

KEARNY MESA COMMUNITY PLAN UPDATE

May 24, 2017 SUBCOMMITTEE MEETING

Economic Context Report Summary

6/13/2017



Meeting Agenda

- 11:30 am **Call to Order**
- Attendance
- 11:35 am **Item #1:** Approval of Minutes
- 11:40 am **Item #2:** Subcommittee Meeting
- Discussion of Meeting Structure
- 11:45 am **Item #3:** Public Comments
- 11:55 pm **Item #4:** Community Plan Update Schedule Review
- 12:00 pm **Item #5:** Smart Growth Employment Areas – SANDAG Grant
- 12:05 pm **Item #6:** Economic Context Report Presentation
- Base Sector/Traded Industries
- Kearny Mesa's Role in the Region
- Fiscal Revenue Trends
- Real Estate Trends
- Prime Industrial Lands
- 12:30 pm **Item#7:** Questions and Input
- 12:50 pm **Item #8:** Upcoming Meetings
- Next Subcommittee Meeting for Thursday, June 29, 2017
- Workshop planned for July 27, 2017
- 1:00 pm **Adjournment**

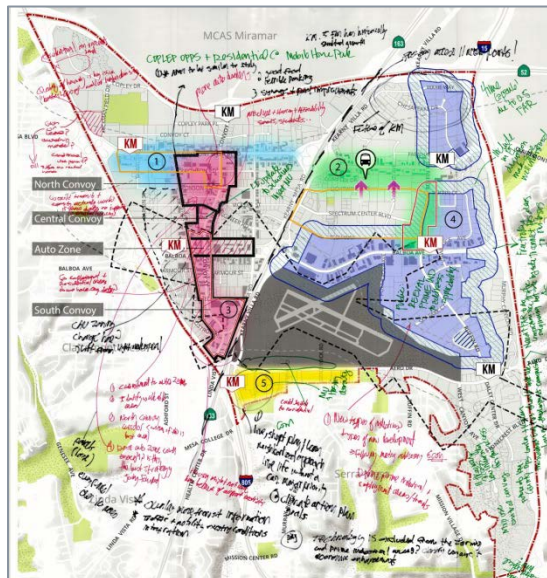
- Comments noted (see easel A)
- Bike Rack comments (see easel B)
 - Topics for discussion at a future meeting or follow-up items
- Materials and comment summaries (from easels) will be posted on the <http://kearnymesaconnected.com> website
- Public comment period
- Additional comments can be submitted following the meeting at <http://kearnymesaconnected.com/contact-3/>

- Monthly / Semi-Monthly Subcommittee meetings
- Public Workshop #2 planned for July 2017

KEARNY MESA CONNECTED SCHEDULE

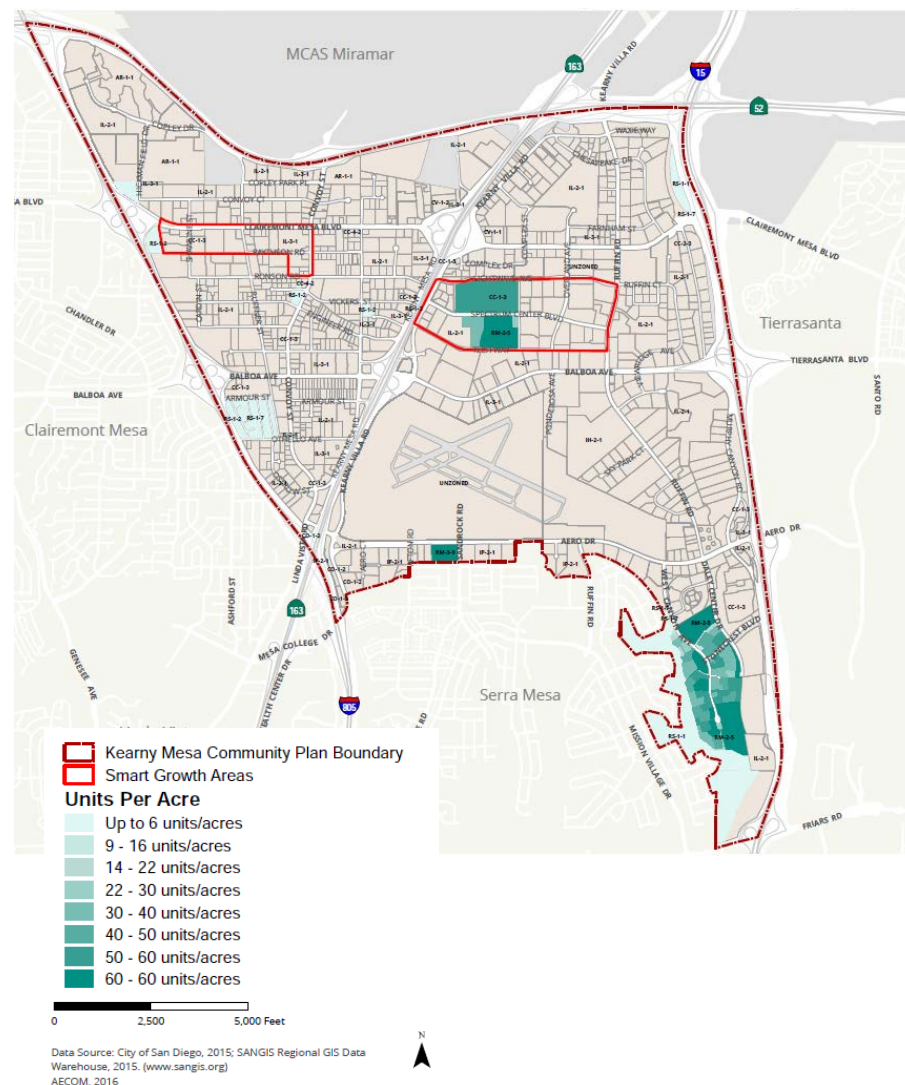
A draft Community Plan, including a draft land use and transportation plan, will be developed, and an environmental impact report will be prepared.

2016	2017	2017	2018	2019
SUMMER - FALL	WINTER - SPRING	SPRING - FALL	WINTER - FALL	WINTER - SPRING
PLAN UPDATE LAUNCH	EXISTING CONDITIONS AND VISIONING	DEVELOPMENT OF PLAN ALTERNATIVES	CEQA ENVIRONMENTAL REVIEW	PREPARATION OF FINAL COMMUNITY PLAN & EIR
Project Introduction	Existing Conditions Documentation	Smart Growth Employment Areas	Draft Environmental Impact Report	Community Plan Update (CPU) Subcommittee Meetings
Kick-off Workshop	Community Plan Update (CPU) Subcommittee Meetings	Land Use Alternatives	Community Plan Update (CPU) Subcommittee Meetings	Public Hearing Process
Data Collection	Community Dialogue Sessions	Mobility Concepts	Online Engagement	
Stakeholder Interviews	Vision for the Future	Public Facilities		
Website Launch		Zoning		
Community Plan Update Subcommittee Meeting		Community Plan Update (CPU) Subcommittee Meetings		
		Community Dialogue Sessions		
		Online Engagement		

The logo for Kearny Mesa Connected features the words "KEARNY MESA" in a bold, red, sans-serif font above the word "CONNECTED" in a bold, grey, sans-serif font. A horizontal line with three colored circles (red, purple, and grey) connects the two words.

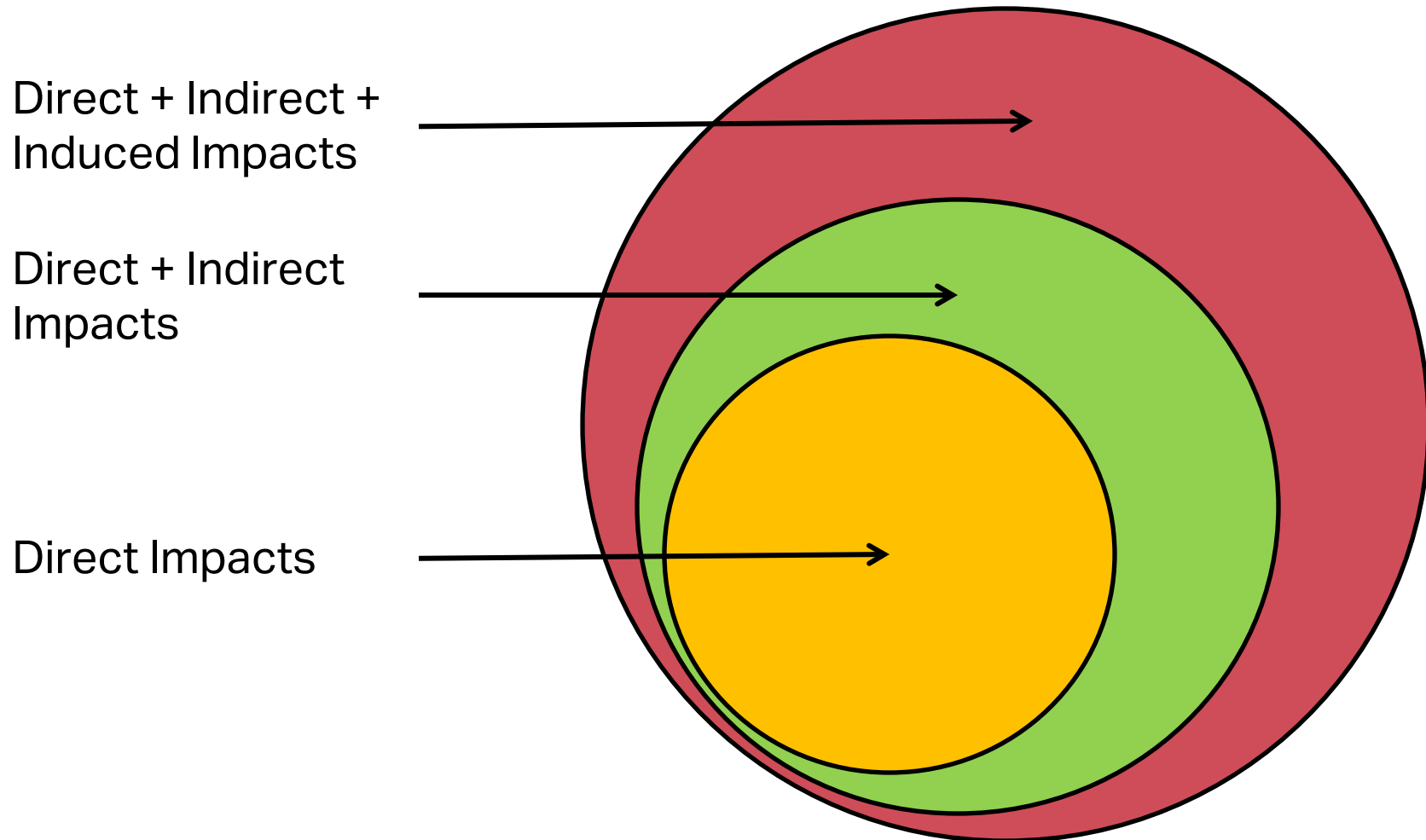
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- Smart Growth Incentive Program grant through TransNet Extension Ordinance administered by SANDAG
- Funding to support the land use and zoning strategy update for mixed-use smart growth development
- Complements the Community Plan Update process focusing on two areas:
 - SD-KM-1 along Clairemont Mesa Boulevard
 - SD-KM-2 between Lightwave Avenue and Tech Way



