Economic Sustainability Study Five Year Update

Summary of the 2008 Economic Sustainability Study

On May 4, 2008, City Council adopted the Economic Sustainability Study for Oceanside and agreed to use the "Dashboard" as a tool to determine if projects would be a benefit to the City using measurable benchmarks. The measurements were: To increase the jobs to housing to a 1:1 ratio; increase the Transient Occupancy Tax; make downtown a super destination by building a destination hotel and completing development in the core blocks; increase office space to 8 square feet per capita over the next five years; increase sales and property tax revenue per capita; and improve processing of commercial and industrial building requests and improve annually.

2008 Economic Sustainability conclusions discussed the jobs to housing balance being significantly below the regional average and the impact of insufficient jobs which forces people to commute, to bear the expense of commuting and likely increases City expenditures for social services. Also noted, the median household income was below other cities in both coastal San Diego County as well as the Highway 78 corridor cities which is why education is so important because as it impacts household income. Oceanside also had lower housing prices compared to other San Diego coastal cities which impacts property tax revenues. The sales tax revenue per capita was also lower than other cities. This was largely due to the lack of auto outlets and regional malls, which, is a function of having available property close to major streets and highways and having higher median incomes would drive the retail stores to Oceanside which would increase sales tax revenue. Lastly, the report stated that Transient Occupancy Tax was low for a city with three and a half miles of beach.

The Economic Development Commission reviewed the range of data presented in the 2008 Sustainability Study and selected six areas that they identified as being key to Oceanside's long term Economic Sustainability. The 6 key indicators listed below were the "Dashboard" of economic variables have been measured and tracked over time and it was the recommendation of the committee that the indicators be monitored and used by the City Council as a reference point when making decisions that could affect the economic goals for Oceanside.

"DASHBOARD" of Key Economic Indicators

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 a 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 5 year period
5. Increase Sales Tax Revenue and Sales Tax per capita
6. Benchmark Commercial Processing Time and improve annually

Ten recommendations were developed as part of the 2008 Sustainability Study, to help expand the City's revenues and jobs to keep the city economically sustainable for years to come. The 2008 recommendations were to:

1. Maintain the integrity of office and industrial zoned property to assure there was land to create quality employment opportunities;
2. Identify new office sites to house higher paying employment opportunities;

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3. Re-evaluate zoning ordinances to minimize/eliminate non job creating uses within business parks;
4. Work to attract high-end development and high paying jobs;
5. Retain sales tax revenue producing land uses; Identify land for new car dealers;
6. Identify new hotel sites in order to achieve greater Transient Occupancy Tax;
7. Promote Oceanside as a tourism destination including improving beach infrastructure;
8. Continue investing in infrastructure and assure transportation effectiveness;
9. Re-evaluate current zoning and pursue new revenue generating opportunities;
10. Utilize a "Dashboard" of economic indicators for all decisions affecting the long term economic sustainability of the City. The EDC strongly recommended that the City Council utilize these indicators at every City Council meeting and budget decision in order to assure a holistic approach to decision making.

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Economic Sustainability Study Five Year Update

This Economic Sustainability Update is being prepared to compare and contrast the "Dashboard" of economic variables and the recommendations from the 2008 Sustainability Study to see how the City has improved and to evaluate what is needed to keep moving forward. The data will be used by the Economic Development Commission to develop recommendations to increase the City's wealth and sustainability for the next five years, fiscal years 2013-14 to 2017-18. The information will be presented to City Council with the goal that the Council will use this Economic Sustainability Update as a guideline when decisions affecting the economic viability and economic goals for the City are being discussed.

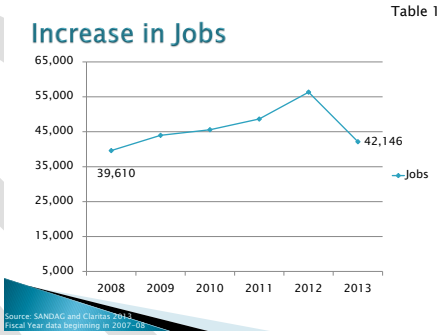
The 2013 data shows mild gains over 2008. Oceanside as well as the rest of the Country suffered significant losses due to the Great Recession which officially began in December 2007 but really hit a sharp downward turn in September of 2008. Some economists say the Great Recession was over in 2009 however, the Global Recession began in 2009 and the City of Oceanside was stagnant with very little building occurring and very little space being absorbed. In the first few years of the Great Recession from 2007 to about 2010 many small companies closed their doors and companies that stayed open down-sized operations and staff to compensate for the loss in revenue.

