THE CITY OF SAN DIEGO

REPORT TO THE PLANNING COMMISSION

DATE ISSUED: January 11, 2007 REPORT NO. PC-07-026

ATTENTION: Planning Commission
Agenda of January 18, 2007

SUBJECT: Workshop on the Otay Mesa Community Plan Update

REFERENCE: Planning Commission Workshop Report No. PC-06-196, PC-05-222, PC-06-300

SUMMARY:

THIS IS A WORKSHOP TO DISCUSS INDUSTRIAL ISSUES RELATED TO THE OTAY MESA COMMUNITY PLAN UPDATE. NO ACTION IS REQUIRED ON THE PART OF THE PLANNING COMMISSION AT THIS TIME.

BACKGROUND

Community Plan Update Status

On September 21, 2006, the Planning Commission held a workshop on the Otay Mesa Community Plan Update. At that time, the Planning Commission determined that, due to the complexity of issues in Otay Mesa, a series of focused workshops should be held over the next year during the update process. In December of 2006, the Planning Commission discussed residential development opportunities and policy direction in association with the plan update. The focus of this report and workshop is industrial lands supply, demand, and absorption for the Otay Mesa community planning area, as well as the implications of the draft General Plan Economic Prosperity Element policies to Otay Mesa.

DISCUSSION

Otay Mesa's Past Role in City's Industrial Development

Most of the industrial development in Otay Mesa has taken place during the last ten years, and substantially all of it has taken place in the last twenty years. Otay Mesa is relatively unique among the City's industrial areas for a variety of reasons. It is geographically separated from most of the City and encompasses most of the international border area within the developable

portion of San Diego County (see Attachment 1). Its geographic location along the Mexican border makes it unique not only within San Diego, but more importantly within California (see Attachment 2). This proximity to Mexico's second largest city (Tijuana), plus the broad flat topography makes it ideal as a location for distribution centers operated by manufacturers, logistics companies, and other firms doing business in Mexico (see Attachment 3). Although low land prices have led to the development of industrial structures for firms not doing business in Mexico, the largest industrial facilities in this community are the U.S.-based "twin-plants" in the "Maquiladora" production sharing system, the other twin being the Mexico-based factory where the more labor-intensive functions occur. These twin plants are set up on this side of the border to perform the final assembly, testing, packaging, re-packaging, labeling, and distribution of products which are produced in whole, or in part, immediately south of the border.

Most of the central and eastern lands in Otay Mesa have been designated for industrial uses and utilize special zoning to provide for purely industrial uses, with some areas reserved for "support" commercial services and limited retail uses. These zoning restrictions and development standards are provided through the Otay Mesa Development District, a planned district ordinance (PDO), the implementation tool for the community plan policies. The Otay Mesa area's circulation network is severely constrained and is unable to support further development. The issuance of Conditional Use Permits (CUP's) without full development impact fees did not allow for the implementation of the network infrastructure conducive to supporting further development. While the completion of the SR-125 will help relieve some of the traffic congestion, the completion of SR-905 is critical to relieve the congestion and allow further development. The community plan update anticipates the preservation of some of the industrially-designated lands to continue to provide middle income job opportunities and to contribute to the growth of the City's overall economic base. With the exception of some land-intensive recycling and outdoor storage uses, the current community plan and accompanying PDO appear to have enabled the Otay Mesa community to capture a significant number of quality base sector job opportunities and allowed for a development pattern of mostly high-quality modern industrial structures.

Although recent trade agreements will phase out the bonding requirements which led to the rapid growth of the maquiladora system, North American sourcing requirements and market-related advantages will likely still generate cross-border production-sharing opportunities, supplier companies, and service support businesses such as customs brokers, freight forwarders, and third-party logistics ("3PL") companies in the foreseeable future (see Attachment 4). Some experts in global supply chain distribution systems have pointed out that fewer of the labor-intensive manufacturing functions will occur on this side of the border due to increasing skill levels at "off-shore" factories. The experts point to the need for skilled labor to operate increasingly sophisticated ultra-efficient distribution centers which, while offering fewer jobs per acre, will enhance the attractiveness of these facilities as economic engines for local communities with high rates of unemployment or underemployment (see Attachment 5).

More recently, some non Mexico-related manufacturers and distributors have begun relocating to Otay Mesa from other parts of southern California because of the comparatively lower land costs and industrial lease rates. Recent examples include Factory-2-U, Crower Cams & Equipment, Coast Citrus, Trepco West, Golden Oak Furniture, and NASSCO. Most structures in this area

are modern single story concrete "tilt-up" industrial buildings with large floor-plates, tall clear heights, and loading docks. While Otay Mesa's historical development pattern has been large floor-plate industrial buildings serving international and especially Mexico-related trade, the community plan update will determine if Otay Mesa could also accommodate national trends towards the provision of business services typically performed in more intensive multi-story office buildings. While San Diego as a whole should strive to capture these economic opportunities at every juncture, it is not clear that Otay Mesa as a community possesses any unique advantages with respect to these industries as compared to the City's more traditional central areas which allow for high-intensity office development.

Although other cities in southern California such as Ontario also have large tracts of relatively less expensive industrial land and competitive lease rates, Otay Mesa's unique position along the Mexican border gives it the ability to compete effectively for Mexico-related international trade. This niche market is shared with other industrialized Mexican border communities such as Santa Theresa, New Mexico and Brownsville, Texas. Although Ontario and other "Inland Empire" cities host Mexico-related industrial businesses, their connection to the Ports of Los Angeles and Long Beach via the Alameda corridor means that these cities will generally compete against each other for Asia-related trade, and that Otay Mesa appears to be better positioned to support Mexico-related international trade. By enabling San Diego to capture international trade opportunities, Otay Mesa serves as a critical pillar of San Diego's diversified economic base (see Attachment 6).

Applicability of General Plan policies and goals

In the last three years, staff has developed the policies contained in the draft Economic Prosperity Element with substantial input from community and stakeholder groups, industry representatives, other public and private agencies, the Planning Commission, and the City Council Land Use and Housing Committee. Based on current timelines, it is anticipated that the General Plan will be adopted by the time the Otay Mesa Community Plan Update is considered by decision makers. There are four interrelated general policy goals related to industrial land uses in the Economic Prosperity Element:

- A diversified economy with a focus on providing good employment opportunities and livable incomes for San Diegans
- A city with employment land and capacity for base-sector industries sufficiently and appropriately designated to sustain a strong economic base
- Efficient use of existing employment lands
- No loss of employment land and capacity for base-sector industries that contribute significantly to the regional or local economy

The Economic Prosperity Element emphasizes the importance of maintaining a diversity of industries in creating a stable and healthy economy. Economic diversity not only means that the economy should not rely on any one particular industry, but that there should also be the appropriate balance of industry sectors between base and non-base sectors. The amount of non-base economic sectors such as the public, service and the retail sectors is directly proportionate to the size of the population and strength of the economic base. While these sectors provide

essential services and jobs for residents and provide enough jobs to lower the overall unemployment rate, they cannot expand beyond the capacity of the economic base on which they are dependent. Growth in non-base employment can also be directed into communities and locations, such as urban and neighborhood villages, where community revitalization is desired as recommended by the draft element. Adequate land in the city is available for these uses as they typically locate in office-type structures which are allowed in almost all commercial designations and most industrial land use designations.

The draft element focuses on the provision of opportunities for base-sector uses such as manufacturing, research and development, export-oriented services, and support functions since they are the economic drivers of the region which also produce needed middle-income employment.

A more efficient use of employment lands is encouraged in the element. Efficiency may be measured in several ways. Efficiency can be measured by the number of square feet of building that can occur on an acre of land. Although some types of industries such as electronics and software development have begun to occur in higher rise office-type structures, most base-sector industries still require large clear heights which can only be accommodated in low-rise buildings which require larger parcels. Therefore, professional service uses, most of which are non-base in nature, represent a more efficient use of employment land.

Further measures of efficiency include the number of employees per square foot (sq. ft.), as well as the provision of employment for the locally based workforce. Both base and non-base sector service uses result in more employees per sq. ft. of building. Although base sector uses typically result in less employees/sq. ft., more middle-income jobs with benefits result from the jobs which are created. Since San Diego has lost middle-income employment opportunities in recent years, the Economic Prosperity Element policies encourage the creation and expansion of middle-income employment and higher-paying employment opportunities in low-wage industries.

Finally, the proposed identification of prime-industrial lands throughout the city in the draft element is one of the main measures to preserve the city's most significant industrial land from encroachment by other uses. Although prime-industrial land was not identified in Otay Mesa due to the on-going community plan update, it is anticipated that a general plan amendment will be processed concurrently with the Otay Mesa Community Plan Update and that the remaining industrially-designated lands will be identified as prime industrial upon completion of the update.

As stated in the draft Economic Prosperity Element, there is adequate long-term supply of industrial land when considering the entire San Diego region. However, there is a scarcity of near- and mid-term vacant or developable industrial land within the city as discussed later in the report. From a regional perspective, the most efficient land use pattern would encourage continued employment development in close proximity to existing workers' residences, transportation and transit infrastructure, and other public facilities, in areas of the City that are central to the region.

San Diego is only one of many large cities with rising housing prices that have experienced the conversion of low-cost industrial land to residential uses in the last decade. San Diego's proposed collocation policy protects base sector manufacturing, research and development and secondary uses from sensitive receptor land uses. The proposed policy would not allow consideration of community plan amendments for residential uses or discretionary permits for public assembly and other institutional uses within areas identified as prime industrial land. For conversion of industrial lands, issues that would need to be analyzed include site location, public health, land use, design, affordable housing, public facilities and public noticing/participation.

Industrial Objectives in the existing Otay Mesa Community Plan

The Industrial Objectives of the 1981 adopted Otay Mesa Community Plan (as amended) include the alleviation of high unemployment in the border area with the development of large industrial parks, the provision of areas suitable for development of large scale manufacturing facilities with access to railroad service, and the provision of areas of exclusive use of industry, prohibiting residential, commercial, and other uses. Other objectives include proper design relationships to minimize land use conflicts, implementation of a foreign trade zone, twin plants for manufacturing on both sides of the border, the location of hazardous industrial development away from urbanization, cooperation with the Economic Development Administration and the Southwest Border Regional Commission, and retention of agricultural uses until areas are ready for industrial development. The plan recognizes the unique availability of large parcels of land that would be suitable for larger users, and therefore designates a large portion of the land as industrial. The industrial policies contained with the Otay Mesa Community Plan were largely based on an economic development strategy for manufacturing complementary to the *maquiladoras* in Tijuana. The Twin Plants manufacturing concept has manifested itself with industrial development and uses that include Quality Assurance/Quality Control, repackaging, testing, administration, and to some limited extent, final assembly on the U.S. side of *maquiladora*-made products. Much of the developed industrial land is underutilized and is occupied by warehousing, distribution, truck storage and customs brokerages. Logistics associated with international trade is a significant industry in Otay Mesa in terms of land consumption. Other significant industries include automobile recycling, aviation-related uses associated with Brown Field, government and a few research and development electronics businesses.

Regional Supply and Distribution of Industrially-Designated Land

The San Diego Association of Governments (SANDAG) estimates that San Diego County has sufficient vacant developable industrial land to meet County-wide demand through at least the year 2030. SANDAG's numbers are based on gross acreage, and local jurisdictions determine net acreage through a variety of factors and constraints including topography, environmentally sensitive lands, zoning, floor area ratios (FARs), public improvements, and buffer areas. Closer evaluation by City staff indicates that there is a strong possibility that near- and mid-term demand will continue to exceed supply due to recent absorption and a variety of other factors. The long-term demand will be dependent on the future evolution of our economic profile. These findings are consistent with assertions made and data provided by the San Diego offices of

commercial/industrial real estate brokerage houses (Burnham, CBRE, Grubb & Ellis/BRE, Voit, Colliers during the last several years (see Attachment 7).

