

Envision Carlsbad
Existing Conditions and Issues Exploration



Working Paper **2**

The Local Economy, Business Diversity, and Tourism

Working Paper 1

Sustainability

Working Paper 2

The Local Economy, Business Diversity and Tourism

Working Paper 3

Open Space and the Natural Environment;
Access to Recreation and Active, Healthy Lifestyles

Working Paper 4

History, the Arts and Cultural Resources;
High Quality Education and Community Services

Working Paper 5

Walking, Biking, Public Transportation and Connectivity

Working Paper 6

Small Town Feel, Beach Community Character and Connectedness;
Neighborhood Revitalization, Community Design and Livability

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1 Introduction



1.1 Background and Purpose

In January 2010, the Carlsbad City Council adopted the Carlsbad Community Vision, representing the community's most important values, priorities and aspirations for the future. The community's vision guides the second phase of the Envision Carlsbad process, which entails an update of the city's General Plan, Local Coastal Program and Zoning Ordinance.

As the first task in this second phase of Envision Carlsbad, existing conditions and issues are evaluated. This evaluation is presented in six working papers, structured around the core values identified in the Carlsbad Community Vision. The working papers provide background information and technical analysis that will be useful for subsequent tasks, and raise policy issues (presented at the end of each working paper) to help the EC3 brainstorm about conclusions and findings, in terms of how these may shape potential alternatives or policies. Importantly, these working papers are discussion tools, rather than final documents to be critiqued or refined. While the primary review and brainstorming group for the working papers will be the EC3, some papers will be appropriate for review and discussion by the city's various commissions and boards.

The six working papers are:

1. Sustainability
2. The Local Economy, Business Diversity and Tourism
3. Open Space and the Natural Environment, Access to Recreation and Active, Healthy Lifestyles
4. History, the Arts, Cultural Resources, High Quality Education, Community Services
5. Walking, Biking, Public Transportation and Connectivity
6. Small Town Feel, Beach Community Character, and Connectedness, Neighborhood Revitalization, Community Design and Livability

1.2 This Working Paper

The recent economic recession and fiscal crisis has shaken the foundations of California's state, regional and local economies, requiring the public and private sectors to reformulate how business is conducted in today's risk-averse and credit-deprived environment. While taxable sales, property values and hotel occupancies have slumped in Carlsbad, the local economy and employment base are steadfast and are anticipated to experience renewed growth in the near-term. The strengths and past successes of Carlsbad's local economy, business diversity and tourism can largely be credited to its defining attributes of "small town feel, beach community character and connectedness," as characterized in the Carlsbad Community Vision.¹ The goal to "enhance Carlsbad's defining attributes" inherently advances the community's vision to "strengthen the city's strong and diverse economy and its position as an employment hub in North San Diego County," and to "promote business diversity, increased specialty retail and dining opportunities, and Carlsbad's tourism."

¹ Envision Carlsbad: Community Vision Report, City of Carlsbad, Nov. 2009.

To better understand Carlsbad's defining attributes and how they contribute to the community's economic assets and successes, this working paper provides demographic, economic and market trend data, including historical, current and forecasted trends. The trend data, in concert with other critical information, is intended to help the EC3 and city formulate alternative land use scenarios for the General Plan update. As such, this working paper presents data in the context of the community's vision and interprets the data in terms of opportunities and challenges for Envision Carlsbad, posing key questions for discussion and deliberation.

1.3 Historical Perspective

As a relatively young city incorporated in 1952, much of Carlsbad's economic growth can be traced back to the city's proactive planning efforts to attract and develop Plaza Camino Real and Car Country Carlsbad in the late 1960s and early 1970s. Both have served as regional retail centers for North San Diego County. The city's reputation as a prime resort/hotel destination was birthed when initial plans for what is now the world famous La Costa Resort and Spa were formulated in the mid-1960s and the La Costa area annexed to the city in 1972. The resort's original 90-room hotel (610 rooms today) was built to provide accommodations for prospective buyers of parcels of La Costa land. Carlsbad's luxury resort/hotel reputation grew with the opening of Four Seasons Aviara (now Park Hyatt Aviara) in 1997.

Carlsbad's entry into the high-tech sector followed in the mid-1980s when development of the 500-acre Carlsbad Research Center broke ground. The Center's attractive location drew in desirable high-tech companies and fostered the city's job, population and housing growth. Today, the Carlsbad Research Center holds more than 7.5 million square feet of office, research and light industrial space, and is home to several of the city's top employers (e.g., Callaway, TaylorMade, Genoptix, Life Technologies).

During the late 1980s, redevelopment of Carlsbad Village, the city's downtown core, spurred needed capital investment and fostered small business

development. Meanwhile, biotechnology was spawned in Carlsbad with the opening of major pharmaceutical companies like Invitrogen (now Life Technologies) in 1987. During the mid-1990s, the city quickly earned widespread recognition as a major golf equipment development center with the opening of corporate headquarters for Callaway and TaylorMade. High-end resorts with championship golf courses, such as La Costa Resort and Spa and Park Hyatt Aviara Resort, had much to do with that. Leisure and tourism in Carlsbad was significantly bolstered in 1999 with the opening of Legoland.

During the past decade, the City of Carlsbad and its local economy have continued to mature as residential development in the northeast and southeast quadrants are approaching buildout and major employers and industry clusters have become well established. This working paper presents trend data that provides insight into this historical perspective and looks to the city's past successes combined with today's emerging trends as guides for future success.

1.4 Organization of Working Paper

Page 18 of the Carlsbad Community Vision outlines three primary themes under the core value of "The Local Economy, Business Diversity and Tourism": (1) business and jobs; (2) shopping and dining; and (3) tailored tourism strategy. The trend data contained in this working paper follows those general themes and is organized as follows:

- **Chapter 2 – Background: Population and Demographics.** This chapter provides a community profile and discusses how changes in the local demographic makeup (for example, age and income) may impact the economy.
- **Chapter 3 – Jobs and Economic Base.** This chapter describes the local economic base and provides historical trend data for employment, industry clusters and the local real estate market.
- **Chapter 4 – Retail and Shopping.** This chapter provides a focused discussion about the

city's current and future retail inventory and opportunities.

- **Chapter 5 – *Hotel and Tourism*.** This chapter describes the city's current and forecasted supply and demand of hotel and resort uses.
- **Chapter 6 – *Business Climate*.** This chapter discusses current, emerging and forecasted industry, regional and global economic trends in the marketplace, and their local relevance to Carlsbad.
- **Chapter 7 – *Planning Issues and Implications*.** The final chapter summarizes the trend data, identifies emerging opportunities for the General Plan and poses critical questions for the EC3 and city to consider.

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Background: Population & Demographics



2.1 Growth Management Ordinance

Given Carlsbad’s rapid economic growth and development in the 1980s, city leaders and residents took measures in 1986 to proactively manage the city’s growth, fiscal health and levels of service by passing Proposition E, which established the City of Carlsbad Growth Management Plan. The Growth Management Plan limits the total number of residential dwelling units in the city to 54,600. Proposition E states “the maximum number of residential dwelling units to be constructed or approved in the City after November 4, 1986 is as follows: Northwest Quadrant 5,844; Northeast Quadrant 6,166; Southwest Quadrant 10,667; Southeast Quadrant 10,801.” The Proposition E dwelling unit limitations after 1986, plus the number of dwelling units that existed in the city prior to the passage of Proposition E, result in a maximum total of 54,600 dwelling units allowed in the city. Currently, all city quadrants are in compliance with the dwelling unit limitations established by Proposition E.

To manage compliance with the Proposition E dwelling unit limitations, the City Council established Growth Management Control Point densities for all residential land use designations in the city (for example, in the city’s Residential Low Medium land use designation, the GMCP density is 3.2 dwelling units per acre). To ensure that the Proposition E dwelling unit limitations are not exceeded in the future, all residential development must, on average, not exceed the GMCP densities.

Some residential development is provided at a lower density than the GMCP, and some residential development is provided at a higher density than the GMCP. To ensure that overall residential

development does not exceed the GMCP, the City Council adopted Council Policy Statement 43 (Proposition E “Excess Dwelling” Unit Bank), which established a dwelling unit bank concept. When development occurs below the GMCP, the “excess” number of units is placed into the Excess Dwelling Unit Bank. For example, on a ten acre site with a GMCP of 3.2 dwelling units per acre, the GMCP would allow a total of 32 dwelling units; if 30 units are constructed on the site, then 2 dwelling units are placed in the Excess Dwelling Unit Bank. The “excess” dwelling units in the bank are then available for certain types of residential projects (such as affordable housing or senior housing projects) to be constructed at a density that exceeds the GMCP. If there are no “excess” dwelling units in the bank, residential development projects cannot exceed the GMCP. The Excess Dwelling Unit Bank ensures that the Proposition E dwelling unit limitations are not exceeded.

On December 17, 2002, the City Council amended Council Policy Statement 43 by reducing the accumulated number of excess units from 5,985 to a new total of 2,800. As stated previously, the maximum number of dwelling units allowed in the city is 54,599; however, as a result of the Excess Dwelling Unit Bank reduction in 2002, the potential number of dwelling units is estimated to be 51,414 units.

On February 26, 2010, the San Diego Association of Governments adopted its periodic update to the 2050 Regional Growth Forecast. Along with all other cities in San Diego County, the forecast analyzed the development yield from available vacant land and areas of potential redevelopment in Carlsbad. According to the 2050 Regional Growth Forecast, the maximum number of dwelling units in Carlsbad is estimated to be 50,566 in the year 2050.

In addition to the dwelling unit limitations described above, the Growth Management Plan requires that adequate public facilities are provided concurrent with growth, and that all new development provide such facilities in compliance with minimum performance standards. The Carlsbad Citywide Facilities and Improvements Plan specifies those minimum performance standards for city administrative facilities, circulation, drainage, fire protection, libraries, open space, parks, schools, sewer collection, wastewater treatment and water distribution.

Without growth management, the city estimates that, at buildout, total housing units and population would have exceeded 100,000 units and 200,000 residents. If the number of dwelling units in the city were to reach the maximum of 54,599, total population is projected to reach approximately 120,000.²

2.2 Population and Demographic Trends

Population & Age

As of December 31, 2009, the City of Carlsbad estimated that the city's population was 104,425, which is based on the number of dwelling units in the city (44,455) and the average of 2.349 persons per household³, which is based on data from the 2006 Census update. As of January 2010, the California State Department of Finance estimated that Carlsbad's population is 106,804. The DOF's population estimate is higher than the city's because the DOF uses a higher estimated number of persons per household when calculating population. For purposes of monitoring consistency with the Growth Management Plan, the city uses the most recent Census data. As indicated below, anticipated increases in the number of persons per household affect the projected increases in population in the future.

² City of Carlsbad "By the Numbers," <http://www.carlsbadca.gov/about/news/hottopics/pages/growth-by-numbers.aspx>, Aug. 13, 2010

³ City of Carlsbad "2009 Growth Management Plan Monitoring Report"

While the pace and intensity of development has slowed, current projections by SANDAG estimate that by 2040 (potentially, the planning horizon for the updated General Plan) the total number of dwelling units in Carlsbad will increase to 50,436 (below the Growth Management Plan limit) and the average number of persons per households will increase to 2.65, which will result in a total population of 127,389, a 22 percent increase from December 2009. By 2050, SANDAG estimates that Carlsbad's population will be 129,381 (in 50,566 dwelling units with an average of 2.67 persons per household), which is a 24 percent increase from December 2009. Table 2-1 presents 50-year population growth trends and projections for various age groups.

Carlsbad's pace of population growth is largely the result of the economy's impact on the real estate market, as well as land availability for new development. As shown in Table 2-1, much of the city's population growth during the next 20 to 30 years is expected to occur in age groups 55 and over. Furthermore, the number of persons 85 and older is expected to grow from 2,558 in 2008 to 6,803 in 2040 (an increase of 166 percent), and to 8,690 in 2050 (an increase of 240 percent). Consistent with the projected population increase in the 55 and over age groups, Carlsbad's median age is expected to rise from 41 to 46 between 2008 and 2040.