- Purpose of Economic Element
- Importance of Base Sector/Traded Industries
- Regional Economic Development Strategy
- City Economic Development Strategy
- Kearny Mesa's Role in the Region – Key Clusters
- Real Estate Trends – Industrial, Commercial, Housing
- Prime Industrial Land
- Initial Issues and Concerns

- Articulate the **Economic Vision** for Kearny Mesa and its role in the city/region, and identify targeted industries and markets for creating more good jobs
- Accommodate **land use and infrastructure**, including workforce housing near jobs, to support that vision at competitive price points
- Guide public **capital improvement priorities**, including opportunities for co-benefits, improved productivity, and leveraged public investment
- Provide **policy support for development regulations** and zoning to attract private investment consistent with the Kearny Mesa's Economic Vision, reducing transaction costs
- Create public and private **value**, minimize negative externalities, and facilitate positive externalities
- Maintain and enhance San Diego's **fiscal health**



- San Diego Regional Economic Prosperity Strategy (2008)
 - Focus on middle-income job growth
 - Reverse trend toward low-paying, low-skilled job growth
 - Reserve and expand prime employment land for industrial and research uses
- SANDAG Traded Industry Cluster Update (2016)
 - 13 regional Traded Industry Clusters with 27% of regional employment
- Traded Industry Clusters in Kearny Mesa
 - 11 of 13 clusters present with 16% of total employment
 - 9 clusters with more than 100 employees

Kearny Mesa Traded Clusters	Employment	Average Regional Wage ¹
Info. and Communications Tech	7,012	\$105,500
Aerospace	3,948	\$84,300
Publishing and Marketing	3,852	\$58,500
Entertainment and Hospitality	2,000	\$22,500
Biomedical Devices and Products	1,703	\$120,400
Cleantech	1,093	\$87,000
Biotechnology and Pharmaceuticals	544	\$142,000
Advanced Precision Manufacturing	192	\$49,400
Apparel Manufacturing	124	\$30,100
Horticulture	20	\$30,400
Specialty Foods and Microbreweries	10	\$38,300
¹ Real wages with 2010 base year.		

Economic Development Mission: *"To create a wide spectrum of job opportunities for San Diego residents by expanding the City's economic base and increasing local economic activity, and to generate new tax revenues for essential public services by expanding the City's tax base."*

- Policies from Economic Prosperity Element of General Plan
 - Protect base sector uses, including industrial lands and related employment uses
 - Establish and retain employment uses that serve base sector industries and community needs, and encourage development of small businesses
 - Ensure compatibility between industrial and other land uses



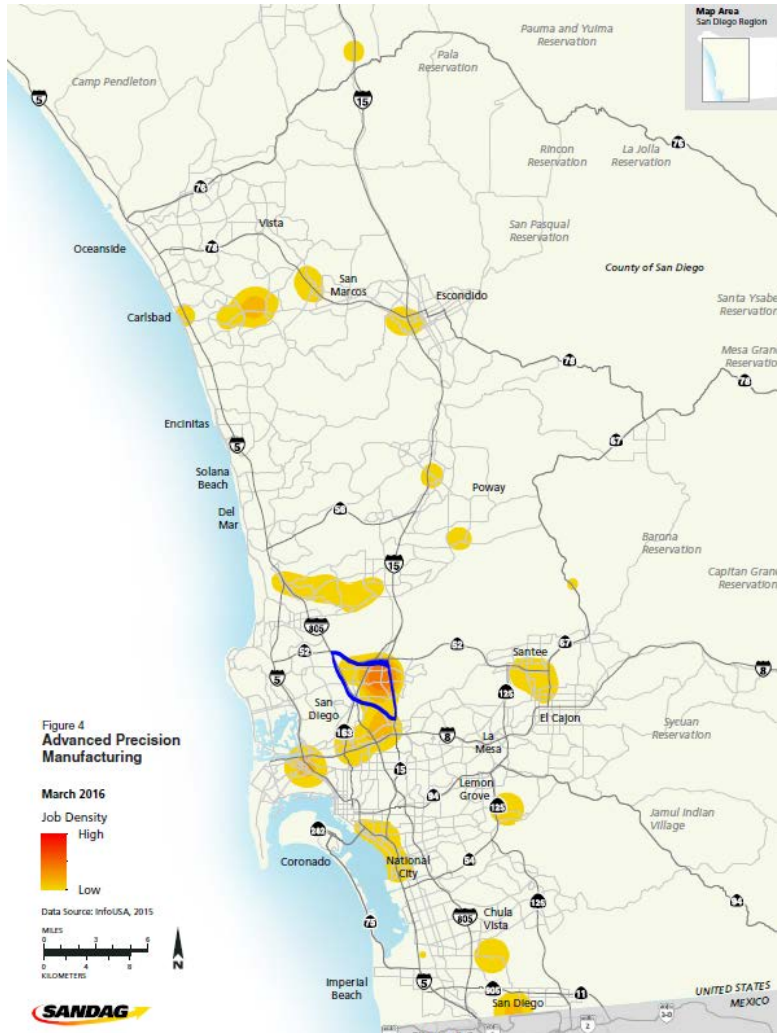
- Strategic Objectives
 - Economic base sector growth
 - Increase middle-income jobs, especially in the economic base sectors
 - Increase the amount of neighborhood business activity
- Economic Base Sectors
 - Manufacturing & Innovation (Substantial presence in Kearny Mesa)
 - International Trade & Logistics (Substantial presence in Kearny Mesa)
 - Military (Substantial presence in Kearny Mesa)
 - Tourism (Limited presence in Kearny Mesa)

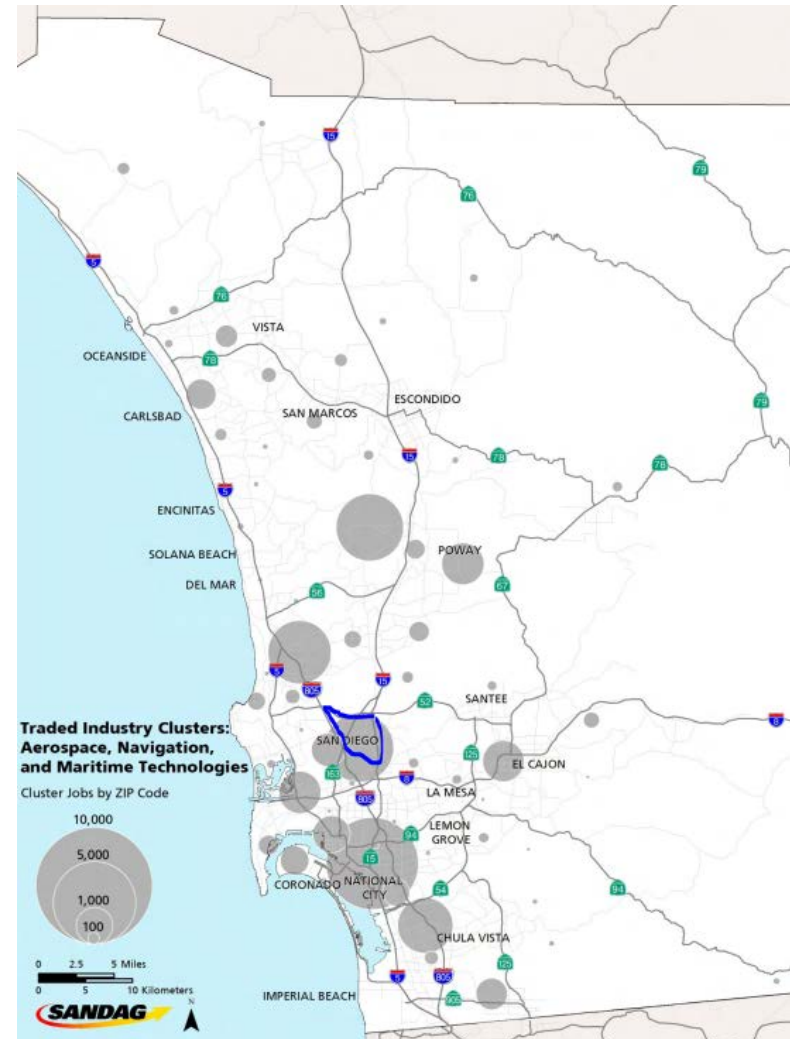
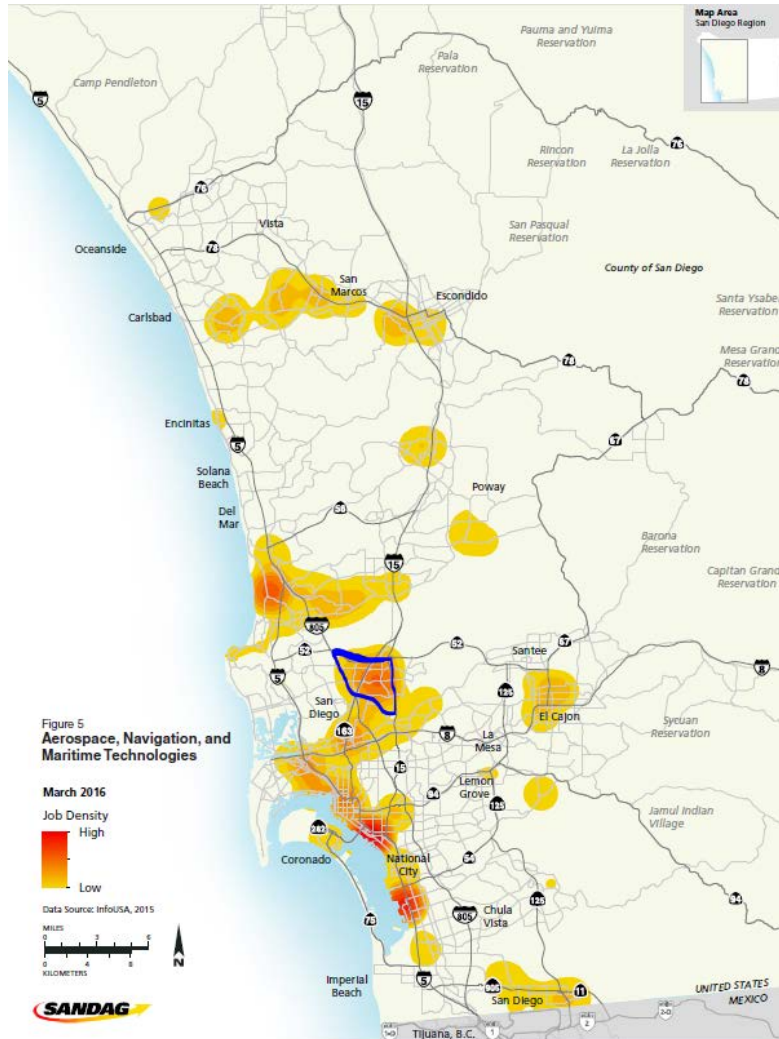
- Presence of regional clusters
 - 9 of 13 regional clusters have a significant presence in Kearny Mesa (at least 100 employees)
 - 8 of 9 had annual wages higher than the regional average, with the exception of entertainment and hospitality
- Potential emerging clusters
 - Cybersecurity and Maritime industries also present

