ITEM NO. 10

City of Oceanside

Office of the City Manager

Memorandum

To: Honorable Mayor and City Councilmembers

From: Tracey Bohlen, Economic Development Manager

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

Date: September 17, 2013

Subject: **OCEANSIDE ECONOMIC DEVELOPMENT DATA**

Economic Development staff retains and updates data that describes the economic state of the City. Primary data points include: job creation; jobs-to-housing ratio; property and sales tax; transient occupancy tax; hotel rooms; vacancy rates for office, retail and industrial and, median home values. Staff provides this information to the City Council on an annual basis; this memorandum contains updated data from fiscal year 2012-13.

The financial data referenced in this memo is from FY 2012-13 provided by the Financial Services Department or its contractor Hdl Companies. The housing and employment data is from the 2012 calendar year and the data source is from either SANDAG or Claritas.

Job Creation/Jobs to Housing Ratio (Tables 1 - 5)

A clear indicator of the health of a community is the number of jobs it has compared to the number of housing units. The optimal situation is to have at least one job for every housing unit.

In 2012, the number of jobs jumped from 48,641 to 56,351 and housing numbers remained fairly steady at 64,856 giving Oceanside a .87 jobs-to-housing-ratio.

In 2013, the number of jobs decreased significantly to 42,146 (from 56,351) and housing numbers increased to 66,312 (from 64,856) giving Oceanside a reduced .64 jobs- to-housing-ratio. Oceanside was not alone in this regard. Each city in San Diego County experienced a reduction in its jobs numbers that negatively impacted the countywide jobs-to-housing-ratio for 2013 (Table 5) due, in part, to a countywide reassessment of jobs numbers. Additionally, specific to Oceanside, the City did see an up-tick in the number of multi-family

housing units and, staff believes that the jobs number decline was further exacerbated by the lingering effect of the recession.

There is, however, some good news on the horizon which will impact the City's jobs-to-housing ratio. It is anticipated that new businesses moving into Oceanside will bring in over 400 new jobs by the last quarter of 2014. These businesses include: Olli Salumeria, 25 jobs; Walmart Neighborhood Market, 75 jobs; Sparsha Pharma, 25 jobs; Springhill Suites, 50 jobs; Hello Betty Fishhouse, 40 jobs; Zig Zag Pizza, 10 jobs; Jersey Mikes, 35 jobs; Ross Dress for Less second store, 40 jobs; DD's Discount Store, 40 jobs; Buffalo Wild Wings, 60 jobs; Bagby Beer, 25 jobs; Legacy Brewing Company, 4 jobs; Bounce Composites, 12 jobs; and Surf Side Tap Room, 8 jobs.

Pre Capita Property Tax (Table 6)

Property (and sales tax) revenues are the primary funding source for the General Fund that pays for all non-utility public services; per capita property tax and sales tax is how much each citizen pays. The per capita property tax in 2008 was $234, which included Redevelopment Tax Increment funds. In 2013, the property tax received per capita is $288 which includes one-time Redevelopment disbursement of $2.7 million.

Median Home Sales Price (Table 7)

Median single family home sales values in Oceanside have risen to $416,938 in July 2013, from $305,000 in 2012 but are still lower than the sales values prior to the recession in 2007 which was at $436,500. It is anticipated that with the raising home prices, property tax revenues will continue to increase over the next few years.

Per Capita Sales Tax (Table 6)

Per capita sales tax data is gradually increasing. The per capita sales tax in 2008 was $87 and has risen to $118 in 2013 for a 26 percent increase over five years. Additional retail development is in the entitlement process for El Camino North shopping center and Town and Country shopping center and retailers like DD's Discount, WalMart Neighborhood Market, Jersey Mikes, El Pollo Loco, Ross, Frazer Farms and Earthgrown Market will bring additional sales tax to Oceanside over the next year.

Transient Occupancy Tax (TOT) (Tables 8 & 9)

TOT, or the "hotel tax", revenue is an indicator of tourism dollars spent in the community. TOT in 2008 was $3,032,689. The City received $4,239,186 in 2012-13, for an increase of 28 percent .

Additionally, in 2008, the City had 1,497 hotel rooms. Today, with the addition of a 149-room Marriott Springhill Suites, due to open in February 2014, the City will have a total of 1,915 hotel rooms, an increase of 418 rooms in a five-year period. With the addition of Springhill Suites and the planned renewal of the Tourism Marketing District to include all hotel and vacation rental properties, TOT is expected to continue to increase.

Change in Square Footage and Vacancy Rates (Tables 10 & 11)

The available square footage in the City has increased for retail, office and industrial over the past five years which positions the City well for the future. In 2008 the retail space available in the City was 4,596,770 square feet and the vacancy rate was 5.8%. In 2013 the retail vacancy rate in the first quarter of 2013 was 6.8%; however, much of the vacant retail space is in the pipeline to be filled with expanding or new businesses.

Office space in 2008 was approximately 1 million square feet with a vacancy rate of 6.7%. In 2013, the City has about 1.2 million square feet with a vacancy rate of 15.6%, which is down slightly from 2012. Industrial space in 2008 equaled 6,852,957 square feet with a 13.9% vacancy rate. In 2013, the industrial space equals 8 million square feet with a 14.8% vacancy rate.

Economic Vitality Strategy

City Council adopted an economic vitality strategy last year that contains several specific objectives. Economic Development works on all the objectives throughout the year. Progress on each objective is outlined below.

Aggressively pursue job creation opportunities: Economic Development has worked on recruiting new retail, manufacturing and medical uses to the City with success. New retail includes: Legacy Brewing; Bagby Beer; Oceanside Tap Room; Buffalo Wild Wings; retention of Earthgrown Market; Walmart Neighborhood Market; Jersey Mikes; and El Pollo Loco just to name a few. New manufacturing and medical office includes Kaiser, Olli Salumeria and Bounce Composites. More businesses are in the pipeline and others are looking at Oceanside as a potential location for their business.

Attract Biotech/Life Science businesses: Economic Development conducted a mailing to 250 biotech and life science businesses worldwide that were looking for a US presence. One success is Sparsha Pharma who will be opening their first US plant in Oceanside at 3919 Oceanic Dr. Currently established in India, Sparsha is a trandermal drug delivery company that is looking to gain FDA approval for their product in the United States.