Demographics, Tapestry Segmentation and Consumer Preferences

Based on demographic profile data, "tapestry segmentation" is a marketing tool used to characterize a market area by identifying customers in the market area and their preferences for shopping, dining, housing, and other services and amenities. The tool classifies all U.S. residential neighborhoods into segments based on socioeconomic and demographic characteristics. Understanding a community's tapestry segmentation helps to answer critical retail and marketing questions like: "Who are my best customers?" "What do they buy?" "Where can I find more like them?" "How can I market to them?"⁴

⁴ ESRI, http://www.esri.com/data/esri_data/tapestry.html

TABLE 2-1: POPULATION AND AGE¹

	2000		2008		2020		2030		2040		2050		% Change 2008 to 2040	% Change 2008 to 2050
Total Population	78,247		103,406		117,657		123,551		127,389		129,381		23%	25%
Population by Age	% Total		% Total		% Total		% Total		% Total		% Total			
Age 0 - 4	5,028	6%	6,383	6%	6,003	5%	6,289	5%	6,281	5%	6,230	5%	-2%	-2%
Age 5 - 9	5,260	7%	6,542	6%	6,853	6%	7,170	6%	7,244	6%	7,148	6%	11%	9%
Age 10 - 14	5,125	7%	6,823	7%	7,439	6%	7,259	6%	7,578	6%	7,564	6%	11%	11%
Age 15 - 19	4,240	5%	6,865	7%	6,961	6%	6,457	5%	6,612	5%	6,636	5%	-4%	-3%
Age 20 - 24	3,402	4%	6,555	6%	6,826	6%	7,259	6%	6,957	5%	7,191	6%	6%	10%
Age 25 - 34	10,468	13%	9,605	9%	12,152	10%	12,127	10%	12,441	10%	12,702	10%	30%	32%
Age 35 - 44	14,460	18%	15,014	15%	13,311	11%	15,563	13%	15,475	12%	15,939	12%	3%	6%
Age 45 - 54	12,551	16%	17,497	17%	16,449	14%	14,203	11%	16,856	13%	17,047	13%	-4%	-3%
Age 55 - 64	6,733	9%	13,285	13%	18,705	16%	15,917	13%	13,594	11%	16,441	13%	2%	24%
Age 65 - 74	5,555	7%	6,873	7%	13,184	11%	16,014	13%	13,795	11%	11,956	9%	101%	74%
Age 75 - 84	4,295	5%	5,406	5%	6,498	6%	11,281	9%	13,753	11%	11,837	9%	154%	119%
Age 85+	1,130	1%	2,558	2%	3,276	3%	4,012	3%	6,803	5%	8,690	7%	166%	240%
Median Age	39		41		45		45		46		46			

¹2000 data provided by ESRI Business Analyst Online; 2008 through 2050 projections provided by SANDAG 2050 Regional Growth Forecast

Carlsbad’s projected shifts in household income translate into greater disposable income in the community as a higher proportion of residents are categorized in tapestry segments with higher wages nearing or at retirement. See Appendix for ESRI’s Tapestry Segmentation Area Profile for the City of Carlsbad.

Based on residential preferences by different age groups and tapestry segments, minimal population growth is projected between 2008 and 2040 for city residents between the ages of 35 and 64, who are most likely to purchase single-family homes. As shown in Table 2-2 and Exhibit 2-1, this age group’s proportionate share of the total population is projected to decrease between 2008 and 2040 from 44 percent to 36 percent. Meanwhile, residents between the ages of 20 to 34 (young professionals without children), who are most likely to rent or purchase multifamily homes in both new and older neighborhoods⁵, are expected to grow between 2008 and 2040 (20 percent). Residents between the ages of 65 to 84 (retired empty nesters) are projected to grow much more significantly between 2008 and 2040 (124 percent). According to ESRI’s Tapestry Segmentation Area Profile for Carlsbad (see Appendix for profile sheet), housing preferences for most “Prosperous Empty Nesters” is single-family housing.

Furthermore, many existing aging residents may choose to continue living in single-family homes rather than downsizing. The proportionate share of residents between 20 and 34 is projected to remain relatively constant between 2008 and 2040, while the proportionate share of residents between 65 and 84 is projected to increase from 12 percent to 22 percent.

Chapter 3 provides additional discussion of residential development trends for the city, including historical trends of single-family and multifamily building permits issued from 2001 through 2010, and a discussion of how Carlsbad’s demographic trends are anticipated to impact the types of new housing development in the city.

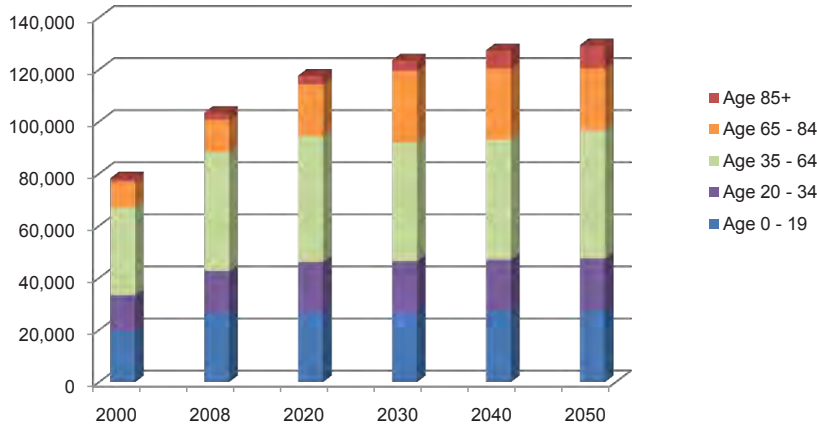
5 Based on ESRI Business Analyst Online Tapestry Segmentation Area Profile for the City of Carlsbad.

TABLE 2-2: POPULATION AND AGE¹

	2000	2008	2020	2030	2040	2050	% Change 2008 to 2040	% Change 2008 to 2050
Total Population	78,247	103,406	117,657	123,551	127,389	129,381	23%	25%
Population by Age	% Total		% Total		% Total		% Total	
Age 0 - 19	19,653	26,613	27,256	27,175	27,715	27,578	4%	4%
Age 20 - 34	13,870	16,160	18,978	19,386	19,398	19,893	20%	23%
Age 35 - 64	33,744	45,796	48,465	45,683	45,925	49,427	0%	8%
Age 65 - 84	9,850	12,279	19,682	27,295	27,548	23,793	124%	94%
Age 85+	1,130	2,558	3,276	4,012	6,803	8,690	166%	240%
Median Age	39	41	45	45	46	46		

¹2000 data provided by ESRI Business Analyst Online; 2008 through 2050 projections provided by SANDAG 2050 Regional Growth Forecast

EXHIBIT 2-1: POPULATION AND AGE¹



¹ 2000 data provided by ESRI Business Analyst Online; 2008 through 2050 projections provided by SANDAG 2050

Income

An important striking change in Carlsbad’s future demographic makeup is a significant projected increase in higher-income households and a substantial decline in lower-income households. Table 2-3 presents projections of total households in the city by income group from 2000 to 2050. Table 2-4

and Exhibit 2-2 present the same data for households with annual incomes of less than \$100,000 and households with annual incomes of \$100,000 or more for Carlsbad, neighboring cities, the rest of North County, and the rest of the county. Consistent with SANDAG’s 2050 Regional Growth Forecast, household income data is in real 1999 dollars, adjusted for inflation.

TABLE 2-3: HOUSEHOLDS, HOUSEHOLD INCOMES AND JOBS¹

	2000	2008	2020	2030	2040	2050	% Change 2008 to 2040	% Change 2008 to 2050
Total Households	31,389	40,028	45,024	46,993	47,663	47,884	19%	20%
Households by Income								
less than \$15,000	2,352	2,553	2,219	1,817	1,495	1,250	-41%	-51%
\$15,000-\$29,999	3,887	4,186	3,911	3,368	2,878	2,476	-31%	-41%
\$30,000-\$44,999	4,384	5,093	4,800	4,343	3,866	3,435	-24%	-33%
\$45,000-\$59,999	3,706	4,552	4,975	4,698	4,332	3,964	-5%	-13%
\$60,000-\$74,999	3,553	4,450	4,720	4,633	4,411	4,141	-1%	-7%
\$75,000-\$99,999	4,595	6,029	6,768	6,958	6,874	6,659	14%	10%
\$100,000-\$124,999	3,271	4,496	5,213	5,651	5,822	5,847	29%	30%
\$125,000-\$149,999	1,929	2,946	3,815	4,342	4,648	4,823	58%	64%

TABLE 2-4: HOUSEHOLDS, HOUSEHOLD INCOMES AND JOBS¹

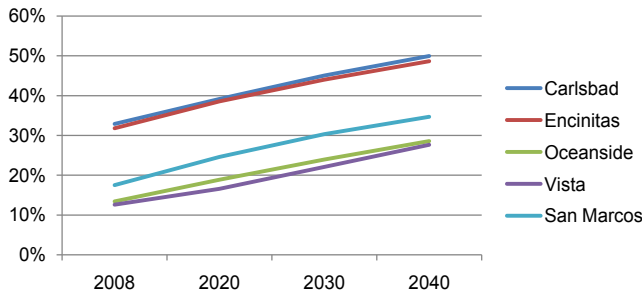
	2008	2020	2030	2040	2050	% Change 2008 to 2040	% Change 2008 to 2050
Carlsbad							
Total Households (HH)	40,028	45,024	46,993	47,663	47,884	19%	20%
HH less than \$100,000	26,863 67%	27,393 61%	25,817 55%	23,856 50%	21,925 46%	-11%	-18%
HH \$100,000 or more	13,165 33%	17,631 39%	21,176 45%	23,807 50%	25,959 54%	81%	97%
Encinitas							
Total Households (HH)	23,638	25,296	26,864	27,304	27,526	16%	16%
HH less than \$100,000	16,116 68%	15,535 61%	15,033 56%	14,021 51%	13,089 48%	-13%	-19%
HH \$100,000 or more	7,522 32%	9,761 39%	11,831 44%	13,283 49%	14,437 52%	77%	92%
Oceanside							
Total Households (HH)	60,153	65,490	69,271	69,551	69,746	16%	16%
HH less than \$100,000	52,085 87%	53,127 81%	52,697 76%	49,675 71%	47,335 68%	-5%	-9%
HH \$100,000 or more	8,068 13%	12,363 19%	16,574 24%	19,876 29%	22,411 32%	146%	178%
Vista							
Total Households (HH)	29,040	30,232	31,251	37,094	42,320	28%	46%
HH less than \$100,000	25,382 87%	25,218 83%	24,347 78%	26,845 72%	28,689 68%	6%	13%
HH \$100,000 or more	3,658 13%	5,014 17%	6,904 22%	10,249 28%	13,631 32%	180%	273%
San Marcos							
Total Households (HH)	26,547	29,122	32,164	32,612	32,719	23%	23%
HH less than \$100,000	21,900 82%	21,962 75%	22,417 70%	21,292 65%	20,299 62%	-3%	-7%
HH \$100,000 or more	4,647 18%	7,160 25%	9,747 30%	11,320 35%	12,420 38%	144%	167%
North San Diego County (excl. Carlsbad)							
Total Households (HH)	139,378	150,140	159,550	166,561	172,311	20%	24%
HH less than \$100,000	115,483 83%	115,842 77%	114,494 72%	111,833 67%	109,412 63%	-3%	-5%
HH \$100,000 or more	23,895 17%	34,298 23%	45,056 28%	54,728 33%	62,899 37%	129%	163%
San Diego County (excl. Carlsbad)							
Total Households (HH)	1,034,868	1,155,942	1,262,481	1,348,854	1,419,142	30%	37%
HH less than \$100,000	851,736 82%	897,216 78%	915,916 73%	920,694 68%	924,569 65%	8%	9%
HH \$100,000 or more	183,132 18%	258,726 22%	346,565 27%	428,160 32%	494,573 35%	134%	170%

¹ Real 1999 dollars, adjusted for inflation

Source: SANDAG 2050 Regional Growth Forecast

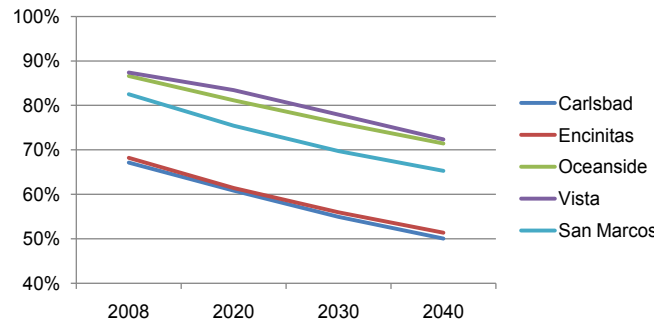
EXHIBIT 2-2:

Percentage of Households with Incomes of \$100,000 or More¹



¹ Based on Real 1999 dollars, adjusted for inflation
Source: SANDAG 2050 Regional Growth Forecast

Percentage of Households with Incomes Less Than \$100,000¹



¹ Based on Real 1999 dollars, adjusted for inflation
Source: SANDAG 2050 Regional Growth Forecast

As indicated in Table 2-4 and Exhibit 2-2, there is a regional trend toward increased wealth among San Diego County households, particularly in cities such as Carlsbad and Encinitas. As of 2008, Carlsbad was already home to 13,165 households with an annual income of \$100,000 or more, as compared to 7,522 in Encinitas, 8,068 in Oceanside, 3,658 in Vista, and 4,647 in San Marcos. While Carlsbad’s percentage increase in higher-earning households between 2008 and 2050 (97 percent) is significant, the relatively lower base of existing higher-earning households in the other cities will result in a much higher percentage increase by 2050, including Oceanside (178 percent), Vista (273 percent) and San Marcos (167 percent). Higher-earning households in Encinitas are projected to increase by 92 percent between 2008 and 2050, roughly similar to Carlsbad. Nevertheless, by 2050, Carlsbad’s proportion of higher income households will be higher than those of all of the neighboring North San Diego County cities.