<u>Job Creation/Jobs to Housing Ratio</u>

A clear indicator of the economic sustainability 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.

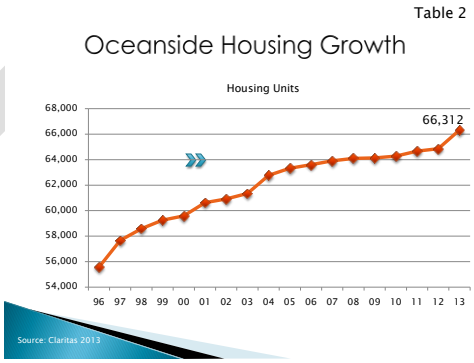
Jobs and Housing:
In 2008, the City had 39,610 jobs and in 2013, the number of jobs rose to 42,146 a 6% increase overall.

Table 1



The number of housing units in the City in 2008 was 64,102 which grew by 2,211 units to 66,312 in 2013.

Table 2

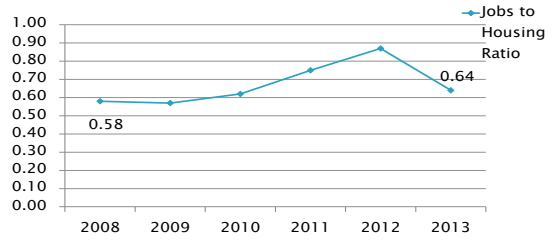


The jobs to housing ratio that was reported in the 2008 Sustainability Study showed a .62 ratio which narrowly grew to.64 in 2013, a slight 2% increase over five years, Table 3. As shown in Table 4 below the

jobs to housing ratio was believed to be at .87 in 2012 but was adjusted in 2013 to .64 based upon the revised amount of jobs and housing units reported for Oceanside by SANDAG and Claritas.

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

This 2% increase in the jobs-to-housing ratio, although small, is showing swift gains in the coming 2014 calendar year. It is anticipated that new businesses moving into Oceanside will bring more than 400 new jobs with the goal of 800 new jobs for 2014. These businesses include: Olli Salumeria, 25 jobs; DiBella Baking Company, 25 jobs; Walmart Neighborhood Market, 75 jobs; Sparsha Pharma, 25 jobs; Springhill Suites, 50 jobs; Hello Betty Fishhouse, 70 jobs; DD's Discount Store, 40 jobs; Buffalo Wild Wings, 60 jobs; Bagby Beer, 25 jobs; and Surf Side Tap Room, 8 jobs. The new jobs that increased the numbers in 2013 include: Endurance House, 4 jobs; Zig Zag Pizza, 25 jobs; Jersey Mikes, 35 jobs; Ross Dress for Less second store, 40 jobs; Legacy Brewing Company, 4 jobs; Bounce Composites, 12 jobs. Also, many more companies are looking at locating in Oceanside due to the close proximity to freeways that run north and south as well as north-east and south-east that will bring additional employment.

Oceanside was not alone in the changes to the jobs and housing numbers being reported from prior years. Each city in San Diego County experienced a reduction in its jobs numbers and a increase in the housing numbers that negatively impacted the countywide jobs-to-housing-ratio for 2013 (Table 5) due, in part, to a countywide reassessment of jobs and housing numbers. Staff also believes that the jobs number decline was further exacerbated by the lingering effect of the Great Recession.

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

Additionally, specific to Oceanside, the City did see an up-tick in the number of multi-family housing units being developed where job and revenue producing uses were previously zoned. The rezoning and increase in housing units and density inhibits the number of jobs that can be placed in Oceanside and

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lowers the jobs to housing ratio, reduces potential revenue generation to the City, and increases the need for City Police, Fire and neighborhood services.

