

STAFF REPORT



ITEM NO. 19 #9
CITY OF OCEANSIDE

DATE: February 27, 2013
TO: Honorable Mayor and City Councilmembers
FROM: City Manager's Office: Economic Development Division
SUBJECT: **CONCEPTUAL ECONOMIC INCENTIVE PLAN TO CREATE A REVOLVING LOAN PROGRAM TO ASSIST CURRENT AND RECRUIT NEW BUSINESSES TO THE CITY**

SYNOPSIS

Staff recommends that the City Council approve a conceptual economic incentive plan to develop a revolving loan program that would assist current and recruit new businesses to the City.

BACKGROUND

The Economic Development Strategic Plan and the City Council Strategic Plan both have a goal and objective to develop a revolving loan program to attract and retain businesses.

To accomplish that goal, in 2011, the Economic Development Division developed a Comprehensive Economic Development Strategy (CEDS) that was certified by the Federal Economic Development Administration (EDA). Having a CEDS allows the City to apply for EDA funding. However, funding for a revolving loan program is currently not available. Also, the goal of the EDA is to fund projects that are regional in nature making the Oceanside revolving loan program unlikely to be funded.

ANALYSIS

The City Council has placed a high priority on developing and promoting business opportunities in Oceanside. The Council and EDC through the City's Economic Development Strategic Plan identified a goal of establishing a revolving loan program to both attract businesses and help existing businesses expand. Staff is developing a three prong program consisting of: a micro loan for small loans; gap financing loan to be used for construction or permanent financing of a building; and a targeted tenant improvement loan to be used for building owners or developers to construct lab space.

If the Council approves this conceptual plan, staff will request one-time use of General Fund money in the estimated amount of \$500,000 to create the program. The goal of the program will be to retain existing businesses in need of capital and to facilitate startup businesses, or businesses moving into the City. Staff will need to fully develop

criteria for funding. At this point staff believes that focusing on visitor serving, restaurant, and the manufacturing sectors makes sense with the goal of creating jobs, especially high-paying jobs. The number of jobs created will be tracked along with other statistical information.

The one time infusion of General Fund money would be an investment that would be revolving, being re-loaned over time. As a part of the conceptual plan, staff will recommend partnering with the San Diego CDC Small Business Finance Corporation and the Small Business Development Center as these two organizations have the technical expertise in loan processing, credit assessment, and risk analysis. No new City personnel would be needed to administer this program.

The Oceanside loan program would provide three loan types:

1. Micro Loans – Smaller scale loans to smaller businesses to be used for infrastructure improvements or working capital.
2. Gap Financing Loans – Used in combination with construction or permanent SBA 504 loans to bridge a gap needed to finalize a loan deal.
3. Targeted Tenant Improvement Loans – Loans to building owners or developers to create lab space to attract biotech companies to Oceanside.

City funds would be deposited into a pool account with the San Diego CDC Small Business Finance Corporation. Their guidelines for credit worthiness and loan approval would be used and a recommendation for funding would be brought to the Oceanside Revolving Loan Committee for approval of the deal prior to funding a business loan. The Loan Committee would consist of City staff, one member of the Economic Development Commission and the Executive Director of the Small Business Development Center. City Council would only approve the total revolving loan amount of \$500,000 and not each loan that is being made to businesses.

If City Council gives direction to move forward with this concept, a detailed revolving loan program will be developed and brought to the Economic Development Commission (EDC) at their March 12, 2013, meeting for input, and the final program would be presented to City Council in March or early April.

FISCAL ANALYSIS

Direction for conceptual plan development will not create any costs beyond staff time needed to develop the program. When Council considers the actual proposal in March or April, staff will recommend one-time use of \$500,000 in General Fund monies to fund the program.

CITY ATTORNEY'S ANALYSIS

The City Attorney's analysis does not apply at this time.

COMMITTEE/COMMISSION REPORT

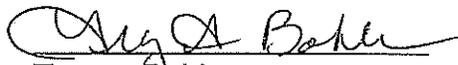
Should the City Council approve this conceptual plan, the EDC will have an opportunity at its March 12, 2013, meeting to weigh-in on staff's recommendation.

RECOMMENDATION

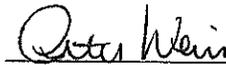
Staff recommends that the City Council approve a conceptual economic incentive plan to develop a revolving loan program that would assist current and recruit new businesses to the City.

PREPARED BY:

SUBMITTED BY:



Tracey Bohlen
Economic Development Manager



Peter A. Weiss
City Manager

REVIEWED BY:

Michelle Skaggs Lawrence, Deputy City Manager



Teri Ferro, Director Financial Services



City of Oceanside

Office of the City Manager

Memorandum

To: Mayor and City Councilmembers

From: Tracey Bohlen, Economic Development Manager 

Through: Peter A. Weiss, City Manager 
Michelle Skaggs Lawrence, Deputy City Manager 

Date: February 21, 2013

Subject: **OCEANSIDE REVOLVING LOAN FUND PROGRAM**

Attached is an outline of the conceptual Oceanside Revolving Loan program to help answer questions you may have about the February 27, 2013 City Council Item #19, conceptual economic incentive plan to develop a revolving loan program that would assist current and recruit new businesses to the City.

As you know, the Economic Development Strategic Plan and the City Council's Strategic Plan include economic incentives such as staff is proposing. The EDC Chair, Jim Schroder and David Morris, Banker and EDC Commissioner met to review the conceptual plan and they are supportive of this effort. Should the City Council approve this Conceptual Plan the EDC will review and comment on the Program at their March 12, 2013 meeting. Staff will also meet with Main Street Oceanside and Oceanside Chamber of Commerce to present the Program and solicit input.

Please contact me at 760-435-3351 if you have any questions.

Oceanside Revolving Loan Program - Working Draft

Goal

Develop guidelines for a revolving loan program using \$500,000 in General Fund money.

Loan Program Purpose

To market Oceanside a leader in helping small businesses, to attract new businesses of any/all sizes including high tech or bio tech and for Oceanside to be a partner in helping business thrive.