According to SANDAG growth projections, the total number of households (occupied dwelling units) in Carlsbad is expected to increase by an additional 7,635 dwelling units, or 19 percent, between 2008 and 2040. As shown in Table 2-3, the number of households with an annual income of \$100,000 or more is projected to increase by 10,642, or 81 percent, by 2040. Meanwhile, the number of households with an annual income less than \$75,000 is expected to decrease by 3,852, or 18 percent, during

that same time period. Rather than continued growth across all income categories, SANDAG’s projections are anticipating that limited availability of land in coastal areas, combined with an ongoing trend toward higher earning households, will result in a demographic shift. In 2008, 33 percent of city households annually earned \$100,000 or more; by 2040, 50 percent of city households will earn over \$100,000 annually. Households annually earning \$200,000 or more are projected to increase from eight percent of all households in 2008 to 15 percent in 2040. These higher income household trends continue in the following 10-year period through 2050.

Table 2-5 compares the median household incomes for Carlsbad and several adjacent cities. The city is expected to consistently maintain the highest median household income in the region in the foreseeable future. Between 2008 and 2040, the city’s household median income is expected to increase by \$27,675, the highest amount among neighboring cities. From 2008 to 2050, the median income is projected to increase by \$36,388, also the highest amount among neighboring cities.

TABLE 2-5: MEDIAN HOUSEHOLD INCOME COMPARISONS¹

	2000	2008	2020	2030	2040	2050	\$ Change 2008 to 2040	\$ Change 2008 to 2050
Carlsbad	\$65,172	\$72,236	\$81,970	\$91,662	\$99,911	\$108,624	\$27,675	\$36,388
Encinitas	\$63,954	\$70,556	\$80,514	\$89,727	\$97,621	\$105,186	\$27,065	\$34,630
Oceanside	\$46,301	\$49,139	\$56,416	\$62,993	\$69,146	\$73,724	\$20,007	\$24,585
San Marcos	\$45,908	\$53,567	\$61,127	\$69,392	\$75,597	\$80,906	\$22,030	\$27,339
Vista	\$42,594	\$48,235	\$55,303	\$62,200	\$69,437	\$75,152	\$21,202	\$26,917

¹Real 1999 dollars, adjusted for inflation

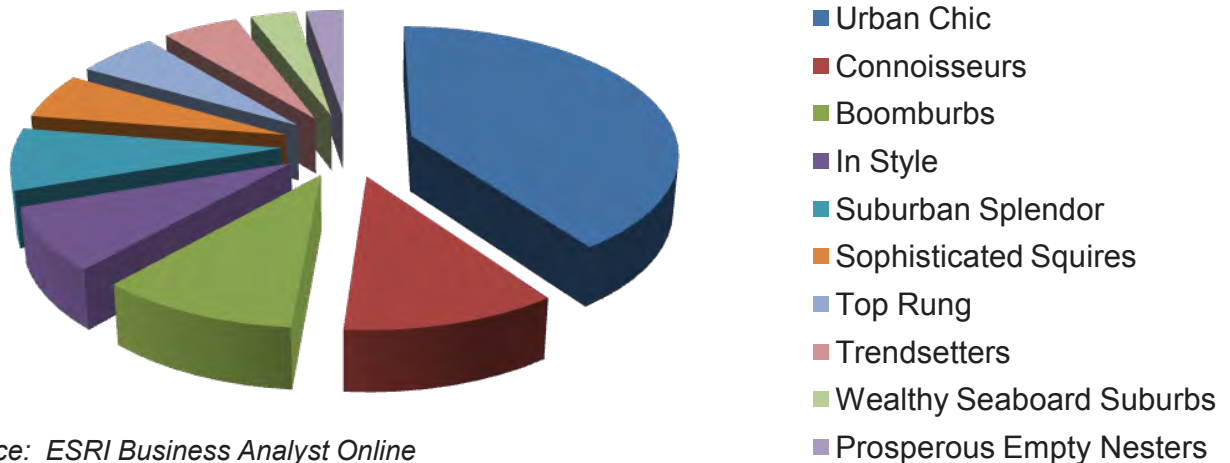
Source: 2000 data provided by ESRI Business Analyst Online; 2008 through 2050 projections provided by SANDAG 2050 Regional Growth Forecast

Shifts in Tapestry Segmentation

Based on Carlsbad’s current age and income profile, the current composition of households falls into the following top ten tapestry segmentation area profiles (see Exhibit 2-3): Urban Chic (34.9 percent), Connoisseurs (10.6 percent), Boomburbs (9.2 percent), Suburban Splendor (7.2 percent), In Style (6.9 percent), Sophisticated Squires (5.1 percent), Top Rung (5.0 percent), Trendsetters (4.7 percent), Wealthy Seaboard Suburbs (2.8 percent) and Prosperous Empty Nesters (2.3 percent).⁶

Collectively, these profiles generally prefer traveling, visiting museums, shopping at upscale retailers, consuming organic foods, imported wine and coffee. Residents predominantly prefer single-family homes and drive luxury automobiles, lead very active and healthy lives, and use their computers to shop online.

EXHIBIT 2-3: CITY OF CARLSBAD 2010 TOP TEN TAPESTRY SEGMENTS



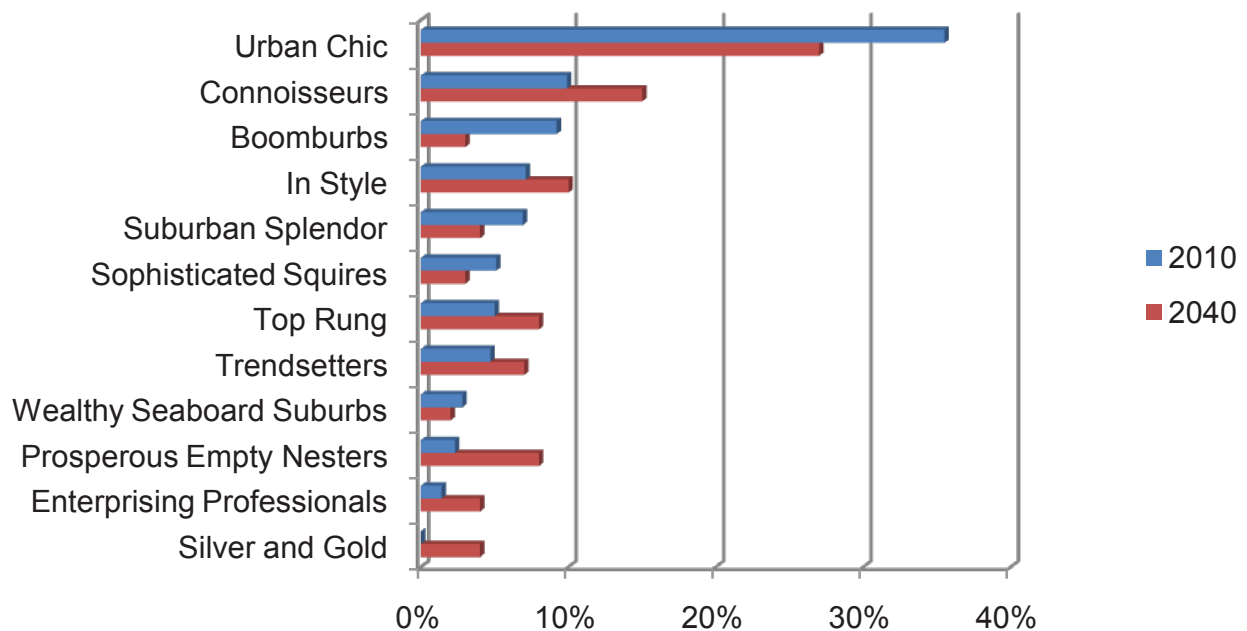
Source: ESRI Business Analyst Online

⁶ ESRI Business Analyst Online Tapestry Segmentation Area Profile for the City of Carlsbad

As illustrated in Exhibit 2-4, over the life of the next General Plan, Carlsbad’s population will become older and more affluent. Based on SANDAG’s projected demographic changes in median income and the number of households by age and income, Carlsbad’s future composition of households are anticipated to fall into the following tapestry segmentation area profiles⁷: Urban Chic, Connoisseurs, In Style, Top Rung, Prosperous Empty Nesters, Trendsetters, Suburban Splendor, Silver and Gold,

Enterprising Professionals, Sophisticated Squires, Boomburbs and Wealthy Seaboard Suburbs. Collectively, these profiles will have increased time to pursue their interests, including household projects, travel and leisure, and civic engagement. The population will enjoy outdoor leisure activities, like bird watching, horse races, and golf tournaments, eat out regularly, shop at high-end department stores and will increasingly use catalogs and the Internet for shopping.

EXHIBIT 2-4: CITY OF CARLSBAD CURRENT AND PROJECTED TAPESTRY SEGMENTS



Source: ESRI Business Analyst Online

⁷ Derived from ESRI Business Analyst Online Tapestry Segmentation Reference Guide, <http://www.esri.com/library/brochures/pdfs/tapestry-segmentation.pdf>

3 Jobs and Economic Base



The growth potential for Carlsbad's major employment sectors is an important economic factor for programming General Plan land uses for the next 20 to 30 years. The current and future health of the real estate market to support those land uses is equally important, as well as the fiscal impact of those uses on the city's budgetary ability to sustain high levels of services and overall quality of life for residents. The following provides a description of employment trends in Carlsbad's key job clusters, projections of future demand for office and industrial space, and housing trend forecasts based on projected demographic shifts.

3.1 Employment Trends and Demand Forecasts

In 2008, Carlsbad was host to approximately 62,000 jobs. Leading employment sectors today include manufacturing (9,791 jobs), wholesale trade (6,071 jobs), professional, scientific and technical services (6,044 jobs) and food services, including eating and drinking places (4,969 jobs).⁸ See Table 3-1 for detailed estimates of 2010 businesses and employees by industry for Carlsbad and San Diego County. According to AllBusiness.com, within the manufacturing sector, leading employment fields are in computer and electronics manufacturing, with 2,856 employees spread across 111 companies, recreational goods manufacturing, with 2,256 employees at 33 companies, and the printing industry, with 1,349 employees and 55 companies.⁹

AllBusiness.com also profiles 23 green technology and clean technology companies in Carlsbad's renewable energy industry with a combined estimated annual sales volume of \$61.6 million and 553 employees.¹⁰ The businesses consist of 10 solar energy companies and 13 fuel cell technology companies, which fall into multiple industry categories listed in Table 3-1, including manufacturing, utility, and professional, scientific and technology services. Carlsbad's solar energy employers, with an estimated 269 employees, include San Diego Gas & Electric, Cabrillo Power I LLC, Low Voltage Fire Inc., Carlsbad Energy Center LLC, El Segundo Energy Center LLC, Direct Energy Marketing LLC, Bull Frog Green Energy LLC, West Coast Power LLC, and NRG Energy Inc. Carlsbad's fuel cell companies, with an estimated 284 employees, include Maxlinear Inc., Outsource Manufacturing Inc., E/G Electro-Graph Inc., Hi/Fn Inc., Mo Bio Laboratories Inc., Ami Semiconductor Inc., Shrink Technologies Inc., Power Semiconductors Inc., Patriot Scientific Corporation, Technical Sales Development LLC, Suntechnics Energy Systems Inc., Electric Regulator Corporation, and Helixis Inc.