Pursue Agri-tourism: The City is working with the Visit Oceanside sales team on establishing agri-tourism activities and vacation packages for tourists looking for a different experience. Although not completely solidified some of the ideas include bird watching packages, brewery experiences to learn to brew your own beer and winery packages to visit the local Beach House Winery to learn how to grow grapes and make wine. This is still in discussion stages and may take some time to complete.

Encourage Job Growth: Economic Development assists brokers and businesses with expansion plans and locating new businesses to the area. More than 400 new jobs will be in the Oceanside economy by the end of 2014 with a goal of 1,000 new jobs for 2014.

Summary

Although the jobs-to-housing-ratio is disappointing due, in part, to the countrywide reassessment of jobs numbers; generally speaking the economic future in Oceanside is looking quite positive after the Great Recession. Most key indicators are trending upward and development permits in process are rising steadily. Also, attached please find a recent report (July 2013) published by HdL Companies entitled *California Forecast: Sales Tax Trends and Economics Drivers* for your perusal.

Should you have any questions for concerns, please contact me at extension 3351.

Tables 1 – 11
Attachment 1: data points
Attachment: HdL: California Forecast

ATTACHMENT 1

Data Points

JOBS Table 1

2008	39,610		
2013	42,146	=	Increase of 6%

HOUSING Tables 2 - 5

2008	64,102		
2013	66,312	=	Jobs-to-Housing ratio of .64

PER CAPITA PROPERTY TAX Table 6

2008	$234		
2013	$288	=	Increase of 23%

PER CAPITA SALES TAX Table 6

2008	$87		
2013	$118	=	Increase of 36%

TOT Table 7

2008	$3,032,689		
2013	$4,239,186	=	increase of 28%

NUMBER OF HOTEL ROOMS Table 8

2008	1,340		
2013	1,915	=	increase of 418 rooms*

*Includes 149 room Springhill Suites

VACANCY RATES Table 10

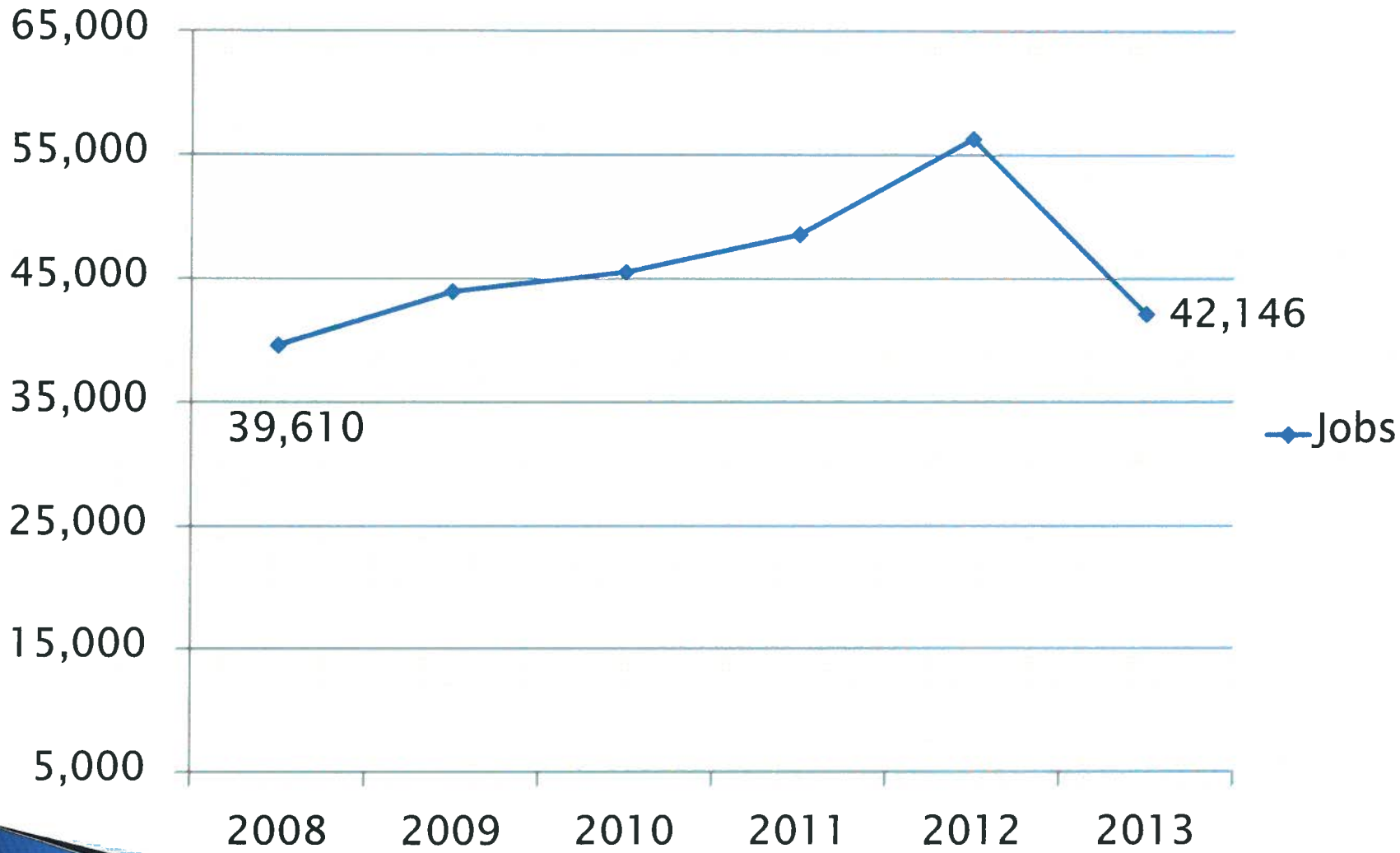
Retail	6.8%
Office	15.6%
Industrial	14.8%

MEDIAN HOME VALUES Table 11

2013	$416,938	
2012	$305,000	
2007	$436,500	Pre-recession date for comparison purposes.