Recommendations

1. Oceanside Loan Programs
 - a. Oceanside Micro Loan Program – at least 30% of the funding would be used for this program
 - i. Loans from \$10,000 up to \$30,000 at Prime plus 2.25%
 - b. Oceanside Gap Financing Loan Program up to \$100,000
 - i. Loan amount to be determined by the needs of the business and the gap amount. Rate would be Prime plus a 2.25% but could change based upon recommendation from San Diego CDC Small Business Finance Staff and credit worthiness of the business.
 - c. Oceanside Targeted Tenant Improvement Loan Program up to \$100,000
 - i. A loan offered to a building owner to complete lab space and/or clean rooms in existing or new buildings
 1. Loan amount up to \$100,000 at Prime plus 2.25%
 - d. Loan Term: flexible, however, the smaller the loan the shorter the term
 - i. Typical term for a micro loan is 5 years and for a gap loan is 10 years.
 - e. Loan interest rate: Tied to Prime so that the rate would not need to be adjusted.
 - i. The suggested rate is Prime plus 2.25% which currently would be about 5.5% interest. On 1/18/2013 Prime was 3.25%
2. The San Diego CDC Small Business Finance (SDCDC) group would be “hired” to run the loan program
 - a. SDCDC will use their Loan Guidelines based upon their experience in the market
 - b. Oceanside would use the credit policies of the SDCDC to issue loans
 - i. This would streamline the process for Oceanside and get the program running more quickly
 - c. The fee for the SDCDC’s service would be paid by the applicant
 - i. 1% loan origination fee
 - ii. A .50% loan servicing fee paid monthly from loan payment
 - d. No new City staff are required to run this program
3. Loan Criteria

- a. Business must create permanent jobs or retain existing jobs
 - i. Which is tracked by the CDC
- b. Business must be: Visitor serving; Restaurants; or high-tech, bio-tech, med-tech or a business that creates high paying jobs. (Which matches the City's Economic Development Strategy)
- c. Businesses can be startups, expanding businesses, or businesses moving into Oceanside
- d. All loan applications will be reviewed first by Economic Development Manager and then to the Revolving Loan Committee for approval or denial
- e. Once approved as a desirable business for the revolving loan, the applications will be forwarded to the SBDC or SDCDC
 - i. Micro loan recipients would work with the SBDC and if viable sent to the SDCDC
 - ii. Gap loans and Targeted Tenant Improvement loans would work with the SDCDC
 - iii. The City Council will not be put in the position of approving or denying a loan application.

4. Loan Process

- a. Economic Development Manager to review initial application and business plan
- b. Loan Committee to review prior to moving forward
 - i. If approved Mirco loans go to the SDBC
 - ii. Gap Loans or Targeted Tenant Improvement loans to SDCDC
- c. Business must meet particular criteria –
 - i. Applicant must turn in a loan application and business plan to be considered for any loan programs
 - ii. Business and jobs must be located in Oceanside
 - iii. Business must create jobs or retain jobs in the City
 - iv. Business must be compatible with ED Goals
 - v. Business must adhere to City Zoning and other regulations
 - vi. Non-profits are not eligible for the loan program
 - vii. Business must meet SBA criteria for jobs created per amount loaned (1 job per \$35,000 loaned)
 - viii. Business will be vetted using tangible and intangible factors
 1. Personal character
 2. Business practices
 3. Experience in the business
 4. Number of years in business
- d. SDBC will work with the micro loan participants and once qualified will go to the SDCDC for loan qualification/approvals

- e. Once the SDCDC has a qualified applicant and approved loan deal it will be sent to the Oceanside loan committee for approval: Unqualified applicants will also be brought to the loan committee for discussion.
- f. Loan committee will determine if loan is funded and has the final approval.
5. Oceanside Staff would market the program
 - a. Create program materials
 - b. Market program to local businesses and new businesses
 - i. Marketing will be done to local bankers and brokers
 - ii. Work with Small Business Development Center, Oceanside Chamber of Commerce and Main Street Oceanside on marketing the program to local small businesses
 - iii. Target specific Businesses
6. An Oceanside loan pool would be setup at the CDC and all repayments and interest would be deposited into that pool-account.
 - a. The loan servicing fee would be taken out monthly from each payment giving Oceanside approximately 5.00% return after a .50% service fee is taken out by the CDC
 - b. Assuming all the money is loaned out in the first year, at the 5.00% rate of return, the fund will grow by \$25,000 each year which can be loaned out to new participants.
 - c. The typical default rate for Micro Loans with the SDCDC is 5% and half that with larger loans.
 - d. The initial term of the loan fund is proposed for 10 years at which time it would be re-evaluated by Oceanside City Council.
 - e. The City does not lose the money - The funds deposited at the SDCDC would always be Oceanside's money just deposited in a different "bank" and used for local loans
 - f. The amount that would remain in the fund would be about \$500,000 with a little bit of interest depending on the value of the defaults that occur
7. Oceanside's Revolving Loan Committee
 - a. An internal loan committee will be established made up of the: Finance Director; Economic Development Manager; Development Services Director; Deputy City Manager; Executive Director of the SBDC and two members of the EDC.
 - i. Applications will be received by the Economic Development Manager and reviewed by the loan committee to proceed.
 1. Loan Committee would determine if the business meets the loan criteria and is desirable business to Oceanside
 - ii. Application information will be forwarded to the CDC Small Business Finance for intake and processing
 - iii. If applicant is viable, CDC will forward electronic documents to the Loan Committee to review the deal points: rate of interest; total loan amount; term; monthly payment; etc.

- iv. A quorum of the loan committee must participate in the loan approval and a simple majority of the Loan Committee must approve the Deal for the loan to be issued. – The SDCDC must have an approval from the City to release funds.
 1. It is anticipated this process can be completed by email so approvals can occur quickly.
 2. Decision will be made by a simple majority because if someone is unavailable the loan can still move forward.
 3. The loan would be between the SDCDC and the applicant (not the City).
 - a. Allowing the City to be at arms length if defaults occur.
8. Oceanside Loan Pool Reporting requirements
 - a. Quarterly statements would be given to the City from the San Diego CDC Finance
 - i. Loans issued, aging report
 - ii. Annual loan portfolio audits are completed by the CDC and every two years by the State
 - iii. Will work with Finance to get any reports requested or needed for reporting
9. Oceanside would conduct targeted outreach
 - a. Target specific businesses to bring into the City including startups or help to expand
 - b. Do not want to fund businesses that are not meeting loan criteria or credit guidelines or undesirable businesses

Why the San Diego CDC Small Business Finance?

The San Diego CDC Small Business Finance makes business loans all over the state and has made SBA 504 loans and SBA 7A loans to most Oceanside businesses including Beach Break and Steico. The San Diego CDC has impressive credentials already working with the City of San Diego on their revolving loan program, a loan portfolio of over \$2 billion dollars and the qualified staff to help implement the Oceanside Revolving Loan program. Over the past five years the SDCDC has funded 40 Oceanside businesses totaling \$26 million.

Why a Micro Loan?

Micro loans are needed by businesses for various purposes including building or equipment upgrades, marketing and sometimes working capital and are particularly useful for small businesses. Micro Loans are not offered through standard banks because the cost of loaning small amounts of money is too expensive. Accion in San Diego makes small loans to businesses however the interest rates are very expensive ranging from 10% to 18% which makes it cost prohibitive to small businesses. An Oceanside Micro Loan Program would help local businesses to expand, fund infrastructure and stay in business.

Why Gap Loans?

A Gap Loan will be partnered with one of the SDCDC's other loan programs to help mitigate the risk and make the business more desirable to loan to. Also, the blended rate of the SDCDC 8% loan and the Oceanside 5.5% loan will make it more affordable to businesses.

What have other cities done?