⁸ ESRI Business Analyst Online, Business Summary by SIC and NA-ICS Codes.

⁹ <http://www.allbusiness.com/companyindex/California/Carlsbad/Manufacturing/62FCBDE5E6FAF26A95A83EA164D093EE-1.html>

¹⁰ http://www.allbusiness.com/companyindex/California/Carlsbad/Renewable_Energy/D7150A651ED66B2DEFD5FCBADA02F14E-1.html

TABLE 3-1: CITY OF CARLSBAD EMPLOYMENT BASE (2010) ¹							
	City of Carlsbad				San Diego County		
	Businesses	% Region	Employees	% Region	Businesses	Employees	
Agriculture/Mining	80	3.4%	266	1.6%	2,321	16,920	
Subtotal	80	3.4%	266	1.6%	2,321	16,920	
Manufacturing/Light Industrial							
Manufacturing	247	5.8%	9,791	10.4%	4,284	94,331	
Construction	318	3.9%	1,525	2.5%	8,152	61,838	
Transportation	101	3.5%	668	2.0%	2,918	33,457	
Utility	19	7.1%	487	9.1%	266	5,353	
Wholesale Trade	296	4.8%	6,071	9.3%	6,176	65,486	
Subtotal	981	4.5%	18,542	7.1%	21,796	260,465	
R&D/Business Park/Office							
R&D/Business Park							
Professional, Scientific & Tech Services ²	847	5.9%	6,044	5.3%	14,478	114,740	
Communication	51	5.8%	670	4.4%	879	15,065	
Finance, Insurance, Real Estate Banks, Savings & Lending Institutions	180	6.7%	1,417	6.8%	2,675	20,724	
Securities Brokers	132	8.4%	560	6.0%	1,568	9,354	
Insurance Carriers & Agents	134	6.0%	679	4.2%	2,232	16,084	
Real Estate, Holding, Other							
Investment Offices	380	5.6%	2,819	7.3%	6,843	38,815	
Health Services	194	3.7%	2,263	2.0%	5,281	113,263	
Legal Services	130	4.2%	611	3.4%	3,090	18,004	
Other Services ³	646	4.1%	5,378	4.3%	15,663	124,903	
Subtotal	2,694	5.1%	20,441	4.3%	52,709	470,952	
Retail Goods & Services							
Home Improvement	45	3.2%	280	1.9%	1,385	14,750	
General Merchandise Stores	18	3.6%	666	3.2%	503	20,585	
Food Stores	84	3.5%	1,025	3.5%	2,416	29,070	
Auto Dealers, Gas Stations, Auto Aftermarket	70	2.9%	2,258	8.4%	2,393	26,917	
Apparel & Accessory Stores	158	7.2%	1,433	10.0%	2,206	14,373	
Furniture & Home Furnishings	136	5.0%	985	4.5%	2,707	21,892	
Miscellaneous Retail	310	4.7%	2,196	5.7%	6,629	38,459	
Automotive Services	68	1.8%	356	1.9%	3,700	18,728	
Subtotal	889	4.1%	9,199	5.0%	21,939	184,774	
Hospitality/Tourism/Entertainment							
Hotels & Lodging	49	6.0%	3,633	9.5%	817	38,379	
Food Services / Eating & Drinking Places	228	3.3%	4,969	5.1%	6,844	97,221	
Motion Pictures & Amusements	125	4.2%	1,588	4.1%	2,976	39,153	
Subtotal	402	3.8%	10,190	5.8%	10,637	174,753	
Schools/Government/Other							
Education Institutions & Libraries	86	3.6%	1,753	2.0%	2,387	85,815	
Government	50	3.4%	778	0.6%	1,460	139,529	
Other ⁴	188	6.2%	161	1.9%	3,026	8,324	
Subtotal	324	4.7%	2,692	1.2%	6,873	233,668	
TOTAL NON-RESIDENTIAL USES	5,370	4.6%	61,330	4.6%	116,275	1,341,532	

¹ Based on SIC codes unless otherwise noted.

² Based on NAICS54 code.

³ Adjusted to segregate Professional, Scientific & Tech Services.

⁴ Based on SIC Major Group 99-Nonclassifiable Establishments under Division J-Public Administration, defined by the US Department of Labor's Occupational Safety & Health Administration.

Source: ESRI Business Analyst Online 2010

Traded Job Clusters

Carlsbad is notable for the proliferation of jobs within its local traded clusters. Traded clusters are groups of interrelated, export-oriented industries that bring new money into the region. Industries within a cluster have business transactions with one another, and thus are interdependent. Traded clusters are advantageous in that they tend to provide jobs that pay above the area median salary. Jobs within San Diego County’s 16 identified traded clusters have historically paid approximately 20 percent more than non-cluster jobs in the region.¹¹ The region’s 16 traded clusters include biomedical products, biotechnology and pharmaceuticals, communications, computer and electronics, defense and transportation equipment, design, environmental technology, entertainment and amusement, financial services, fruit and vegetables, horticulture, publishing, recreational goods, software, specialty foods, and travel and hospitality.

Job clusters are also advantageous in attracting new start-up businesses to the area. This is due to economies of scale in support services, the large number of spin-off businesses that form, and advantages in attracting talented employees and funding from out of the area. Significant job clusters in Carlsbad include biotechnology, biomedical products, financial services, recreational goods, and entertainment and tourism.

Employment Projections

Based on 2008 General Plan land use designations and available developable land, SANDAG has projected that the city’s employment base will grow by an additional 21,529 jobs from 2008 to 2040, and by an additional 25,101 jobs from 2008 to 2050. Table 3-2 provides SANDAG’s employment projections for the city and San Diego region (county-level). These show that the city’s share of regional employment growth would be 5.2 percent; in 2008, Carlsbad had an estimated 61,999 jobs, or 4.39 percent of the county total.

In 2009, SANDAG issued the 2009 Employment and Residential Land Inventory and Market Analysis for the San Diego region with a primary objective of providing “an inventory and market analysis of developable employment and residential land.” According to the report, between 2000 and 2009, 6,334 acres of vacant employment land were developed in the San Diego region, with almost 10 percent (610 acres) developed in Carlsbad. Other significant planning areas in the county included the Otay Mesa area of the City of San Diego (1,953 acres), the City of Oceanside (865 acres) and the City of Chula Vista (611 acres). Looking forward, “the 2009 inventory identified 10,000 acres of gross developable employment land in Planning Areas,” including vacant land (8,840 acres or 88 percent of the developable employment land in the region) and

TABLE 3-2: CITY OF CARLSBAD EMPLOYMENT PROJECTIONS							
	2008	2020	2030	2040	2050	2008 - 2040	2008 - 2050
San Diego Region Jobs	1,411,811	1,515,346	1,648,361	1,773,399	1,898,769	-	-
Regional Growth	-	103,535	133,015	125,038	125,370	361,588	486,958
City of Carlsbad Jobs	61,999	70,228	77,436	83,528	87,100	-	-
Local Growth	-	8,229	7,208	6,092	3,572	21,529	25,101
Carlsbad % Capture of Regional Jobs	4.4%	4.6%	4.7%	4.7%	4.6%	-	-
Carlsbad % Capture of Regional Growth	-	7.9%	5.4%	4.9%	2.8%	6.0%	5.2%

Source: SANDAG 2050 Regional Growth Forecast

11 SANDAG, “Traded Clusters in the San Diego Region,” Sept. 2006.



redevelopment and underutilized sites (1,160 acres or 12 percent of the developable employment land in the region). The report concluded that “nearly 60 percent of the region’s gross developable employment land is located in five Planning Areas: Otay (2,201 acres or 22 percent); Otay Mesa (1,343 acres or 13 percent); Chula Vista (811 acres or 8.1 percent); Lakeside (792 acres or 7.9 percent); and Carlsbad (454 acres or 4.5 percent).” Developable employment land in Carlsbad’s neighboring cities include: 339 acres, or 3.4 percent of the regional inventory, in the City of Oceanside; 160 acres, or 1.6 percent of the regional inventory, in the City of Vista; and 391 acres, or 3.9 percent of the regional inventory, in the City of San Marcos. SANDAG’s report further identified 2,040 acres of land in the region immediately available for development (developable within one year), including: 389 acres, or 19.1 percent of the regional inventory, in the City of Carlsbad; 169 acres, or 8.2 percent of the regional inventory, in the City of Oceanside; 71 acres, or 3.5 percent of the regional inventory, in the City of Vista; and 33 acres, or 1.6 percent of the regional inventory, in the City of San Marcos. Longer-term (more than one year), 65 acres of developable employment land are estimated to be available in the City of Carlsbad.

Demand Forecast

The following demand analysis relies on SANDAG’s 2009 inventory to conservatively project Carlsbad’s local capture of regional job growth based on the city’s inventory of 454 acres of developable employment land, or 4.54 percent of the region’s supply. Although the 2009 inventory includes land planned for redevelopment or infill development, the demand analysis does not account for the conversion of existing buildings to new or different employment uses. Future employment demand may also be met through such conversions. The analysis accounts for the city’s current distribution of employees across manufacturing/light industrial and research and development/business park/office uses. As shown in Table 3-3, approximately 63.6 percent (rounded up) of all jobs in the city are employed in manufacturing/light industrial (30.2 percent) and research and development/business park/office (33.3 percent) uses.

Table 3-4 provides employment projections for manufacturing/light industrial and research and development/business park/office uses, based on the city’s 4.54 percent local capture of regional jobs, as projected by SANDAG, and the current distribution of jobs by industry. The projections provide a basis for estimating the future demand for industrial and office space in the city. The projections also provide a basis for evaluating future shifts in the distribution of jobs by industry, based on trends in Carlsbad’s traded job clusters, and therefore future shifts in the demand for building space and land by use (industrial vs. office).

A discussion of relevant trends in local job clusters is provided in the following section to provide insights into how employment distribution is likely to change over time. Changes in employment distribution will directly impact demand forecasts for space by industry. Employment distribution will also be impacted by Carlsbad’s regional competitiveness for manufacturing/light industrial and research and development/business park/office uses relative to the other major planning areas for employment land in the region. For example, the city’s growing reputation as a regional hub for biotechnology and high-technology uses will attract a

TABLE 3-3: EMPLOYEES IN R&D, BUSINESS PARK AND OFFICE SPACE (2010)¹

	Businesses	Employees	% Total Employees
Manufacturing/Light Industrial			
Manufacturing	247	9,791	15.96%
Construction	318	1,525	2.49%
Transportation	101	668	1.09%
Utility	19	487	0.79%
Wholesale Trade	296	6,071	9.90%
Subtotal	981	18,542	30.23%
R&D/Business Park/Office			
R&D/Business Park			
Professional, Scientific & Tech Services ²	847	6,044	9.85%
Communication	51	670	1.09%
Finance, Insurance, Real Estate			
Banks, Savings & Lending Institutions	180	1,417	2.31%
Securities Brokers	132	560	0.91%
Insurance Carriers & Agents	134	679	1.11%
Real Estate, Holding, Other Investment			
Offices	380	2,819	4.60%
Health Services	194	2,263	3.69%
Legal Services	130	611	1.00%
Other Services ³	646	5,378	8.77%
Subtotal	2,694	20,441	33.33%
Other Uses			
Subtotal	1,695	22,347	36.44%
ALL INDUSTRIES	5,370	61,330	100.00%

¹ Based on SIC codes unless otherwise noted.

² Based on NAICS54 code.