A 2005 Real Estate Market Analysis was prepared by Economic Research Associates (ERA) for the City as part of the Otay Mesa Community Plan Update. The analysis estimated the demand for gross industrial acreage between 2000 and 2030 (provided to the Planning Commission for the September 21, 2006 workshop). The report was recently updated in December of 2006 to reflect the industrial absorption that occurred between 2000 and 2006. A total of more than 3.6 million square feet were absorbed between 2000 and 2006. Assuming a FAR of 0.4 and a net-to-gross acreage ratio of 85%, approximately 245 gross industrial acres were absorbed between 2000 and 2006 (see Attachment 8).

Based on the SANDAG numbers for industrial acreage, both the 2000-2030 and the updated 2006-2030 ERA forecasts for the City's Otay Mesa community planning area are contained in the table below:

	Low (acres)	Moderate (acres)	High (acres)
2000-2030 Forecast	835	1035	1497
2006-2030 Forecast	762	958	1269

ERA believes the industrial demand through 2030 will fall closer to the moderate scenario. However, ERA recommends the three land use plan scenarios provide for more industrial capacity than forecasted under the moderate scenario as a contingency for a fluid market. This would maintain acreage for an upside potential, and provide for post 2030 capacity.

The following table evaluates the industrial acreage within the three land use plan scenarios against ERA's updated 2030 forecast, assuming that both the undeveloped and interim/underutilized lands are available to absorb the demand forecast. A negative number means the available supply of industrial land is developed before the 2030 forecast horizon.

	Low (acres)	Moderate (acres)	High (acres)
No Project	1,054	858	547
Scenario #1	262	66	-245
Scenario #2	178	-18	-329
Scenario #3	591	395	84

Additional industrial absorption could occur through intensification of existing developed industrial sites, particularly if on-site stormwater requirements are reduced with the development of a regional drainage facility. However, the capacity of developed industrial sites to accommodate more development is difficult to quantify.

ERA concluded that there is sufficient capacity countywide to accommodate demand between 2000 and 2030, and therefore, Otay Mesa will continue to face regional competition. This conclusion is based on SANDAG figures (adjusted by ERA) for vacant undeveloped industrially-designated land in San Diego County. Using SANDAG figures, ERA estimates that the vacant

developable (immediate and long term) county-wide industrial land inventory contains 9,514 gross acres.

ERA and the City have both concluded that approximately 675 acres in Otay Mesa are currently being used for "interim" uses such as auto recycling, off-site truck parking, and other low-intensity and storage uses (see Attachment 9). These uses are considered to be "interim" in nature as they are considered "separately regulated" uses approved through the issuance of limited-duration conditional use permits. The truck parking/storage uses in the Otay Mesa area are essential to international trade activities and the plan update anticipates that the uses will allowed by right as permanent industrial facilities within the Heavy Industrial land use designations. This would relieve the need for a CUP and would require full public improvements and benefits assessment within the permit process. Should the properties currently containing the "interim" uses be replaced with more permanent industrial uses (in modern industrial structures) based on land values and market mechanism or be redesignated for alternative land uses, an equal or greater amount of land will still need to be allocated somewhere within the county for the truck parking/storage uses. This information must factor into supply and demand calculations.

No comprehensive update of the industrial inventory has been undertaken by SANDAG and the update to the ERA Report bases its Otay Mesa industrial land absorption projections on this data. The City of San Diego is generating a lot-by-lot inventory of existing and projected net acres of industrial land within the City, and preliminary results indicate that there appears to be approximately 1,800 acres available citywide, including approximately 350 existing or projected net acres in north City, and approximately 1,450 existing or projected net acres in Otay Mesa.

If the adjustments noted above are valid and/or approved, then the City would have approximately 925 net acres to meet its expected share of county-wide industrial demand, approximately 175 net acres in north City communities, 750 net acres in the Otay Mesa Community, and an approximately 600 additional net acres currently occupied with interim uses. SANDAG's SourcePoint estimates that Otay Mesa contained approximately 1,086 vacant developable gross and net acres not including land currently used for interim uses and for projected public rights-of-way. The ERA Report also estimates that the City's portion of Otay Mesa currently contains approximately 1,140 net and gross vacant developable industrially-designated acres not including interim uses. Thus, there seems to be agreement among all analysts that the City's portion of Otay Mesa contains just under 1,000 vacant developable industrially-designated gross acres not being used for interim uses pursuant to conditional use permits.

There does not appear to be a consensus on the amount of similar land in the rest of San Diego County, which confounds efforts to determine the projected rates of industrial land absorption for Otay Mesa. City staff is still refining SANDAG's countywide industrial inventory. The SANDAG figures for the City of San Diego cited by ERA Update report attribute 2,976 vacant developable industrially-designated acres for the City of San Diego. City staff concluded that the City of San Diego only has approximately 1,800 acres in its inventory. This number is 40% lower than the 2,976 acres from the SANDAG's inventory. Staff's interim results raise questions on SANDAG's numbers for the City and County, which add uncertainty to the supply question.

These industrial land supply figures also do not take into account the fact that much of this acreage may not be available to satisfy demand for the 58 million square feet of industrial, distribution, and R&D space that the ERA Update estimates will be required. This further adjustment is based on (1) permissive zoning (most jurisdictions in San Diego County permit non-base sector commercial office, commercial retail, and government facilities on industrial lands); (2) future re-zonings to accommodate residential and institutional uses; (3) the issuance of conditional use permits to non-industrial uses (primarily institutional uses such as hospitals, churches, and private schools), and (4) eminent domain actions and purchase acquisitions by jurisdictions for public schools and other public facilities. Accordingly much of this land will be used for other non-industrial purposes. This is especially true in the more constrained markets of North City/North County. However, over time, a small amount of inventory may be added by other jurisdictions, and rezoning of industrial land throughout San Diego County may occur less frequently as the supply in certain sub-markets becomes more critical.

Otay Mesa Development Demand

The projected net acres in Otay Mesa (City and County portions) will face very little competition from higher-priced North City/North County developments where industrial development may soon become mostly infeasible due to land cost pressures resulting from an imbalance of demand over supply. Otay Mesa will actually really only compete with East County and other parts of South County such as Chula Vista. Since Otay Mesa will still have a cost advantage, the Otay Mesa area should increase its capture ratio, possibly exceeding the high end of the ERA forecast. The development of infill sites, and redevelopment of existing older industrial sites for new industrial users will be the only factor preventing Otay Mesa (City and County portions) from capturing some of the County's industrial demand. Additional industrial development would proceed to areas such as Chula Vista and south Riverside County.

If North County and East County reach build-out in 7-10 years (2014-2017) as predicted by real estate experts, then only the entitlement of industrially-designated property in East Otay (County portion) and Chula Vista will reduce Otay Mesa's (City portion) dominant share of County-wide industrial absorption during the period 2014-2030. Thus, it is reasonable to conclude that the South Bay industrial market will capture most of the County's industrial absorption during the 2015 to 2030 period. The entitlement of gross industrial acreage in the Otay Mesa, East Otay Mesa, and Chula Vista submarkets, and the timing of these approvals will heavily influence absorption patterns.

LAND USE SCENARIOS

Prior to the generation of the three draft land use scenarios, a series of roundtables was held in late 2005 and early 2006 to gain greater understanding of the complex policy issues surrounding the Otay Mesa Community Plan Update. The goal of the roundtable discussions was to gain understanding of complex issues that would benefit the development of the community plan update. The roundtables consisted of small group discussions involving City staff and individuals with specialized knowledge or experience in each issue topic. Two of the roundtables focused on industrial lands and international trade. Key discussion points in the

industrial roundtable included the industrial evolution to higher capacity uses, global influences on local manufacturing, the unique border trade industries, and the role of Otay Mesa as an economic engine for the region. The international trade roundtable key points included the need for truck storage and logistics uses to support the border trade industries, the opportunity for a third border crossing and how it may impact land use decisions, the need for improved infrastructure, and the need for collaboration between the City and County (see Attachment 10).

The remainder of the section addresses the No Project Alternative and the three draft land use scenarios with regard to the redesignation of existing industrial lands, the introduction of the Business Park designation, the introduction of the Heavy Industrial designation, and potential land use conflicts (see Attachment 11).

The adopted Otay Mesa Community Plan (No Project Alternative) does not propose any land use redesignations, nor does it introduce any new residential designations or industrial designations. The land use conflicts are minimal in the existing plan, as the community is highly segregated with residential development in the western portion and industrial development in the eastern portion. While the current plan acknowledges the auto salvaging and truck storage issues, the No Project Alternative still requires CUPs for these uses, which could allow for the deferment of full facilities' assessments through the CUP process, inhibiting the process for the completion of needed off-site public improvements.

In looking at the amount of change for industrial lands, consideration is given to both the total number of acres that would be redesignated from industrial designations and to the distribution of differentiated uses including Business Park, Light Industrial, Heavy Industrial, and Scientific Research. Scenario #3 represents the least amount of acreage change, followed by Scenarios #1 and #2 respectively. Within the scenarios, Scenario #3 would redesignate approximately 513 acres from industrial use, Scenario #1 would redesignate approximately 813 acres, and Scenario #2 would redesignate approximately 926 acres. The redesignated acreage would be distributed in other land use designations, with the majority of acreage being designated for residential, commercial and village uses. While the redesignation may create higher quality development and some component of the village designation will include base-sector activities, it may also adversely affect the City's ability to diversify and maintain its economic base.

The currently designated industrial lands in Otay Mesa allow for a mixture of manufacturing, warehousing, and distribution centers, with limited office use within a single industrial designation. The three land use scenarios would segregate the industrial uses into Business Park, Light Industrial, Heavy Industrial, and Scientific Research designations. The table below shows the distribution of the new industrial land use designations for the three scenarios.

	Scenario 1	Scenario 2	Scenario 3
Business Park	876	838	505
Scientific Research	148	148	48
Light Industrial	647	597	1,418
Heavy Industrial	402	402	402
Total	2,073	1,985	2,373

The table demonstrates the acreage allowed for each designation, and demonstrates opportunities and constraints for maintaining and diversifying the City's economic base.

The addition of the Business Park designation would allow for the introduction of office use, which currently is limited to business support services that occupy no more than five % total gross ownership acreage. The Business Park land use designation may reduce the City's ability to maintain and expand its economic base, in that the Business Park designation would presumably utilize a more permissive industrial zone which would allow a wide range of office uses. While the non-base sector activities provide essential and retail services and do provide enough jobs to lower the overall unemployment rate, the retail jobs are not middle income employment opportunities. As demonstrated in the table above, Scenario #3 anticipates the conversion of 505 acres to be designated Business Park, Scenario #1 anticipates 876 acres, and Scenario #2 anticipates 838 acres. These reallocations may reduce Otay Mesa's ability to capture any expansion of international trade related to manufacturing and distribution.

All three scenarios anticipate designating some lands for Heavy Industrial use. Per the table above, all the draft scenarios provide 402 acres for Heavy Industrial use. A Heavy Industrial subcommittee of the Otay Mesa Community Planning Group met and determined that an enclave for heavy industrial uses was desired within the planning area. In working with the subcommittee, stakeholders and property owners, there is a desire to provide this designation, along with high quality buffering and screening design standards. The introduction of the Heavy Industrial designation would anticipate that auto salvaging, truck storage, outdoor storage and processing uses would be by right. This would relieve the need for a CUP and would require full public improvements and benefits assessment within the permit process. Based upon the assumption that some of these heavy uses would eventually move to East Otay, there are no other areas contemplated for this designation within the City and this would be one of the few areas in the City where these uses would be anticipated to be permitted by right.