Research and review of other programs was conducted to look at revolving loan funds in other cities to ensure best practices were used in the development of the Oceanside Conceptual Revolving Loan Program. Several things were evident.

- Loan Programs from other cities are serviced in-house with staff. Director Teri Ferro confirmed that Oceanside does not have the staffing or trained personnel to complete this process. It would be too expensive to hire someone to administer the program to only fund a few loans each year, especially when the majority of the funding runs out.
- Loans in other cities are restricted to certain areas of their city, a set minimum number of new employees or other restrictions due to the funding sources usually being CDBG, EDA, USDA Rural, or Redevelopment funds.

Oceanside's program has more flexibility in lending by using general fund money. The infusion of \$500,000 in general fund money will be a one-time deposit with no ongoing expenses, and Oceanside's funds can be leveraged with other programs already available at the SDCDC.

The program is proposed to run for a 10-year period, at which time the City Council will decide to let the program expire and use the \$500,000 plus interest for other City priorities or to continue with the Revolving Loan Program.



Economic Development **2012**
STRATEGIC PLAN
CITY OF OCEANSIDE

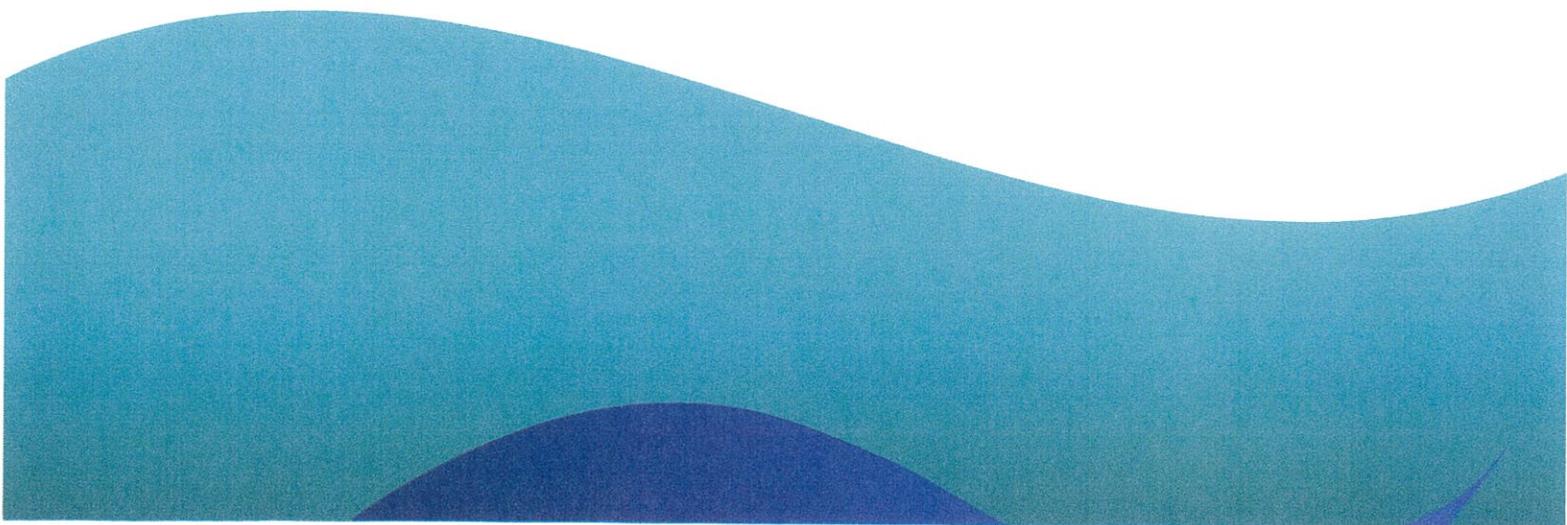




TABLE OF CONTENTS

General Location Map of Oceanside.....	2
Introduction.....	4
Oceanside Background.....	4
Oceanside Demographics.....	5
Analysis of Economic Development Problems and Concerns.....	13
Goals and Objectives.....	16
Community & Private Sector Participation.....	17
2011-2016 Strategic Projects, Programs and Activities.....	18
Plan of action.....	19
Performance Measures.....	21
Map of Industrial Trade Areas and Transit Corridors.....	22
Appendices.....	23
A. 2011 Data Review	
B. 2011 Comprehensive Economic Development Strategy, CEDS	
C. 2008 Sustainability Study	
D. 1997 Strategic Plan	

City of Oceanside

Strategic Plan for Economic Development

2011 to 2016

INTRODUCTION

The City of Oceanside has prepared this Five Year Strategic Plan for Economic Development to set forth a course of action designed to create a dynamic economic environment in the City over the next five years and beyond, with a special emphasis on establishing and encouraging strategic partnerships linking the many and varied sectors contributing to the prosperity of the community.

As part of the continuing economic development planning and implementation process, this report includes components of the Oceanside Economic Development Strategic Plan that was completed in 1996 and approved in 1997, the 2008 Economic Sustainability Study and the 2011 Comprehensive Economic Development Strategy, CEDS, document that was approved by City Council in August 2011 and by the Federal Economic Development Administration in September 2011.

Because the CEDS included broad based community involvement from business leaders, community members, advisory groups and the Economic Development Commission the Strategy is being composed by staff to mirror the expectations outlined in the 2011 CEDS. The goal is to have one document that describes Oceanside's current economic environment and goals for the future.

The 2011 Strategic Plan will focus on the next five years with an eye to the economic uncertainty of the period, and also to the economic viability and sustainability of the City over the next five years.

OCEANSIDE BACKGROUND

The City of Oceanside encompasses over 42 square miles and is the northern-most city in San Diego County with a 2011 population of 183,095 residents according to the 2010 California's Department of Finance estimates. The City is bordered on the west by 3.5 miles of beaches; a 1,960 foot wooden pier; a 1,000 slip harbor; a small airport with a 3,060 foot runway; 1,700 plus hotel rooms; beach cottages, row homes and mixed-use urban condos. The City stretches east approximately 9 miles and includes agricultural land, large master planned subdivisions and a number of older subdivisions including a significant number of senior only subdivisions. To the north is the west coast's largest Amphibian Marine Base, Camp Pendleton. Directly to the south is the city of Carlsbad and 20 miles south is San Diego, California.