³ Adjusted to segregate Professional, Scientific & Tech Services.

Source: ESRI Business Analyst Online 2010

TABLE 3-4: EMPLOYMENT PROJECTIONS FOR MANUFACTURING/LIGHT INDUSTRIAL AND R&D BUSINESS PARK/OFFICE

	2008	2020	2030	2040	2008 - 2040
San Diego Region Jobs	1,411,811	1,515,346	1,648,361	1,773,399	-
Regional Job Growth	-	103,535	133,015	125,038	361,588
Carlsbad Local Job Growth ¹	-	4,700	6,039	5,677	16,416
New Local Manufacturing/Light Industrial Jobs ²	-	1,421	1,826	1,716	4,963
New Local R&D/Business Park/Office Jobs ³	-	1,567	2,013	1,892	5,471
Total Local Manufacturing/Light Industrial and R&D/Business Park/Office Jobs	-	2,988	3,838	3,608	10,435

¹ Assumes that the City's local share of the region's developable employment land will provide for 4.54% local capture.

² Assumes that 30.2% of local employment is Manufacturing/Light Industrial.

³ Assumes that 33.3% of local employment is R&D/Business Park/Office.

Sources: SANDAG, ESRI Business Analyst Online

greater regional share of new research and development/business park space than other planning areas in the region that are more manufacturing-oriented, such as Otay and Otay Mesa. Similarly, given the city's high land costs and lease rates compared to other planning areas, including Oceanside, Vista and San Marcos, the city has a competitive disadvantage for attracting new manufacturing uses.

Table 3-5 provides space demand projections for both manufacturing/light industrial and research and development/business park/office uses based on two scenarios:

- **Constant Distribution:** This scenario assumes that employment distribution and demand for building space and land by industry will remain constant during the next 30 years. New employment distribution is 30.2 percent manufacturing/light industrial and 33.3 percent research and development/business park/office.

- **Decennial Shifts in Distribution:** Based on current trends in land costs in North San Diego County and Carlsbad's traded job clusters, this scenario assumes a more realistic distribution of jobs and land, and that employment distribution and demand for building space and land by industry will increasingly shift over time toward a higher concentration of research and development/business park/office uses, and a lower concentration of manufacturing/light industrial uses. Distribution of new manufacturing/light industrial jobs decreases every 10 years by 5 percent (30.2 percent, 25.2 percent, 20.2 percent, 15.2 percent) and inversely increases for new research and development/business park/office jobs (33.3 percent, 38.3 percent, 43.3 percent, 48.3 percent).

Both scenarios apply the following employment densities¹²:

- 550 square feet of light manufacturing or warehouse space per employee
- 300 square feet of research and development/flex space per employee

TABLE 3-5: CITY OF CARLSBAD SQUARE FOOTAGE DEMAND PROJECTIONS FOR MANUFACTURING/LIGHT INDUSTRIAL AND R&D BUSINESS PARK/OFFICE

	Manufacturing/Light Industrial ¹				R&D/Business Park/Office ²				Total			
	Constant Distribution (30.2%)		5% Decennial Reduction in Distribution		Constant Distribution (33.3%)		5% Decennial Increase in Distribution		Constant Distribution		Decennial Shift in Distribution	
	New Jobs	Demand for Space (SF)	New Jobs	Demand for Space (SF)	New Jobs	Demand for Space (SF)	New Jobs	Demand for Space (SF)	New Jobs	Demand for Space (SF)	New Jobs ³	Demand for Space (SF)
2020	1,421	781,609	1,184	651,420	1,567	469,995	1,800	540,030	2,988	1,251,604	2,985	1,191,450
2030	1,826	1,004,160	1,220	670,933	2,013	603,819	2,615	784,466	3,838	1,607,979	3,835	1,455,399
2040	1,716	943,940	863	474,597	1,892	567,608	2,742	822,597	3,608	1,511,547	3,605	1,297,195
Cumulative	4,963	2,729,708	3,267	1,796,950	5,471	1,641,422	7,157	2,147,093	10,435	4,371,130	10,424	3,944,044

¹ Assumes employment density of 550 square feet of light manufacturing/warehouse space per employee.

² Assumes employment density of 300 square feet of R&D/flex space for per employee.

³ Differences between scenarios due to rounding.

Sources: SANDAG, ESRI Business Analyst Online, Southern California Association of Governments, San Diego County Regional Airport Authority

12 Based on average square footage by employee estimates from: (1) San Diego County Regional Airport Authority, "McClellan-Palomar Airport Land Use Compatibility Plan," amended March 4, 2010; and (2) The Natelson Company, Inc., "Employment Density Study Summary Report" (prepared for Southern California Association of Governments), October 31, 2001.

Under the two scenarios, through 2040, a forecasted demand of approximately 3.94 million to 4.37 million square feet of new manufacturing/light industrial and research and development/business park/office space is projected for Carlsbad. Since less building space per employee is required for research and development/business park/office employment, a higher proportion of jobs in research and development/business park/office uses will result in a lower overall demand for building space. This translates into more developable employment land available to attract and capture additional job-generating businesses in the city's industry clusters or new and emerging industries (e.g., clean technology, green technology). Additional discussion of current market and employment trends by traded cluster is provided below.

Manufacturing and Light Industrial

Table 3-5 forecasts the city's demand for manufacturing/light industrial space at a range of 1.80 million square feet and 2.73 million square feet through 2040. Land costs and lease rates in the City of Carlsbad compared to other significant planning areas in the region will be a major factor in determining future demand for industrial space. Table 3-6 provides a current inventory of industrial and research and development/flex space, vacancy rates, and lease rates in key planning areas of the region. It should be noted that research and development/flex space can typically be categorized as both light industrial and office. Proposed new construction data for the City of Carlsbad listed in Table 3-6 is based on city entitlement pipeline data, as of December 2009, and consists entirely of industrial/office flex use (50 percent to 75 percent office and 25 percent to 50 percent manufacturing/warehouse).

TABLE 3-6: INDUSTRIAL AND R&D/FLEX INVENTORY (Q2 2010)

	Buildings	Inventory (SF)	Vacancy Rate	Avg Lease Rate ¹	Under Construction (SF)	Proposed New Construction (SF)
Carlsbad ²	483	14,910,072	14.6%	\$1.08	0	711,095
Oceanside	394	7,147,337	7.5%	\$0.64	54,313	1,227,361
Vista	540	13,339,607	9.4%	\$0.77	135,020	97,432
San Marcos	487	8,689,763	7.7%	\$0.86	0	53,000
Otay Mesa	293	14,572,263	25.2%	\$0.57	0	1,421,591
South Bay ³	498	13,527,132	8.4%	\$0.68	0	20,000
East County ⁴	606	14,235,758	6.0%	\$0.75	0	359,000
San Diego Region	6,837	188,292,664	11.7%	\$0.90	189,333	5,823,913

¹ Average rental rates are average asking rates quoted "triple net" on a "per square foot per month" basis.

² Proposed new construction for Carlsbad is based on the city Planning Department's list of pipeline projects through December 2009 and is entirely composed of industrial/office flex use (50%-75% office + 25%-50% manufacturing/warehouse).

³ Includes the City of Chula Vista.

⁴ Includes the community of Lakeside.

Sources: Colliers International, City of Carlsbad Planning Department

The industrial vacancy rate in Carlsbad is anticipated to increase during the third quarter of 2010 given Callaway’s July 2010 announcement for corporate restructuring. According to an August 2, 2010 San Diego Business Journal Article, “Callaway Cuts Jobs, Moves Some Work to Mexico,” “the company had at least 1,000 employees locally” and “while the company’s employment will be smaller in Carlsbad, Callaway intends to maintain both assembly and distribution capabilities at the site after the restructuring is completed.”

Recreational Goods Cluster

While the recreational goods cluster will likely remain important to Carlsbad’s economy, the relatively higher cost of land in the City will continue to be a challenge for the retention, expansion, and attraction of manufacturing uses, including the impact of housing costs for the manufacturing workforce. One golf industry executive stated during Envision Carlsbad Phase 1 stakeholder

interviews that “going forward the jobs here will be professional jobs, not factory jobs ... it’s going to be the future home of [research and development].” This is indicated in the growing shift toward office/ industrial flex space (see Table 3-7), with a majority of building space for manufacturing-related uses being dedicated to office headquarters and research and development. The executive also stated that the company “opened a micro plant in China ... that’s just the way it is in manufacturing,” and “most [employees] who work in our factories live along the [Highway] 78 corridor with an increasing number moving to Temecula.”

As outlined in Table 3-7, the City of Carlsbad Planning Department list of pipeline projects that are under review or approved but not yet built include six projects consisting of 711,095 square feet of manufacturing/light industrial/office flex use, which is generally composed of 50 percent to 75 percent office and 25 percent to 50 percent manufacturing and warehouse.

TABLE 3-7: MANUFACTURING/LIGHT INDUSTRIAL/OFFICE FLEX PROJECTS IN DEVELOPMENT PIPELINE (DECEMBER 2009)		
Project Name	Intended Use	SF
CAC Lot 23	Flex (75% office + 25% manufacturing/warehouse)	55,475
Raceway Lots 1 - 4	Flex (75% office + 25% manufacturing/warehouse)	179,945
Raceway Lots 13 - 15	Flex (75% office + 25% manufacturing/warehouse)	140,400
Raceway Lots 16 - 17	Flex (75% office + 25% manufacturing/warehouse)	134,348
Forum Lot 2	Flex (50% office + 50% manufacturing/warehouse)	119,797
Forum Lots 5 - 6	Flex (50% office + 50% manufacturing/warehouse)	81,130
		711,095

Source: City of Carlsbad Planning Department

Research and Development, Business Park and Office

Table 3-5 forecasts the city’s future demand for research and development/business park/office space at a range of 1.64 million square feet and 2.15 million square feet through 2040. Table 3-8 provides a current inventory of office space, vacancy rates and lease rates in key planning areas of the region.

While Carlsbad’s vacancy rate is significantly higher than other planning areas, lease rates have held above the regional average and significant

new construction activity is proposed or is now underway. Based on the prominence of the city’s biotechnology and biomedical job clusters, the city is expected to continue to capture significant regional demand for research and development/business park uses. The city will face greater competition from other planning areas for traditional Class A, B, and C office space. As shown in Table 3-8, 1.27 million square feet of new office space is proposed in East San Diego County, which includes the community of Lakeside.

TABLE 3-8: OFFICE INVENTORY (Q2 2010)

	Buildings	Inventory (SF)	Vacancy Rate	Avg Lease Rate ¹	Under Construction (SF)	Proposed New Construction (SF)
Carlsbad ²	191	5,622,715	29.3%	\$1.90	0	1,737,530
Oceanside	81	1,187,247	14.7%	\$1.58	0	322,800
San Marcos / Vista	93	2,186,466	20.4%	\$1.68	0	182,000
South Bay ³	138	2,927,141	26.7%	\$1.41	0	274,994
East County ⁴	263	2,866,118	10.2%	\$1.35	0	1,272,000
San Diego Region	2,328	77,835,004	17.8%	\$1.83	0	13,944,605

¹ Average lease rates are average asking rates quoted for Class A, B, and C space "plus utilities" on a "per square foot per month" basis.

² Proposed new office construction for Carlsbad is based on the city Planning Department’s list of pipeline projects through December 2009. Does not include manufacturing/light industrial/office flex uses listed in Table 3-7.

³ Includes the City of Chula Vista.

⁴ Includes the community of Lakeside.

Sources: Colliers International, City of Carlsbad Planning Department

Research and development/business park/office projects under review or approved but not yet built are listed in Table 3-9.

Exhibit 3-1 provides an aerial photo of the Kilroy Carlsbad Oaks North project (from east looking west) located adjacent to existing major employers, including Upper Deck to the south, ViaSat to the southwest, and Callaway, TaylorMade and Life Technologies to the west.