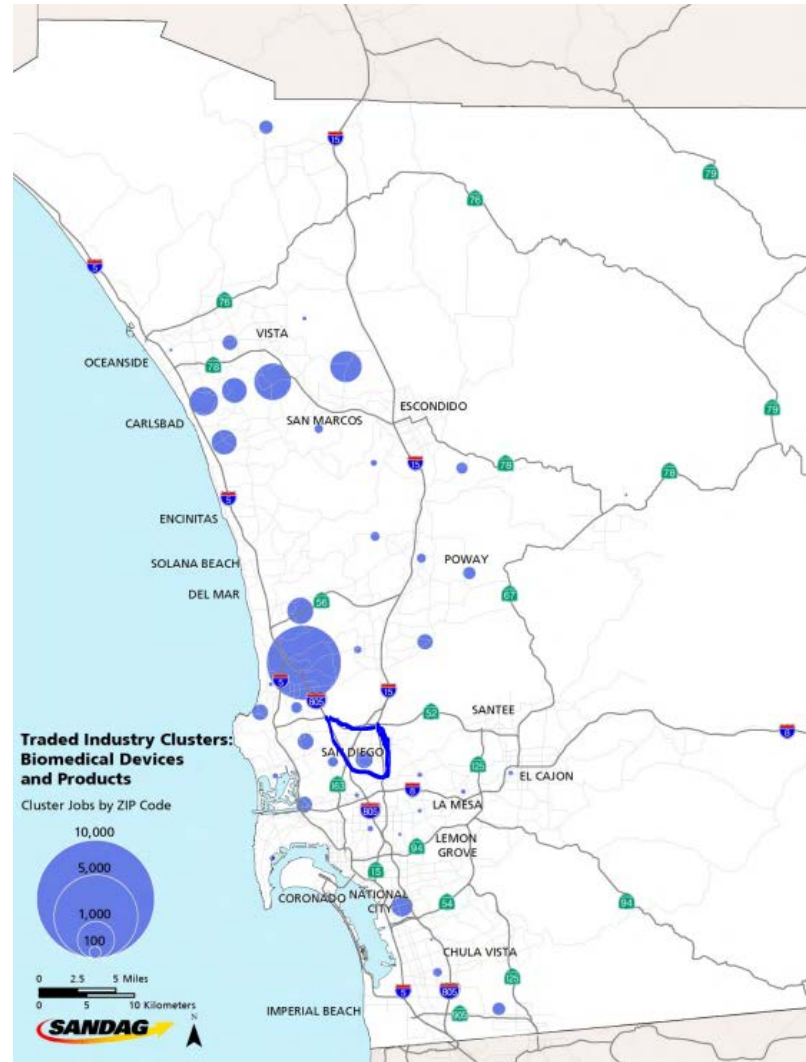
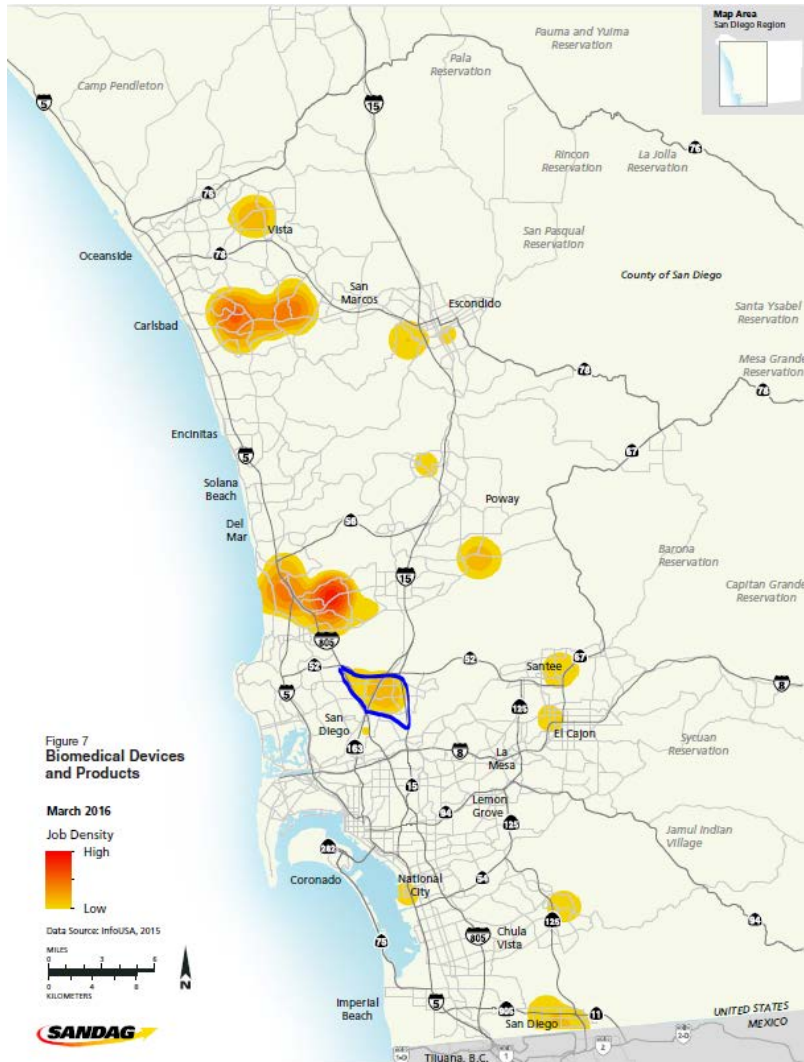
Estimated Cluster Employment within Kearny Mesa

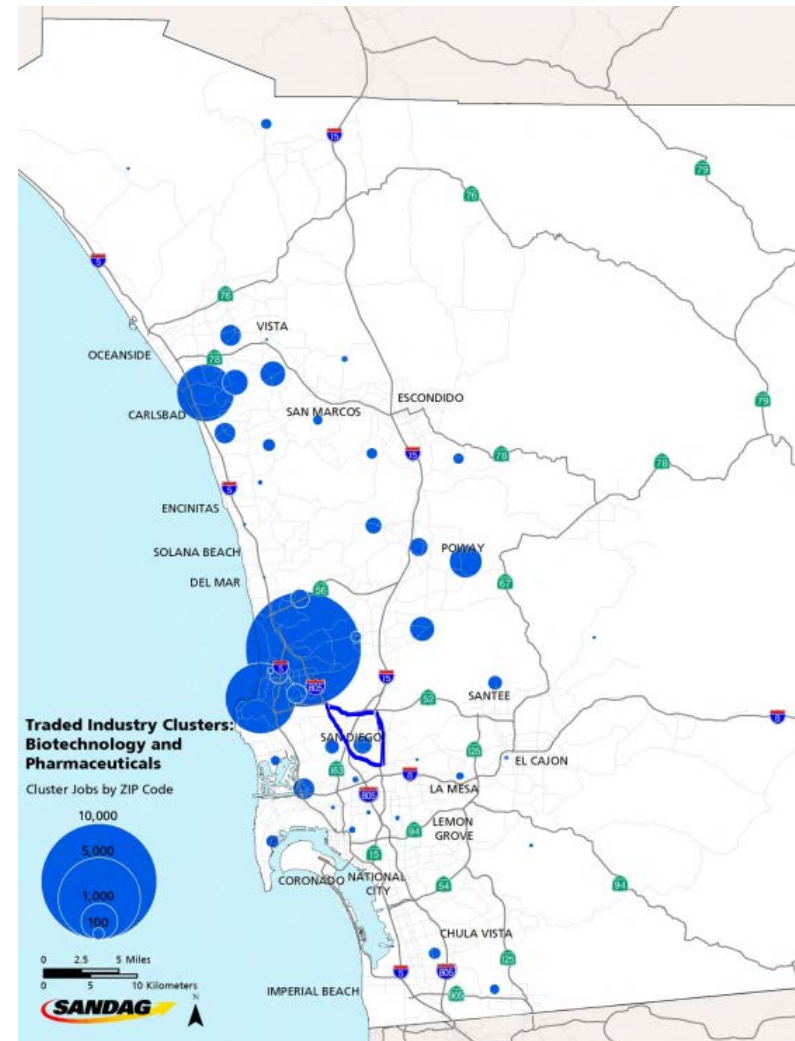
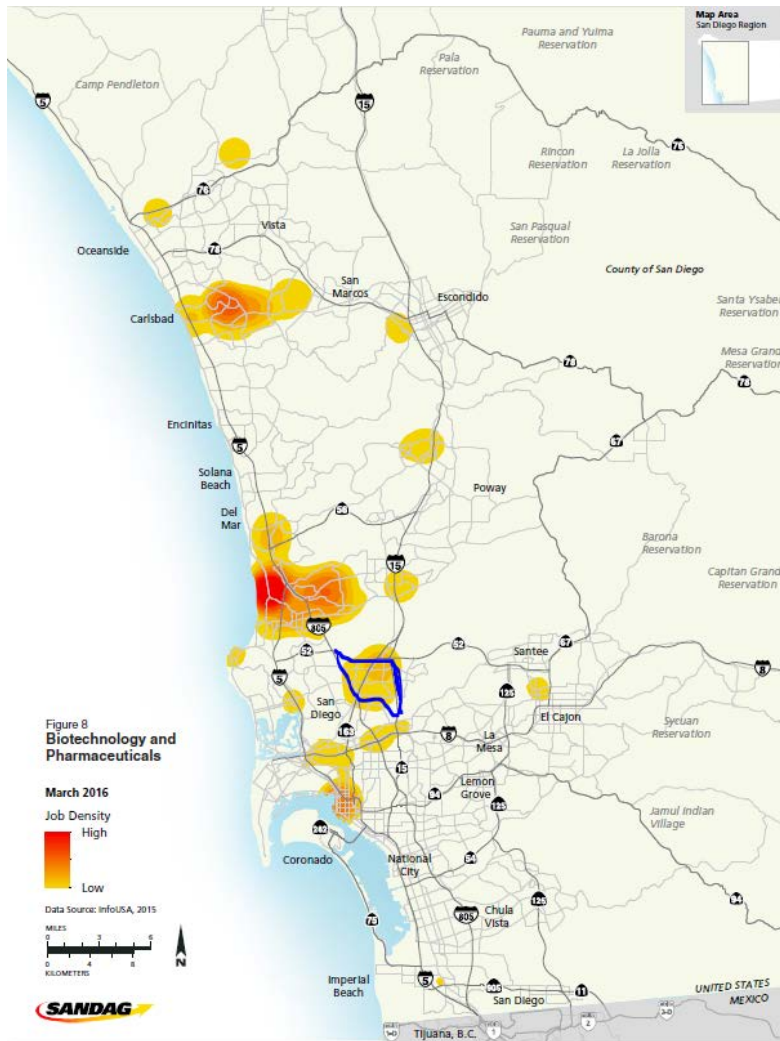
Industry Cluster	# of Firms	Est. Emp.
Action Sports Manufacturing	5	20
Advanced Precision Manufacturing	19	192
Aerospace, Navigation, and Maritime Technologies	57	3,948
Apparel Manufacturing	7	124
Biomedical Devices and Products	35	1,703
Biotechnology and Pharmaceuticals	28	544
Cleantech	54	1,093
Entertainment 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