Table 1

Increase in Jobs



Source: SANDAG and Claritas 2013
Fiscal Year data beginning in 2007-08

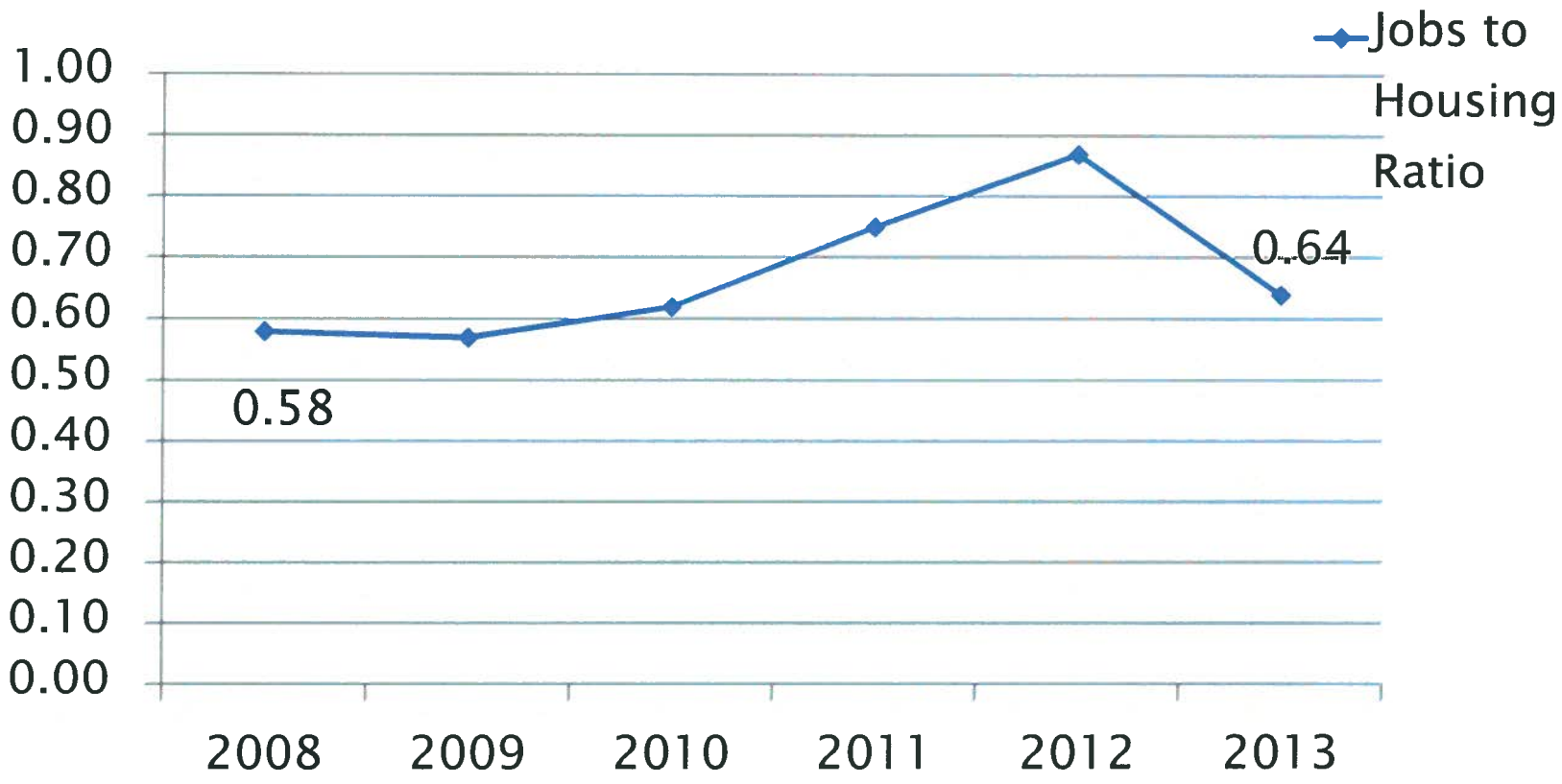
Table 2

Oceanside Housing Growth

Source: Claritas 2013

Table 3

Growth in Jobs to Housing Ratio



Source: SANDAG 2013 & Claritas
Fiscal Year Data beginning in 2007-08.

Table 4

Change in Jobs to Housing Ratio

YEAR	JOBS	HOUSING	RATIO
2000	29,827	59,581	0.50
2001	32,640	60,627	0.54
2002	30,991	60,923	0.51
2003	32,611	61,344	0.53
2004	33,652	62,767	0.54
2005	34,770	63,324	0.55
2006	36,064	63,601	0.57
2007	36,779	63,905	0.58
2008	36,489	64,102	0.57
2009	39,610	64,135	0.62
2010	43,977	64,275	0.68
2011	48,641	64,672	0.75
2012	56,351	64,856	0.87
2013	42,146	66,312	0.64