In addition to new employment sites, business expansion opportunities, such as the Isis Pharmaceuticals project, continue to surface. In December 2009, Life Technologies, a global biotechnology tools company that provides systems and services for scientific researchers around the world, completed its acquisition of biotechnology developer Biotrove Inc. for an undisclosed amount. In the telecommunications industry, a July 23, 2010, San Diego Business Journal article reported that ViaSat Inc. was awarded a new \$477 million defense contract to supply the U.S. Army with next-generation, high-speed tracking technology. This major contract comes on the heels of ViaSat's \$568 million acquisition of WildBlue Communications Inc., major satellite broadband service provider. These recent transactions will secure ViaSat's continued leadership and growth in the telecommunications industry. Major business developments such as these will continue to grow the City's reputation as a regional employment hub for high-technology and biotechnology.

TABLE 3-9: OFFICE PROJECTS IN DEVELOPMENT PIPELINE

Project Name	SF
Bressi Ranch PA 2	390,000
Bressi Ranch PA 4	300,000
Carlsbad Office Campus (Floral Trade Center)	276,900
Durkin	30,000
El Camino Terrace	18,000
Isis Pharmaceuticals	172,882
Kelly JRM	84,894
Kilroy Lot 4	53,000
Kilroy Lot 5	50,000
La Costa Glen Corporate Center	21,904
La Costa Town Square	55,000
Life Technologies	75,950
Robertson Ranch PA 22	66,000
ViaSat (Bressi Ranch Lots 10 - 13)	143,000
	1,737,530

Source: City of Carlsbad Planning Department

EXHIBIT 3-1



Biotechnology and Biomedical Products Clusters

The biotechnology and biomedical products clusters represent the greatest opportunity areas for the city's employment growth. Both are heavily dependent upon local universities to attract talent and ideas. According to Science magazine, most biotechnology startups are spun off from university research centers.¹³ The San Diego region has emerged as one of the most important biotechnology locations in the country, and more than half of all local research and development activity takes place in this sector. This trend is likely to continue into the future, with strong growth driven by an increased demand for medical care as baby boomers age. The Bureau of Labor Statistics projects a 38.3 percent increase in the number of biological scientists working in the scientific research and development field between 2008 and 2018. Carlsbad is well-positioned to capture growth in this sector due to the existence of major companies in the field, such as Life Technologies Corporation, which, as of 2007, employed 1,172 persons. Carlsbad-based Genoptix Medical Laboratory was ranked the 15th fastest-growing company in North America on Deloitte LLP's Technology Fast 500™, a ranking of 500 of the fastest growing technology, media, telecommunications, life sciences and clean technology companies in North America. During the five year period of 2004-2008, Genoptix's fiscal year revenues grew 15,814 percent.¹⁴ The growth of Isis Pharmaceuticals, a leader in antisense drug development, is also evidenced in the recent ground-breaking of a 170,838 square foot research and development facility that, upon anticipated occupancy in the fall of 2011, will house 250 employees in administrative offices and research labs.¹⁵

Additionally, at the University of California, San Diego, biology is the fifth most popular degree choice, and the most common and fourth most common job titles for biology graduates are

“Research Associate, Biotechnology” and “Research Scientist, Biotechnology.” This pipeline of talent should promote the continued proliferation of biotechnology and biomedical device companies in the city. This popularity is spurred by UCSD's research funding. According to UCSD, during Fiscal Year 2006-07, the University received \$716 million in research funding. Within UCSD, the leading recipients of research funding were the School of Medicine, which received \$273 million, and the Medical Center, which received \$146 million. By 2007, more than 60 biotechnology companies had been formed as spin-offs of UCSD research efforts.

Financial Services Cluster

Given the level of growth and development in Carlsbad's economy, housing market and high-technology/biotechnology sectors, it is not surprising that Carlsbad is home to 687 companies providing different forms of financial services, including banking, lending and investment services. Top employers include Wells Fargo Home Mortgage Inc., Advanced Commercial Corporation, Pacific Western National Bank, Countrywide Home Loans, Inc. (Bank of America), Global Microwave Systems, Inc., Citigroup Global Markets Inc., Morgan Stanley & Co Inc., Plusfunding Com, Inc., Dataclick, Inc., Bank of America N.A., Christian Credit Counselors, Beach and Inland Real Estate Services, Inc., Libertystreet Financial Group, Innovative Lease Services Inc. and A Christian Credit Counseling Agency. While many commercial and community banks across the country continue to struggle in the recession and real estate slump, Carlsbad's employment growth and reputation as a major employment center will allow the financial services job cluster to remain steady as other employment sectors grow and expand, contributing to the continuing demand for office space in the city.

¹³ Guinne, Peter and Page, Guy, “Biotechnology Development: Geography is Destiny”, Science, May 7, 1999.

¹⁴ <http://investor.genoptix.com/phoenix.zhtml?c=214457&p=irol-newsArticle&ID=1347248&highlight=>

¹⁵ <http://www.carlsbadca.gov/about/news/Pages/isis-groundbreaking.aspx>

New and Emerging Clusters – Green/Clean Technology

While not yet considered a local traded cluster, green/clean technology is an emerging industry with growing venture investments in new startups. According to Deloitte, which provides audit, tax, consulting and financial advisory services to clean technology companies, leading sectors in venture investments in the second quarter of 2010 globally were solar, biofuels and smart grid technology.¹⁶ For smaller startups with limited venture investment funding, land costs, lease rates and employment costs are major factors for location. The recent opening of the EvoNexus technology incubator in the University Town Centre area is a good example of efforts to create a new industry cluster in an area known for high land costs and lease rates. The incubator will be located in 18,000 square feet of office space that will be rent-free for the first two years through an agreement with The Irvine Company LLC, the landlord. This is coupled with a new partnership formed between the Rady School of Management at UCSD and EvoNexus designed to provide practical experience to the region's future technology workforce while benefiting the startups by providing research and academic resources.

The City of Carlsbad is pursuing similar efforts to create a 6,000 square foot green/clean technology incubator on city-owned property at 2351 Faraday Avenue. The city is currently managing a Request for Proposals process to select and identify an entity to partner with to administer the incubator program, including securing venture investment funding for new startups eligible for the program. The city's use of city-owned property alleviates startup costs for leasing building space. Partnerships with research and academic institutions like UCSD will also be important. Performance of the incubator will provide early indication of additional opportunities for the city and local business leaders to create a new local traded cluster of green/clean technology employers that will demand additional office space in the future.

3.2 Housing Trends

Jobs-Housing Balance

The jobs-housing balance concept is generally used by land use planners to measure vehicle trips generated in a city and assumes that the majority of commutes are from home to the workplace and then back home. A balance of jobs and housing would conceptually reduce vehicle miles traveled in a city, ease traffic congestion, and improve the environment. A city's job-housing ratio also indicates its relative strength as a regional employment center. As indicated in Table 3-10, the City of Carlsbad's job-housing ratio is projected to be comparatively higher than most of its neighboring cities during the next 10 years. Beginning in 2030, SANDAG projects the jobs-housing ratios for the cities of Vista and San Marcos to significantly increase as employment growth continues and residential development decreases.

Housing and Property Taxes

A major contributor to Carlsbad's economic base and tax base is housing and property taxes. As shown in Table 3-11, the City of Carlsbad General Fund revenues, which totaled \$113.5 million in Fiscal Year 2009-10, are largely made up of tax revenues (82 percent).

¹⁶ http://www.deloitte.com/view/en_US/us/press/Press-Releases/83fef471f40f9210VgnVCM100000ba42foaRCRD.htm

TABLE 3-10: CITY OF CARLSBAD JOBS-HOUSING BALANCE

	2008	2020	2030	2040	2050
Carlsbad					
Population	103,406	117,657	123,551	127,389	129,381
Housing Units	43,496	48,100	49,851	50,436	50,566
Employment	61,999	70,228	77,436	83,528	87,100
Jobs-Housing Ratio	1.43	1.46	1.55	1.66	1.72
Jobs-Housing Ratio of Neighboring Cities					
Encinitas	1.09	1.09	1.09	1.10	1.11
Oceanside	0.68	0.70	0.74	0.82	0.92
Vista	1.35	1.41	1.56	1.47	1.40
San Marcos	1.36	1.36	1.44	1.62	1.83
San Diego Region (excl. Carlsbad)	1.31	1.28	1.27	1.28	1.30

Source: SANDAG 2050 Regional Growth Forecast

TABLE 3-11: CITY OF CARLSBAD GENERAL FUND REVENUES (FY 2009-10 UNAUDITED)

Taxes	\$	93,126,018
InterGovernmental		1,723,879
License/Permit		1,483,554
Service Charges		6,650,825
Fines		1,054,087
Investments and Property		3,536,121
Interdepartmental		3,990,845
Other		1,021,178
Transfers In		55,655
Total	\$	113,542,162

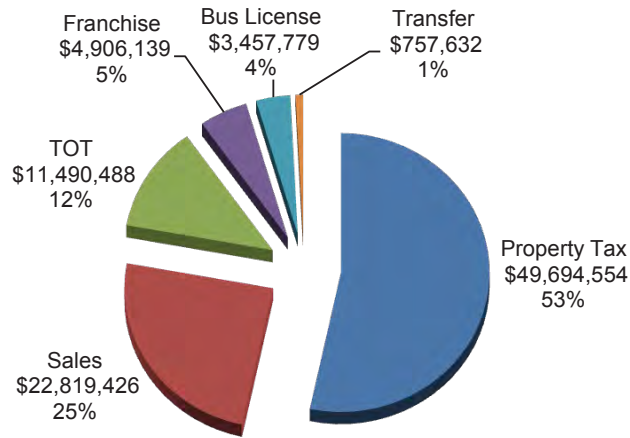
Source: City of Carlsbad Finance Department

Of those tax revenues, approximately 90 percent consist of property, sales and transient occupancy tax revenues (see Exhibit 3-2). More than half of all tax revenues are property tax revenues and, as shown in Exhibit 3-3, 73 percent of the city's property tax revenues are generated from housing.

Property Values

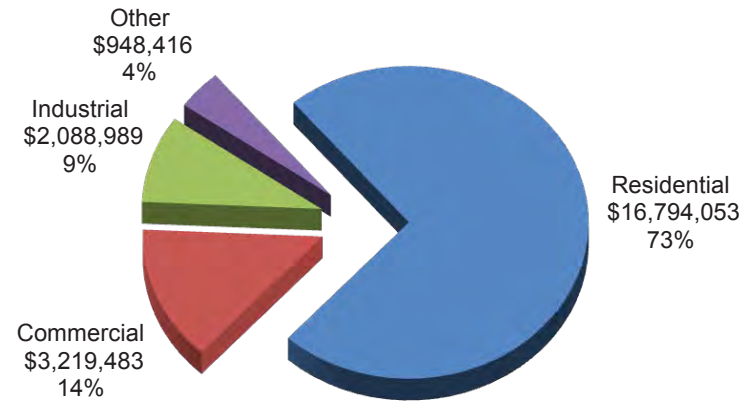
Despite the recession, Carlsbad's real estate market remains relatively healthy. An important indicator of how properties are performing relative to market values is adjustments made by the County Assessor in assessed property values. Proposition 8 reassessments indicate that the market value of a parcel has significantly fallen and that the assessed value of that parcel exceeds its current market value. As shown in Table 3-12, for Fiscal Year 2010-11, the County Assessor announced that 12 percent of Carlsbad parcels will receive temporary reductions in assessed value (Proposition 8 reassessments) as compared to 19 percent of all parcels in the rest of the county.

