



**Mayor's Office of Economic Growth Services**  
Presentation  
to the  
**The City Council – Rules Committee**  
regarding the City's

**Economic Development Strategy**

**June 22, 2011**



# Current Economic Conditions

- Unemployment Rate stands at 9.8%
- Continued loss of middle income jobs leads to “hour glass” economy



# Economic Development Strategy

## Draft Document

- Updated Economic Recovery of Annual Budget
- Overview of Current Economic Conditions
- San Diego's Economic Base
- Importance of Small Businesses in San Diego
- Major Tax Revenue Generating Businesses
- Economic Initiatives & Programs



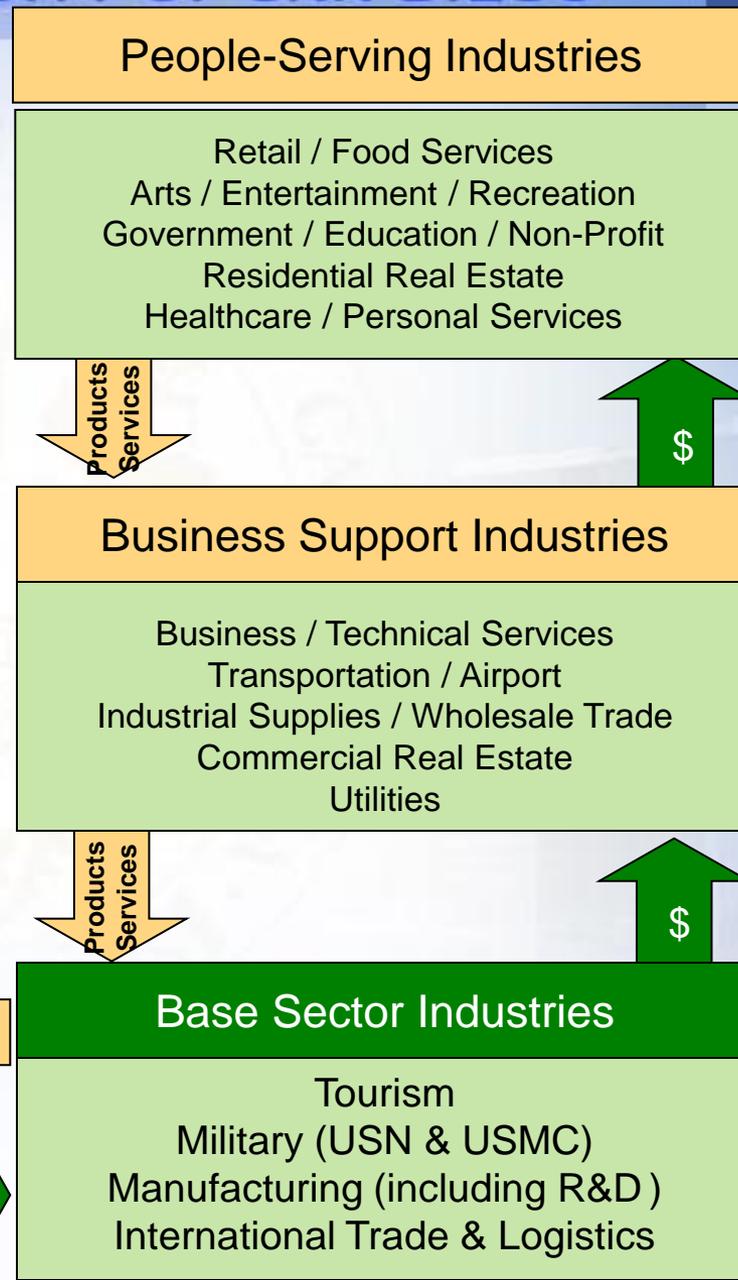
## San Diego's Economic Base

- Provides goods and services to people outside the San Diego region – thus creating local jobs
- The exportation of goods and services allows San Diegans to consume goods and services produced elsewhere
- The resultant economic activity from buying and selling generates additional jobs in the wholesale, retail, and various service sectors



## Base Sector Industries Drive Rest of the Economy

Because they bring outside dollars into the community, base sector industries are the *engines of the economy*. Without healthy base sector industries, the rest of the economy cannot prosper.





## Base Sector Faces Outside Competition

- Global competition for base economic activity
- Base sector is highly sensitive to government regulation and taxation
- Base sector establishments are “mobile” and thus will expand, relocate, or remain outside San Diego if necessary



## San Diego's Economic Development Advantages

- Highly skilled and highly educated workforce
- Mediterranean climate/beautiful coastline
- Established business clusters with strong support networks
- Proximity to Mexico/Pacific Rim and the availability of air, land, and sea ports
- Largest concentration of military personnel in the world
- Excellent traffic infrastructure



## San Diego's Economic Development Disadvantages

- Proposition 218 limits local flexibility
- California's system and rate of taxation
- California's business regulatory climate
- Supply / cost of energy and water
- California Workmen's Comp. Insurance
- Overall perception of California's business climate
- Other states and regions are more competitive in these areas

# San Diego's Economic Base



- Military Installations
- Tourism
- Manufacturing
- International Trade
- Other Base Sector Industry Clusters and Business Establishments



## Military Installations

- Calm harbor and training climate is primary advantage
- San Diego's "oldest" industry - Dates back to 1901
- Over 110,000 sailors, marines, and other military personnel stationed in the City and County of San Diego
  - United States Navy (USN)
  - United States Marine Corps. (USMC)
  - Space and Naval Warfare Systems Command (SPAWAR)
- \$5.7 Billion in local payroll expenditures