Source: Claritas, SANDAG

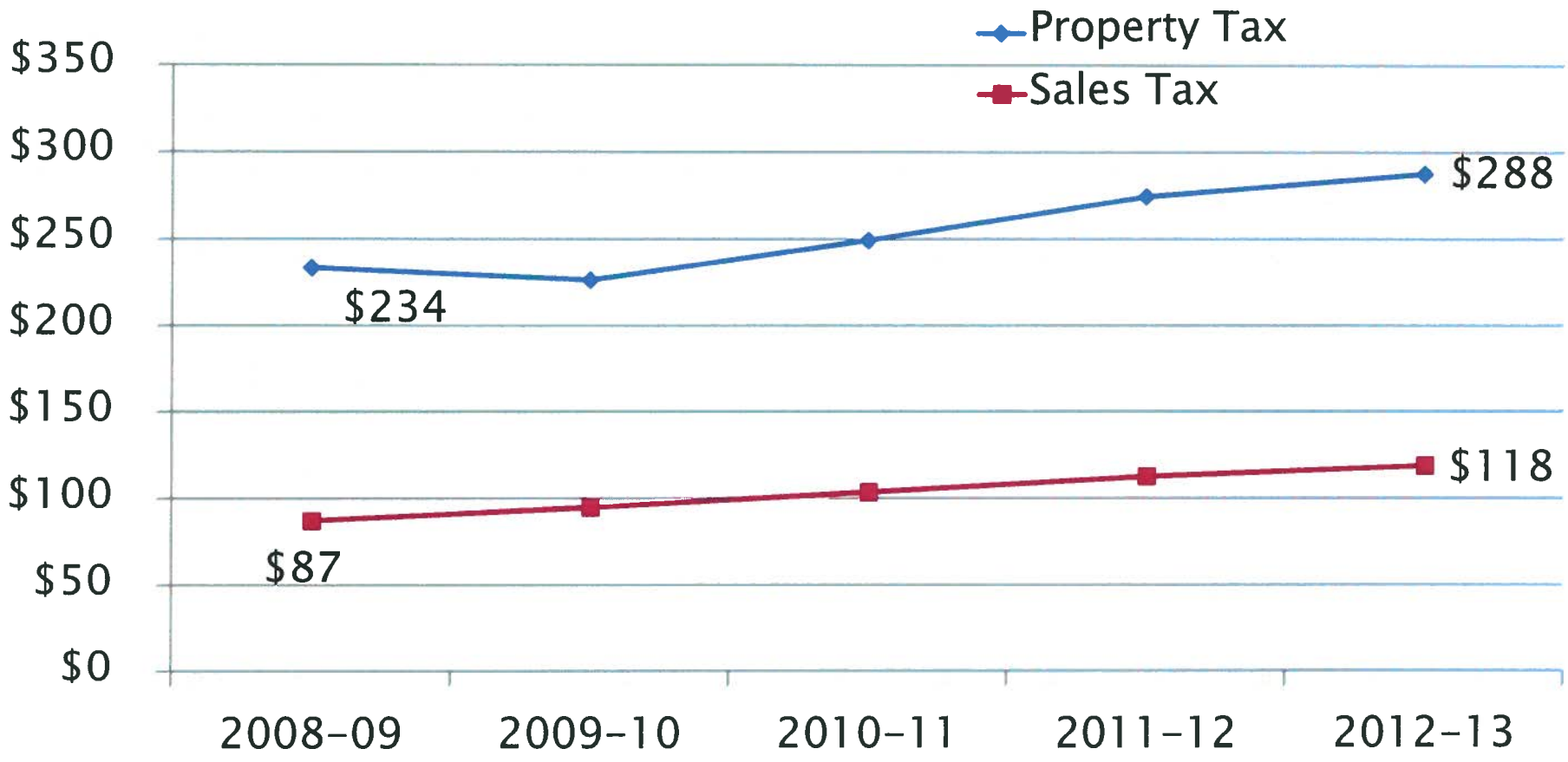
Table 5

Jobs to Housing Ratio Comparison

2012	Jobs-to-Housing	Data	CITY	2013	Jobs-to Housing	Data
Employment	Total Housing	Jobs to Housing Ratio		Employment	Total Housing	Jobs to Housing Ratio
85,930	45,217	1.90	Carlsbad	64,527	46,758	1.38
31,861	25,839	1.23	Encinitas	26,120	26,346	0.99
67,984	48,279	1.41	Escondido	48,787	49,394	0.99
56,351	64,856	0.87	**Oceanside**	**42,146**	**66,312**	**0.64**
30,893	16,747	1.84	Poway	30,787	17,001	1.81
42,271	28,966	1.46	San Marcos	37,906	29,825	1.27
11,249	6,541	1.72	Solana Beach	7,568	6,675	1.13
57,317	31,065	1.85	Vista	34,731	31,987	1.09
1,685,117	1,170,267	1.44	Countywide	1,443,991	1,073,369	1.35