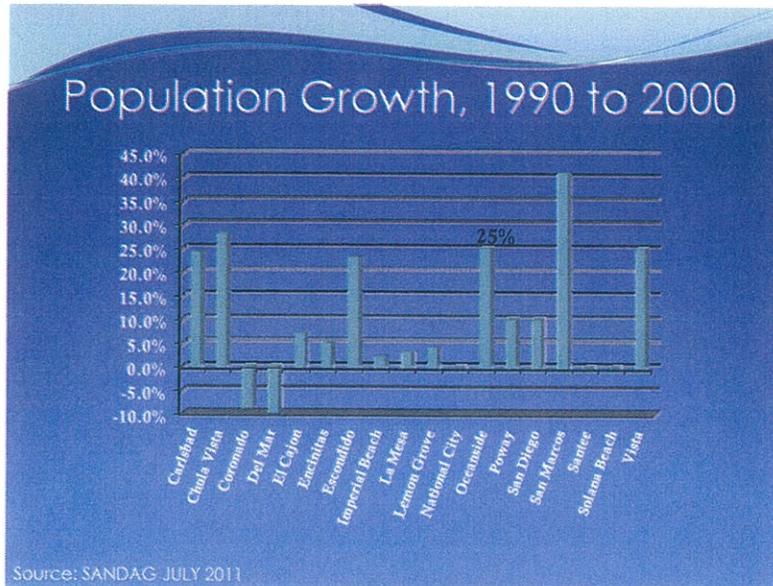
Oceanside has a good transportation system including the north-south freeway Interstate 5; running south-east Highway 78 connects to Interstate 15; and Highway 76 runs north-east to Interstate 15. Additionally, in the heart of downtown is a transit hub with access to Amtrak which travels north; the Coaster which links Oceanside to San Diego; the MetroLink that travels north to Los Angeles; the Sprinter that travels east to I-15; Breeze buses that travel throughout San Diego County; and Greyhound bus service.

Oceanside's population and geography is very diverse with a wide range of age groups, ethnicities, and socioeconomic backgrounds. The geography of Oceanside is comprised of hills, creeks, valleys, farm land, and beaches. Oceanside has many small neighborhoods due to the topographical and geographical diversity. The purpose of the Economic Development Strategic Plan is to evaluate current demographics, economic and fiscal conditions and chart a path for economic sustainability over the next five years.

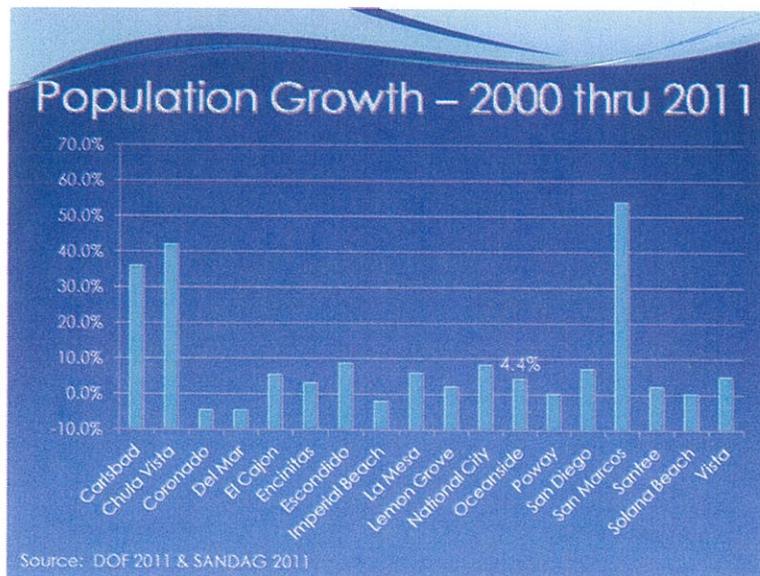
OCEANSIDE DEMOGRAPHICS

Population

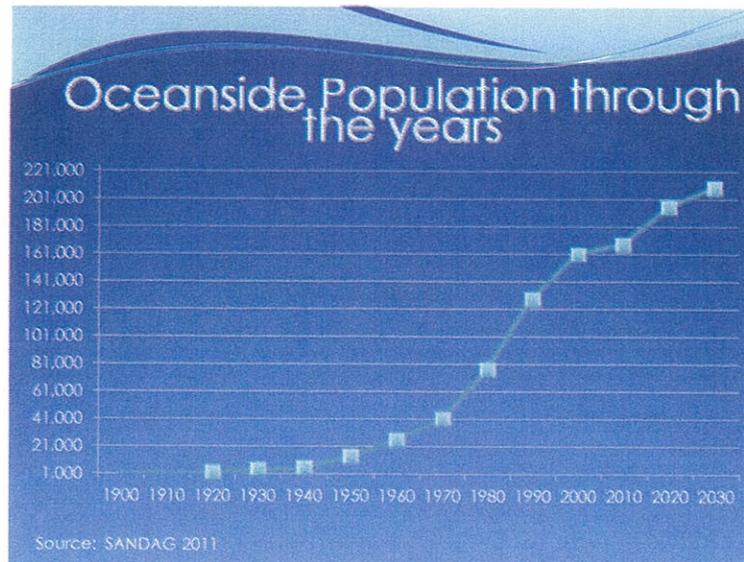
The City of Oceanside has experienced rapid population growth over the past 20 years. From 1990 to 2000 the population grew 25%.



From calendar year 2000 to 2010 the population grew by almost 5%.



Oceanside’s population is estimated by the San Diego Association of Governments, SANDAG, to reach over 200,000 people by 2030. The chart below reflects the historical population growth which is slowing down because the City is nearly built out.



Camp Pendleton Marine Corps Base is adjacent to Oceanside and has a large daytime and evening population on the border of Oceanside. Camp Pendleton has 41,130 military personnel stationed on the base, 37,768 family members living on the base, and a daytime population of 75,000 civilian employees and construction workers.

Ethnicity

Oceanside is an ethnically diverse city. The ethnic breakdown of Oceanside is similar to the diversity within the San Diego region. According to 2011 SANDAG Fast Facts, San Diego’s regional planning agency, Oceanside has an ethnic breakdown of approximately: 48% Caucasian; 36% Hispanic; 6% Asian; 4% African American; 1% Hawaiian & Pacific Islander; 1% American Indian; and 4% two or more races or other race.

Age

The median age in Oceanside in 2011 is 34 years old and almost half of the population is 35 years and older. This is likely due to an aging national demographic, the change from a first time home buyer market to a move up market because more affordable housing is available in the north-eastern portion of San Diego County and in Riverside County, and that Oceanside has large subdivisions of senior only housing.

Age Stratification

- Under 5 years..... 8%
- 6 to 14 years.....14%
- 15 to 24 years.....14%
- 25 to 34 years.....14%
- 35 to 54 years..... 27%
- 55 to 64 years.....10%
- Over 65 years.....13%

Source: Claritas 2011

Education

Almost 84% percent of Oceanside’s residents over age 25 have attained a high school degree or higher education.