The introduction of sensitive receptors to an area currently designated for industrial use could generate potential land use conflicts that would need to be analyzed and resolved during the update process. Scenario #3 minimizes the potential for conflict, as it represents the least amount of change from the existing plan and has limited addition of residential potential into the existing industrial areas. Areas of concern where buffering and separation issues would need to be resolved would be along Airway Road and Britannia Road, where Light and Heavy Industrial uses are in close proximity to an area designated Community Village. Scenario #1 has potential land use conflicts where the Light Industrial designation is adjacent to an Urban Village and Residential designations along Cactus and a portion of Airway, and along the eastern portion of Otay Mesa Road where Light Industrial is adjacent to Urban Village. Scenario #2 has potential land use conflicts along the eastern portion of Otay Mesa Road where Light Industrial is adjacent to an Urban Village designation. For all scenarios, buffer issues need to be considered for potential conflict mitigation for the Urban Village designations that allow for residential development between Otay Mesa Road and SR-905. The issues of capability, collocation, and conversion will be addressed in a future workshop.

CONCLUSION

The Otay Mesa Community Plan Update represents a unique opportunity to evaluate the planning area's industrial land supply and demand for the next 20 years. Balancing the economic prosperity with the regional housing needs of the City, the Otay Mesa Community Plan Update provides an opportunity to implement General Plan policies for the development of a sustainable and integrated community. In order to assist staff in the development of a comprehensive plan for Otay Mesa, Planning Commission input is requested in the following areas:

1. Do the Land Use Scenarios adequately preserve and protect the City's economic base?

2. To what extent should the update consider industrial demands past the 2030 planning horizon?

3. What other policies and approaches, if any, should staff and the planning team evaluate to preserve Otay Mesa's economic base while providing an integrated sustainable community?

4. Should the City provide designations which would allow truck storage, outdoor storage and auto salvaging as permanent and by-right uses?

5. What other issues related to Otay Mesa's competitiveness and role as an economic engine should be considered as staff proceeds in evaluating and preparing the plan?

Respectfully submitted,

Mary P. Wright, AICP
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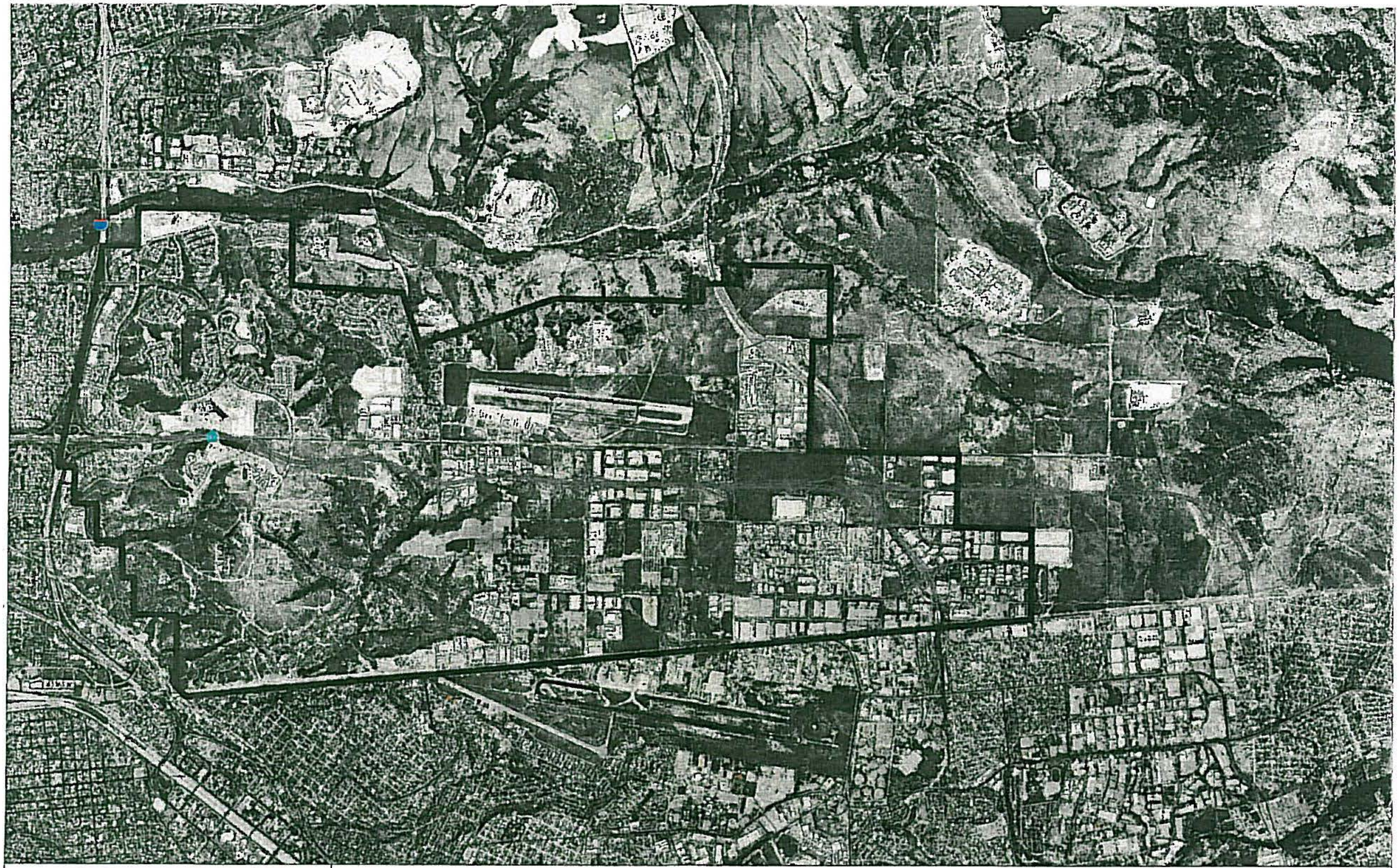
Attachments:
1. Otay Mesa Community Planning Area Aerial Photo
2. Otay Mesa Community Plan: Regional Context
3. Otay Mesa Community Plan: Slope Percentages
4. Otay Mesa Community Plan Update: Manufacturing Firms, Border Businesses, Logistics
5. West Coast Logistics Consulting Article
6. San Diego's Local Economy
7. Quotations from Industrial Broker Market Reports 2004-2005
8. Economics Research Associates: Addendum to Real Estate Market Analysis
9. Status of Land Designated Industrial
10. Roundtable notes
11. No Project Alternative and Draft Land Use Scenarios

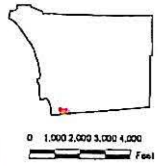


Otay Mesa Community Planning Area

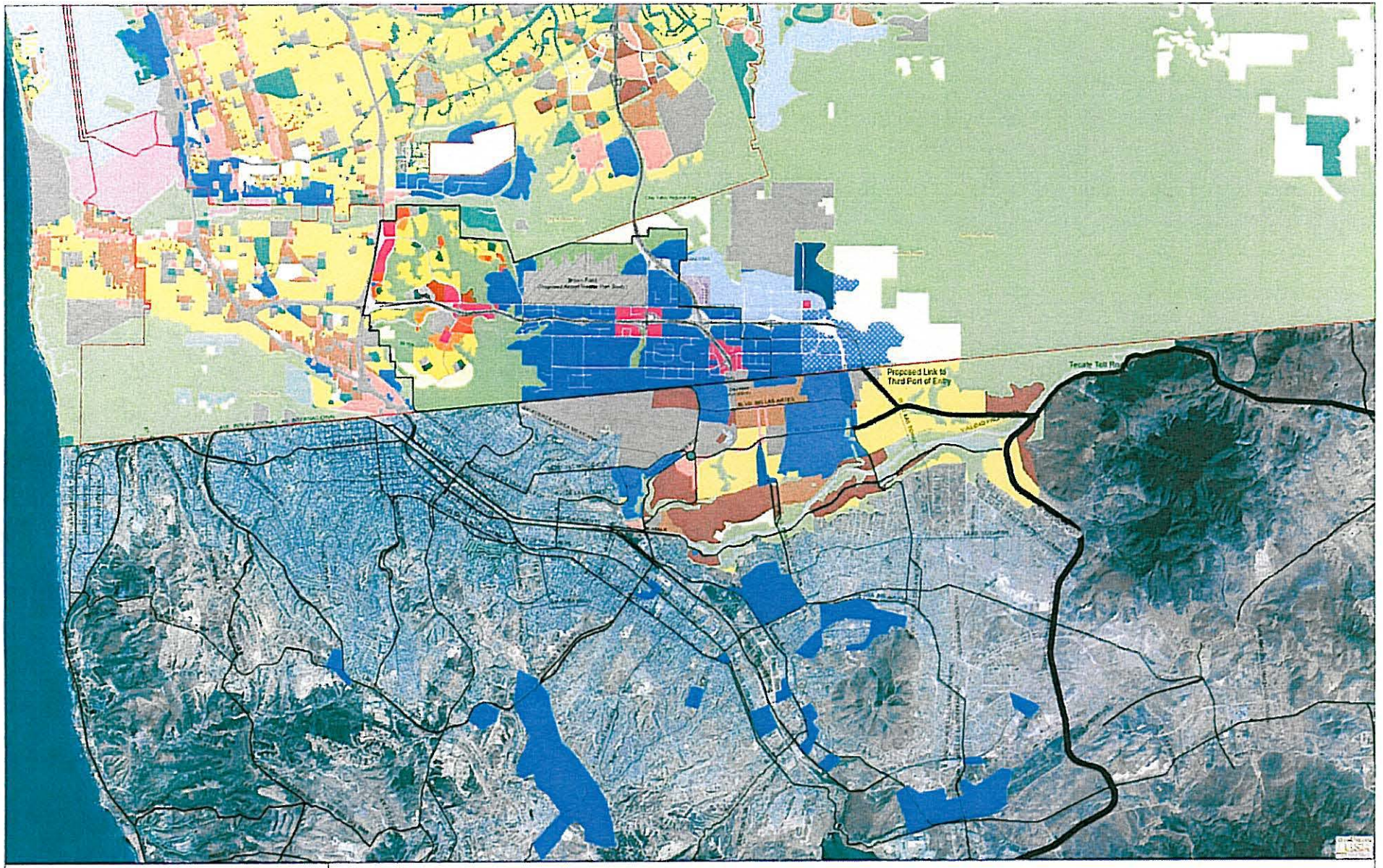
Otay Mesa Community Planning Area

THE CITY OF SAN DIEGO
PLANNING DEPARTMENT

*This land use plan scenario is one of three that has been prepared by the City for further analysis and public input.