Table 6

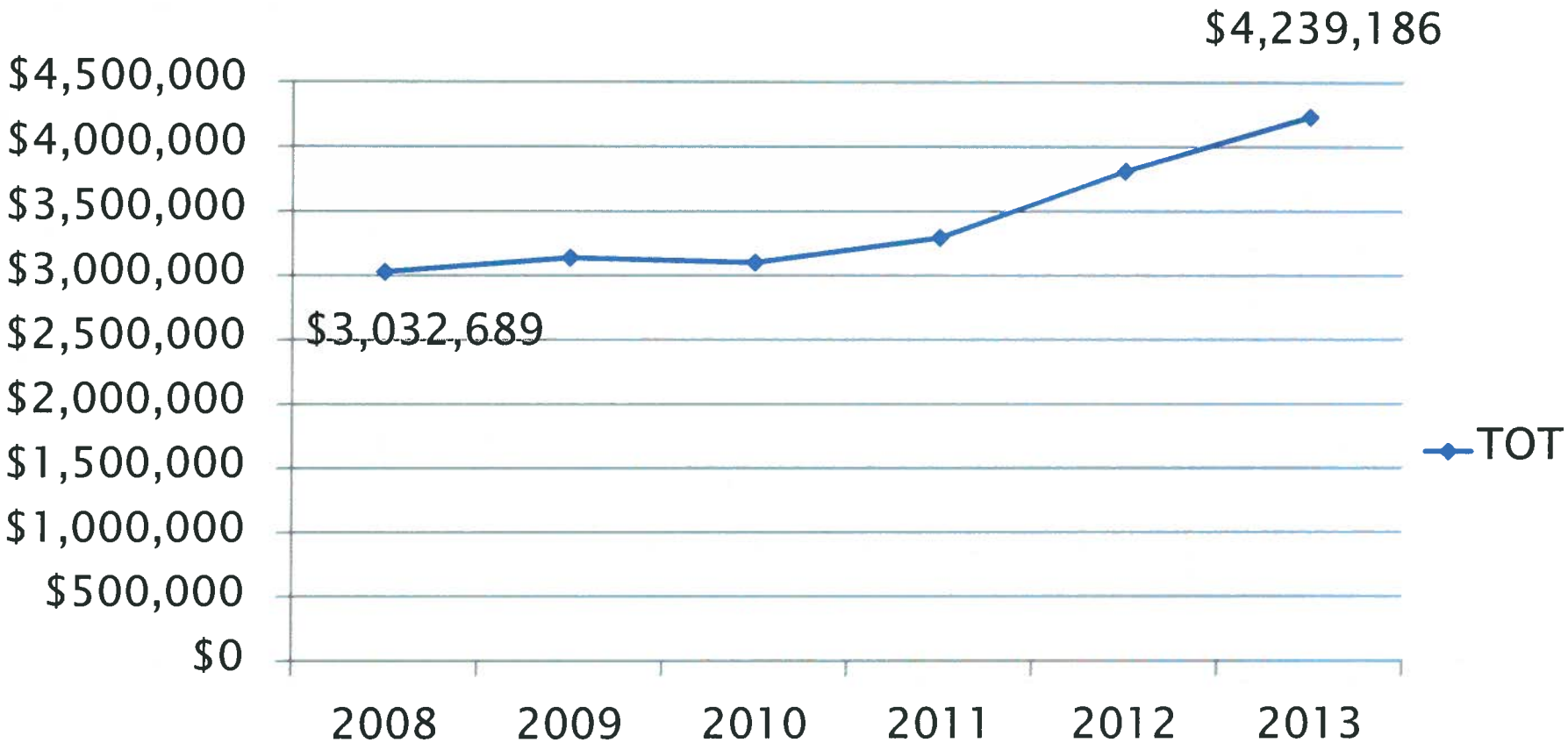
Per Capita Property Tax & Sales Tax



Source: Oceanside Finance Department 2012-13 fiscal year data 4th Quarter.

Table 7

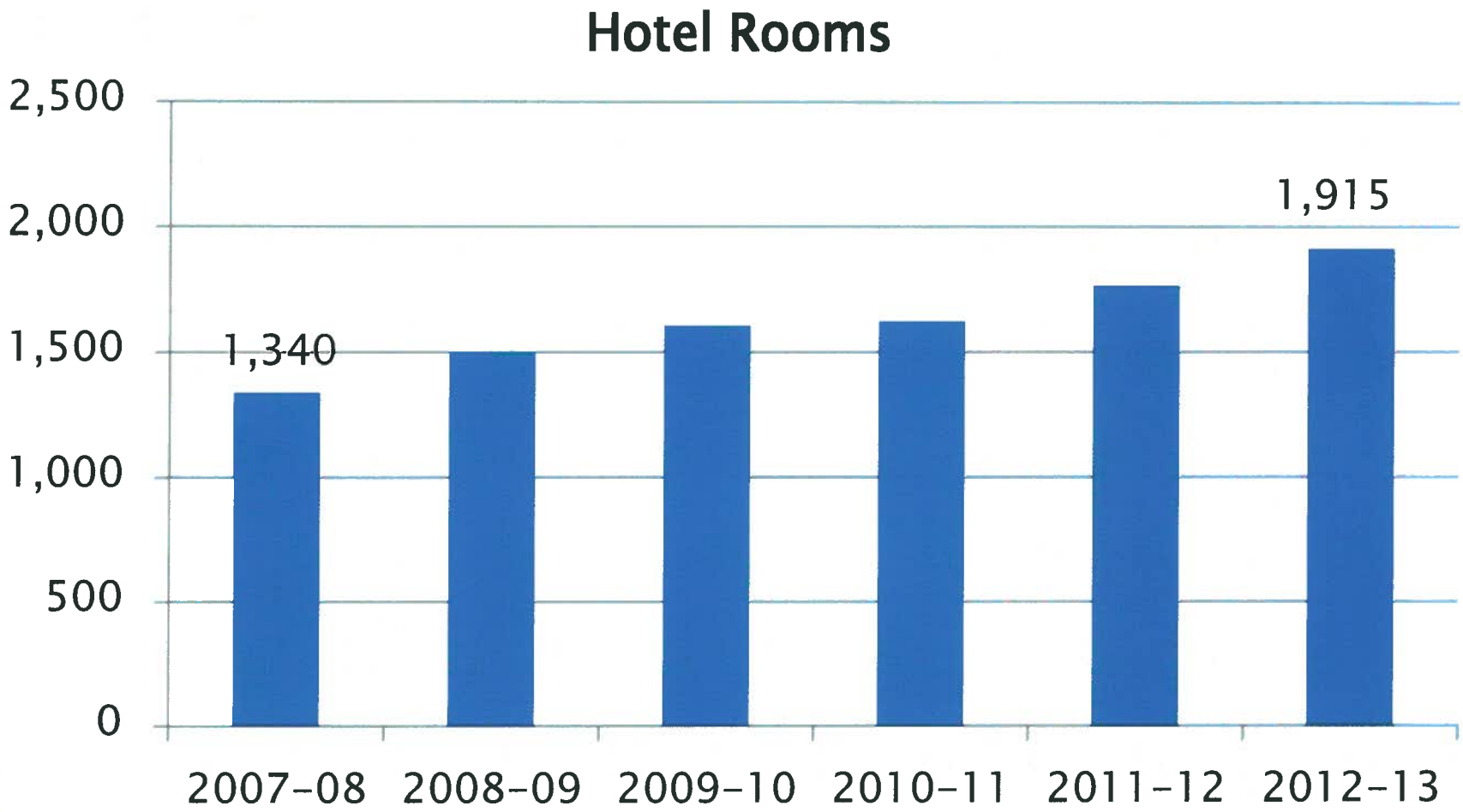
Growth in TOT



Source: Oceanside Finance Dept.
Fiscal Year data beginning in 2007-08.

