

DATE ISSUED: June 13, 2002

REPORT NO. 02-146

ATTENTION: Public Safety and Neighborhood Services Committee
Agenda of June 19, 2002

SUBJECT: Proposed Economic Prosperity Element of the General Plan

SUMMARY

Issue – Should an Economic Prosperity Element be initiated? If so, what are the issues that should be addressed in the proposed element?

Manager’s Recommendation – Authorize the Work Program to prepare an Economic Prosperity Element.

Other Recommendations – None

Reference – None

Fiscal Impact – The FY03 Budget contains the resources required to prepare the element

BACKGROUND

The purpose of the General Plan is to provide a coherent and comprehensive vision of the City’s long-term development, and it therefore strives to align the policy elements to that vision. Currently in the City’s General Plan, employment land use policies are discussed in the Commercial and Industrial Elements. While some of the goals, policy findings, and recommendations are still applicable, others are not consistent with the City’s current and future land use development patterns and economic development practices. The proposed Strategic Framework Element, which will be before the City Council soon, recommends the preparation of an Economic Prosperity Element in order to align both planning and economic development goals and policies into a cohesive citywide strategy to effectively focus the City’s public resource expenditures in a concentrated and orderly

manner. The policies and action plan items related to economic prosperity in the proposed Strategic Framework Element and Action Plan are contained in Attachments 1 and 2. Preparation of the Economic Prosperity element will refine and build upon, rather than revisit, these considerations.

While the City has never before included an Economic Prosperity Element in its General Plan, the City Council has, since April 1993, adopted and updated an economic development strategy, most recently in May 2001. An Economic Prosperity Element is both broader and more comprehensive than a strategy. An economic development strategy is an action plan intended to address the immediate economic situation, and thus has currency of no more than about two years. An Economic Prosperity Element has an intended lifespan of up to 20 years, and thus does not identify specific actions but rather provides general policy guidance in the economic development strategy updates. It also provides for the inclusion of economic considerations in related elements of the General Plan, such as the Transportation Element, the Conservation Element, the Public Facilities Element, and the individual community plans.

DISCUSSION

Existing Conditions

Forbes magazine recently ranked San Diego as the “number one place for business and careers” in the United States. San Diego’s current economic resilience resulted from the diverse economic base that grew out of defense contract reductions and corporate downsizing of the early 1990’s, the passage of the North American Free Trade Agreement and the resulting increase in cross-border trade, and the growing importance of tourism. While uniformed military and defense manufacturing remain important to the local economy, they have been eclipsed by several high technology-based sectors, such as biotechnology, electronics manufacturing, and information technology. The number of jobs represented by the new high technology industries is relatively modest at about twenty percent of employment, but those industries export goods or services from the region and therefore import new dollars. Further, they offer favorable wage rates that in turn stimulate retail and service sector job growth. While tourism’s wage rates are low and therefore have a minimal multiplier effect, the sector is nonetheless a stable importer of dollars and was the one industry that continued to grow during San Diego’s early-1990’s recession.

However, San Diego still faces challenges to continued economic growth. Although the national economy remains the largest single factor influencing San Diego’s economy, local policies can influence the condition of the regional economy. The Economic Prosperity Element must balance economic, cultural, environmental, and social considerations to create a city with a vibrant economy and a high quality of life. It is intended that a coordinated series of programs and policies will result from this vision.

Issues

In aligning key planning and economic policies to a cohesive strategy, the key issue areas that should be addressed in the Economic Prosperity Element are:

1. Employment Land Use and Availability: The supply of vacant developable employment land has decreased to a critical point in the City, especially in locations preferred by “new economy” industries. Dwindling employment lands must be used more efficiently to sustain job growth, and there will be an increasing demand for reuse/infill development in older areas. Also, military bases may be closed and other public lands could become available. Opportunities for the retention and expansion of middle-income industries, such as manufacturing, should be preserved. In addition, continued revitalization of the City requires that new commercial development be strategically located.

2. Regional Infrastructure: Public Facilities and Services: The capacity of regional infrastructure has been declining. Despite growth in tourism and international trade, San Diego’s airport is less than a third the size of the next smallest airport among major U.S. cities. Both water and power supplies are under pressure to meet the region’s growing need. Other issues related to mobility such as transit, roadway improvements, rail, port, and bandwidth/telecom affect the local economy.

3. Business Development: Businesses provide the overwhelming majority of jobs in the region, most of the wealth creation, and, directly or indirectly, most of the tax revenues that pay for public investments and services. San Diego must retain and expand the employment base by developing policies that address the regulatory and fee/tax environment, international trade, and regional cooperation. Business development in transit corridors and village areas, where many small businesses are located, will be emphasized.

4. Equitable Development: The element will address the distribution of economic opportunity. The growing visitor industry and retail and business service occupations do not typically offer middle-income jobs with medical benefits. Low-income families now account for 50 percent of the region’s population. The social and physical costs of concentrated poverty greatly exceed the limited resources of social programs and redevelopment efforts. This section will also address redevelopment and revitalization policies.

5. Education and Workforce Development: Once the top performing education state, California now ranks near the bottom. The lack of resources for local schools has inhibited their ability to provide a skilled labor force, forcing employers to look outside the region to find quality employees.

6. U.S./Mexico Border: Given an increase in border trade, joint planning is required to remedy border infrastructure problems. Coherent land development policies in the border

communities are required to take advantage of the city's remaining supply of employment land.

The high cost of housing in San Diego is impacting local employers, so the Economic Prosperity Element will also include consideration of issues that will be addressed specifically in other elements, such as the Housing Element. Finally, all the issue areas must be addressed from a regional perspective, so the Element will include considerations of how to collaborate regionally on each issue.

Work Program

The Planning Department has undergone an exhaustive public participation process that has yielded the Strategic Framework policies described above. Since the Economic Prosperity Element will build on these policies, it will be necessary to continue the public outreach process to include organizations, partnership agencies, business and labor groups, and community interests. After adoption of the Strategic Framework Plan, a community outreach process will be designed to most effectively obtain input from these interests. Any direction by the PS&NS Committee will be appreciated. An outline of the draft work program and timeline is contained in Attachment 3. It is anticipated that the work program will be accomplished in one year.

ALTERNATIVES

- Proceed with the element with additional issue areas or modify the work program.
- Do not proceed with an Economic Prosperity Element of the General Plan.

Respectfully submitted,

S. Gail Goldberg
Planning Director

Approved: P. Lamont Ewell
Assistant City Manager

Hank Cunningham
Community and Economic Development Director

GOLDBERG: JC/MJ

- Attachments: [1. Draft Strategic Framework Element Economic Prosperity Policies](#)
[2. Draft Strategic Framework Action Plan Economic Action Items](#)
[3. Draft Work Program](#)
[3a. Timeline](#)