## Tourism

- Mediterranean climate, coastline, bays, topography is City's primary advantage
- Amusement parks, museums, zoo, animal park, historic districts, and hotels draw family tourists
- Convention Center draws business travelers and major events such as Comic-Con
- Estimated \$16 Billion economic impact



# Manufacturing

- Highly skilled labor is primary advantage
- Still the largest contributor to Gross Regional Product (GRP) at \$25 Billion
- **Biotech & Medical Devices**
- **Cleantech**
- **Defense & Security Systems**
- **Electronics & Telecommunications**
- **Food & Beverages**
- Primary source of middle income jobs for local residents



# International Trade

- Proximity to Mexico is primary advantage
- San Diego is only large city to share a border with Mexico
- A significant amount of Mexico's \$230 billion annual exports to U.S. pass through San Diego
- Much of U.S. \$163 billion in annual exports to Mexico pass through San Diego
- Port of San Diego also facilitates intl. trade



## Other Base Sector Industries

- Major Corp. HQ's (retail/services 500+ employees)
  - American Specialty Health
  - AMN Healthcare
  - Bridgepoint Education
  - Cricket Communications
  - Jack in the Box
  - LPL Corp.
  - Petco Animal Supplies
  - Sempra Energy
- Software & Web Development
  - Analytics
  - Online Entertainment
  - Information Technologies



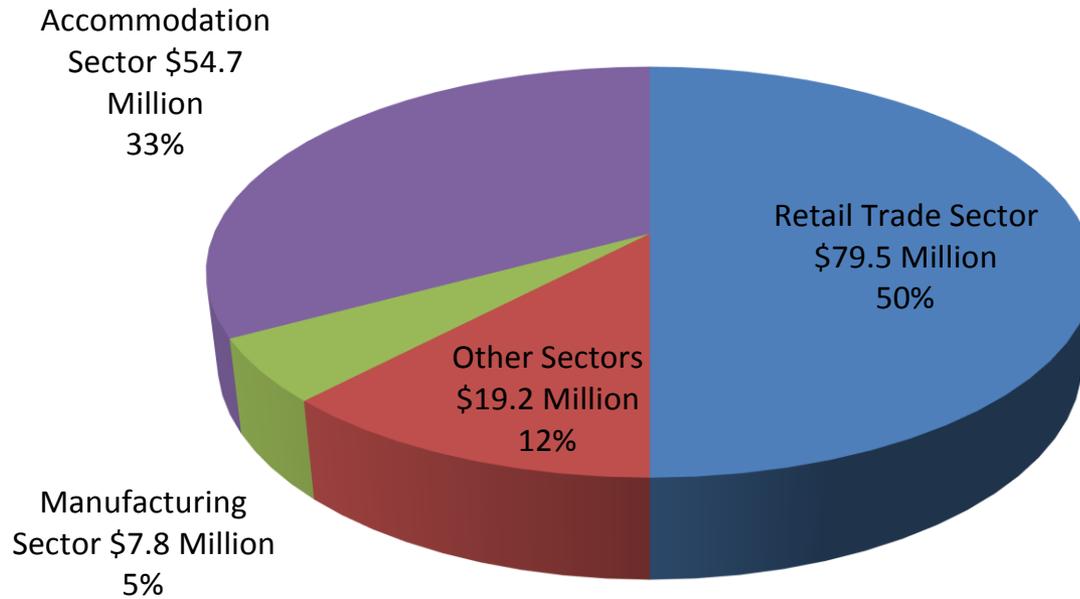
## Importance of Small Businesses

- Although many small businesses are part of the economic base (tourism, mfg, IT etc.) most are not
- Small businesses increase overall economic activity by “recycling” profits back into the local economy by consuming services of other small businesses – i.e. \$\$ stays “local” longer
- Most small businesses located in older historical districts and “Main Street” corridors



# Major Tax Revenue Generation

## 100 Largest Taxpayers in 2009 By Economic Sector \$160 Million





# Economic Recovery & Growth

## Initiatives and Programs

- Mayor's Office of Economic Growth Services
- Economic Development Division – Office of the COO
- Purchasing and Contracting
- Council Policies



## Economic Initiatives & Programs

- *Mayors Office of Economic Growth Services (EGS):*
  - **Business & Industry Incentive Program**
  - **Business Cooperation Program (BCP)**
  - **Guaranteed Water for Industry Program**
  - **Enterprise Zone Program (EZ)**
  - **Foreign Trade Zone Program (FTZ)**
  - **Business expansion, attraction & retention (BEAR)**

These programs primarily oriented towards growth of the City's economic base



# Economic Initiatives & Programs

- *Economic Development Division (EDD) of the Office of the COO:*
  - **Business Finance Program**
  - **Economic Development & Tourism Support (EDTS)**
  - **Tourism Marketing District (TMD)**
  - **Business Improvement Districts (BID's)**
  - **Small Business Enhancement (SBEP)**
  - **Storefront Improvement Program (SIP)**
  - **Community Parking Districts**
- \* These programs primarily oriented towards supporting small businesses

# Economic Initiatives & Programs



- Administered by the *Purchasing & Contracting Department*:
  - **Small Local Business Enterprise (SLBE)**

# Economic Initiatives & Programs



## Additional Mayoral & City Council Initiatives

- Consolidation of Community Planning and Community Investment with Development Services Department (DSD)
- Creation of Small Business Permitting Liaison in DSD
- Retention and Expansion of Enterprise Zone
- Foreign Trade Zone Alternative Site Framework
- CleanTech Initiative

# Economic Initiatives & Programs



Comments?