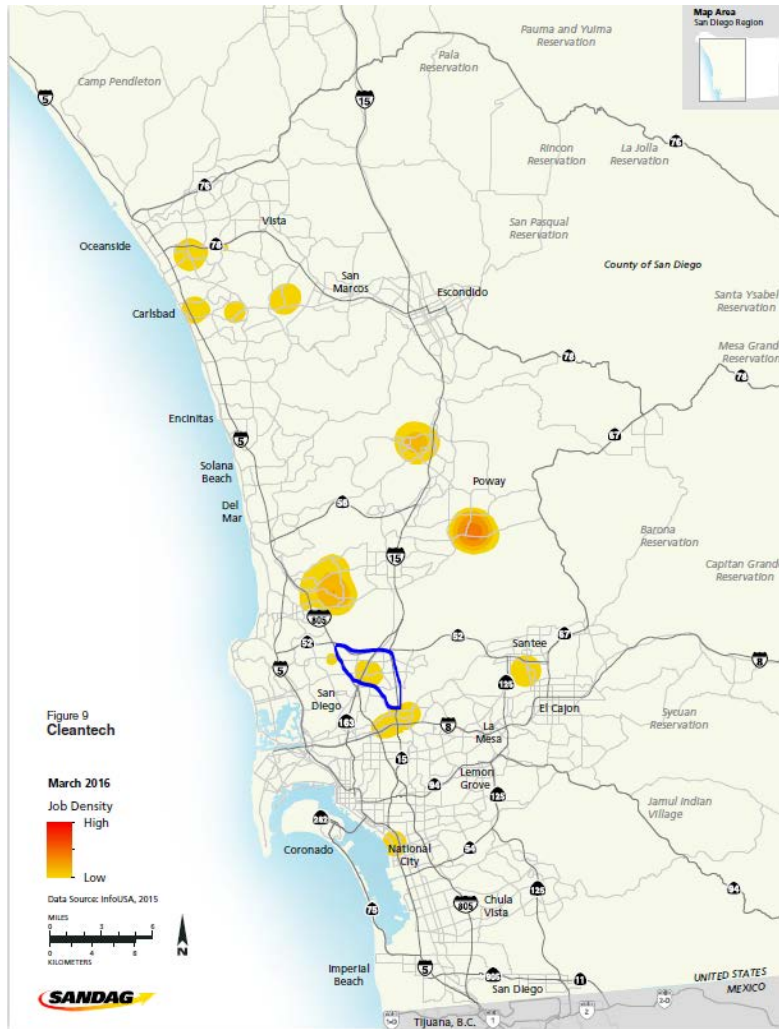
Source: SANDAG, 2016

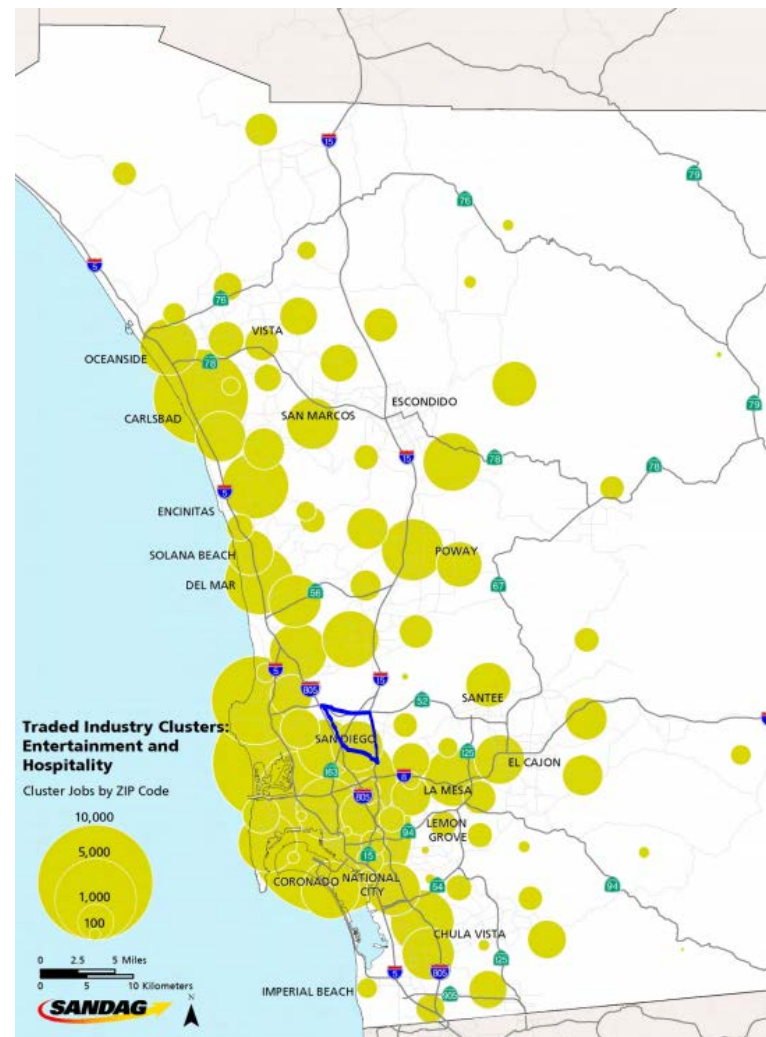
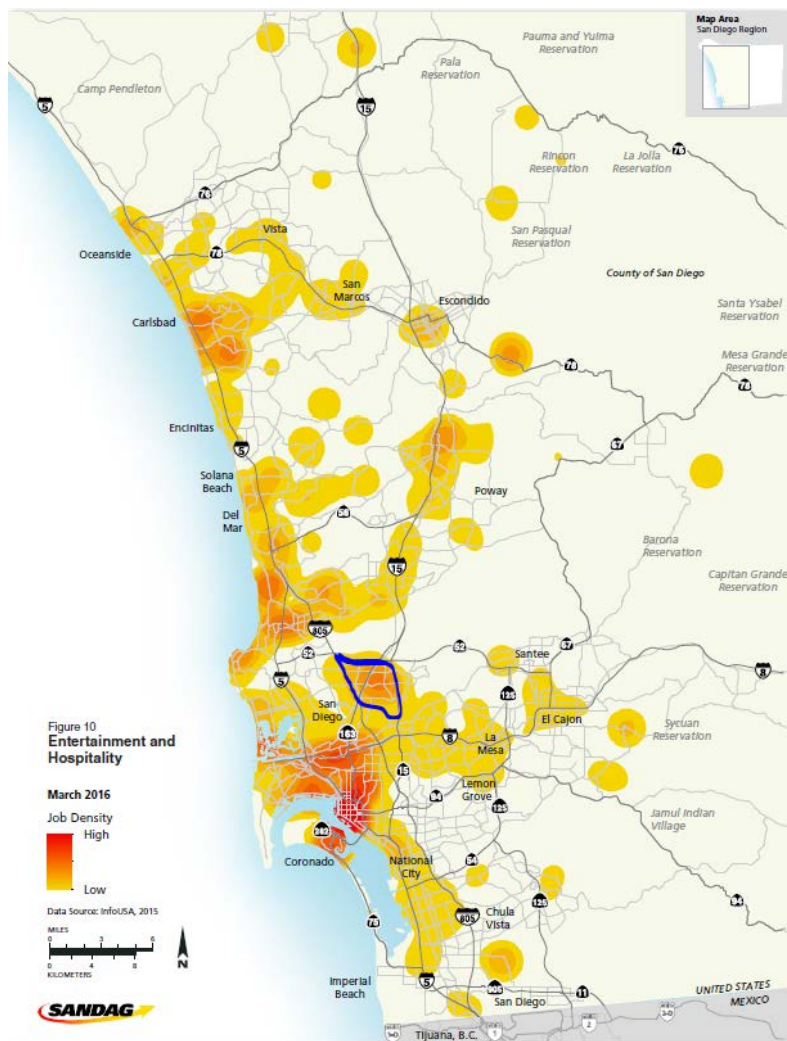


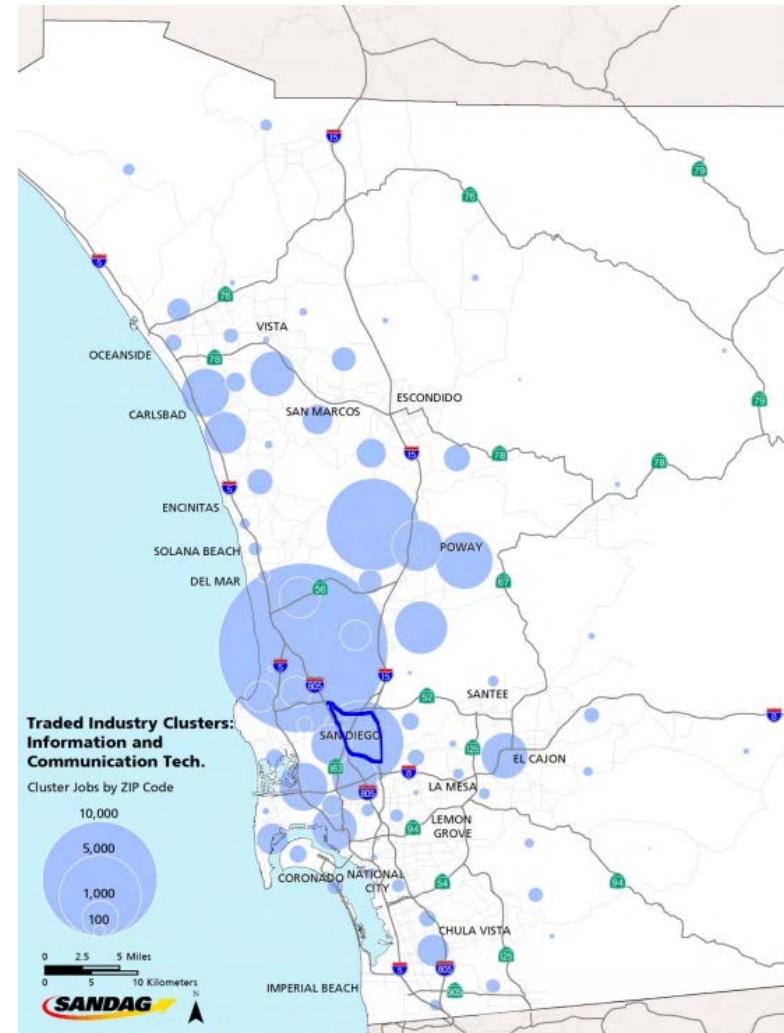
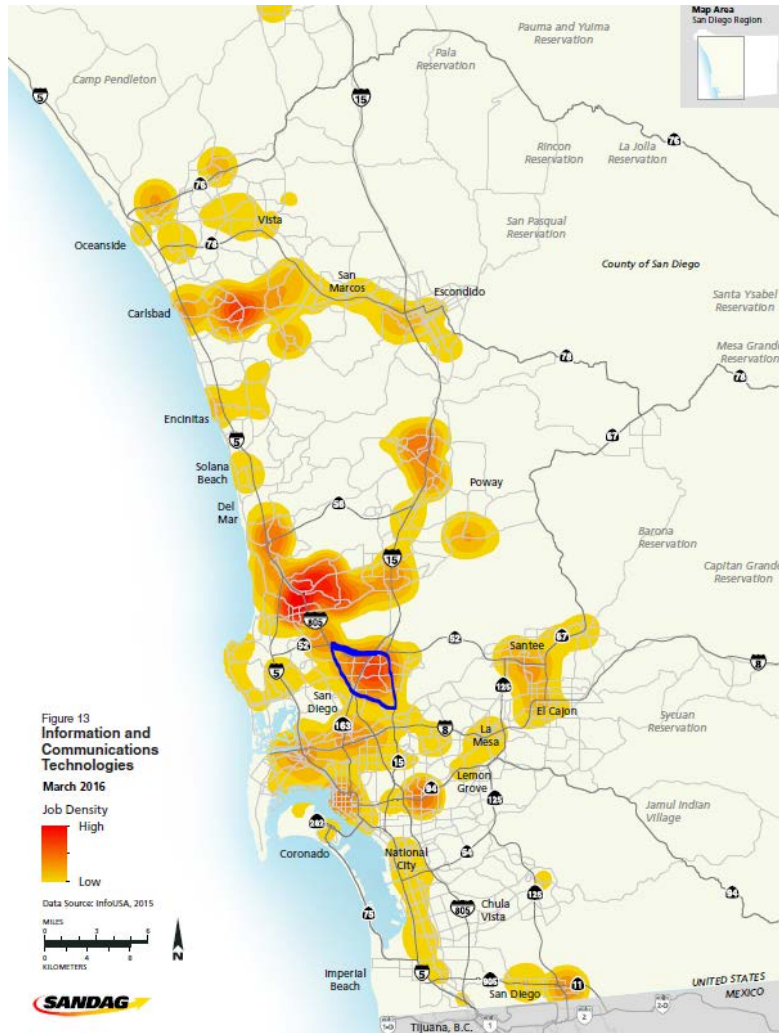