EXHIBIT 3-1: DISTRIBUTION OF CITY TAX REVENUES (FY 2009-10)



Source: City Of Carlsbad Finance Department

EXHIBIT 3-2: CITY OF CARLSBAD ASSESSED VALUATION BY LAND (2010) (IN THOUSANDS OF DOLLARS)



Source: First American Title Company Metroscan Database

TABLE 3-12: PROPOSITION 8 REASSESSMENTS

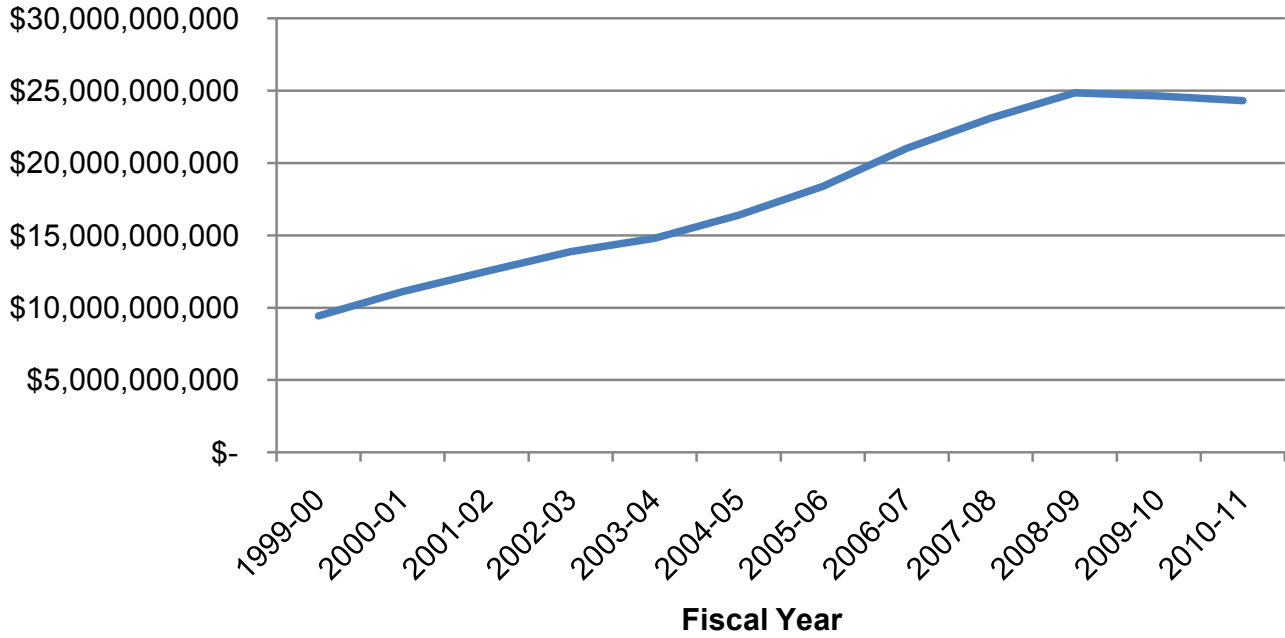
	Carlsbad	Rest of County
Proposition 8 Reassessments	9,125	187,470
Total Parcels	75,053	961,795
Percent of Parcels Receiving Adjustments	12.16%	19.49%

Sources: San Diego County Assessor and First American Title's Metroscan

As shown in Exhibit 3-4 and Table 3-13, the city's assessed property values have grown by 158 percent during the past 11 years (fiscal years 1999-00 – 2010-11), with an average annual growth rate of 9.15 percent, as compared to a 7.48 percent average annual growth rate in the rest of the county. Carlsbad's growth in assessed valuation is attributable to new construction, property sales and an annual inflationary factor not to exceed two percent under Proposition 13. Assessed valuations have dipped in Carlsbad during the past two years, consistent with most other cities in California. The decline in value

is the result of a combination of Proposition 8 reassessments, lack of new construction and sales, and, for the first time in the history of Proposition 13 since its passage, a negative California Consumer Price Index of -0.237 percent (calculated from October 2008 to October 2009) was announced for fiscal year 2009-10 and applied to the tax roll pursuant to Proposition 13. According to the California Department of Industrial Relations, the change in the CCPI from October 2009 through August 2010 was a positive 0.6 percent.

EXHIBIT 3-3: CARLSBAD ASSESSED VALUATION TREND



Source: San Diego County Assessor

TABLE 3-13: HISTORICAL ASSESSED VALUATION TRENDS

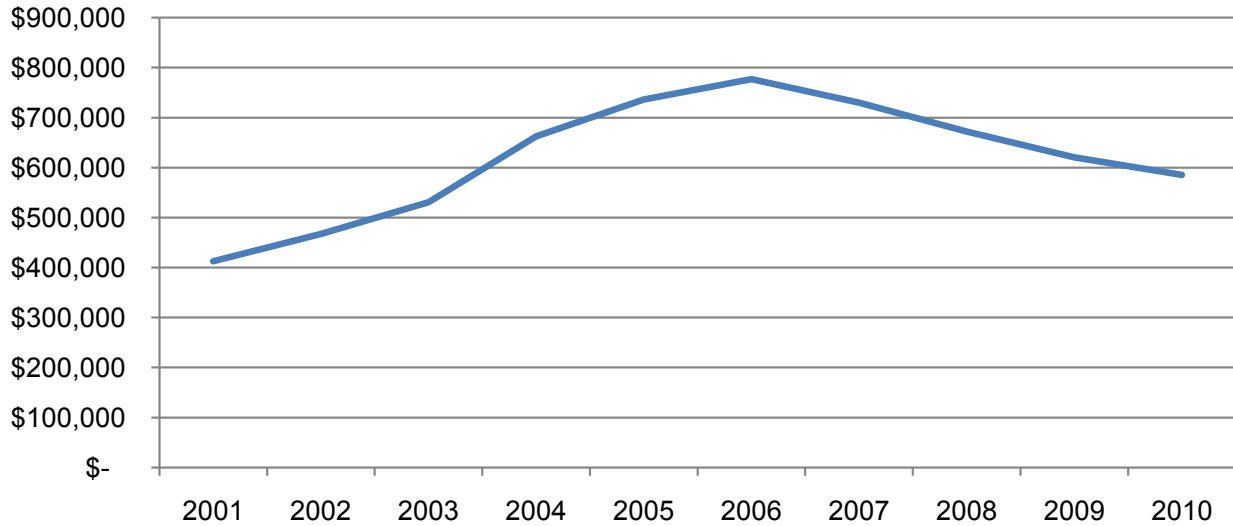
Fiscal Year	Carlsbad AV	% Change	Rest of County AV	% Change
1999-00	\$ 9,422,286,087	-	\$ 169,089,217,708	-
2000-01	11,121,031,849	18.03%	184,328,528,132	9.01%
2001-02	12,509,491,397	12.48%	201,371,665,191	9.25%
2002-03	13,863,962,333	10.83%	218,638,179,168	8.57%
2003-04	14,799,656,041	6.75%	240,587,096,480	10.04%
2004-05	16,405,152,061	10.85%	265,420,215,630	10.32%
2005-06	18,390,507,447	12.10%	301,032,967,448	13.42%
2006-07	21,018,835,445	14.29%	336,898,609,759	11.91%
2007-08	23,103,638,787	9.92%	368,322,942,643	9.33%
2008-09	24,852,257,413	7.57%	384,533,332,213	4.40%
2009-10	24,644,802,371	-0.83%	375,281,372,848	-2.41%
2010-11	24,321,673,845	-1.31%	369,362,574,430	-1.58%
Average annual growth rate		9.15%	Average annual growth rate	7.48%

Source: San Diego County Assessor

From 2001 through August 30, 2010, average home sales prices in Carlsbad increased overall by 42 percent (see Exhibit 3-5). Average sales prices peaked in 2006 at \$776,710 before return to 2003/2004 average sales prices. As the current downward pressure on housing prices eases, housing unit

growth will continue to be guided by the city's Growth Management Plan. SANDAG projects that 1,294 residential zoned acres will be developed with 7,070 new housing units between 2008 and 2050; the total number of housing units in 2050 is projected to be 50,566 on 8,012 acres.

EXHIBIT 3-4: CARLSBAD AVERAGE RESIDENTIAL SALES PRICES 2001-2010 (NOMINAL \$)



Notes:

1. 2010 data is based on residential sales as of August 30, 2010.
2. Residential sales include single family home and condominium sales.

Source: *First American CoreLogic Metroscan Database*

Housing Density Trends

According to SANDAG, Carlsbad’s housing inventory as of 2008 (excluding mobile homes) was comprised of 29,390 single-family residences (70 percent), 12,807 multifamily residences (30 percent), totaling 42,197 housing units. Table 3-14 and Exhibit 3-6 provide historical trends of residential permit issuances for single-family and multifamily residences. While the city’s ratio of single-family to

multifamily permit issuances has fluctuated in certain years (2003 and 2006), 76 percent of all residential building permits during the past 10 years were issued for single-family homes, as compared to 54 percent for the entire San Diego region (including the City of Carlsbad). From January 2010 through June 2010, 188 building permits were issued for single-family residences and 42 building permits were issued for multifamily residences.

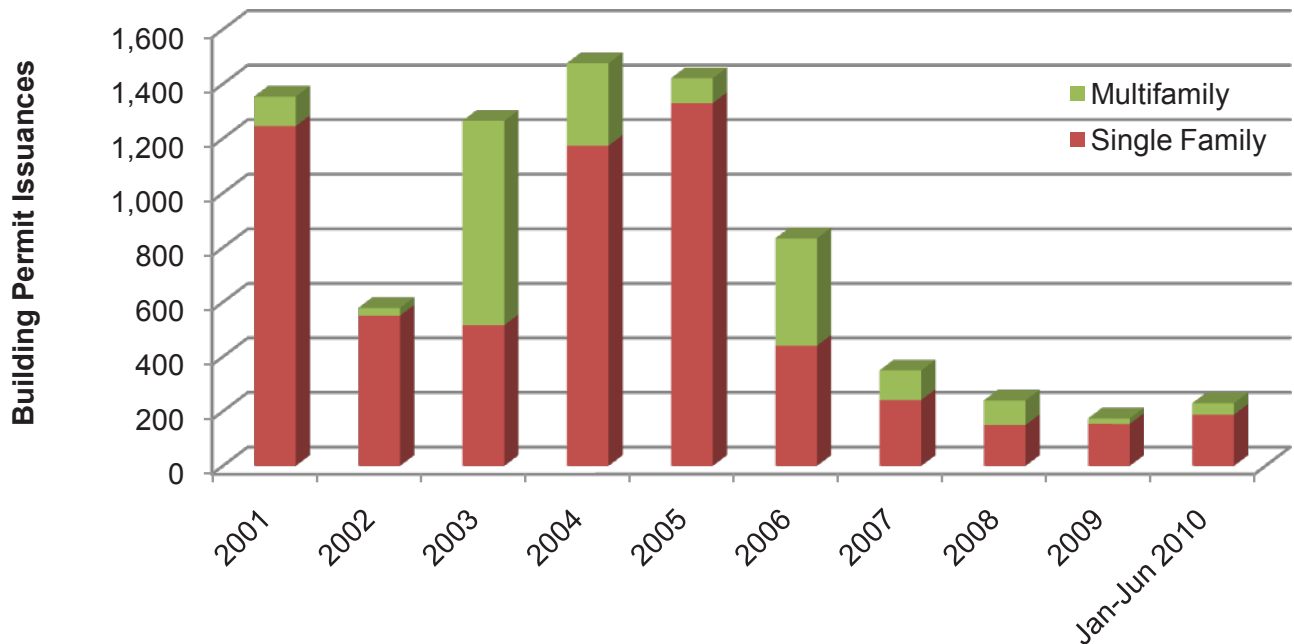
TABLE 3-14: RESIDENTIAL PERMIT ISSUANCES BY HOUSING TYPE¹

Year	Carlsbad					Rest of San Diego County				
	SFR	%	MFR	%	All	SFR	%	MFR	%	All
2001	1,246	92%	108	8%	1,354	8,196	58%	5,918	42%	14,114
2002	551	95%	28	5%	579	8,138	63%	4,776	37%	12,914
2003	516	41%	749	59%	1,265	9,369	56%	7,427	44%	16,796
2004	1,174	80%	302	20%	1,476	7,834	56%	6,280	44%	14,114
2005	1,330	94%	91	6%	1,421	6,155	48%	6,639	52%	12,794
2006	441	53%	393	47%	834	4,305	51%	4,055	49%	8,360
2007	242	69%	108	31%	350	3,181	45%	3,927	55%	7,108
2008	150	63%	90	38%	240	2,010	41%	2,882	59%	4,892
2009	154	89%	20	11%	174	1,623	59%	1,148	41%	2,771
Jan - Jun 2010	188	82%	42	18%	230	1,202	59%	829	41%	2,031
Totals	5,992	76%	1,931	24%	7,923	52,013	54%	43,881	46%	95,894

¹ SFR = Single Family Residence; MFR = Multifamily Residence

Sources: U.S. Department of Housing and Urban Development (<http://socds.huduser.org>), City of Carlsbad