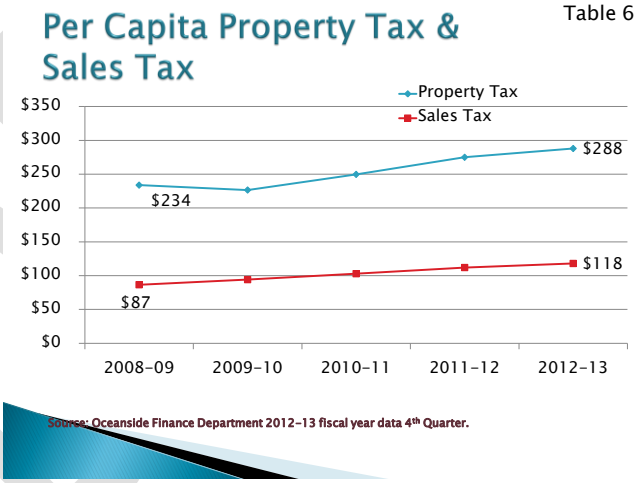
Per Capita Property Tax

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 was $288 which includes one-time disbursement of $2.7 million from old redevelopment funds (Table 6).

The California State Legislature enacted a law which dissolved Redevelopment Agencies in California in February 2011. The way Redevelopment worked was once a Redevelopment Agency was formed in a designated area the entity would receive 100 percent of all property tax revenue generated over a base amount that was set the year the Redevelopment Area was formed. When the State of California dissolved Redevelopment Agencies, the remaining fund balances and the on-going revenue was apportioned to the various entities that typically receive property tax revenues. For Oceanside that includes: Oceanside Unified School District; City of Oceanside; County of San Diego; Mira Costa College; San Diego County Office of Education; Tri-City Hospital; and County Water Authority.

The one time property tax money received in 2012 equaling $2.7 million was the City of Oceanside's proportional share of property tax revenue from the former Oceanside Downtown Redevelopment Agency fund balance.

Table 6



Per Capita Sales Tax

Per capita sales tax data is gradually increasing, Table 6. The per capita sales tax in 2008 was $87 and has risen to $118 in 2013 for a 26 percent increase over five years. Per capita sales tax revenue is anticipated to continue to increase. Additional retail development is in the entitlement process for El Camino North shopping center and Town and Country shopping center. The retailers include: Starbucks; Pie 360; Habit Burger; Buffalo Wild Wings; DD's Discount; WalMart Neighborhood Market; Jersey Mikes; El Pollo Loco; Ross Dress for Less; Frazer Farms; and Earthgrown Market which will bring additional sales tax dollars to Oceanside over the next year.

Transient Occupancy Tax (TOT)

TOT, or the "hotel tax", revenue is an indicator of tourism dollars spent in the community. TOT in 2008 was $3,032,689 (table 7). The City received $4,239,186 in 2012-13, for an increase of almost 40 percent.

Additionally, in 2008, the City had 1,340 hotel rooms (Table 8). Today, with the addition of: a 125 room Marriott Residence Inn in October 2008; a 110 room Holiday Inn Marina in 2009; 8 additional rooms added at the Oceanside Palms (Motel 6) on North Coast Highway; a 142 room Marriott Courtyard in 2011; and a 149 room Marriott Springhill Suites, which opened February 2014, the City has a total of 1,874 hotel rooms, an increase of 534 rooms in a five-year period. With the addition of Springhill Suites and the renewal of the Tourism Marketing District to include all hotel and vacation rental properties this will add additional marketing dollars which will help the TOT to continue to increase.

Table 7

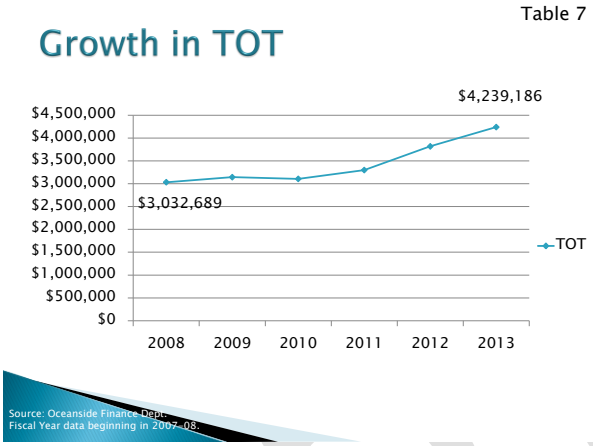
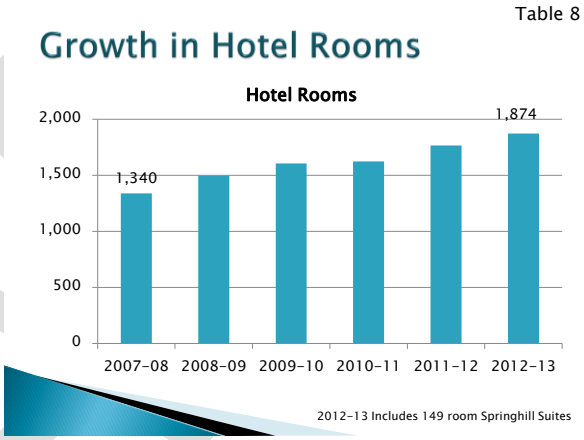