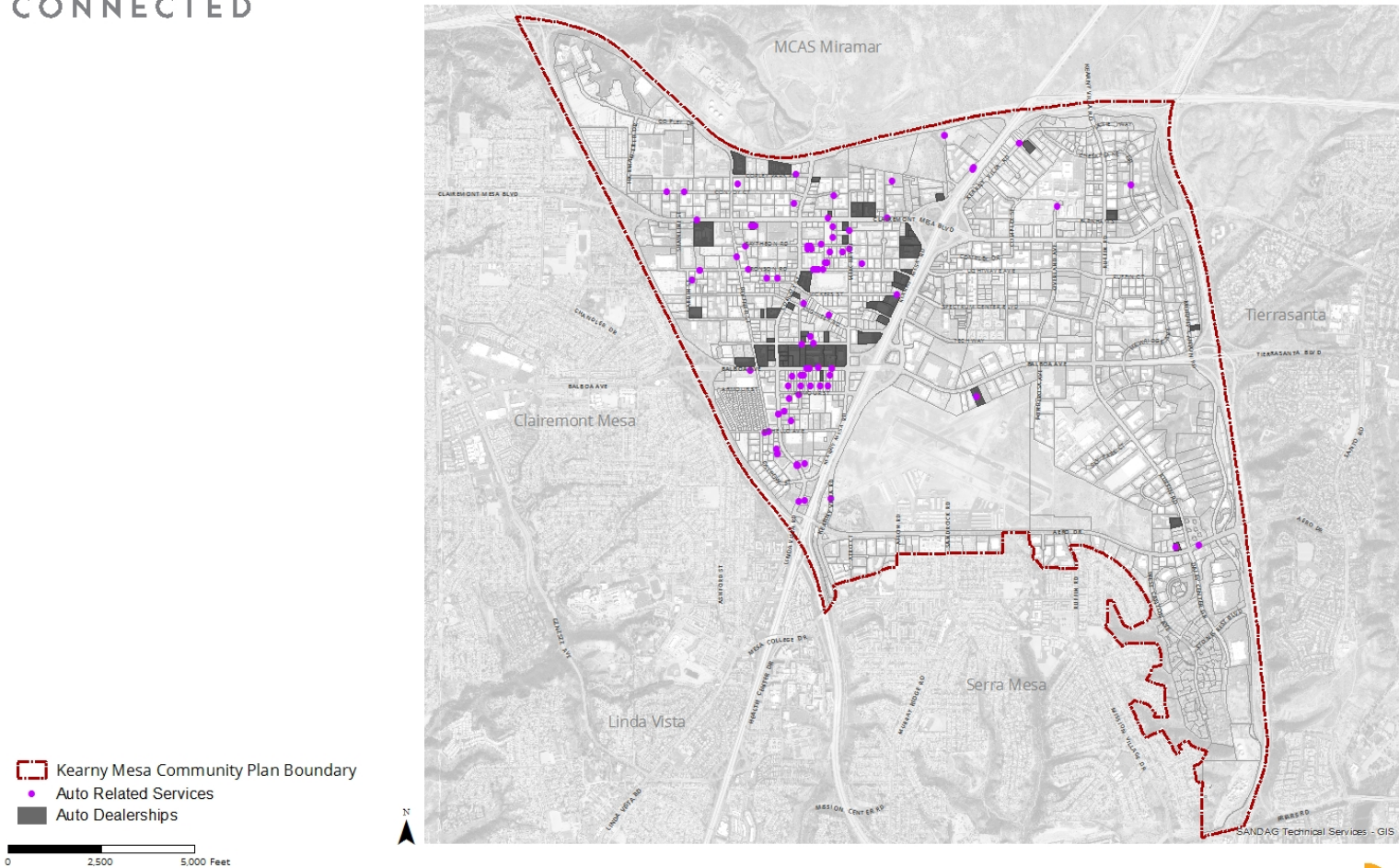
- **Aerospace/Defense**
 - Senior Aerospace
 - Cubic Corp.
 - L3 Communications
 - Raytheon
 - KIO Networks
 - Northrup Grumman
 - Kyocera America
 - General Atomics
- **Food & Beverages**
 - Jack in the Box (Corporate Headquarters)
 - Frito Lay
- **Biotechnology/Medical Devices**
 - ResMed (Corporate Headquarters)
- **Publishing and Marketing**
 - Pro Specialties Group
 - Imaging Technologies, Inc.
- **Cleantech/Energy Efficiency**
 - Maxwell Technologies
 - Solar Turbines Inc.
- **Public Administration**
 - County of San Diego
 - San Diego County Water Authority
 - City of San Diego
 - San Diego Unified School District
- **Utilities**
 - San Diego Gas & Electric
- **Health Care**
 - Kaiser Permanente
 - Sharp HealthCare
 - Children's Hospital

- Rapid growth since 2000
- Significant City fiscal revenue source
- Aligns with City Economic Development Strategy focus on neighborhood business
- General Plan Land Use Element identifies area as an above average candidate for City Villages Strategy
- Potential for growth into Tourism base sector



Auto Dealers and Services

Auto Dealerships and Related Services



- Six major retail corridors
- Retail ranges from big box outlets to small-scale stores specializing in fast food and convenience retail



- Taxable Sales
 - Six major retail corridors
 - \$16.5 million in sales tax revenues
 - Stable increases in collected sales tax since 2000
 - Strongest growth from Pan Asian district (Balboa and Convoy)
 - Highest amount from Kearny Mesa (auto dealerships and big box retail)
 - Approximately 6.5% of FY 15 City of San Diego sales tax revenue

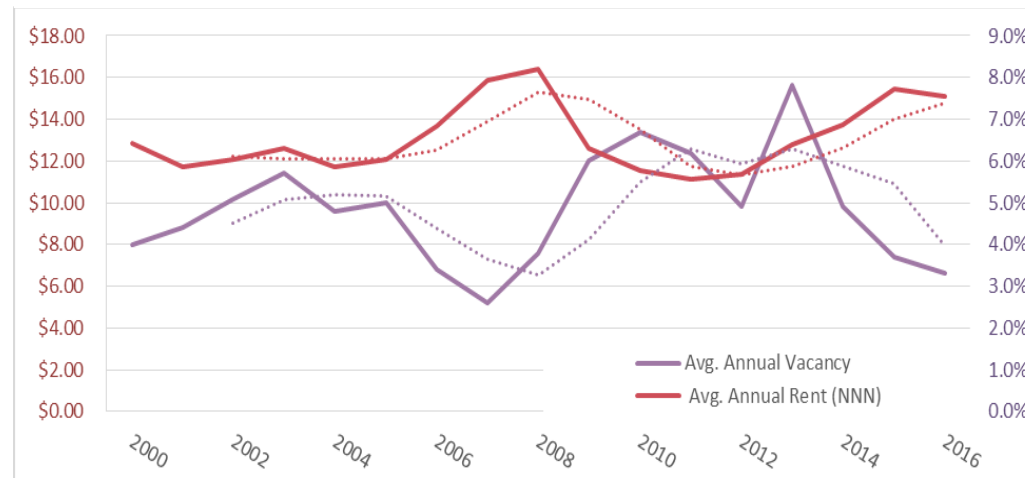
Retail Corridor	2000	2005	2010	2015	CAGR
Balboa Avenue	\$1,491,882	\$1,582,144	\$2,777,944	\$3,887,654	6.6%
Clairemont Mesa Blvd	\$2,339,899	\$2,969,674	\$2,361,878	\$3,433,187	2.6%
(west of CA 163)					
Clairemont Mesa Blvd	\$400,717	\$505,591	\$637,253	\$524,747	1.8%
(east of CA 163)					
Convoy Street	\$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					

- Transient Occupancy Tax (TOT) collected by the City from Kearny Mesa area (92111 and 92123 zip codes) has experienced growth since 2000
- Majority is from within the Community Planning Area
- Approximately 4% of the FY 15 City of San Diego TOT revenue

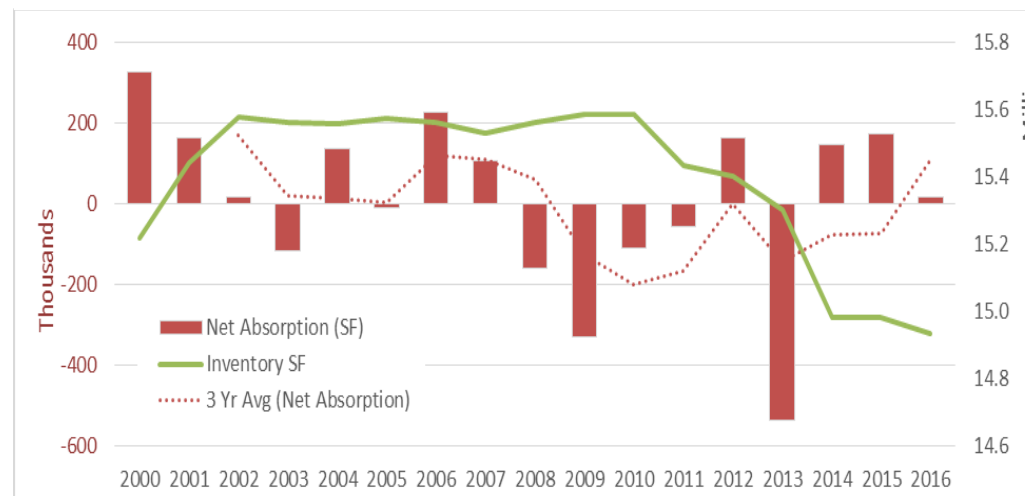
	2000	2005	2010	2015	CAGR
Total TOT Collected (including penalties)	\$2,129,665	3,221,677	2,884,729	\$3,750,279	3.84%

¹ Note totals include tax collected within the 92111 and 92123 zip codes
Source: City of San Diego, 8/2016

Average Annual Vacancy and Rent (NNN) Per SF: Industrial Sector (2000-2016)



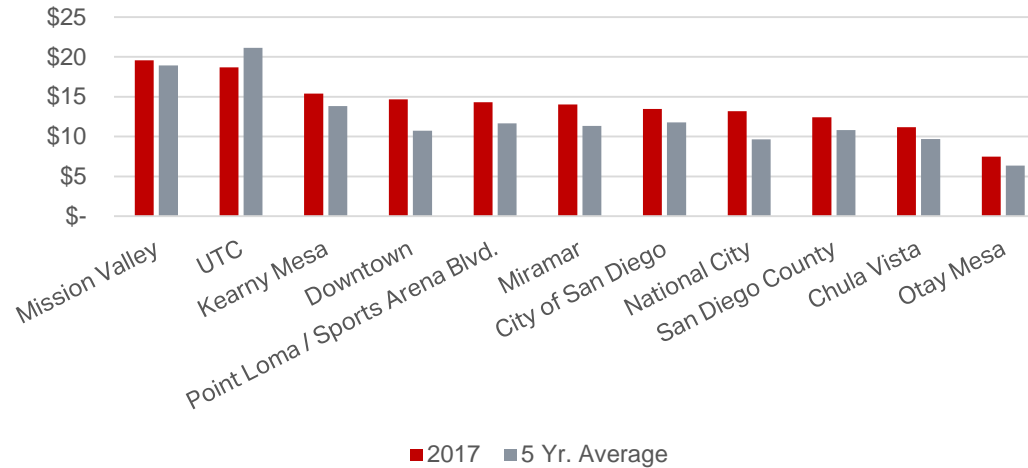
Annual Net Absorption and Total Inventory: Industrial Sector (2000-2016)