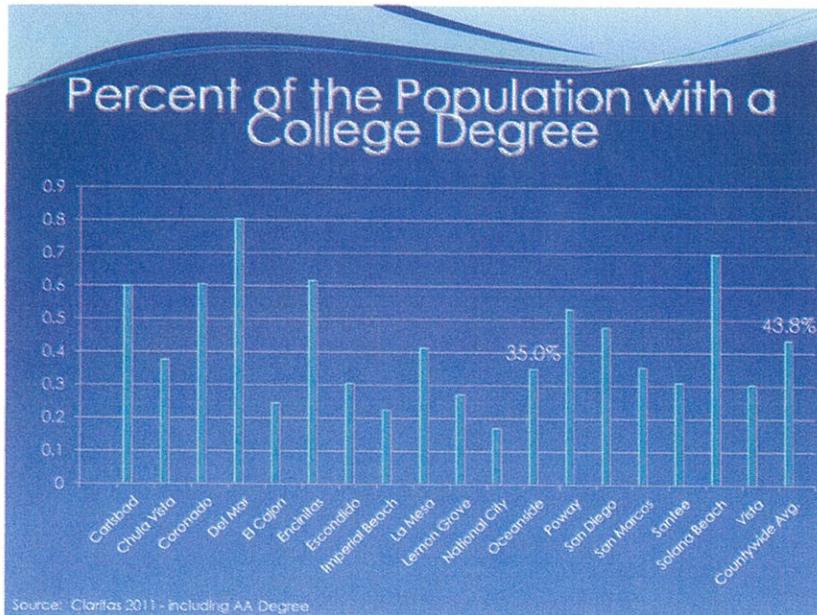


Education Levels

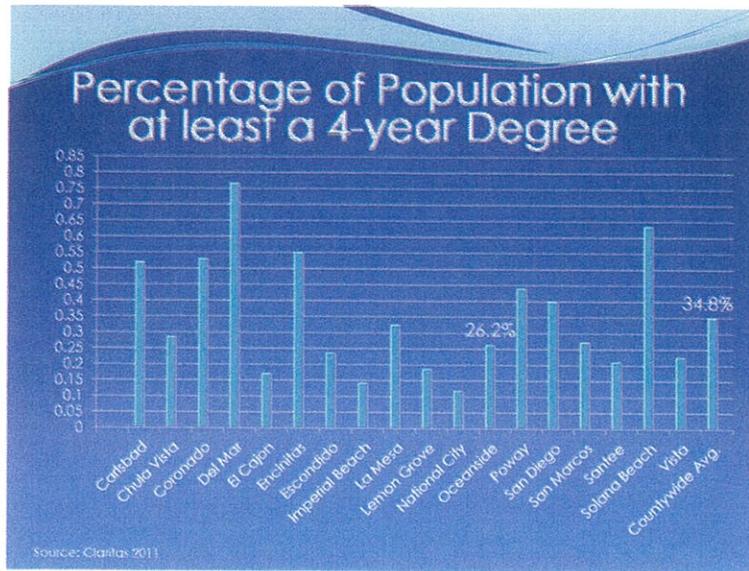
• Less than 9 th grade	8.85%
• Some High School no diploma	7.43%
• High School Graduate (GED)	22.63%
• Some College, no degree	26.15%
• Associate Degree	8.77%
• Bachelor's Degree	17.34%
• Master's Degree	5.84%
• Professional School Degree	1.79%
• Doctorate Degree	1.21%

Source: CLARITAS 2011

Oceanside residents with at least a two year college degree or higher education equals 35% compared to the Countywide average of 43.8%.



With a college degree defined as a 4-year degree or higher, 26.2% of Oceanside’s population has a 4-year degree compared to 34.8% countywide.



The City’s strategy to improve the educational attainment of Oceanside’s population is partnering with Mira Costa College, which is located within the City. The campus serves over 10,500 students per semester. Mira Costa College is also a major employer in the City with over 1,000 full and part time employees.

Income

Oceanside has a median household income of \$58,799 which is nearly the same as the countywide average of \$60,140.



Oceanside’s median household income chart shows that 35% of residents make over \$50,000 but under \$100,000 per year. People who make over \$100,000 equals 22% of the population and 42% of the population makes less than \$50,000 annually.

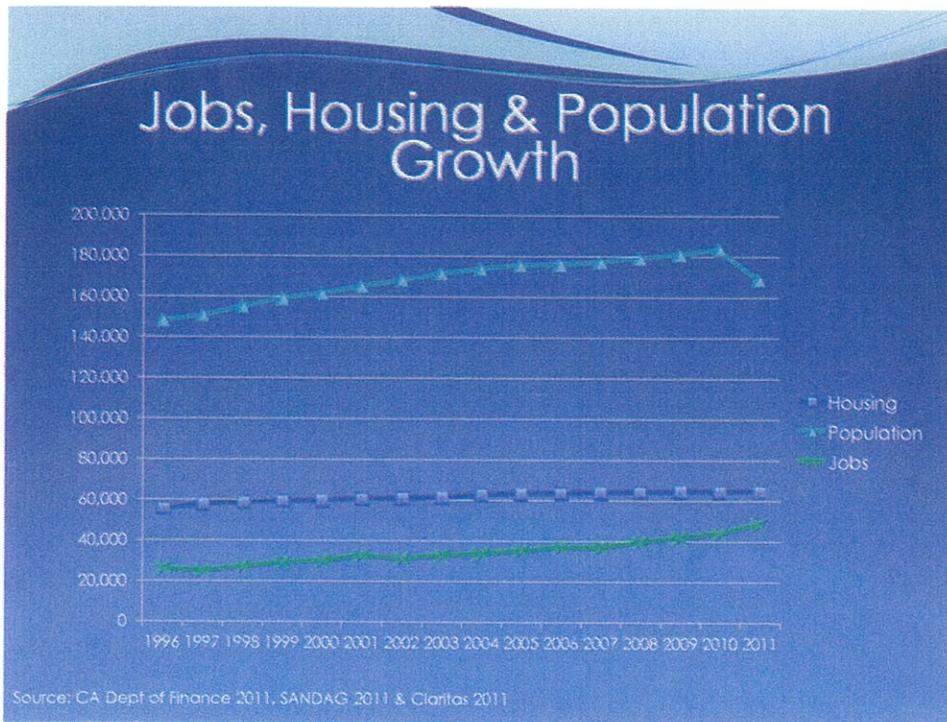


Housing

Housing data reflects lower prices than the mid 2000’s due to the global recession. In addition, the number of foreclosures influences city wide price points as does the great diversity of housing ranging from oceanfront homes to production subdivisions, estate farms and affordable multi-family. However, when used as a benchmark against other cities, Oceanside has one of the lowest median home prices for a northern San Diego coastal community. Oceanside’s median home value as of September 2010 was \$282,500, while Carlsbad, directly adjacent to the south, had a median home value of \$579,700 in that same time frame. Oceanside’s boundary runs nine miles inland and therefore has characteristics of both coastal and inland communities. In addition, Oceanside’s large size at 42 square miles and topographical diversity create small pockets of distinct housing values that make comparison difficult.