ATTACHMENT 1



Otay Mesa Community Plan: No Project Alternative Regional Context

July 19, 2006

General Land Use Categories - Otay Mesa Area

Parks, Open Space, and Institutional
- Open Space
- Parks
- Institutional

Commercial
- Commercial

Community Plan Boundary

Residential
- Residential - Very Low (0-4 du/ac)
- Residential - Low (5-9 du/ac)
- Residential - Low Medium (10-15 du/ac)
- Residential - Medium (16-23 du/ac)
- Residential - High (24-44 du/ac)

Overlays
- U.S. Government Property
- Brown Field Airport

Industrial
- Business Park - Science and Technology
- Business Park - Office Permitted
- Business Park - Research
- Light Industrial
- Heavy Industrial
- Mixed Industrial

Miles
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2030 Planned Land Use Categories

Residential
- Rural Residential
- Single Family Residential
- Mobile Homes
- Multiple Family

Commercial and Industrial
- Commercial, Office and Mixed Use
- Heavy and Light Industry
- Extractive Industry

Public Facilities and Utilities
- Transportation, Communications, Utilities
- Education and Institutional
- Public/Semi-Public
- Military

Parks and Recreation
- Recreation
- Open Space Parks

Agriculture
- Agriculture

Other
- Indian Reservations
- Water

Undecided
- Mixed Use, Specific Plan Areas

ATTACHMENT 2

Otay Mesa Community Plan Update

Slope Percentages

Slope Percentages

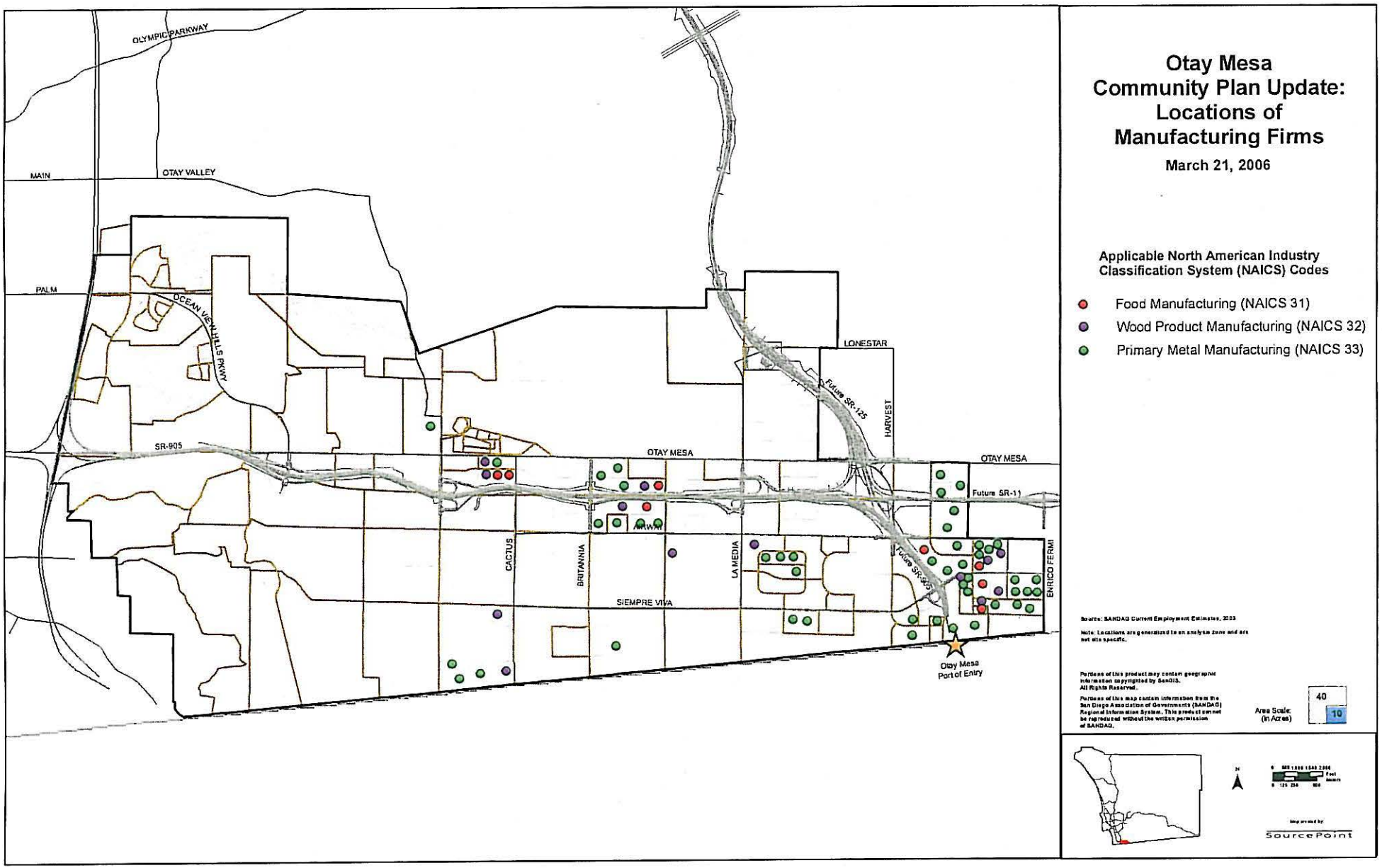
- Less than 25%
- 25 to 35%
- More than 35%

Area Scale (in Acres)

40

10

ATTACHMENT 3



Otay Mesa Community Plan Update: Locations of Manufacturing Firms

March 21, 2006

Applicable North American Industry Classification System (NAICS) Codes

- Food Manufacturing (NAICS 31)
- Wood Product Manufacturing (NAICS 32)
- Primary Metal Manufacturing (NAICS 33)

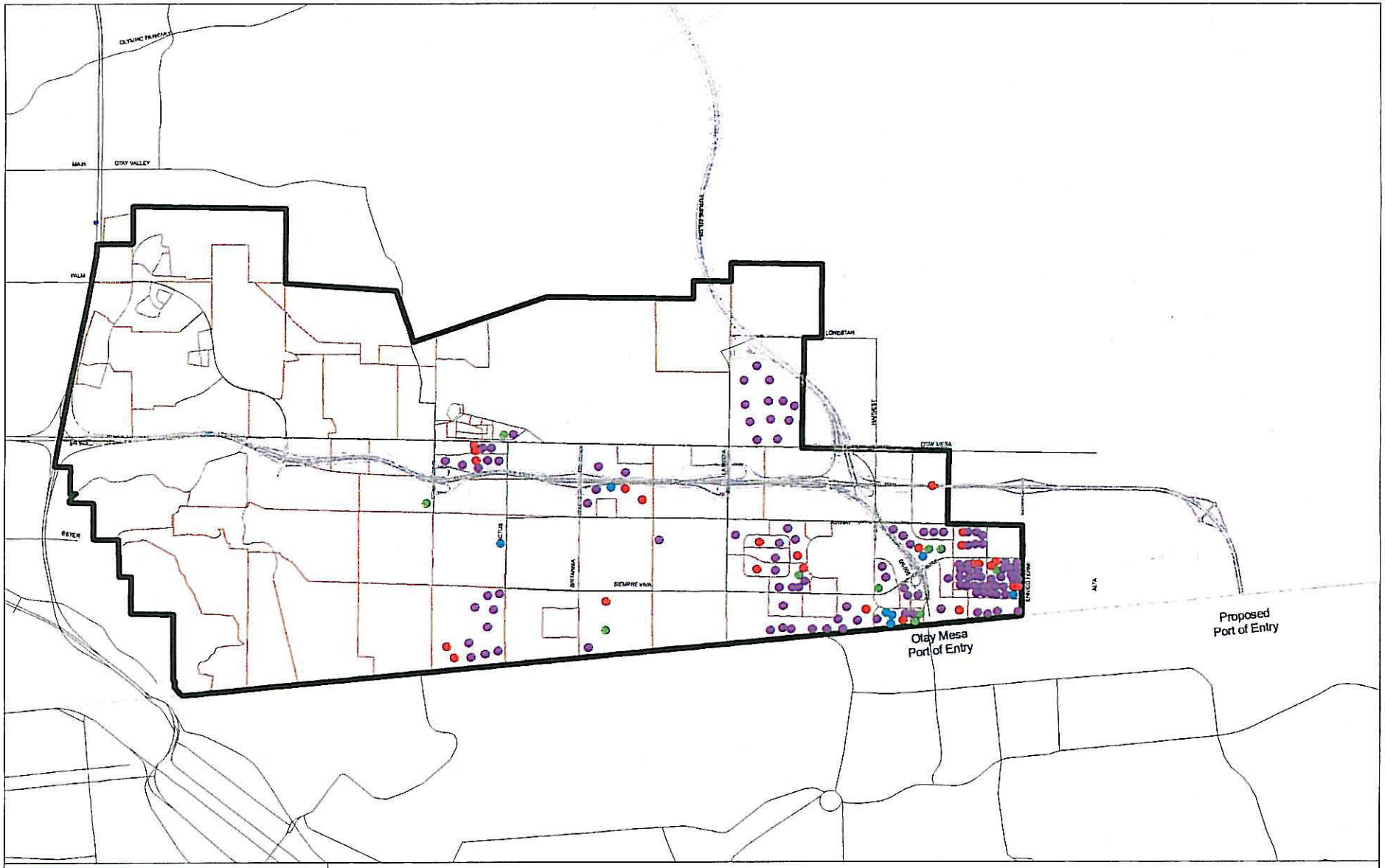
Source: SANDAG Current Employment Estimates, 2003

Note: Locations are generalized to an analysis zone and are not site specific.

Area Scale: (in Acres) 40 10

Map prepared by: SourcePoint

ATTACHMENT 4



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Otay Mesa Community Plan Update:
Locations of Border Business and Logistics Services

Applicable North American Industry Classification System (NAICS) Codes

- Wholesale Trade (NAICS 42)
- Transportation (NAICS 48)
- Warehousing (NAICS 49)
- Professional, Scientific, and Technical Services (NAICS 54)

Otay Mesa Community Planning Area

ATTACHMENT 4

West Coast
LOGISTICS CONSULTING

Labor: Critical Component in Today's Warehouse Site Selection Decisions

Why is Labor Cost, Quality and Availability so Important?

Labor has risen to the top of the priority list when selecting a new warehouse site. Skil Bosch, IKEA, Sears' and Target purchased or leased distribution centers where the local work force boasted a proven and successful track record of performance. Labor availability, cost and quality were critical in the site selection decision.

FACTORS INFLUENCING DECISIONS

"Site selection in the past was more real estate driven," says a senior manager of KPMG's Strategic Relocation Expansion Services Group. Deloitte & Touche's *Location Trends in Retail Distribution 2000 Survey* (Exhibit A) offers direct evidence to support the changing climate. Respondents rated LABOR: Availability, Cost, and Quality as the most important components in their warehouse site selection decisions.

Exhibit A: Factors Influencing New Distribution Centers

Factors	Respondents
Labor availability	**80%**
Labor cost	**63%**
Labor quality	**63%**
Highway access	50%
Shipping costs	50%
Building/space availability	43%
Misc. costs	30%
Trucking services	17%

A year later, *Area Development* magazine's annual US Corporate Survey (Exhibit B) confirmed the earlier survey's results. "Availability of skilled labor" and "Labor costs" were cited most frequently by respondents as the most "important" factors when evaluating warehouse site selection criteria.

Exhibit B: Site Selection Factors, by indicated frequency of importance

Factors	Respondents Citing as Important
Availability of skilled labor	**91.6%**
Labor costs	**91.5%**
Highway accessibility	87.9%
Energy availability and costs	86.4%
Availability of telecommunication services	83.3%
Tax exemptions	82.7%
Occupancy or construction costs	82.3%
State and local incentives	81.4%
Proximity to major markets	80.2%

SIMPLE TO COMPLEX OPERATIONS

"Supply chain activities are very spread out today, and the functions of some DCs are beginning to sound a lot like a factory," says Arnold Maltz, Ph.D., associate professor of supply chain management at Arizona State University. During the last ten years the importance of labor in warehouse operations has swelled. **Operations have evolved from fairly simple bulk handling and storage activities to complex mini-manufacturing, customization operations.** Kitting, custom labeling, tagging, packaging and converting postponement components to floor-ready goods, and return goods processing are all examples of services performed in today's warehousing environment. To meet these new demands, additional labor quality and time are required to handle the numerous value added services (VAS) required of today's warehouses.

During this period when value-added services have expanded, an increasing amount of technology (i.e. hand held computers, radio frequency, scanning guns, etc.) and automation has been introduced into warehouse operations. With this increased complexity companies are

investing more in employee training. The pressure for quality, a trainable, low turnover employee has significantly increased. Site selection teams want to know that the local labor market can support these needs.

LABOR AS PERCENTAGE OF COSTS

On average, labor makes up 60% to 65% of total warehouse operating costs. All the while, warehouses continue to experience pressures to improve service, reduce cycle times and reduce costs. When an area provides a labor cost advantage, the ears of the warehouse tenant stand at attention.

The same Deloitte & Touche survey mentioned earlier included two case studies. In both cases, site selection decisions were made because of significant labor cost savings. One company realized a savings of $2 million annually by making their selection, while the other estimated a labor cost savings of $1.2 million annually by selecting a smaller rural community only 20 miles away from a major metropolitan area.

Companies are increasingly turning to outlying areas to solve their labor challenge and avoid potential for residential and logistics interface clashes.

