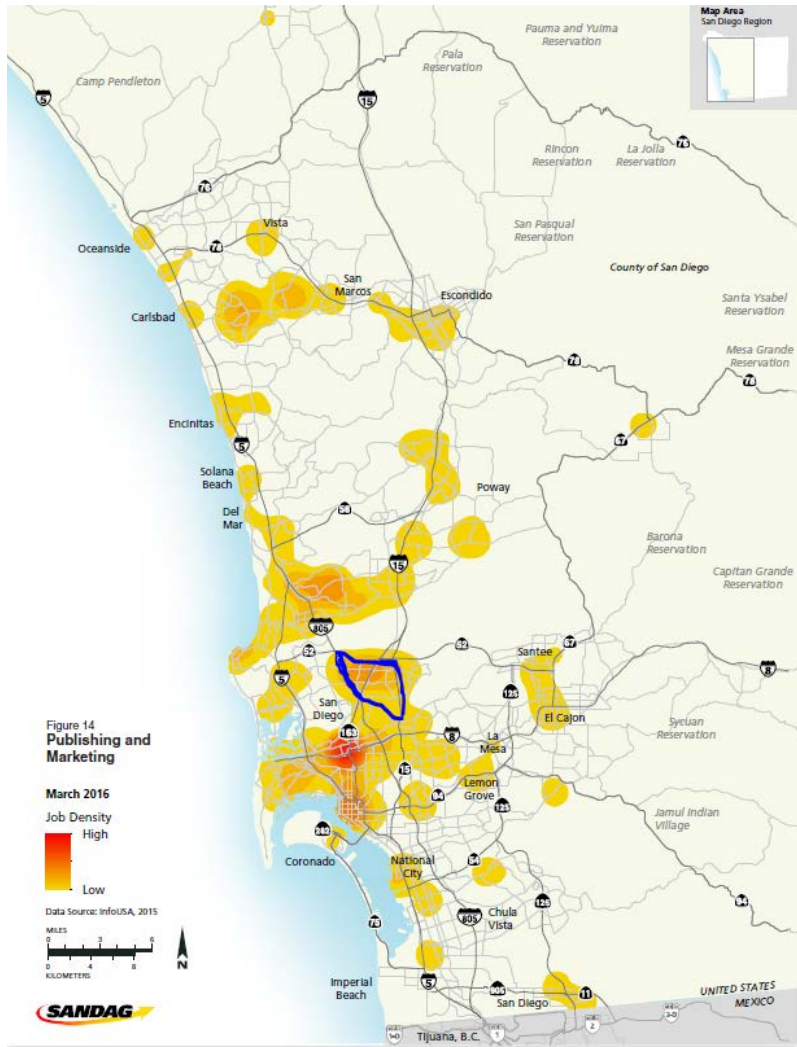


Figure A.12: Specialty Foods and Microbreweries