Table 8



Hotels in the pipeline include: The Beach Resort Hotel should be moving forward in 2015 with a 389 room hotel and 8,000 square feet of meeting space to be located at Pacific Street at the foot of the Pier; The Inn's at Buena Vista Creek, a Hilton branded, 3 hotel project with a total of 425 rooms and about 10,000 square feet of meeting space is working on completing an environmental impact report; 1010 Oceanside located at Horne and Mission Avenue in the Downtown is looking for funding for a 124 hotel rooms, 90 live-work lofts and 8,300 square feet of retail; a 93 room Holiday Inn has an application in for a hotel at Mission Ave and Highway 76; totaling 1,031 hotel rooms that may be added to the Oceanside inventory. The Beach Resort Hotel and 1010 Oceanside are approved by the Planning Commission and just need to submit for grading plans and building permits and the two remaining hotels are in the entitlement process through the Planning Department.

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.

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 with commercial and industrial space being absorbed and planning and building permits in process are rising steadily.

Staff is seeing a raise in the number of applications being received requesting a rezone from job producing zoning to high dense residential zoning. To keep Oceanside economically sustainable requires the City to maintain the zoning on the remaining job producing properties and to encourage the development of executive housing for the city verses high density multi-family units which requires more City services and produces less economic value to the City.

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Economic Vitality Strategy

City Council adopted a Strategic Plan in 2013 that contains several specific objectives. Economic Development works on all the objectives throughout the year. Below are the City Council's strategic goals and how Economic Development has tried to achieve those goals.

1. *Aggressively pursue job creation opportunities: Economic Development has worked on recruiting new retail, manufacturing and medical uses to the City with success. New retail in 2013-14 includes:*

Restaurants

- Papaya Bay Restaurant opened in March 2013 at 3815 Mission Ave. in the Mission Plaza Real Shopping Center.
- Jennie's Cafe on South Coast Highway will be relocating across the street in January 2014. Jennie's has leased the former Azafran Cuban restaurant building. The new location is currently being remodeled.
- Legacy Brewing opened in October 2013 at 363 Airport Rd. The new brewery is housed in the former Transworld Media building located at the entrance to the Airport Industrial Area.
- The Cohn Restaurant Group opened Zig Zag Pizza Pie at 333 N. Myers St., in the Wyndham Resorts next door to 333 Pacific.
- Jersey Mikes opened in October 2013 at 4111 Oceanside Blvd in the Del Oro Marketplace.
- Tapioca Express opened in July 2013 at 2611 Vista Way is a full service café with an assortment of teas, smoothies, wraps, lumpia and salads in the El Camino North shopping center.
- Succulent Café opened at 322 N. Cleveland St. in February 2013. The café offers coffee, tea, pastries and sandwiches in a tropical setting.
- Camino Town & Country shopping center located at 2213-2281 El Camino Real, will be constructing a new drive thru 1,800 sq. ft. Starbucks and 10,000 sq. ft. pad site which should break ground in early 2014. The pad site will house new retail amenities: Habit Burger, Pie 360 Pizza, Elements Therapeutic Massage, and Sports Clips.
- Buffalo Wild Wings has scraped their building at 2685 Vista Way in the El Camino North shopping Center and will reconstruct a new restaurant. Construction should begin this Winter 2013.
- Domino's will be opening in the downtown at 301 Mission Ave. in the Oceanside Terraces building.
- Surfside Tap Room is completing tenant improvements and will be opening a beer-tasting room at 507 N Coast Hwy. Surfside should open in early 2014.
- Bagby Beer is working on their tenant improvements for a new restaurant and brewery at 601 S. Coast Highway. Construction is underway with plans to open before summer 2014.