Jobs to Housing Ratio



As can be seen above, the number of jobs has almost doubled since 1996 from over 26,000 jobs to about 49,000 jobs in 2011. The population has steadily increased from 147,000 people in 1996 to 168,000 people in 2011. The number of housing units in 1996 was approximately 55,500 units and has grown to over 64,000 units in 2011. Even though the number of jobs have increased, so have the number of housing units and the population making Oceanside a bedroom community. This is reflected in Oceanside's jobs to housing ratio as reported by SANDAG which at .75, is the lowest in San Diego County. A jobs to housing ratio is the percentage of jobs for every house.

Jobs to Housing Ratio

City	Employment	Total Housing	Jobs to Housing Ratio
Carlsbad	61,999	43,784	1.42
Chula Vista	70,230	81,982	0.86
Coronado	27,994	9,763	2.87
Del Mar	4,065	2,683	1.52
El Cajon	41,686	34,869	1.20
Encinitas	26,985	25,387	1.06
Escondido	61,143	47,030	1.30
Imperial Beach	7,543	9,781	0.77
La Mesa	27,579	25,523	1.08
Lemon Grove	7,640	8,546	0.89
National City	28,743	17,037	1.69
Oceanside	48,641	64,672	0.75
Poway	31,176	16,290	1.91
San Diego	821,521	510,860	1.61
San Marcos	37,383	28,859	1.30
Santee	15,304	19,447	0.79
Solana Beach	7,533	6,563	1.15
Vista	41,315	30,569	1.35
Countywide	1,363,816	983,248	1.39

Source: SANDAG 2011

As shown in the Jobs to Housing Ratio chart above, Oceanside has the lowest jobs to housing ratio in San Diego County and is lower than the Countywide average of 1.39. The City's growth rate in housing will slow as the land supply shrinks. An important element of the strategy is to improve the jobs to housing ratio.

It is frequently asked if the jobs to housing ratio is artificially low due to the jobs on Camp Pendleton. That is not accurate, it is the same as Oceanside residents who working in Carlsbad or any other neighboring city contributes to the low jobs to housing ratio. Oceanside CEDES to encourage businesses to locate in the City and one goal is to keep land in the City zoned for office and industrial uses.

Industry Clusters

The City makes a concerted effort to understand the local economy in order to set policy. To that end the City uses Labor Market Information Data to establish and monitor a trend line of industry clusters. Data monitored includes number of companies by industry, number of employees and wage rates.

Oceanside Economy

- Largest Industry Clusters
 - Retail (318)
 - Professional Scientific (282)
 - Accommodation Food Service (270)
- Highest Employee Numbers
 - Retail (5,825)
 - Health Care (4,517)
 - Accommodation Food Service (4,348)

Source: LMID YTD 2010

The largest industry clusters in Oceanside are retail, professional scientific and accommodation/food service. The largest employee numbers are in lower paying retail and food service industries. Efforts have been made in the past 15 years to create more jobs by retention and expansion of existing businesses, establishing master planned business parks so there are buildings for businesses to expand, working with industrial and office brokers to assist in the retention and expansion of local businesses, and shepherding projects through the development, entitlement processing and building permit process. In addition, the City has partnered with Mira Costa College to develop programs that help train future employees for local businesses.

Tax Base



Due to lower housing values, on average Oceanside has lower property taxes paid per person compared with the County average. The chart above shows that Oceanside generates \$224 less in property taxes per person than the average throughout the County.



Oceanside also has lower sales taxes paid per person compared with the County average. The chart above shows that Oceanside generates \$90 in sales tax per person compared to the countywide average of \$126 per person. This is due to sales tax leakage to nearby communities that have large regional car dealerships areas, which Oceanside does not; a large regional mall which Oceanside does not; and sales tax leakage to Camp Pendleton. This lower tax base means Oceanside has less funding to provide services to the public such as police, fire, libraries, parks and capital projects.

Oceanside's challenges looking forward five years include: A Citywide unemployment rate of 9.9% as of January 2011; lower education levels; lower median household incomes; lower housing values on average; a jobs to housing ratio much lower than the County average; and lower property and sales tax revenue to provide services and maintain infrastructure, when compared to other cities in San Diego County. Further explanation of these issues and the process to identify them is defined in the next section.

ANALYSIS OF ECONOMIC DEVELOPMENT PROBLEMS AND CONCERNS

In 2010, a CEDS group was formed as an Ad-Hoc Committee of the Economic Development Commission, EDC, consisting of local business leaders, business owners, the Oceanside Chamber of Commerce, tourism leaders, bankers and Economic Development Commissioners. Since the original Economic Development Strategy was approved in 1997, the City has been utilizing it as a road map and has been committed to completing the goals and tasks identified at that time. In 2008, the EDC completed the Sustainability Study which updated data, identified new challenges and issues and created a Dashboard of Variables to measure performance.

2008 Economic Sustainability Concerns

- A. The jobs to housing balance is significantly below the regional average.
- B. The impact of insufficient jobs forces people to commute, to bear the expense of commuting and likely increases City expenditures for social services.
- C. Median household income is below average in relation to other cities in coastal San Diego County as well as the Highway 78 corridor.
- D. Education levels play a key role in median household income
- E. Oceanside has lower housing prices compared to other San Diego coastal cities and the Highway 78 corridor, therefore impacting property tax revenue.

- F. The amount of sales tax revenue per capita is significantly lower than that of other cities.

In 2008, the EDC also recommended:

2008 Economic Sustainability Recommendations

- A. Maintain the integrity of office and industrial zoned property to assure land to create quality employment opportunities.
- B. Identify new office sites to house higher paying employment opportunities.
- C. Re-evaluate zoning ordinances to minimize/eliminate non job creating uses within business parks.
- D. Need to attract high-end development & high paying jobs.
- E. Retain sales tax revenue producing land uses.
- F. Identify new hotel sites in order to achieve greater Transient Occupancy Tax.
- G. Continue investing in infrastructure and assure transportation effectiveness.
- H. Re-evaluate current zoning and pursue new revenue generating opportunities.
- I. Utilize a “Dashboard” of economic indicators for all decisions affecting the long term economic sustainability of the City.

Out of the Sustainability Study came six main areas that are key to Oceanside’s long term Economic Sustainability. Listed below are the 6 key indicators that are known as the “Dashboard” to gauge continuing economic success. These “Dashboard” indicators are constantly monitored and used by the Economic & Community Development Department, other departments and City Council as a reference point to ascertain if Oceanside is accomplishing its economic goals:

- 1. Increase the Jobs to Housing Ratio to at least a 1:1 ratio
- 2. Increase Transient Occupancy Tax Revenue by adding 100 additional rooms per year
- 3. Make Downtown a “Super” Destination by building a destination hotel and complete development in the core blocks
- 4. Increase office space per capita to 8 sq. ft per capita over a 10 year period
- 5. Increase Sales Tax Revenue and Sales Tax per capita
- 6. Benchmark Commercial Processing Time and improve annually

Based upon these issues, areas of concern and specific tasks for the items were grouped into six categories including Image, Planning, Financial Services, Tourism, Revenue/Job Opportunities and Infrastructure. Under each category several specific projects or programs were discussed.