Table 8

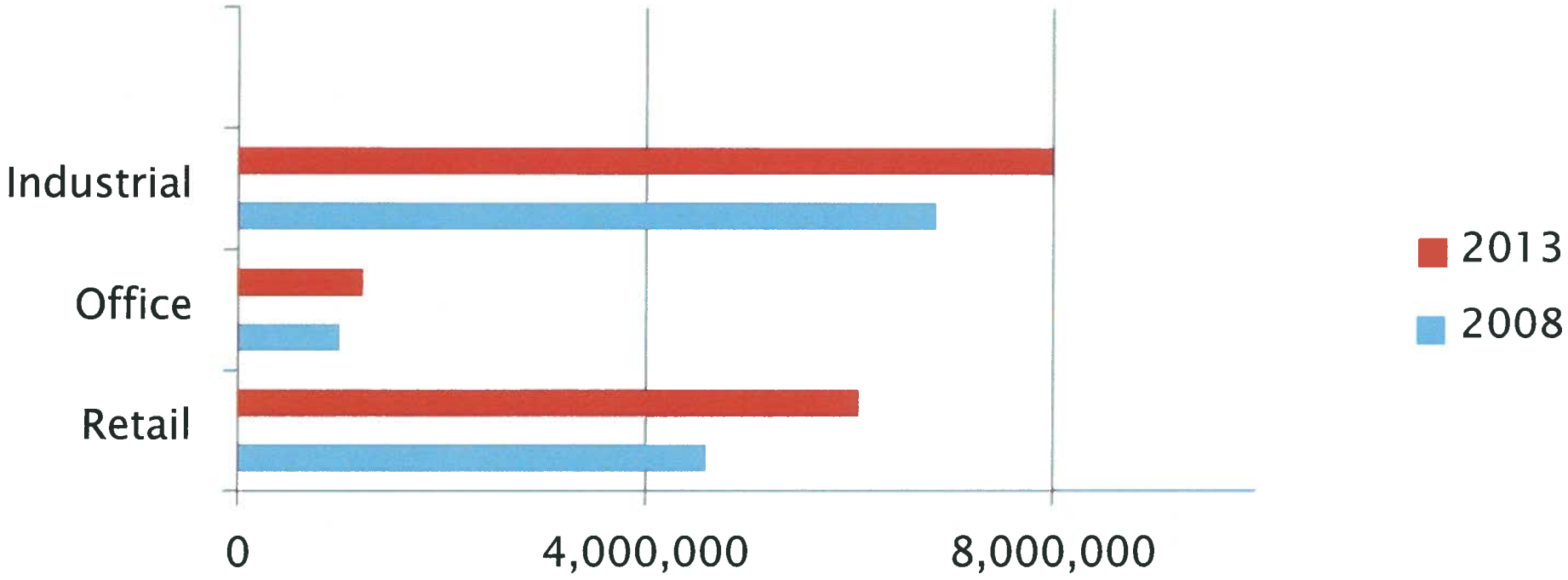
Growth in Hotel Rooms



2012-13 Includes 149 room Springhill Suites

Table 9

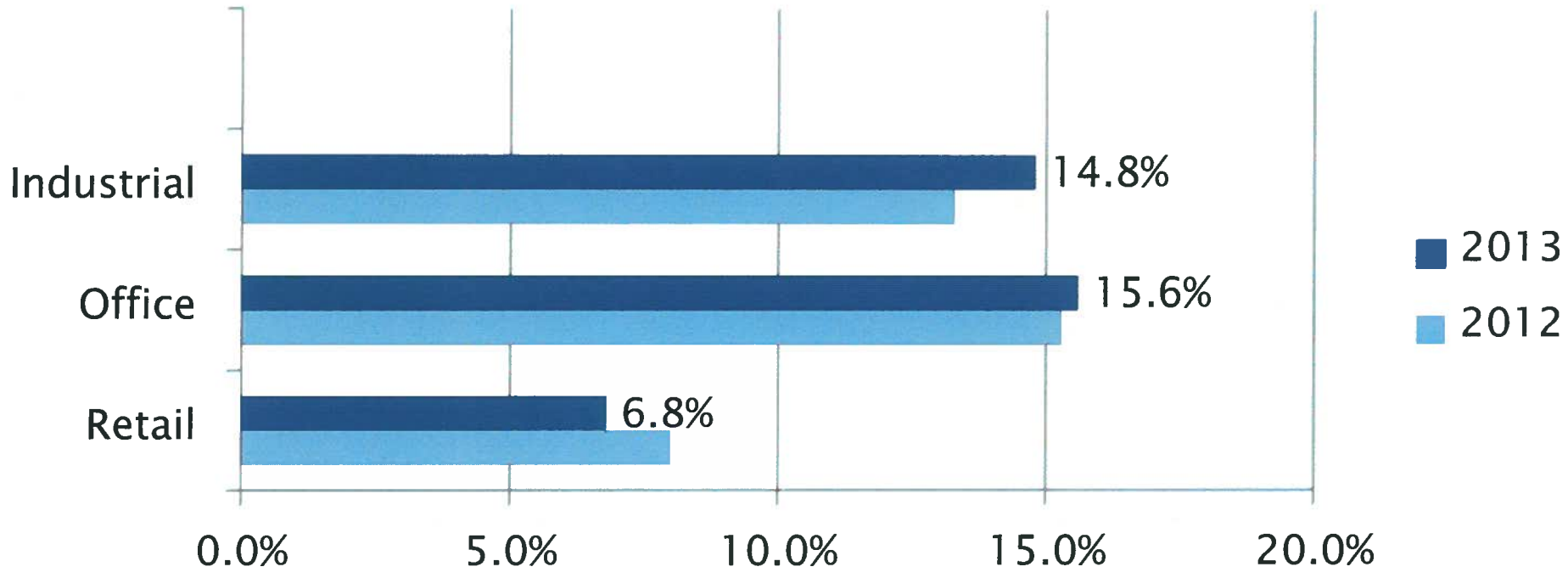
Change in Square Footage



Source: Colliers

Table 10

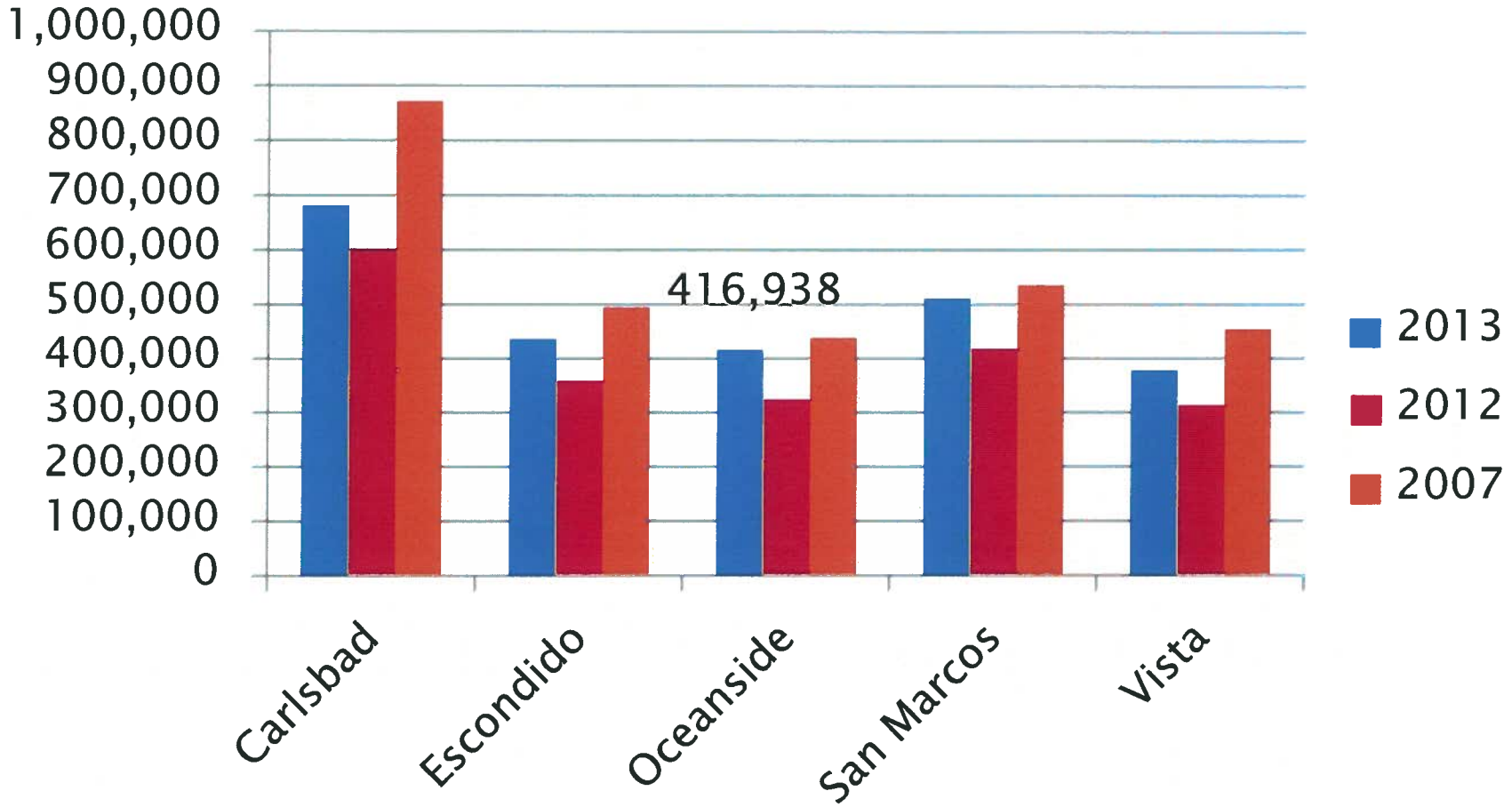
Change in Vacancy Rates



Source: Colliers – Office & Industrial, Qtr 2, 2013; Retail, Qtr 1, 2013

Table 11

Median Single Family Home Sales Prices



Source: DQ News single family median homes sales. 2007 and 2012 annual single family median sales price; For 2013, July 2013 median single family home sales price

JULY 2013

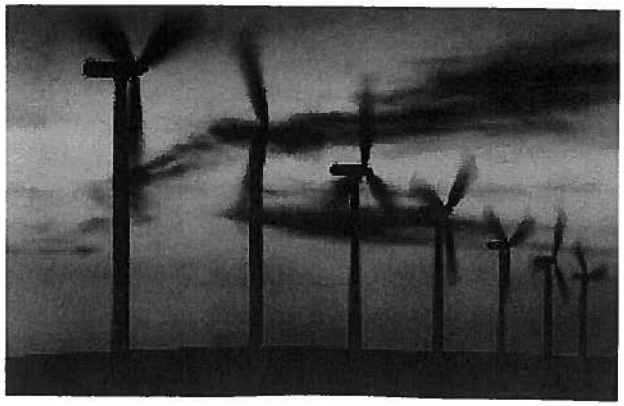
California Forecast: Sales Tax Trends and Economic Drivers

HdL provides relevant information and analyses on the economic forces affecting California's local government agencies. In addition, HdL's Revenue Enhancement Services and Software help clients to maximize revenues.

HdL serves over 350 cities, counties and special districts in California and across the nation.

HdL COMPANIES

30 Years Dedicated Service Since 1983



BEACON ECONOMICS

National and Statewide
ECONOMIC DRIVERS

July 2013

	2013-14	2014-15
U.S. Real GDP Growth	2.0%	3.1%

Despite a lackluster fourth quarter 2012, when real GDP expanded by less than 1%, economic growth picked up to 2.4% during the first quarter of 2013. Preliminary forecasts of the second quarter show the U.S. economy is likely to maintain a 2% growth rate in the second quarter. This will result in a 2% annualized growth in 2012-13, which we expect to increase to 3.1% in 2013-14 as the economy adjusts to higher taxes associated with the fiscal cliff and reduced government spending associated with sequestration.

U.S. Residential Investment (Contribution to Real GDP Growth)	0.4%	0.4%

Residential investment continued to exert a positive influence on real GDP growth in the U.S. economy. Although the residential sector is still well below its historic share of GDP, the increase in new residential permitting activity across the nation has helped GDP growth remain positive through the first quarter of 2013. As home prices continue to improve and the unemployment rate falls, residential investments are expected to contribute just under 0.5% to GDP growth over the next two years.

California Total Nonfarm Employment Growth	2.0%	1.9%

The number of nonfarm jobs has expanded by over 760,000 since California employment hit bottom in February 2010. This represents a recovery of more than half the 1,368,200 jobs lost during the downturn. Perhaps even more encouragingly, preliminary indications from the EDD show that the more accurate Quarterly Census of Employment and Wages has employment tracking almost 108,000 jobs higher than is currently being reported in the survey-based estimates. The current forecast calls for total nonfarm employment in the state to grow by 2.0% in 2012-13 and maintain a 1.9% pace in 2013-14.