Health and Wellness

- Relax Spa and Smile Nail Spa opened in Suite J. Oceanside Town and Country shopping center at 1729 - 1772 Oceanside Blvd.
- Planet Fitness opened in January 2013 at 4130 Oceanside Blvd. in the Rancho Del Oro shopping center in the former Longs Drugs store.
- LA Fitness opened in August 2013 at 2335 Vista Way in the El Camino North shopping center. This Oceanside facility is the largest in the state at 75,365 sq. ft.
- Beauty 101 opened January 2013 at 117 South Coast Hwy.

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- Influence Salon, opened in June 2013 at Ocean Village located at 401 N. Coast Highway
- Miracle Ear has leased 862 sq. ft. at 4161 - 4171 Oceanside Blvd. in the Del Oro Marketplace shopping center.

Pets

- A second PetSmart opened at 443 – 475 College Blvd. in the Mission Marketplace shopping center.
- Pup Culture Pet Spaw is now open at 3762 Mission Ave. in the Marketplace del Rio shopping center.

Shopping

- A second Ross store opened on July 20th at the Mission Marketplace shopping center at College Blvd. and Hwy 76.
- Urban Wave Company, a souvenir shop leased 1,100 sq. ft. at 410 Mission Ave. This is their second location in Oceanside.
- One Stop Bargain has leased 13,400 sq. ft. at 1527 Mission Ave. in the Flags on Mission Center.
- El Super Grocery Store opened in February 2013 at the Flags on Mission shopping center, 1527 Mission Ave.
- North County Hobby & Toys leased space at 110 Freeman St.
- Two new businesses have moved into the former North County Times Building located at 1722 S. Coast Hwy. Raen Optics has leased 14,805 sq. ft. and 2,200 sq. ft. to Sealand Natural Resources, Inc.
- Mega Five Oceanside, a souvenir, clothing and jewelry shop opened a second retail store and warehouse in an 8,500 sq. ft. space at 525 South Coast Hwy., in the former KFive building.
- Gems N' Loans pawn and second hand shop opened in September 2013 at 520 N. Coast Hwy.
- Oceanside Bikes is located at 408 Mission Ave. in Downtown Oceanside
- Plethora Galleria, a shop that sells used clothing, jewelry and vintage furniture opened in July 2013 at 609 Mission Ave.
- LIVE, the studio, the gallery, the store located at 212 N. Coast Hwy (Artists Alley). They sell vintage furniture, home décor, lighting, jewelry and gifts
- DD's Discounts has leased 37,238 sq. ft. at 1527 Mission Ave. in the Flags over Mission Center. "DD's" stands for "deep discounts" and is part of the Ross Corporation. DD's will open in 2014.
- Earthgrown Market will soon be open at Loma Alta Creek. The market leased 15,000 sq. ft. at the center with an anticipated January 2014 opening.
- Walmart "Neighborhood Market" opened on January 29, 2014 at 1046 Mission Ave. in the Mission Square shopping center. The Neighborhood Market which has groceries, sundries, clothing and a pharmacy will be going into the former Office Depot site. WalMart Neighborhood Market will be holding a Grand Opening on Wednesday, January 29, 2014.
- Frazier Farms has lease 67,000 sq. ft. at 1820 Oceanside Blvd. This locally owned healthy grocery store chain should open in early 2014.
- Endurance House, a triathlon store, opened in Downtown Oceanside at 401 N. Coast Hwy in September 2013

New manufacturing and medical or office opening in 2013-14 includes:

- Bounce Composites moved into Oceanside in June 2013 at 340 Via El Centro in the Airport area. Bounce manufactures stand up paddle boards with a unique technology.