WAREHOUSE LOCATION CLUSTERS

Some industrial areas across the United States have been too successful at attracting major warehouse operations. They have created large clusters or concentrations of warehouses which all compete for the same labor pool. Companies find they are competing more and more vigorously to attract and keep their people. Higher costs and increasing turnover rates have resulted. In some cases, companies have had to limit staff hiring because of inflated wages paid to others.

Also in these "cluster" areas we are seeing a serious increase in residential and logistics pressures and interface clashes. In Mira Loma, California, located in the Inland Empire, the city has actually issued a moratorium against further warehouse construction and truck traffic. This clash of residential versus logistics issues is definitely a serious situation especially at a time when warehouse operations are being pressured to be more flexible and frequently operate on a 24-hour/ 7 days per week basis.

SECONDARY WAREHOUSE LOCATIONS

Companies are increasingly turning to outlying areas to solve their labor challenges and avoid potential for residential and logistics interface clashes. We have seen in the south Central Valley of California how companies have implemented a better warehouse location decision. We know, from first hand experience, that **the area's available labor pool exhibits a uniquely strong work ethic and employee loyalty very similar to the Midwest part of the U.S.**

A high percentage of the workers grew up toiling in the local agricultural fields. They appreciate the opportunity that a warehouse position brings. Attendance is excellent. They are dedicated and work with intensity. They give 110% as an expression of their appreciation for having a satisfying job.

Two companies have benefited handsomely by locating in this region. Sears' 1.3 million square foot Regional D.C., currently being expanded by another 1.5 million square feet, in Delano, California, has consistently ranked at or near the top as the most productive operation in North America. And IKEA, the world's largest furniture company, operates a Phase 1: 900,000 sq. ft. regional D.C. at the Tejon Industrial Complex. The company boasts that they consistently meet or exceed forecasted productivity and performance goals.

Clearly in today's world of warehouse operations and site location decisions, the key is the labor-cost, quality and availability. **With the demands on corporate supply chains to move products faster, cheaper and better, the labor components will continue to be critical.** Be sure that the site you're considering has the labor resources to meet this vital challenge.

Jon De Cesare, Principal, and Robert A. Frinier, Director, West Coast Logistics Consulting, help manufacturers and importers make the optimum warehouse site location network decisions.
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SAN DIEGO'S LOCAL ECONOMY

Retail Trade Sector	Local Government (Public) Sector	Utilities Sector
Construction Sector	Service Sector	Transportation Sector

NATIONAL SECURITY	TOURISM	MANUFACTURING	NATIONAL BUSINESS SERVICES	INTERNATIONAL TRADE
Border Patrol	Amusement & Animal Parks	Business & Specialty Equipment	National Corp. HQs	Maquila-doras
US Coast Guard	Museums	Software	National Engineering & Construction	Customs Brokers
USMC	Hotels & Motels	Telecom	National Customer Service Centers	Freight Forwarders
USN		Defense		Logistics
		Bio-Tech		

ATTACHMENT 6

Quotations From Industrial Broker Market Reports 2004-2005

Grubb & Ellis - Industrial Market Trends: San Diego – First Quarter 2005

"When analyzing the County geographically, the submarkets with the highest demand for industrial space during the quarter were **Otay Mesa**, with nearly 245,000 square feet, Poway, with close to 210,000 square feet, Vista, with 183,000 square feet and Chula Vista with just over 125,000 square feet. These absorption results have confirmed that demand for industrial space is increasingly being pushed to the southern and northern regions of the County, primarily in the growth areas of **Otay Mesa** and Oceanside." [emphasis added]

"The areas with the highest volume of construction were **Otay Mesa** and Oceanside with close to one million square feet each." [emphasis added]

"The major challenge in the industrial market continues to be availability of land that is ready to be developed. This is even the case in **Otay Mesa** due to the ongoing environmental and sewer capacity constraints." [emphasis added]

Grubb & Ellis - Industrial Market Trends: San Diego – Fourth Quarter 2004

"The region's industrial market experienced an exceptional years in 2004 with positive net absorption of over 3 million square feet, new product completions and expansion into peripheral markets from the northern border of Oceanside south to **Otay Mesa**" [emphasis added]

CB Richard Ellis – Market View: San Diego Industrial – First Quarter 2005

"Vacancy levels have firmed up and positive rental rate trends should continue, as local and regional economic activity remains strong. However, limited development potential remains a concern in San Diego County, especially in the Central San Diego submarkets."

Burnham Real Estate – Outlook 2005

"San Diego County land prices have skyrocketed by more than 400 percent over the past 10 years according to the Urban Land Institute. In Poway, land values have escalated to $18-per-square-foot. In prestigious Del Mar Heights, prices are topping $60-per-square-foot. Land prices in the more affordable **Otay Mesa** and Carlsbad markets are also on the upswing, now up over $10-per-square-foot in **Otay Mesa** and between $18 to $22-per-square foot in Carlsbad. The increasing price of land has "edged-out" industrial development, since current industrial/warehouse rental rates can't support high land prices." [emphasis added]

"The shortage of employment land for development remains a critical issue in San Diego, especially in the mid-County submarkets. "

"Consider that during the last up-cycle (1996-2001) approximately 1,680 acres of mid-County employment land –or 280 acres annually – were absorbed by development. This means that Mid-County- San Diego's most popular area for business development – can only accommodate one more growth cycle. Given that current available land represents just one third of the supply that was available in 1996, this next up-cycle will force new development to northern and southern areas of the County."

ERA

Economics Research Associates

Addendum Analysis

Addendum to Real Estate Market Analysis
Otay Mesa Community Plan Area
Otay Mesa, CA

Submitted to

City of San Diego

Submitted by

Economics Research Associates

December 15, 2006

ERA Project No. 15640

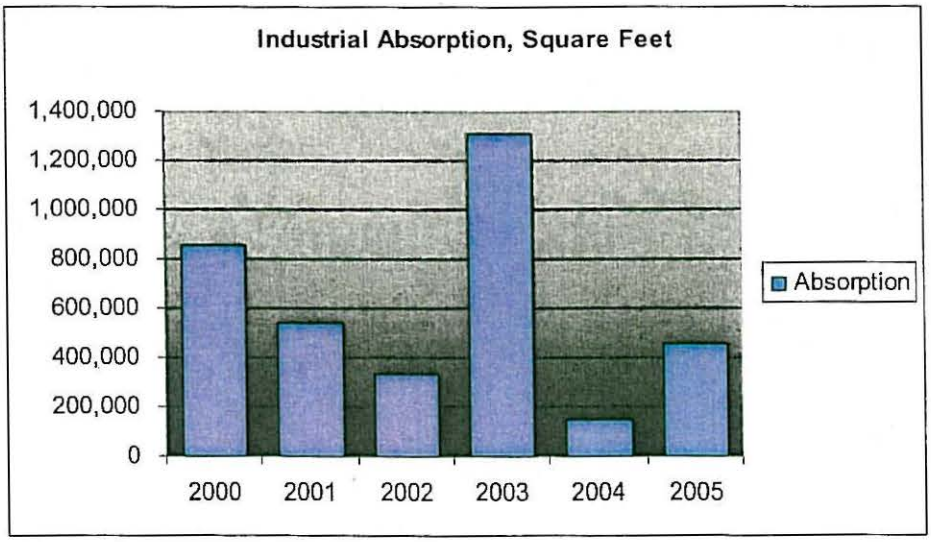
ERA
Economics Research Associates

Addendum

In the initial Otay Mesa Market Analysis (dated Nov. 7, 2005), ERA estimated the demand for additional developed gross acres between 2000 and 2030. ERA was requested to update these projections to reflect demand between 2006 and 2030.

While office and retail space absorption has been minimal in the Otay Mesa CPA, there has been approximately 3.6 million square feet of industrial absorption in Otay Mesa between 2000 and 2006. ERA has revised the industrial demand forecasts to reflect an update in projected countywide employment growth, as well as to reflect the industrial absorption between 2000 and 2006. With little new absorption since 2000, the office and retail demand projections have not been revised.

The table below displays the absorption of industrial space in the Otay Mesa area between 2000 and 2006.



Source: CoStar, Economics Research Associates

A total of more than 3.6 million square feet were absorbed between 2000 and 2006. Assuming a FAR of 0.4 and net-to-gross acreage ratio of 85% this equates to 245 gross industrial acres. Approximately 41 acres were absorbed between 2004 and 2006.

Industrial Space

Since the time of ERA's initial study, SANDAG has published updated employment growth forecasts for 2004 through 2030. Similar to the initial Market Analysis, ERA utilizes the new SANDAG employment growth forecasts to estimate the increase in supportable industrial space supply between 2004 and 2030. These figures are then adjusted by the actual industrial space absorption between 2004 and 2006 to calculate the expected industrial space demand between 2006 and 2030.

It should be noted that the total industrial employment figures using the updated forecasts are not comparable to the previous total industrial figures. SANDAG's 2006 employment forecasts were developed using the more precise NAICS industry classifications, as opposed to the SIC industry classifications used in the previous 2003 forecasts. The NAICS categories have a lower employment base in the relevant industry categories, but higher growth.

Table A-1 presents projected growth for industrial space (including industrial, distribution, and R&D space) over time countywide, based on projected growth in those sectors that utilize industrial space and applying an average employment density factor per worker. With the revised employment projections, the San Diego region is projected to support an increase of 58 million square feet of industrial space between 2004 to 2030, compared to a base supply of approximately 178 million in 2004. At an average floor-area ratio of 0.40 and an 85% net-to-gross acreage factor, the 58 million square feet translates into demand for approximately 4,200 acres countywide from 2004 to 2030.

Table A-2 presents projected demand for industrial space in the Otay Mesa Community Plan area under the following three scenarios:

Low Scenario – Assumes that industrial growth rates in Mexico rebound from recent declines (though not necessarily at historical rates) and that Otay Mesa's market position diversifies and appeals to general industrial users that are priced out of the region's central industrial areas, such as Kearny Mesa. While it assumed that Otay Mesa's recent regional market share is not maintained as other industrial sectors in the region recover and generate demand in the more central competitive areas, Otay Mesa's market share overall during the period is still above historical levels.

Moderate Scenario – Assumes that industrial growth rates in Mexico rebound more strongly, that Otay Mesa's market position diversifies and strongly appeals to general industrial users (especially as improvements to SR-125 and SR-905 improve accessibility), and that Otay Mesa begins to attract a share of the region's growing technology sectors. Again, while it assumed that Otay Mesa's recent regionally market share is not maintained as other industrial sectors that generate demand elsewhere in the region recover, Otay Mesa's market share overall during the period is still above historical levels and growing at a more aggressive rate than under the Low Scenario. Otay Mesa's market share, however, is still below its share of regional land inventory due to market preferences for other sub-markets that still have significant supply and the intensification of industrial land use in the highly preferred central regional sub-markets.

High Scenario – This addresses a scenario whereby the high regional market share that Otay Mesa experienced during the last few years will be sustained and that Otay Mesa will aggressively capture more than its share of regional land supply due to: continued strong demand in warehousing/distribution; relocated manufacturing; infrastructure improvements and additional funding sources for infrastructure improvements; competitive land and occupancy costs; loss of industrial land in central locations to other uses; and limitations in industrial land intensification in the region.

The Otay Mesa capture rate of countywide demand and distribution of local demand between East Otay Mesa and the Otay Mesa Community Plan Area (CPA) for each scenario are expected

to remain the same as originally forecasted. The same floor-area ratio, vacancy, and net-to-gross acre factors are also utilized. With the updated countywide demand, demand for new Otay Mesa CPA industrial space between 2004 and 2030 ranges from 802 acres in the Low Scenario to 1,310 acres in the High Scenario. After deducting the 40.5 acres of industrial space absorbed between 2004 and 2006, demand for industrial land in Otay Mesa between 2006 and 2030 is forecasted at 762 in the Low Scenario, 958 in the Moderate Scenario and 1,269 in the High Scenario.