California Unemployment Rate	9.7%	8.4%

The latest estimates from the California Employment Development Department (EDD) indicate that statewide unemployment dipped to 8.6% in May 2013—down from a high of 12.4% during the depths of the recession. Fortunately, this improvement has come despite a rising number of Californians re-entering the labor force. As nonfarm payrolls continue to grow, Beacon Economics expects unemployment to dip below 8% by the end of 2014.

California Population Growth	0.7%	0.7%

Beacon Economics has been observing a fundamental demographic shift in California and the nation that suggests slower population growth in coming years relative to historical averages. Specifically, there has been significant slowing in the pace of natural increase—the number of births in a region less the number of deaths. As recently as the early 1990s, natural increase meant nearly 400,000 new California residents each year, while it has recently dropped to just 269,000 per year. As a result of these trends, Beacon Economics expects population growth in California to decline to 0.7% per year.

California Median Existing Home Prices	$ 299,775	$ 348,000

The supply of homes available for sale remains tight. With limited supply and a gradually healing economy, the median price of existing single-family homes has increased at a double-digit pace. Adding to this improvement is the fact that seriously distressed mortgages dropped below 6% in the first quarter of 2013—down from almost 14% at the depths of the downturn. Beacon Economics currently expects double-digit growth through the end of 2013, dipping into the 6% range by 2015.

California Residential Building Permits	75,100	107,000

The booming residential construction market has continued into the first four months of 2013. With nearly 60% growth over the same point in 2012, permitting in California has nearly doubled the pace set in the nation overall. Unlike most periods in California's past, multi-family residential structures have accounted for more than half of all newly permitted units. This reflects both a shift in preferences as well as a downturn in homeownership associated with the collapse of the housing bubble. Permitting activity is expected to accelerate into 2013-14, with continued strength on the multi-family side of the market.

HdL COMPANIES

HdL Consensus Forecast – July 2013

STATEWIDE SALES TAX TRENDS

	2013-14	2014-15
Autos/Transportation	6.6%	5.0%

A recovery in construction activity helped boost pickup and SUV sales through June 2013 but manufacturers suspect that the overall rebound in auto sales is nearing a plateau and are offering additional rebates, sub-prime loans and extended borrowing periods to sustain the current pace. Increased inventory is expected to result in lower new and used car prices in the coming months and though demand will continue, the rate of sales growth is expected to be more moderate in the second half of the fiscal year.

Building/Construction	5.6%	6.5%

The state's recovery, which has long been hampered by the virtual collapse of home building activity, is finally accelerating. A sustained housing revival is expected to boost GDP over the next few years and help reduce unemployment. A concurrent increase in remodeling should help lift sales for contractors and home improvement chains.

Business/Industry	2.3%	3.0%

Construction of solar, wind, biomass and geothermal power projects throughout California have led to strong increases in sales and use tax receipts. Further growth in alternative energy development is expected to continue through 2015. But net of energy-related growth, business investment has been expanding only modestly and recent data on orders for capital equipment suggest that growth in this segment will continue to be tepid.

Food/Drugs	3.0%	3.0%

The shift toward smaller-footprint grocery stores expanding into established market areas is adding to already fierce competition for traditional grocers. Chains, looking for ways to differentiate themselves, are offering prepared or organic foods, value-priced house brands and new or expanded in-store cafes, bakeries or meat counters. Offering discounted gasoline to build customer loyalty is also on the rise.

Fuel/Service Stations	-1.7%	1.0%

The trend of Americans buying more fuel efficient cars and driving less is holding down consumption while a combination of slowing foreign demand and increased output of U.S. crude oil has helped level oil prices. Barring interruptions in California's limited refinery and transmission system, further price increases are not expected beyond the usual seasonal adjustments.

General Consumer Goods	3.9%	3.0%

Year-to-date stock market gains and higher home values and sales are restoring household wealth and leading to higher consumer confidence, currently at a five-year high. The impact of tax increases and sequestration-related spending cuts appears to have been offset by reduced savings down to 2.3% in the first quarter, the lowest level since the expansion began. New household formations are projected to restore sales of household goods, furniture and appliances.

Restaurants/Hotels	5.3%	4.0%

Consumer demand for dining out remains strong and restaurant operators are reporting modest gains in same store sales. A robust expansion of fast casual chains is contributing to higher receipts in this group. A rebound in travel and tourism is contributing to the increase in receipts from hotels and restaurants in destination locations.

State and County Pools	7.9%	5.5%

Sales at Amazon and other out-of-state internet retailers that began collecting taxes in September 2012 have led to expanded sales tax collections. Nevertheless, future receipts are uncertain as new in-state distribution facilities may yet to qualify for point of sale status in lieu of pool allocations. Private automobile sales, equipment leases and out-of-state purchases of business equipment and supplies are adding to the gains.

TOTAL	4.0%	3.7%

*HdL's Prop. 172 half-cent tax forecast for FY 2013-14 is 3.97%. This factor varies from HdL's Bradley Burns one cent tax forecast due to shifted time periods and past public safety amounts that have varied from their expected 1:2 ratio. HdL urges caution in basing projections on current or prior year actuals until the state has clearly explained the variances.

HdL COMPANIES

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California's allocation data trails actual sales activity by three to six months. HdL compensates for the lack of current information by reviewing the latest reports, statistics and perspectives from fifty or more economists, analysts and trade associations to reach a consensus on probable trends for coming quarters. The forecast is used to help project revenues based on statewide formulas and for reference in tailoring sales tax estimates appropriate to each client's specific demographics, tax base and regional trends.

"Good information leads to good decisions."

BEACON ECONOMICS

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Beacon Economics, LLC has proven to be one of the most thorough and accurate, economic research/analytical forecasters in the country. Their evaluation of the key drivers impacting local economies and tax revenues provides additional perspective to HdL's quarterly consensus updates. The collaboration and sharing of informatiion between Beacon Economics and HdL helps both companies enhance the accuracy of the work that they perform for their respective clients.