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- Embry-Riddle Aeronautical University moved into 6,038 sq. ft. in May 2013 at 3609 Ocean Ranch Blvd. in the Ocean Ranch Corporate Center
- Ceet Racing Group opened at 1696 Ord Way in June 2013 offering after market seats and graphics for dirt bikes and ATVs
- Legacy Brewing opened in October 2013 at 410 Airport Rd crafting fine beer in a historic American atmosphere
- Ares Armor Metal Works moved into 5,000 sq. ft. at 2420 Industry St. in August 2013
- North American Repower moved into 2625 Temple Heights Dr. in August 2013
- Total Training, offers quality instruction to users of creative software, opened in August 2013 at 1636 Ord Way
- DiBella Baking moved their corporate offices into 3524 Seagate Way and will be working on developing the bakery in 2014. DiBella Baking Company has leased 14,302 sq. ft. at 3524 Seagate Way in the Seagate Corporate Center. DiBella will manufacture Italian biscotti in several flavors that are sold to airlines and health food stores. The company is working on tenant improvement plans with the baking anticipated to start in summer 2014.
- Nitro Circus Live USA, Inc. has also leased 917 sq. ft. at 3548 Seagate Way in the Seagate Corporate Centre.
- Ollie Salumeria purchased Lot 22 in Pacific Coast Business. A salami manufacturer out of Virginia will build an 80,000 sq. ft. building, which will initially employ 25 people and could grow to 75 employees as new phases are implemented over the next four years. The building permit should be issued in January 2014 with an anticipated plant operations date in late fall 2014.

More businesses are in the pipeline and others are looking at Oceanside as a potential location for their industrial and retail businesses in the coming months and years.

2. *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 transdermal drug delivery company that is looking to gain FDA approval for their product in the United States.

   Staff also worked with the Oceanside Chamber to conduct a mailing to 120 Orange County biotechnology businesses. The Oceanside Chamber is making follow-up phone calls to ask for a business visit to discuss their future expansion or relocation plans. This is still in progress.

3. *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.

4. *Encourage Job Growth:*
   Economic Development assists brokers and businesses with expansion plans and locating new businesses to the area. More than 500 new jobs will be in the Oceanside economy by the end of 2014 with a goal of 1,000 new jobs for each year through 2018.

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Economic Sustainability Five Year Recommendations/Goals to City Council 2013 to 2018

1. Request that the City Council allocate funding for the update of the General Plan Land Use Element and Zoning Ordinance in order to establish appropriate land use/zoning designations that would result in an acceptable mix of land uses City-wide that are grounded in economic realities.
2. Enlist the help of the brokerage community by having a Brokers Summit to select input regarding streamlining development requirements.
3. Focus on making the Harbor a tourist destination: Evaluate creative ways to increase revenue in the Oceanside Harbor Area.
4. Beautify Oceanside by cleaning sidewalks and streets and develop a program for businesses to participate.
5. Put infrastructure in place in specific industrial areas that will encourage bio-tech businesses to locate in Oceanside. Example: Brine lines; sewer discharge; electrical upgrades, etc.
6. Maintain the customer service focus in Development Services and ensure the front counter staff receives training.
7. Enhance programs to address the transient-homeless population in the Downtown to make Downtown more visitor friendly in order to better promote tourism and business development.
8. Create a focused approach to reduce the graffiti, dumping and the homeless problems in the industrial business parks.
9. Work to attract high paying jobs to Oceanside by marketing Oceanside as a biotech and high tech hub.
10. Ensure job producing commercial and industrial zoning remains intact. This will help to increase the jobs to housing ratio to a 1:1. If property is amenable to residential, seek low density to reduce fiscal impact, except in smart growth opportunity area identified by SANDAG.
11. Retain sales tax producing zoning and properties to ensure the City's economic viability.
12. Pursue new hotel opportunities to ensure growth in the Transient Occupancy Tax and to encourage visitors to the Southern California Sports Complex at El Corazon to stay in Oceanside.
13. Invest in working regionally with San Diego Regional EDC to roll out the regional brand with the goal to attract new businesses to the North County area.
14. Work with the Visit Oceanside and Main Street Oceanside groups to develop a brand and identity for Oceanside Tourism and Downtown Tourism.
15. Pursue opportunities for Shapers Alley to expose the artistry of surf, skate and standup paddle boards to a broader community.

"Dashboard" of Economic Variables that will be monitored and reported to City Council and EDC

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 a year
3. Monitor the public safety numbers for the Downtown area
4. Increase office space per capita to 8 sq. ft per capita over a 5 year period
5. Increase Sales Tax Revenue and Sales Tax per capita
6. Benchmark Commercial Processing Time and improve annually

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