Conclusions

Estimated demand for additional developed gross acres has been revised to reflect recent absorption and updated employment growth projections. Between 2006 and 2030, it is estimated that Otay Mesa can support the following increases in the amount of developed and occupied commercial and industrial land by 2030, beyond what was built in 2005:

Estimated Demand for Additional Developed Gross Acres Within the Otay Mesa CPA 2006-2030

	Low	Moderate	High
Industrial	762	958	1269
Office	20	25	29
Retail	87-109	87-109	87-109

Source: Economics Research Associates

ERA

Economics Research Associates

Table A-1

REVISED SAN DIEGO COUNTY INDUSTRIAL SPACE DEMAND PROJECTIONS - 2004-2030

Employment (NAICS Categories)	Assumed % Using Industrial	2004	2010	CAGR 2004 -2010	2020	CAGR 2010 -2020	2030	CAGR 2020 -2030
Manufacturing	97%	100,977	101,839	0.1%	105,341	0.6%	103,130	-0.4%
Construction	20%	17,480	18,709	1.1%	20,823	1.8%	23,038	1.7%
Transportation and Warehousing (1)	48%	13,584	15,929	2.7%	18,631	2.6%	20,332	1.5%
Wholesale Trade	100%	41,900	46,245	1.7%	52,350	2.1%	56,765	1.4%
Professional and Business Services (2)	18.5%	37,944	41,892	1.7%	48,896	2.6%	57,159	2.6%
Total		211,884	224,614		246,041		260,424	
Increase in Industrial Employment by Period			12,730		21,427		14,383	
Estimated Occupied Industrial Space/Employee (3)			1,314		1,192		1,091	
Total Increase in Industrial Space Demand by Period from Employment Growth			16,731,935		25,551,446		15,697,755	
Total Supportable Space Allowing for a Structural Vacancy of	7%		17,991,328		27,474,673		16,879,307	
Cumulative Increase in Supportable Industrial Space supply 2004-2030			17,991,328		45,466,001		62,345,308	

(1) Based on 2004 60% transportation and warehousing employment and 35% utilities employment.
(2) Estimate of scientific research and development percentage of industry category.
(3) Changing weighted-average factors based on projected changes in the employment growth by sector and each sectors assumed space/employment ratio.

Source: SANDAG, Economics Research Associates

Table A-2
REVISED PROJECTED DEMAND FOR INDUSTRIAL SPACE IN OTAY MESA 2004-2030

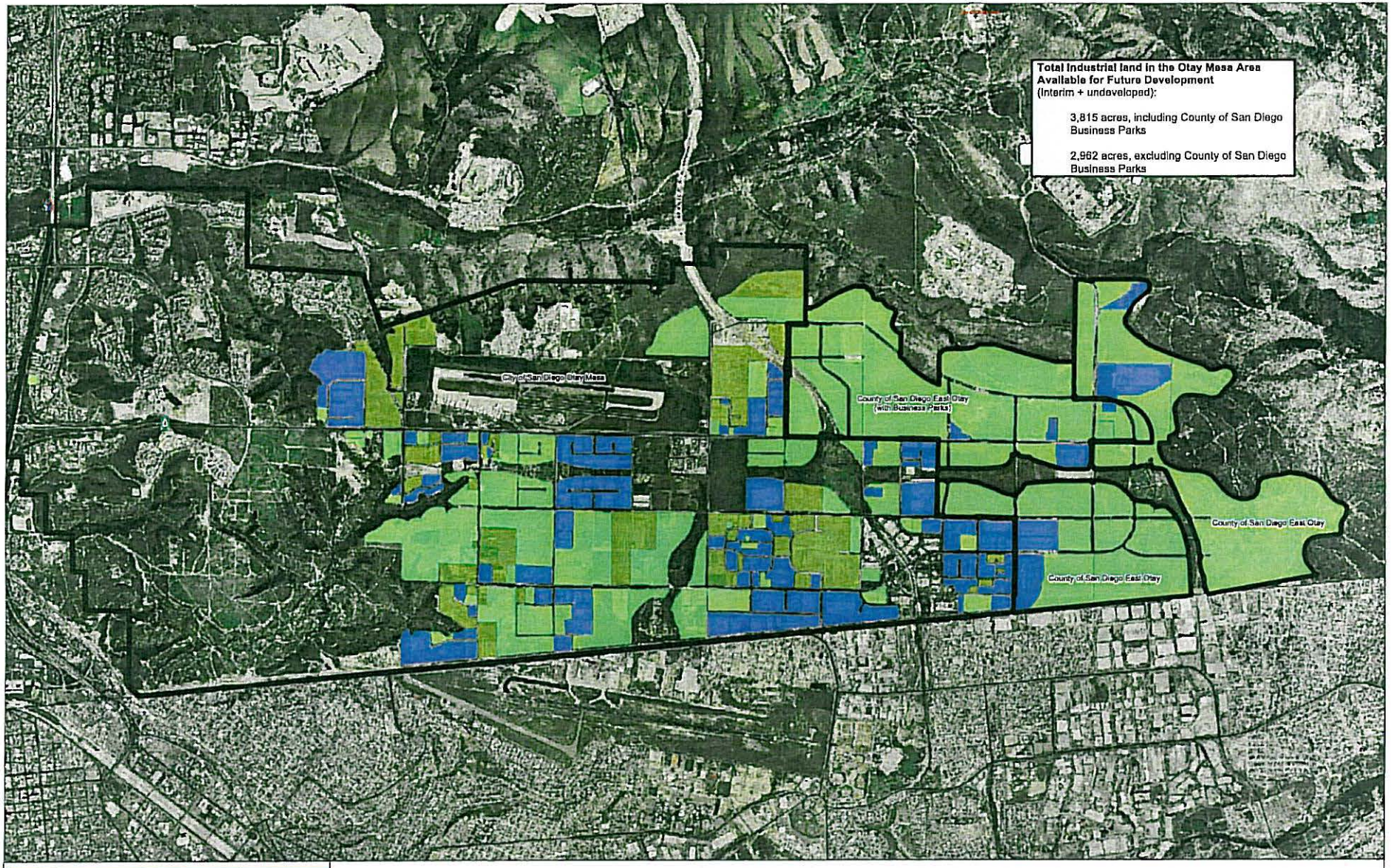
	2004	2010	2020	2030
Countywide				
Estimated Increase in Industrial Space During Previous Period		17,991,328	27,474,673	16,879,307
Otay Mesa Capture Rate Scenarios				
Low Scenario		40.0%	20.0%	22.5%
Moderate Scenario		50.0%	25.0%	27.5%
High Scenario		50.0%	40.0%	45.0%
Otay Mesa New Space Demand for Period at 7% Structural Vacancy				
Low Scenario		7,196,531	5,494,935	3,797,844
Moderate Scenario		8,995,664	6,868,668	4,641,809
High Scenario		8,995,664	10,989,869	7,595,688
Otay Mesa Cumulative New Space Demand at 7% Structural Vacancy				
Low Scenario		7,196,531	12,691,466	16,489,310
Moderate Scenario		8,995,664	15,864,332	20,506,142
High Scenario		8,995,664	19,985,533	27,581,221
Estimated Otay Mesa Demand Within City of San Diego				
Assumed % Within City of San Diego		95%	85%	65%
Low Scenario		6,836,705	4,670,694	2,468,599
Moderate Scenario		8,545,881	5,838,368	3,017,176
High Scenario		8,545,881	9,341,389	4,937,197
Otay Mesa Community Plan Cumulative New Space at 7% Structural Vacancy				
Low Scenario		6,836,705	11,507,399	13,975,998
Moderate Scenario		8,545,881	14,384,249	17,401,425
High Scenario		8,545,881	17,887,270	22,824,467
Cumulative Net New Acreage Demanded Based on Average FAR				
Assumed Average FAR		0.40	0.45	0.50
Low Scenario		392	587	642
Moderate Scenario		490	734	799
High Scenario		490	913	1,048
Annual Gross New Acreage (net to gross ratio of 80%)				
Low Scenario		490	734	802
Moderate Scenario		613	917	999
High Scenario		613	1,141	1,310
Cumulative Gross New Acreage Less 2004-2006 Developed Acreage				
Low Scenario		**450**	**693**	**762**
Moderate Scenario		**573**	**877**	**958**
High Scenario		**573**	**1,100**	**1,269**

Source: Economics Research Associates

GENERAL LIMITING CONDITIONS

This study is based on estimates, general knowledge of the industry and consultations with the client and the client's representatives. No responsibility is assumed for inaccuracies in reporting by the client, the client's agent and representatives or any other data source used in preparing or presenting this study. Data research for this Addendum was conducted in October of 2006 with only review of industrial land supply data and employment growth projections. Economics Research Associates has not undertaken any other update of its research effort. No warranty or representation is made by Economics Research Associates that any of the projected values or results contained in this study will actually be achieved. This report is not to be used in conjunction with any public or private offering of securities or other similar purpose where it may be relied upon to any degree by any person other than the client without first obtaining the prior written consent of Economics Research Associates. This study may not be used for purposes other than that for which it is prepared. This study is qualified in its entirety by, and should be considered in light of, these limitations, conditions, and considerations.

This report was prepared at the request of the City of San Diego as part of the Otay Mesa Community Plan Update. It was prepared by Economics Research Associates and funded by the Otay Mesa Planning Coalition. The information, along with public and City staff comments, may be used by the Planning Department to develop land use plan alternatives.



THE CITY OF SAN DIEGO
PLANNING DEPARTMENT

"This land use plan scenario is one of three that has been prepared by the City for further analysis and public input.

SourcePoint

Status of Land Designated Industrial in the Otay Mesa Area as of September 2006

Aerial Photo Date: April, 2006

City of San Diego Otay Mesa

- Developed (900 Acres)
- Interim (676 acres)
- Undeveloped (1,140 acres)