Image

- 1) Revitalize the 200 block of Coast Hwy.
- 2) Coast Hwy. Beautification
- 3) Review Processes to affect efficiency measures
- 4) Underground utilities throughout the City
- 5) Image Campaign and branding for the City
- 6) Façade Improvement Program including historic properties

Planning

- 1) Implement Coast Hwy. Vision Plan
- 2) Evaluate underperforming retail areas and plan revitalization of the areas
- 3) Evaluate pockets of blight
- 4) Evaluate old functionally obsolete industrial areas and plan for revitalization
- 5) Implement Oceanside Blvd. Vision Plan

Financial Services

- 1) Access to capital

2) Revolving Loan Program

Tourism

- 1) Quiet Zone to improve tourism
- 2) Lack of hotel sites
- 3) No conference meeting facilities in town
- 4) Improvements to the Beach facilities
- 5) Re-evaluate Harbor Specific Plan opportunities
- 6) Evaluate public restrooms, construct, maintain and keep secure

Revenue / Job Opportunities

- 1) Funding to purchase old empty buildings
- 2) Surface intermittent parking lots along Coast Highway
- 3) Establish and maintain relationships with Camp Pendleton Marine Corps Base
- 4) Identify defense industry opportunities
- 5) Build El Corazon
- 6) Create vision/goal to create new money (sports teams at El Corazon)
- 7) Business Incubator Executive Office Suites

Infrastructure

- 1) Evaluate water availability opportunities including desal/wastewater
- 2) Identify lacking infrastructure

The committee then developed criteria which would address the City’s shortcomings identified in the data review. These included:

- Did the item provide image enhancement?
- Does it increase the jobs to housing ratio?
- Does it increase sales tax, property tax or transient occupancy tax revenue to the City?
- Does it increase the quality of life for residents?
- Is the program achievable? Does the program require money?

The result was a short list of 15 projects and programs the CEDS Committee believes will bring the most value to the community.

Economic Development Strategy Committee Top Fifteen Priorities	
1	Revolving Loan Fund to assist businesses
2	Eliminate barriers to investment in Business Park Areas – Public improvements for Gateway Enhancement
3	Planning Study to evaluate the Airport Industrial area - Old functionally obsolete WWII area (curb, gutter, sidewalks, flooding issues, non-conforming uses)
4	Beach Improvements (Amphitheatre)
5	Re-Evaluate Harbor Specific Plan opportunities
6	Image Campaign/Branding for Oceanside
7	Quiet Zone to improve tourism
8	Surface intermittent parking lots on Coast Hwy.

9	Create Vision/Goal to make new \$ for the City (sports teams at El Corazon, other)
10	Identify lacking infrastructure & research a method to fund improvements
11	Review Processes to affect Efficiency Measures
12	Evaluate water availability opportunities including desal/wastewater
13	Implement Coast Hwy. Vision Plan
14	Identify Defense Industry opportunities.
15	Implement Oceanside Blvd. Plan

The CEDS Committee further prioritized the top 15 to identify the three most important issues to address over the next five years:

- Access to Capital
- Eliminate barriers to entry to investment in the Oceanside Business Park Areas
- Evaluation of new employment land opportunities

ECONOMIC DEVELOPMENT STRATEGY GOALS & OBJECTIVES

As the outcome of the process to identify all variables, strengths, and weaknesses that would affect the long term economic development of Oceanside, the CEDS Committee determined the following goals and objectives:

- Facilitate the retention and expansion of existing businesses and recruit and assist new prospective businesses to the City to improve the jobs to housing ratio.
- Create new programs to assist existing businesses, to retain jobs and lower the unemployment rate.
- Evaluate alternate sources of capital to assist small businesses.
- Eliminate barriers to entry to investment in the business park areas in the City of Oceanside.
- Evaluate areas of opportunity to determine if revitalizing the areas will assist in improving the jobs to housing ratio to ensure the future economic viability of the City.

COMMUNITY & PRIVATE SECTOR PARTICIPATION

In 1996, the City of Oceanside contracted with two consultants to work with the City, Chamber of Commerce and community members, business leaders and other interested parties to formulate an Economic Development Strategic Plan for the City. The work was completed and approved in February 1997, and as part of that effort the Economic Development Commission, EDC, an Advisory body to the City Council was created. In addition, in 1997 an Economic Development Department was created and staffed. The 1997 Economic Sustainability Study is attached as Appendix B.

Since that time, staff and the EDC have generally followed the strategies contained in the Strategic Plan. As goals have been achieved, added or amended, the Strategies, Goals and Objectives have been modified accordingly.

In 2008, Economic Development staff, in conjunction with the EDC, Chamber of Commerce, Community Groups, and stakeholders developed the Sustainability Study. The study was conducted to benchmark existing statistics about the City's demographics, revenue production and other variables affecting the City's long term economic sustainability. In addition, through the participation of the EDC and further analysis conducted, areas of weakness were identified and quantified. The end product was a series of conclusions regarding the state of the Oceanside economy and goals identified by the EDC. Those goals were represented as a Dashboard for the City to use for guidance through the decision making process on issues that would affect the long term economic sustainability of the City.

Five of the CEDS Committee members were participants in the 2008 Sustainability Study and the 1997 Economic Development Strategic Planning process. The five original participants are:

- David Nydegger, Oceanside Chamber of Commerce - Public
- Howard La Grange, Business Owner - Private
- Jim Schroder, Property Owner - Private
- Kevin Stotmeister, Manufacturing business executive - Private
- Jane McVey, Economic & Community Development Director – Public

The remaining CEDS Committee Members are:

- David Morris, Banker - Private
- Terry Bryan, Local business representative - Private
- Tracey Bohlen, Economic Development Coordinator – Public

The 2011 CEDS Ad Hoc Committee, listed above, is made up of 8 persons; 6 men and 2 women, with 5 members being from the private sector and 3 members being from the public sector, making 62.5% of the CCEDS Ad Hoc Committee being from the private sector.

In addition to the CEDS Committee Members, this report was presented to several local boards to gain input and agreement on the goals and programs recommended. The following Boards or Commissions that were included in the CEDS public participation process: Economic Development Commission Meeting in June 2011; Oceanside Chamber Of Commerce Public Policy Meeting in July 2011; and to the North County Small Business Development Center in June 2011 which included a representative from the Mira Costa College Business Advisory Group, Tom Severance and the Mira Costa College President, Francisco Rodriguez. The CEDS Committee, Boards and Commissions have agreed that the Goals and Objectives presented in the next section of this document are vitally important to Oceanside with the programs, projects and activities listed below in CCEDS Plan of Action section being the first steps in achieving the Goals and Objectives.

2011-2016 STRATEGIC PROJECTS, PROGRAMS AND ACTIVITIES

The Oceanside CEDS Committee has identified programs and projects to retain and expand businesses, ensure that jobs are created and retained in Oceanside, to locate businesses in the City and continue to grow the revenue base for the City. Oceanside is looking at vital programs and projects to assist in the area's growth.