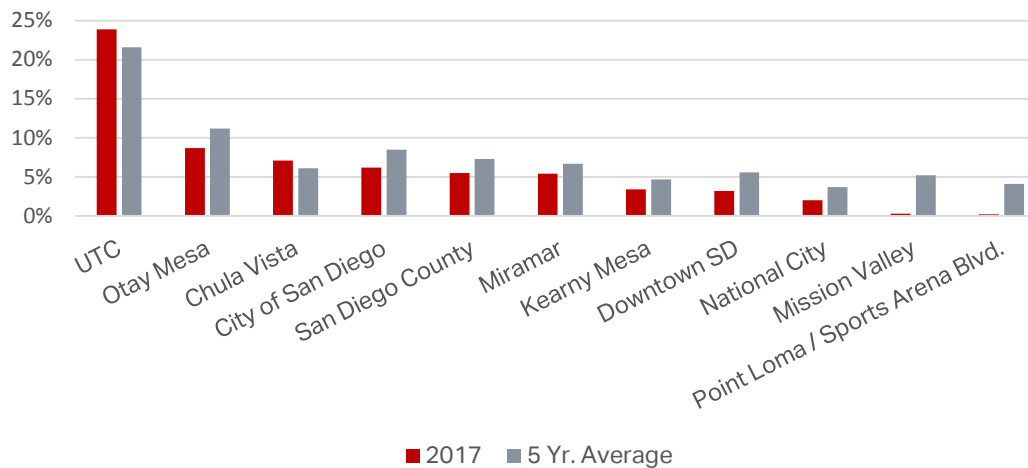
Source: CoStar Group Inc., 12/2016

Real Estate – Industrial Comparison

Industrial Space Gross Rent Per SF



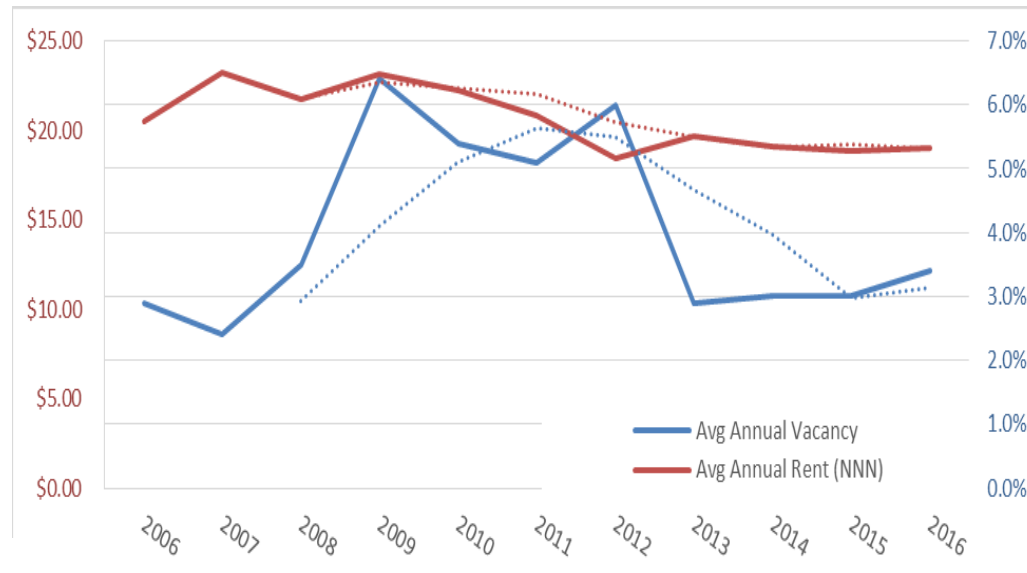
Vacancy Rate: Industrial



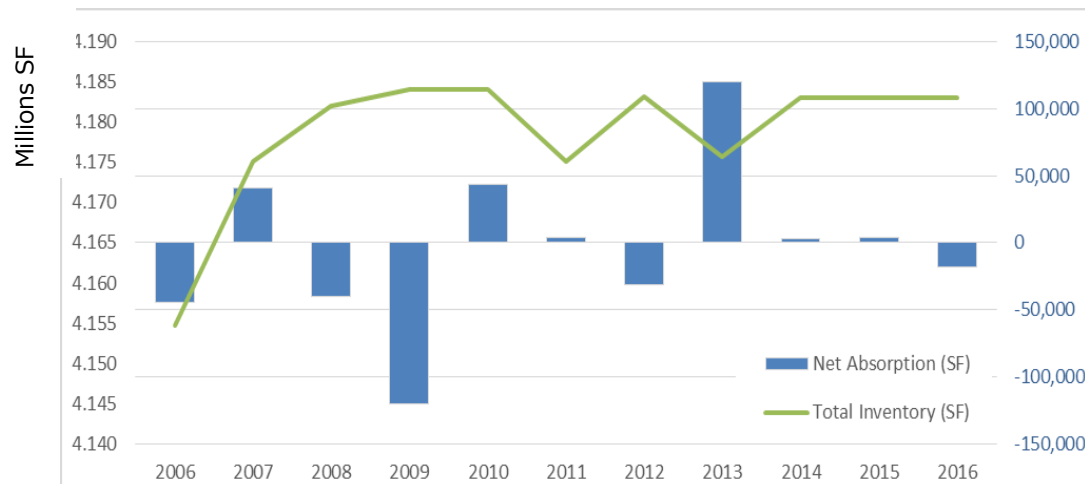
Source: CoStar Group Inc., 5/2017

Real Estate - Retail

**Average Annual Vacancy and Rent (NNN) Per SF: Retail Sector
(2006-2016)**

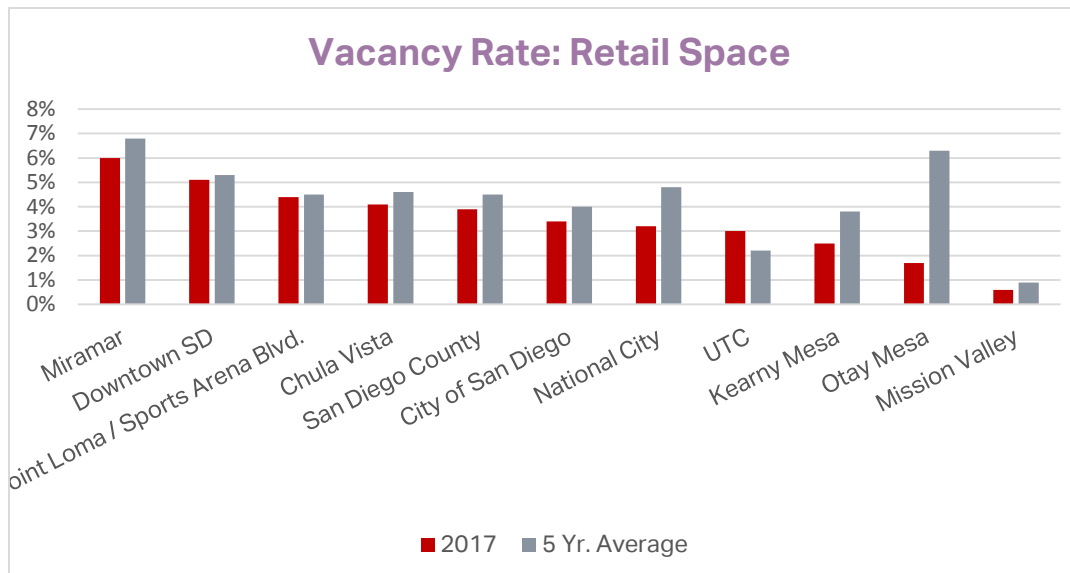
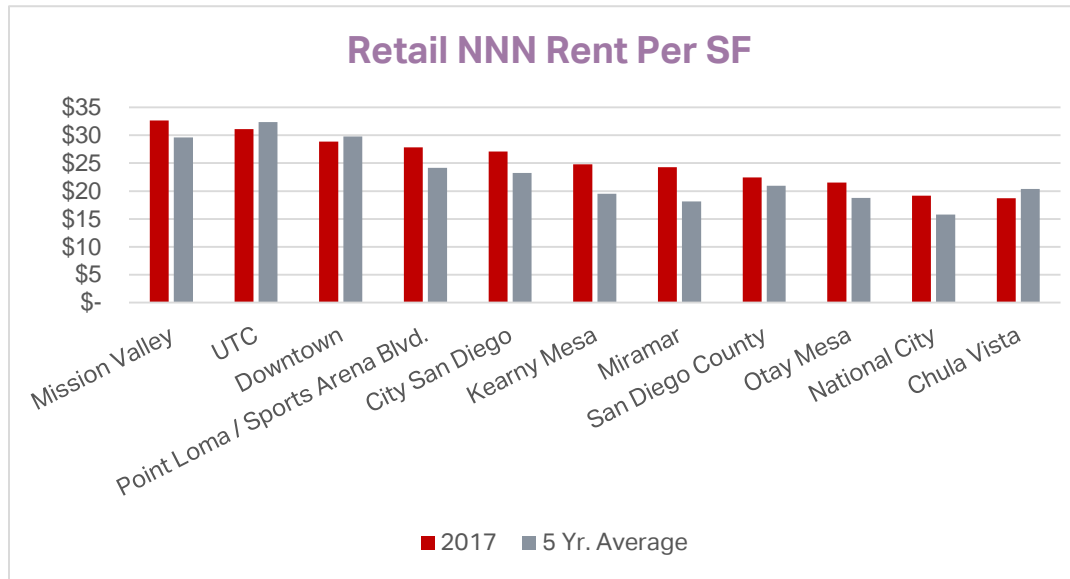