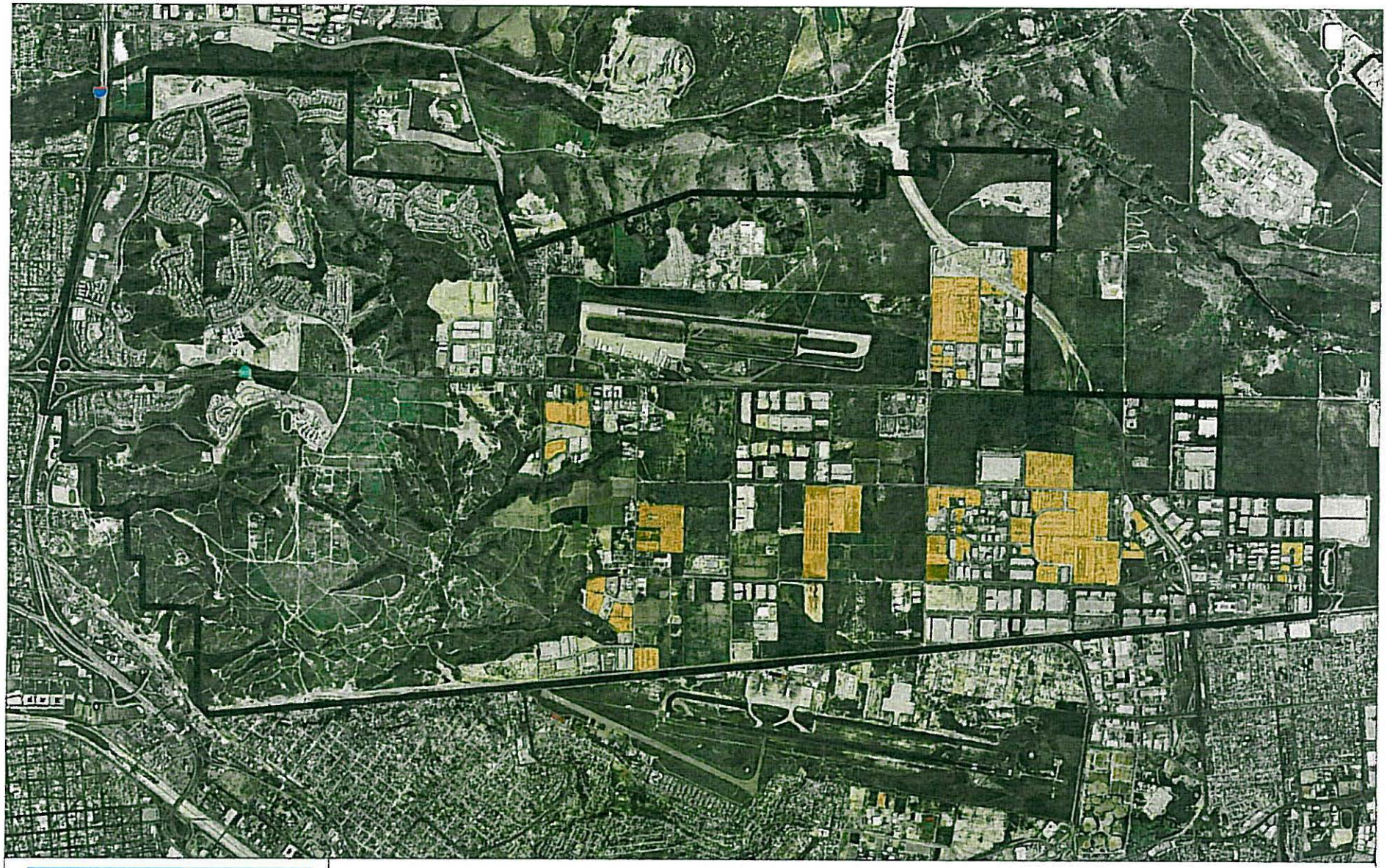
County of San Diego East Otay

- Developed (148 Acres)
- Interim (0 acres)
- Undeveloped (1,146 acres)

County of San Diego East Otay (with Business Parks)

- Developed (39 Acres)
- Interim (0 acres)
- Undeveloped (853 acres)

ATTACHMENT 9



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Locations of Truck Trailer Storage in Otay Mesa

Aerial Photo Date: April, 2006

Truck Storage (458 acres)

ATTACHMENT 9

ROUNDTABLE NOTES

1. Industrial Land: types, supply and capacity & evaluation of 1981 community plan

Purpose of Roundtable Discussion

- **Discuss market demand forecasts**
- **Discuss the future of industrial employment in San Diego**
- **Evaluate the actual implementation of the vision established in the 1981 plan**

Lessons Learned:

1. **Industrial evolution to higher capacity**
2. **Global influences on local manufacturing**
3. **Complementary land uses need further analysis/discussion**
4. **Capacity versus supply**
5. **Base sector industries are changing**
6. **Cross border trade uses are unique to the area**
7. **Role for Otay Mesa in region as economic engine**

Notes:

- Global changes affect types of manufacturing that can be competitive in Southern California
- Ontario remains Southern California's distribution center due to transportation and costs advantages
- Opportunity to shift from industrial supply to capacity—jobs and economic growth
- Non-retail employment density in Otay Mesa is very low: 6.2 employees per net acre
- Long term availability of industrial land in County, but short term delivery shortage, especially in key sub-markets
- 6,500 acres of undeveloped or underutilized industrial land available in Otay Mesa and County Otay Mesa
- Manufacturing not likely to be done in Otay Mesa because of low-cost labor in Tijuana, along with skilled labor force and adequate supplies
- Land values and a new POE could shift a lot of border operations businesses to the County
- Will City's Otay Mesa remain heavily border-related or diversify?—depends on amenities, infrastructure, land use mix
- SANDAG and City need to resolve industrial supply numbers issues
- Focus should be on expanding base sectors and creating higher income jobs
- New base sectors have different land use needs—these sectors need to be accommodated
- Manufacturing in San Diego is primarily comprised of small businesses
- Industrial land uses evolve over time into higher capacity uses
- More warehousing and distribution occurring directly in Tijuana
- Opening of freeways may change characteristics of industrial land in Otay Mesa
- Otay Mesa should prioritize employment but include other supporting land uses
- Need an industrial sanctuary

4. International Trade

Purpose of Roundtable Discussion

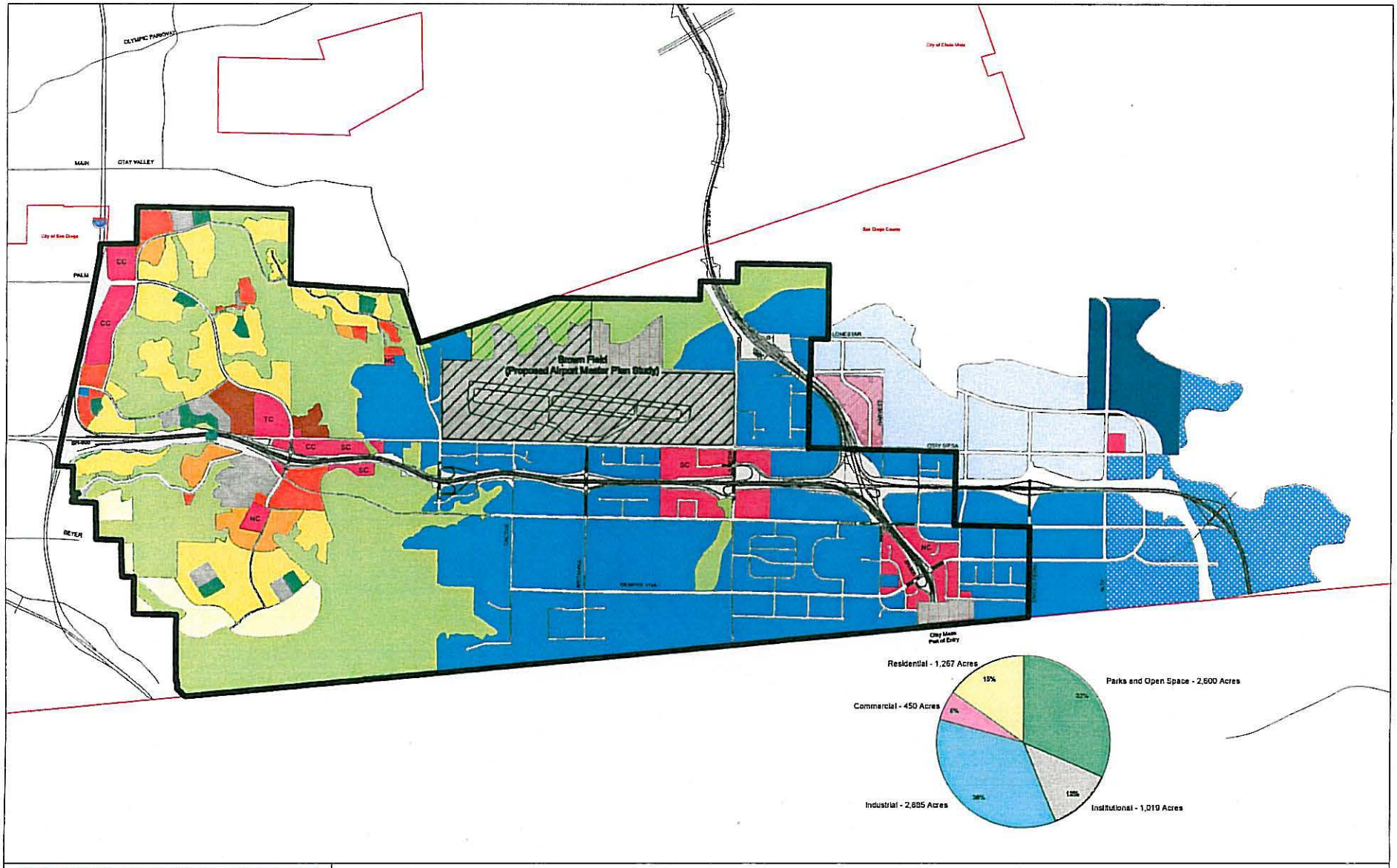
- **Discuss the characteristics, needs and trends for businesses directly involved in cross-border trade**
- **Discuss timeline/issues associated with a third border crossing**

Lessons Learned:

1. **Customs and Border Protection (CBP) will consider, as one alternative, shifting commercial operations to new port of entry**
2. **Most businesses associated with international trade in Otay Mesa are the logistics users**
3. **Manufacturing does not have a substantial presence in Otay Mesa**
4. **Otay Mesa and East Otay Mesa need to be considered together**
5. **Truck storage supports international trade**

Notes:

- CBP might prefer to consolidate commercial operations at Otay Mesa II because of cost and operational efficiencies achieved over operating two facilities.
- International trade should be a priority for Otay Mesa, with other uses in balance with this important function.
- The Twin Plants concept was never fully realized, as very little manufacturing actually occurred on the United States side in direct relationship to the *maquiladoras*.
- Substantially improved infrastructure is key to improving Otay Mesa
- Need to look at Otay Mesa, East Otay Mesa and environs comprehensively.
- Otay Mesa has not become an area attractive to manufacturers or primary industries and remains a relatively minor employment district in the region.
- Customs and Border Protection pointed to the new Calexico facility as a good, modern POE
- CBP is open to both passenger and commercial operations at Otay Mesa II, provided the operations are segregated. CBP will work with the community before any decisions are made.
- Under the aggressive schedule proposed, the POE would open in 2014 (construction commencing in 2011).
- Supply chain is very sensitive to delays, with companies having limited inventories, relying upon just-in-time deliveries. Parts go back and forth across the border several times.
- Truck storage, logistics needed to support international trade
- US has formally requested a third port of entry with Mexico (Otay Mesa II)
- Third POE is in CBP's five-year plan and steps are being taken to begin study of its functionality



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SourcePoint

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Otay Mesa Community Plan: No Project Alternative

July 19, 2006

General Land Use Categories

Residential
- Residential - Very Low 0-4 du/ac
- Residential - Low 5-9 du/ac
- Residential - Low Medium 10-14 du/ac
- Residential - Medium 15-29 du/ac
- Residential - Medium High 30-44 du/acre
- Community Plan Boundary