GOAL: Evaluate alternate sources of capital to assist small businesses.

1. Establishing a Revolving Loan Fund

The CEDS Committee recommends retaining and expanding the companies that are located in the City of Oceanside. To do this Economic Development and the Economic Development Commission (EDC) manage a Business Retention Program where staff and EDC members contact large and small businesses in Oceanside on a monthly basis. The companies are asked how their business is doing, if they plan on hiring or expanding employees or facilities and what issues or challenges they are facing.

If the companies express concerns about particular problems where assistance is needed, staff will refer the companies to available resources. If they need help with business strategies, or wanting to gain government contracts they are referred to the Small Business Development Center. If the companies are training or hiring new employees the North County Career Center located in Oceanside can assist. If a manufacturing company needs assistance with streamlining, cost cutting or process improvements they are referred to the California Manufacturing Technology Consulting group. All of these agencies provide services at little or no cost.

A concern the City of Oceanside encounters in helping businesses is a request for short term financing solutions. This could be for anything the business needs from having to install a new grease trap or hood system, to businesses needing a bridge loan for construction of a building. The State of California offers virtually no financial assistance to small businesses and there are no Oceanside specific funding sources for Oceanside businesses. The credit crunch has severely impacted small local companies that want to expand and are growing but need the capital to assist them. Oceanside would like to help these businesses grow by offering a small Revolving Loan that would have a low interest rate and a maximum of a seven year term to pay it back. For every \$50,000 loan either one new job must be created or two jobs retained keeping in line with the SBA 504 loan program. When the application for grant funding is made the program concept will be more fully developed.

GOAL: Eliminate barriers to entry to investment in the business park areas in the City of Oceanside and create programs to reduce or eliminate.

2. Eliminate barriers to entry to investment in Oceanside Business Parks

Some businesses looking at locating in Oceanside have expressed concerns about investing in the area and maintaining their investment due to the image the entryways present. Green-tech and high-tech companies are very image conscious and a good impression for customers and vendors is important. To induce businesses to invest in the City it is imperative that the routes to the major business park areas are improved.

Economic Development staff and commissioners receive feedback from users and brokers that Oceanside Blvd. and College Blvd., the roadways to the main business parks, are a detraction to businesses initially wanting to locate in Oceanside. This program request is to fund needed infrastructure improvements to Oceanside Blvd. and to College Blvd. The City has paid to develop plans for both areas and now needs funding to implement the plans. The majority of the cost for

Oceanside Blvd. is to construct sidewalks from the Sprinter stations (a commuter rail line) and bus stops to employment areas. The City will track the number of new jobs created as a result of the infrastructure improvements and will have a goal of 1,000 new jobs in Oceanside.

GOAL: Evaluate areas of opportunity to determine if revitalizing the areas will assist in improving the jobs to housing ratio to ensure the future economic viability of the City.

3. Planning Study for the Airport Industrial area of Oceanside.

The last vital area of concern for the CEDS committee is the Airport industrial area in Oceanside. Oceanside has a small airport with a 3,060 foot runway located along Highway 76 in the old industrial area of Oceanside which limits development due to the flight path. The Airport Industrial area is made up of older industrial buildings. This area has several challenges including; drainage problems that cause flooding; water and sewer lines need to be replaced; overhead utility lines that require undergrounding; and the area has no curb, gutter, or sidewalks. When Highway 76 was built, the back portion of the industrial park became the front and access became restricted. The storage areas are now facing the highway making the area unattractive. This area needs to be re-evaluated to further the City's long term economic sustainability goals. The first step would be a planning study that would reinvent this vital area and once implemented would encourage companies to locate in the area thereby creating additional employment opportunities and improving the jobs to housing ratio.

ECONOMIC DEVELOPMENT STRATEGY PLAN OF ACTION

The EDC based CEDS Committee presented this document to the Economic Development Commission, Oceanside Chamber of Commerce, Public Policy Committee and the Small Business Development Center Board meeting which included participants from Mira Costa College. The final document was presented to City Council on August 17, 2011 and Certified by the Economic Development Administration on September 20, 2011.

The following programs and projects will be developed and a application for funding will be submitted to the EDA for the requests.

1. Develop guidelines for a Revolving Loan Fund and present the program and funding options to the CEDS Committee, Economic Development Commission and City Council. The goal would be to request funding from EDA and have a loan program in place before the end of 2012. The Revolving Loan Program would be developed and tracked to ensure at least 1 new job is created or 2 jobs retained per \$50,000 loaned. The program would be structured to assist local businesses with expansion or retention opportunities first and could secondarily help new businesses locating in Oceanside.
2. Eliminate barriers to entry to investment in Oceanside Business Parks by requesting funding from EDA for two public improvement plans that are on the shelf and ready to go to bid. One in on Oceanside Blvd from I-5 (Interstate 5 freeway) two miles inland to Crouch Street, the estimated project cost is \$450,000. The second is on College Drive from Waring Road to Roselle Street. The goal is to request EDA funding in early 2012 and begin construction by the end of 2012. Staff will track the number of companies and jobs that are created in the business park area once the improvements are in place with a goal of 1,000 new jobs. The roadways will be more functional and appealing as a result of the infrastructure improvements helping business owners to make the decision to locate in Oceanside.
3. To start the planning process for the Airport Industrial area the City would apply to fund a planning grant from the EDA. The second phase would require additional funding to process general plan amendments and zoning changes to the area. Staff would also identify infrastructure projects and try

to secure funding to prepare public improvement plans. The initial five year focus will be to develop a planning document and process the general plan and zone amendments. Over time this project will bring additional jobs and businesses to the area, will improve pedestrian pathways and better transportation access to the area, and will enhance and protect the environmental areas around the San Luis Rey River. The goal is to request funding from EDA in late 2012 for the initial planning process. If funding is received, staff will develop an RFP to hire a consultant and begin the process in 2013. The initial phase of determining the new zoning and look of the Airport Industrial area may take up to a year to complete.

PERFORMANCE MEASURES

To measure the Plan's effectiveness over the next five years the Economic Development Department will continue to evaluate the number of jobs created (including primary employers, and the jobs-to-housing balance, square foot of the following data are submitted:

	2011-12	2012-2013
Total Number of New Jobs Created	_____	_____
Number of New Businesses	_____	_____
Square Feet of construction		
Industrial/Office	_____	_____
Retail	_____	_____
Property Tax		
Secured	_____	_____
Unsecured	_____	_____
Taxable Sales	_____	_____
New Hotel Rooms Added	_____	_____
Transient Occupancy Tax	_____	_____

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Oceanside Industrial Areas and Transit Corridor

- ★ Transit Stations
- Light Rail Line

Appendices

- A. 2011 Data Review
- B. 2011 CEDS
- C. 2008 Sustainability Study
- D. 1997 Strategic Plan