**Annual Net Absorption and Total Inventory: Retail Sector
(2006-2016)**



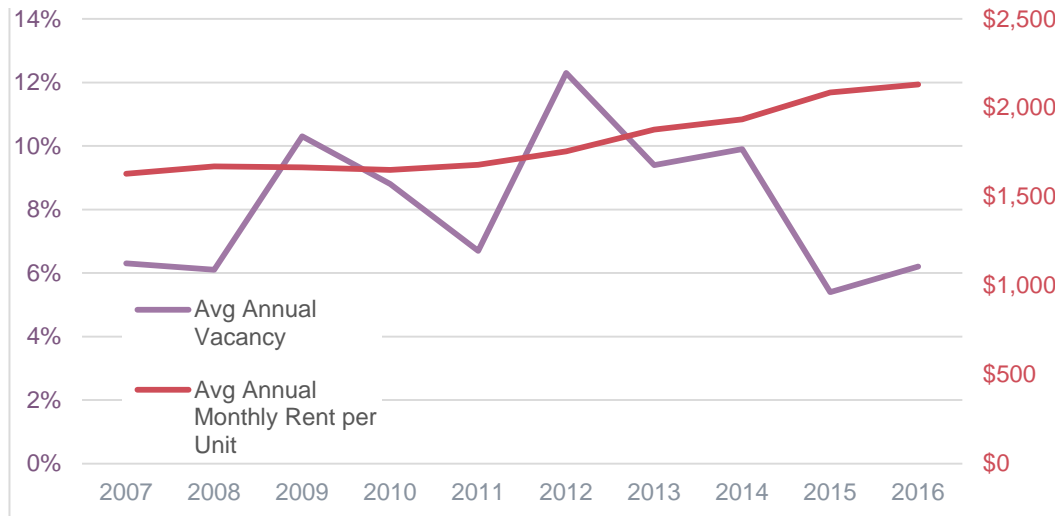
Source: CoStar Group Inc., 12/2016

Real Estate – Retail Comparison

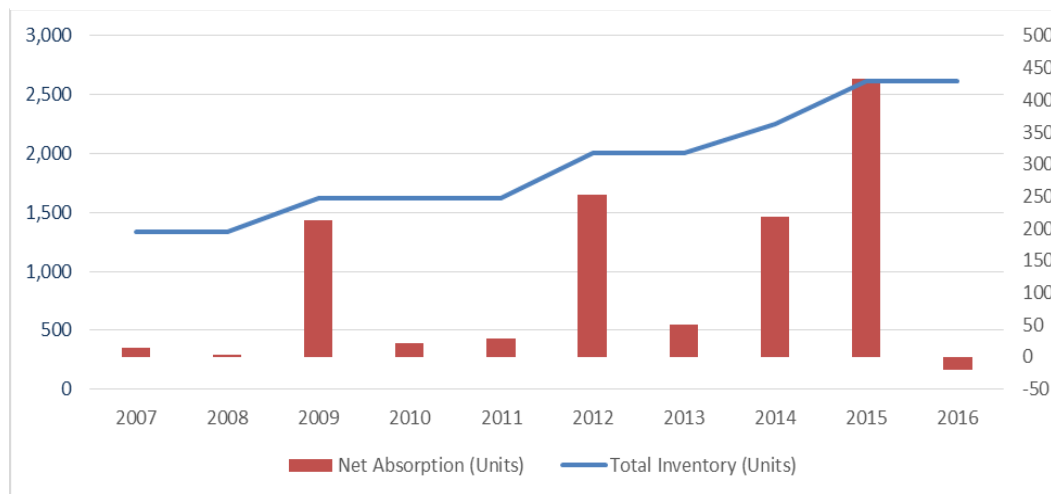


Real Estate – Residential

Average Annual Vacancy and Rent (NNN): Multifamily Sector All Units (2007-2016)

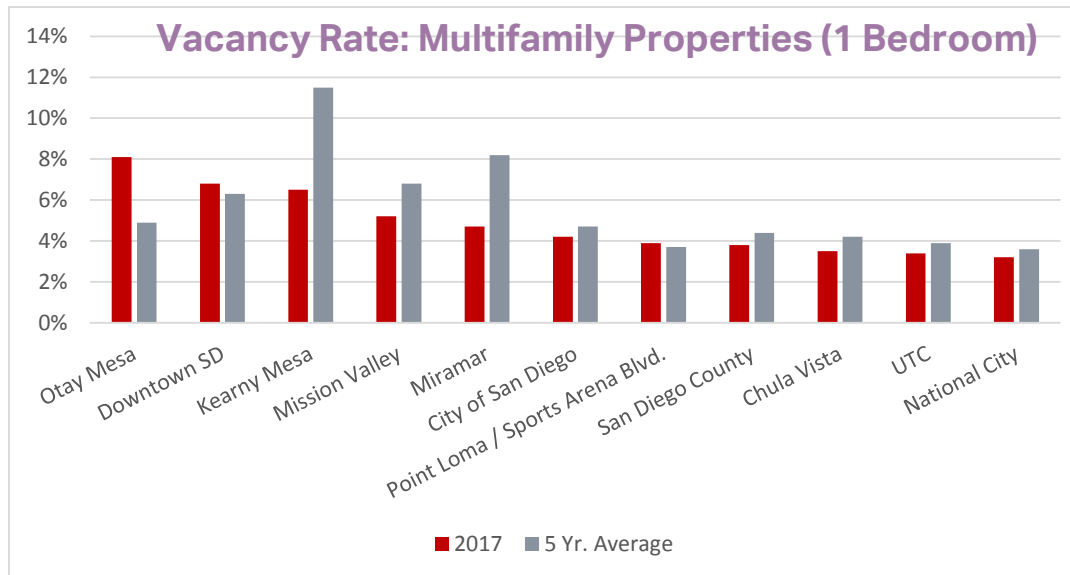
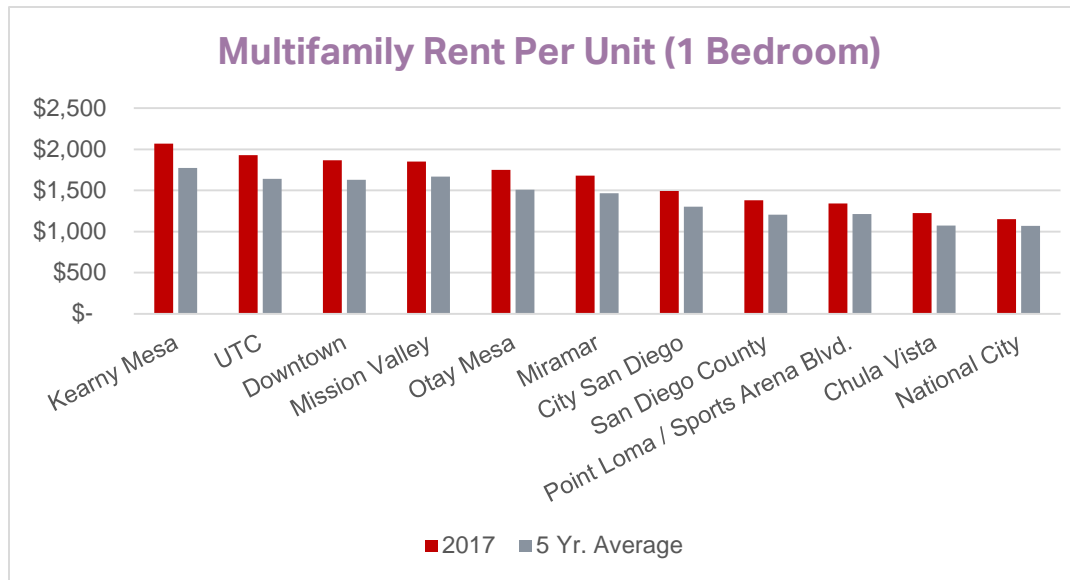


Annual Net Absorption and Total Inventory: Multifamily Sector All Units (2007-2016)



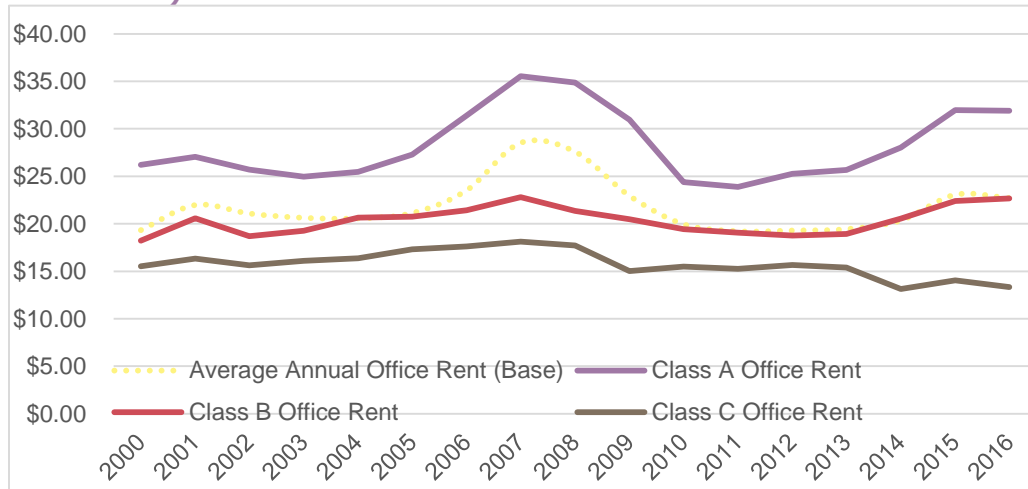
Source: CoStar Group Inc., 12/2016

Real Estate – Residential Comparison

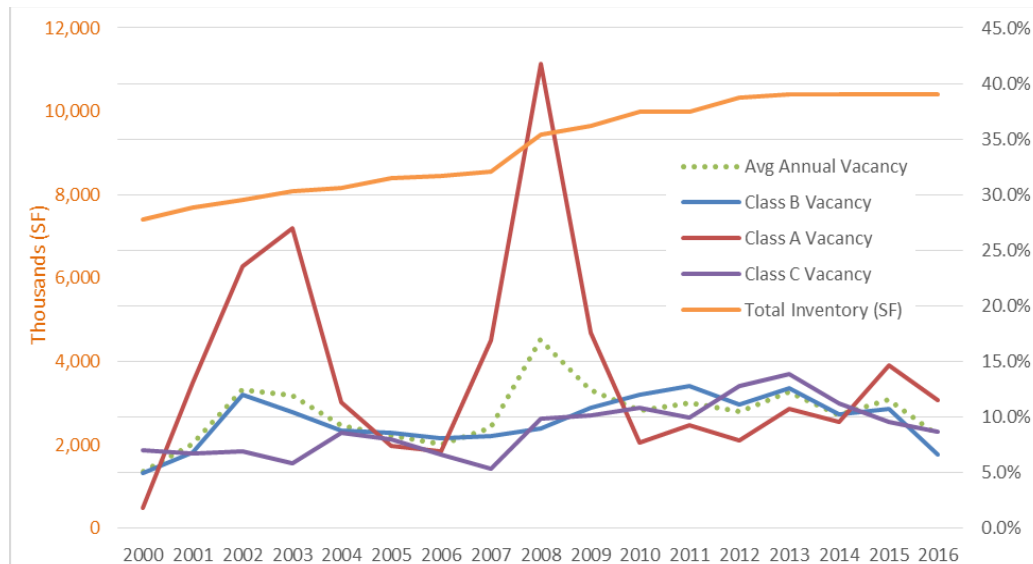


Source: CoStar Group Inc., 5/2017

Average Annual Rent by Building Class Per SF: Office Sector (2000-2016)



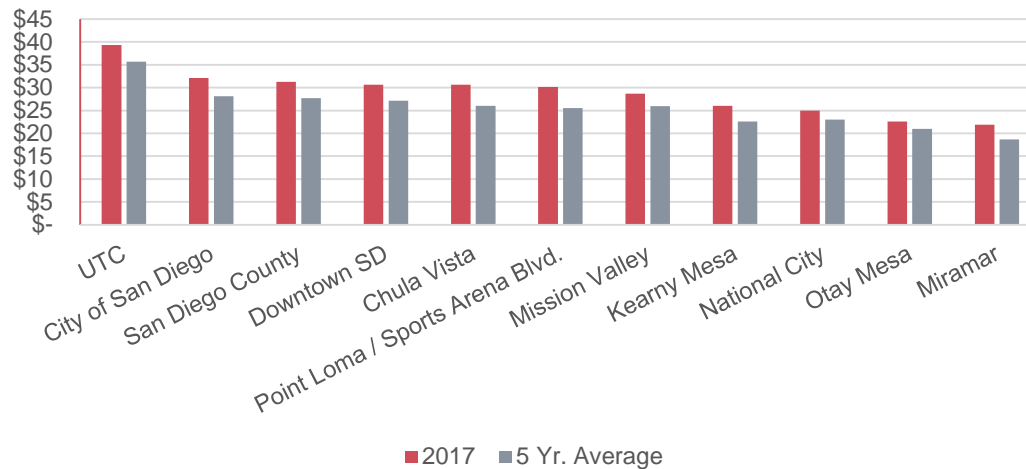
Supply and Vacancy by Building Class: Office Sector (2000-2016)