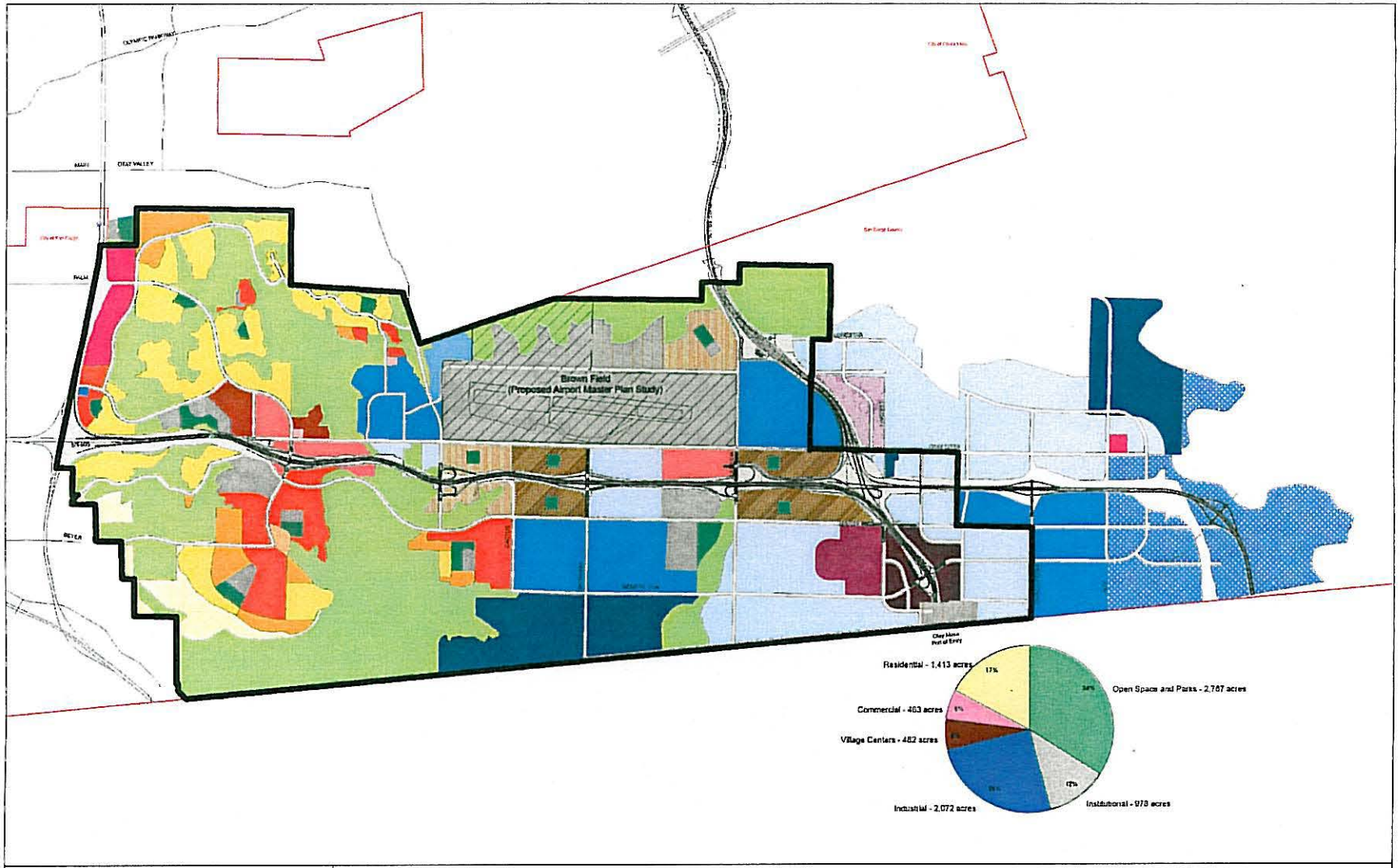
Parks, Open Space, and Institutional
- Open Space
- Parks
- Institutional

Commercial
- Town Center (TC)
- Commercial Center (CC)
- Neighborhood Commercial (NC)
- Specialized Commercial (SC)

Industrial
- Business Park - Commercial Overlay
- Business Park - Office Permitted
- Industrial Parks/Light Industrial
- Heavy Industrial
- Mixed Industrial

Overlays
- U.S. Government Facility
- Brown Field Airport

ATTACHMENT 11



THE CITY OF SAN DIEGO
PLANNING DEPARTMENT

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Map created by
SourcePoint

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Otay Mesa Community Plan Update:
Draft Scenario #1*
Regional Context

July 19, 2006

General Land Use Categories

Parks, Open Space, and Institutional
- Open Space
- Parks
- Institutional

Community Plan Boundary

Residential
- Residential - Very Low: 0-4 du/ac
- Residential - Low: 5-9 du/ac
- Residential - Low Medium: 10-14 du/ac
- Residential - Medium: 15-29 du/ac
- Residential - Medium High: 30-44 du/acre

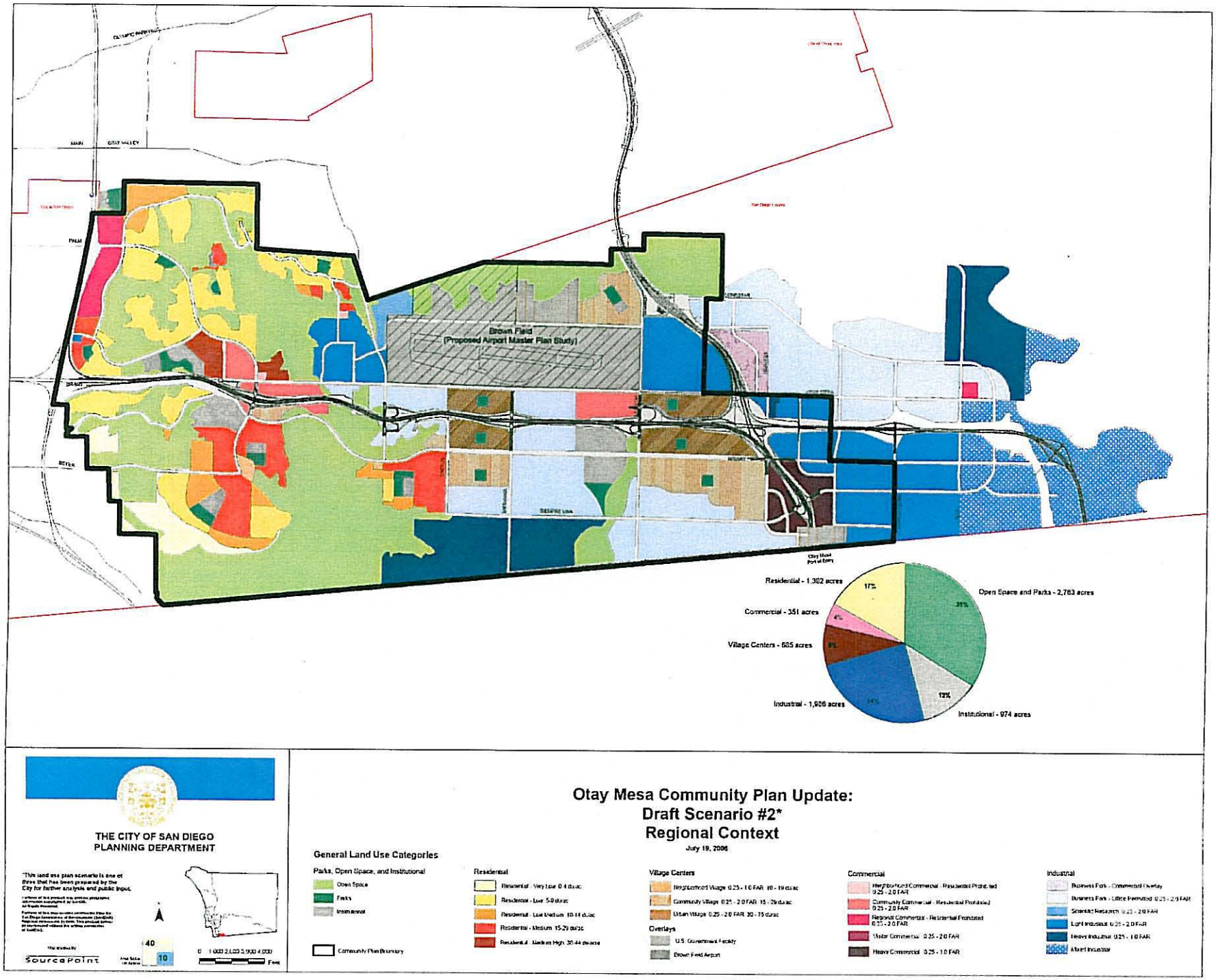
Village Centers
- Neighborhood Village: 0.25 - 1.0 FAR; 10 - 19 du/ac
- Community Village: 0.25 - 2.0 FAR; 15 - 29 du/ac
- Urban Village: 0.25 - 2.0 FAR; 30 - 75 du/ac

Overlays
- U.S. Government Facility
- Brown Field Airport

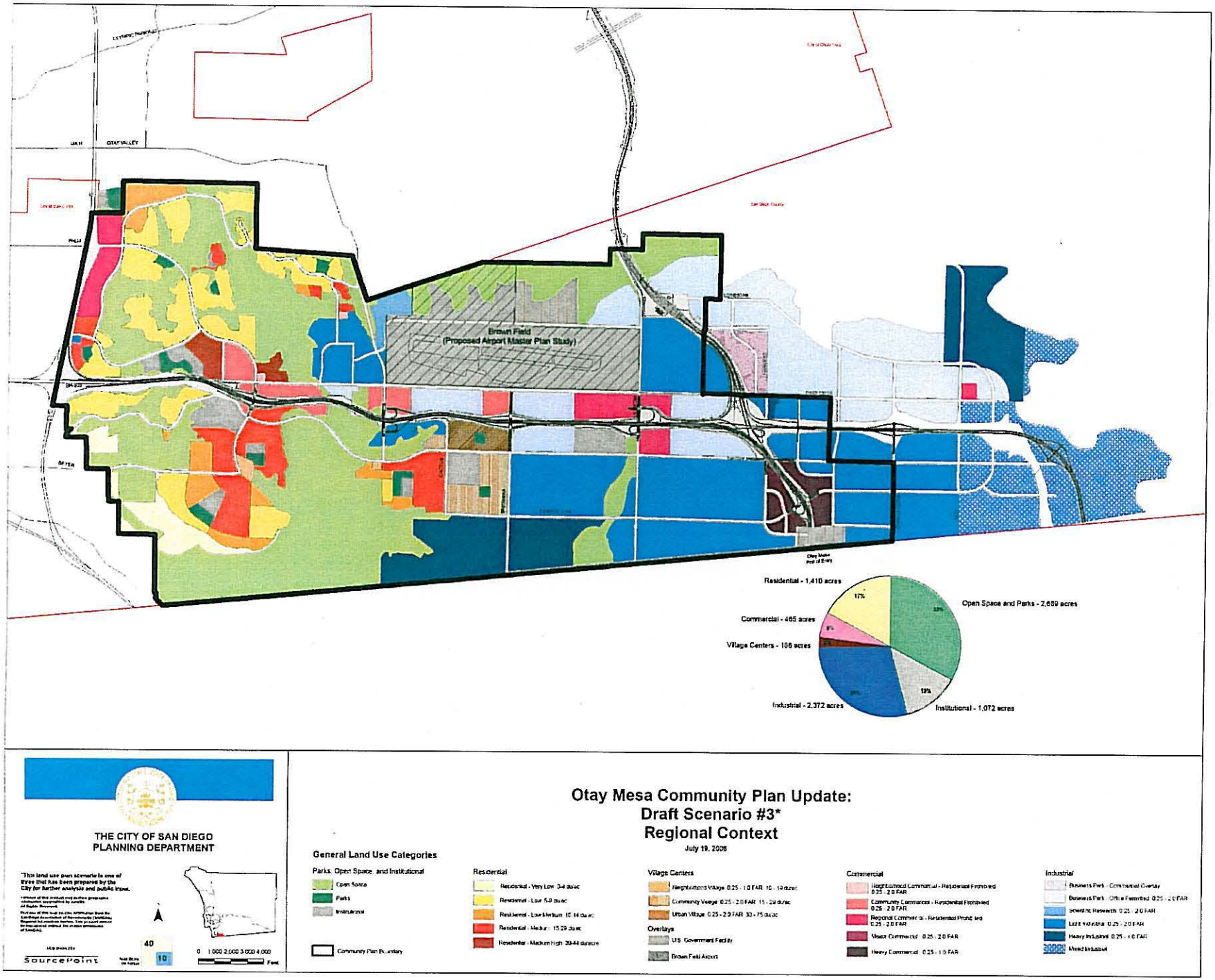
Commercial
- Neighborhood Commercial - Residential Prohibited: 0.25 - 2.0 FAR
- Community Commercial - Residential Prohibited: 0.25 - 2.0 FAR
- Regional Commercial - Residential Prohibited: 0.25 - 2.0 FAR
- Visitor Commercial: 0.25 - 2.0 FAR
- Heavy Commercial: 0.25 - 1.0 FAR

Industrial
- Business Park - Commercial Overlay
- Business Park - Office Permitted: 0.25 - 2.0 FAR
- Scientific Research: 0.25 - 2.0 FAR
- Light Industrial: 0.25 - 2.0 FAR
- Heavy Industrial: 0.25 - 1.0 FAR
- Mixed Industrial

ATTACHMENT 11



ATTACHMENT 11



ATTACHMENT 11