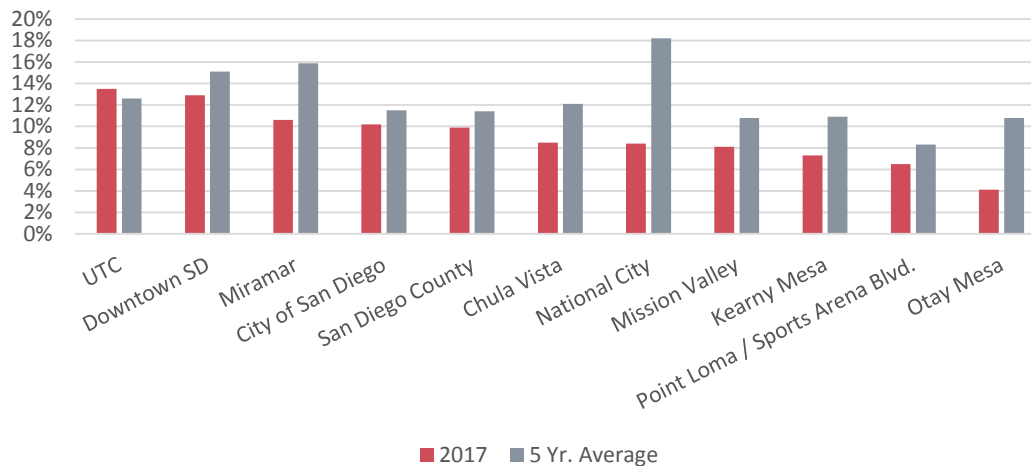
Source: CoStar Group Inc., 12/2016

Real Estate – Office Comparison

Office Gross Rent Per SF



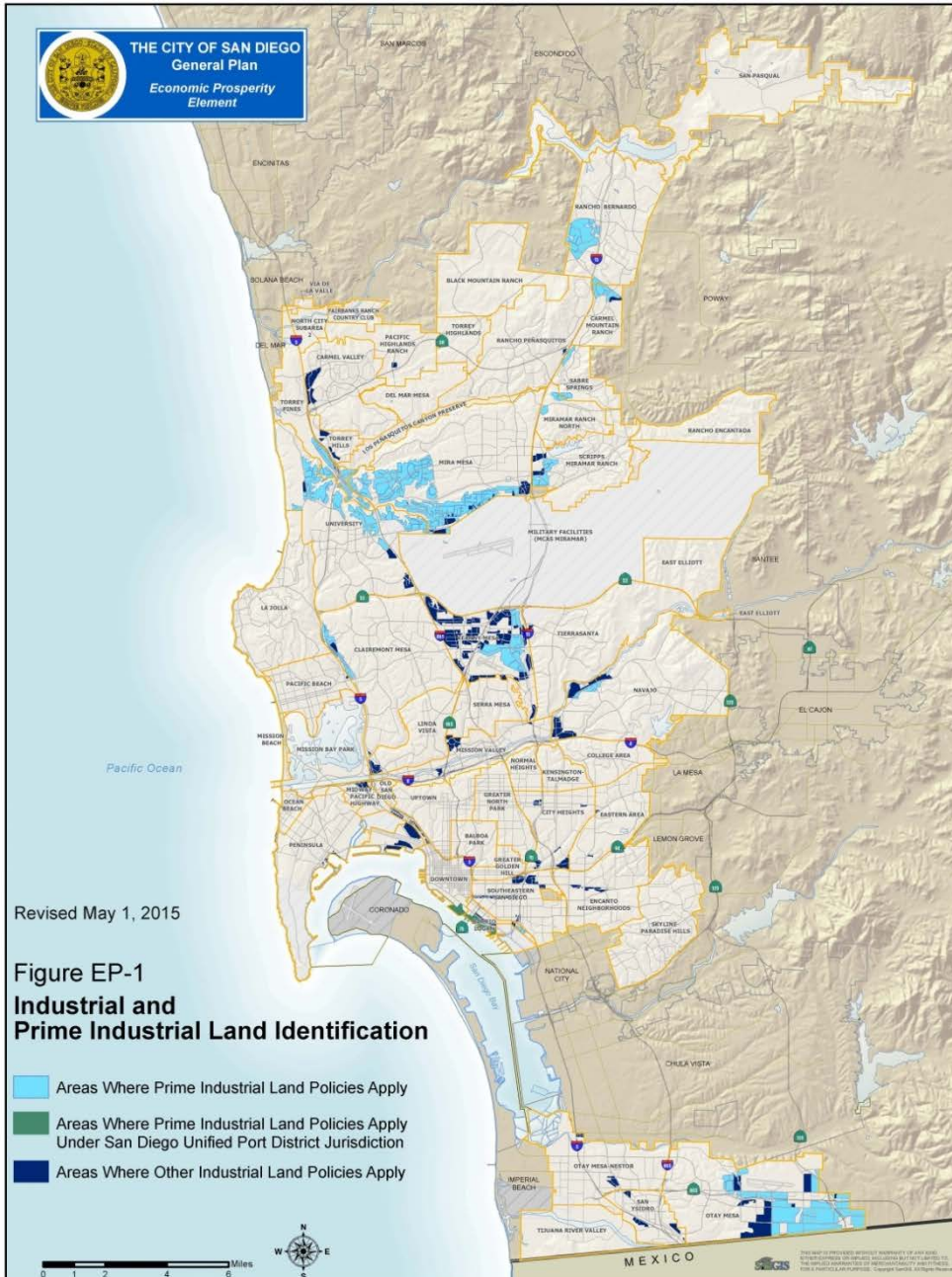
Vacancy Rate: Office Space



- Supports **export-oriented base sector** activities, such as warehouse distribution, heavy or light manufacturing, and research and development
- PIL = **significant regional benefit** & encourage a strong economic base
- Community Plan Updates will identify:
 - **opportunities for employment uses**
 - **appropriate workforce-housing areas** near job centers
 - **minimize land use conflicts**
 - **preserve** the most important types of industrial land (PIL)
- Need for PIL protection from **encroachment by sensitive receptors**; could affect ability to operate and pressure future conversion to other uses

Sensitive Receptors: schools, childcare centers, health care facilities, residences

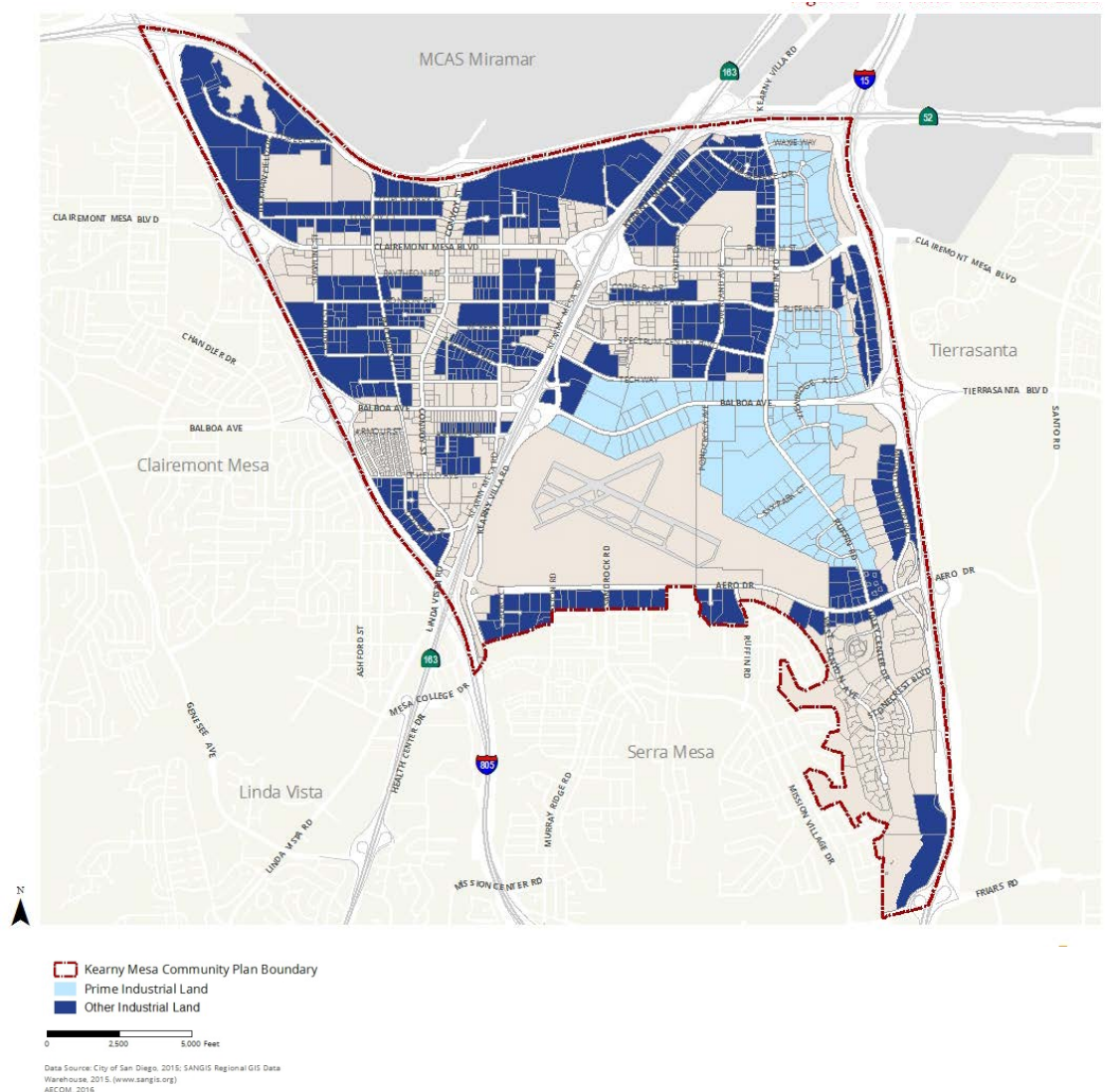
Prime Industrial Lands (PIL)



- PIL areas shown in light blue
- Approximately $\frac{1}{2}$ of City of San Diego designated industrially land qualifies as PIL based on analysis

Prime Industrial Lands (PIL)

- Kearny Mesa has 549 acres of PIL east of SR-163 along Ruffin Road and Balboa Avenue (light blue)
- PIL constitutes more than half of the overall supply of industrial land in Kearny Mesa



Strengths/Issues:

- Location/accessibility
- Economic anchors
- Legacy industry
- Prime industrial
- Proximity to Mexico
- Distinctive cultural identity
- Traffic / City Climate
- Action Plan Goals
- Connectivity
- FAR
- Parking
- Physical character
- Flex space
- Airport

Opportunities:

- Prime industrial
- Pan Asian District
- Walkability/Connectivity
- FAR
- Flexibility in zoning
- Parking
- Flex space
- Tech space/incubator

12:30 pm **Item#7:** Questions and Input

12:50 pm **Item #8:** Upcoming Meetings

Workshop planned for July 27, 2017

Next Subcommittee Meeting for Thursday, June 29, 2017

Community outreach language/translation needs

1:00 pm **Adjournment**