EXHIBIT 3-5: CITY OF CARLSBAD HISTORICAL RESIDENTIAL BUILDING PERMIT ISSUANCES

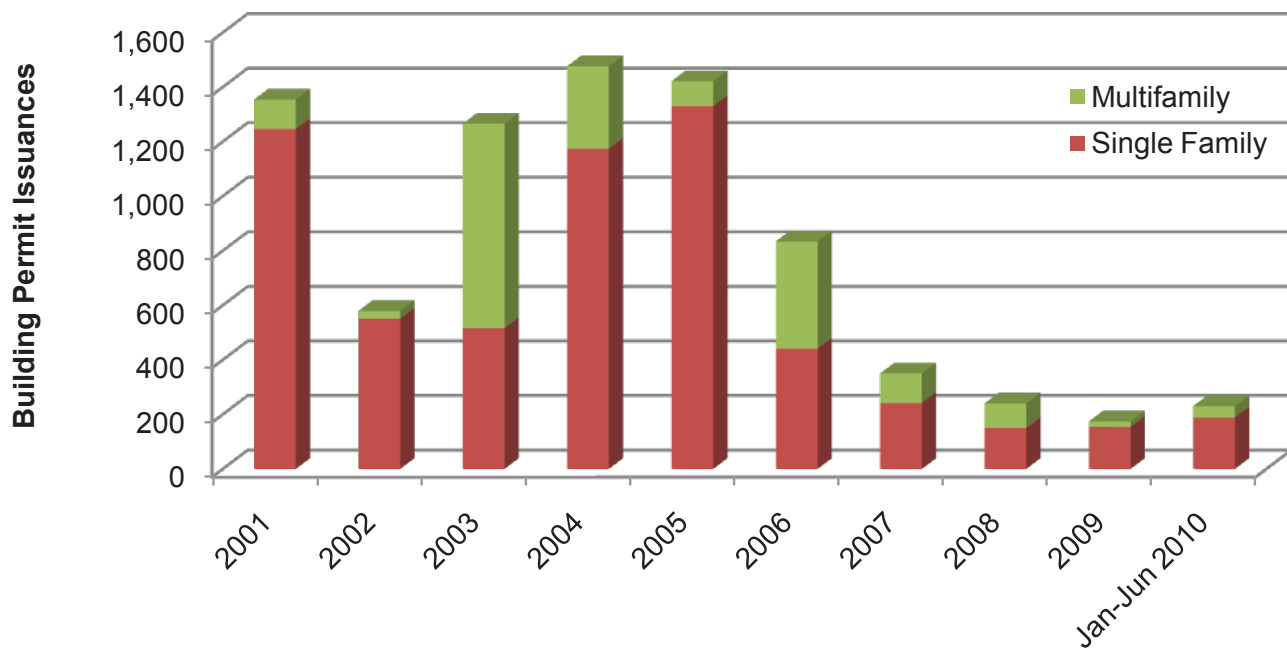


Sources: U.S. Department of Housing and Urban Development (<http://socds.huduser.org>), City of Carlsbad

Exhibits 3-7 and 3-8 provide a comparison of historical and projected residential building permit issuances by density type for Carlsbad. SANDAG's 2050 Regional Growth Forecast anticipates a substantial shift in the density of new housing units in Carlsbad during the next 30 years as the city approaches buildout and the population ages. From 2001 through 2010, single-family dwellings

comprised 76 percent of new residential development in Carlsbad. SANDAG forecasts that from 2011 through 2040, the percentage of single-family dwellings will decrease to 55 percent of new residential development. Higher density infill development and a significant reduction in the amount of new residential development in Carlsbad during the next 30 years will be factors in these shifts.

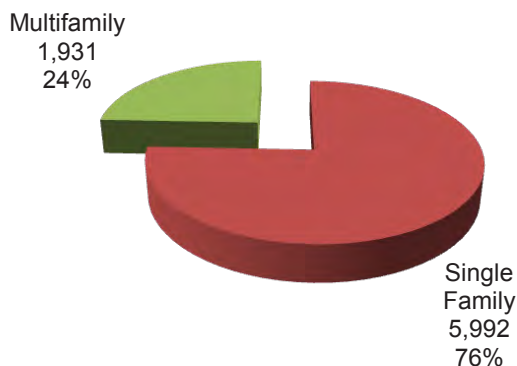
EXHIBIT 3-6: CITY OF CARLSBAD HISTORICAL RESIDENTIAL BUILDING PERMIT ISSUANCES



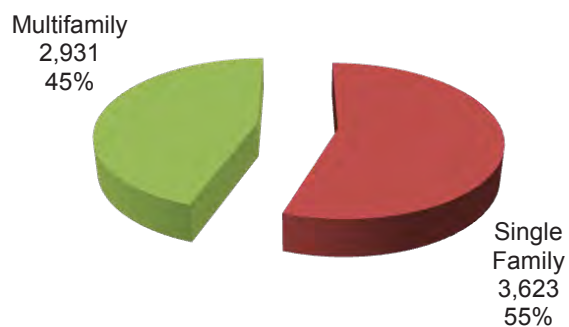
Sources: U.S. Department of Housing and Urban Development (<http://socds.huduser.org>), City of Carlsbad

EXHIBIT 3-7:

2001-2010 Historical Building Permit Issuances



2011-2040 SANDAG Projected Building Permit Issuances



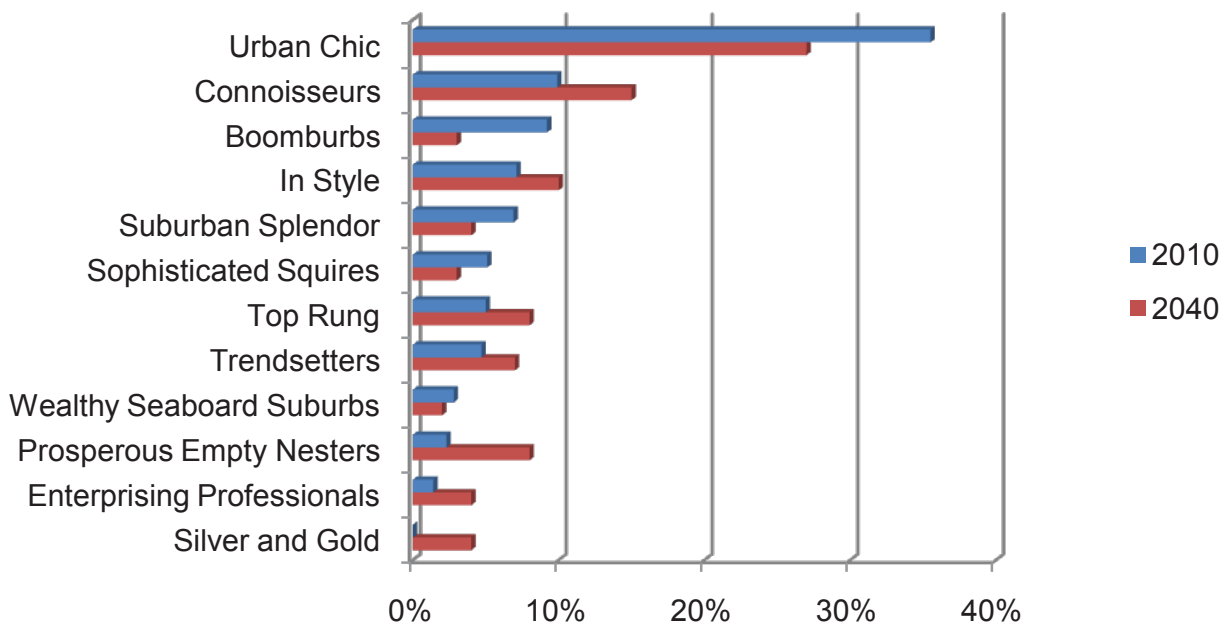
Source: U.S. Department of Housing and Urban Development (<http://socds.huduser.org>), SANDAG

Demographic Trends and Housing Demand by Type

As described in Chapter 2, demographic projections and tapestry segmentation area profiles for Carlsbad indicate that between 2008 and 2040 the resident age group that is most likely to purchase single-family homes (ages 35 to 64) will minimally increase in population and slightly decrease in that age group’s proportionate share of the total population. In contrast, the resident age group of ages 20 to 34 (young professionals without children) who are most likely to rent or purchase multifamily homes¹⁷, are expected to grow in population by 20 percent between 2008 and 2040. Meanwhile, residents between the ages of 65 to 84 (retired empty nesters) are projected to grow much more significantly between 2008 and 2040 (124 percent).

Researchers and practitioners from groups like the Urban Land Institute and National Multi Housing Council agree that empty nesters represent a significant portion of residents purchasing and renting multifamily housing.¹⁸ However, according to ESRI’s Tapestry Segmentation Area Profile for Carlsbad (see Appendix for profile sheet), housing preferences for most “Prosperous Empty Nesters” in the city is single-family housing, indicating that many existing aging residents in Carlsbad may choose to continue living in single-family homes rather than downsizing. The proportionate share of residents between 20 and 34 is projected to remain relatively constant between 2008 and 2040, while the proportionate share of residents between 65 and 84 is projected to increase from 12 percent to 22 percent.

EXHIBIT 3-8: CITY OF CARLSBAD CURRENT AND PROJECTED TAPESTRY SEGMENTATION



Source: ESRI Business Analyst Online

¹⁷ Based on ESRI Business Analyst Online Tapestry Segmentation Area Profile for the City of Carlsbad.

¹⁸ Haughey, Richard M., “The Case for Multifamily Housing,” Urban Land Institute, 2003. Black, J. Thomas, “Opportunity & Challenge: Multifamily Housing in Mixed Use Activity Centers,” 1998.

Consistent with regional trends for North San Diego County, household income trends for the city are also projected to significantly shift between 2008 and 2040, creating a proportionately wealthier resident base. Based on current and projected Tapestry Segmentation Area Profiles for the city (see Exhibit 3-9), tapestry profiles and age groups that are currently more inclined to purchase townhomes or rent in multi-unit apartments in older, more urban settings include Urban Chic, In Style, and Trend-setters. The rapid growth of city residents 85 years of age and older will also create growing demand for multifamily senior housing and assisted living developments in the city. While these profiles are expected to expand over the life of the new General Plan, a greater share of future growth is projected for older and wealthier segments, such as Top Rung and Prosperous Empty Nesters, whose housing preferences lean significantly more toward single-family housing. According to profile descriptions for these segments, “Top Rung residents own at least one single-family home with a median home value

approaching \$903,660.” Prosperous Empty Nesters “live in established neighborhoods” that “experience little turnover from year to year” where “most of the housing is single-family.”

Table 3-15 projects population changes and housing preferences for single-family residential (SFR) and multifamily residential (MFR). Residential preferences for single-family and multifamily housing by age groups are estimated ratios based on tapestry segment profiles for Carlsbad residents. The projected population shifts by age group during 2008-2020, 2020-2030, and 2030-2040 result in an increasing demand for multifamily housing over time. While this is generally consistent with SANDAG’s projections for single-family and multifamily housing units through 2040 (see Exhibit 3-7), the percentage breakdowns of demand in Table 3-15 for single-family and multifamily housing provide a more moderate projection of demand shift from single-family to multifamily during each time period.

TABLE 3-15: POPULATION CHANGES AND HOUSING PREFERENCES BY AGE GROUP

	Preferences ¹		2008-2020			2020-2030			2030-2040		
	SFR	MFR	Pop Δ	SFR	MFR	Pop Δ	SFR	MFR	Pop Δ	SFR	MFR
Age 20 - 34	30%	70%	2,818	845	1,973	408	122	286	12	4	8
Age 35 - 64	80%	20%	2,669	2,135	534	2,782	2,226	-556	242	194	48
Age 65 - 84	70%	30%	7,403	5,182	2,221	7,613	5,329	2,284	253	177	76
Age 85+	25%	75%	718	180	539	736	184	552	2,791	698	2,093
Total			13,608	8,342	5,266	5,975	3,410	2,565	3,298	1,072	2,226
				61%	39%		57%	43%		33%	67%

¹ Preferences for SFR and MFR housing are estimated ratios based on age groups and Carlsbad’s Tapestry Segments.

Source: Population projections-SANDAG 2050 Regional Growth Forecast

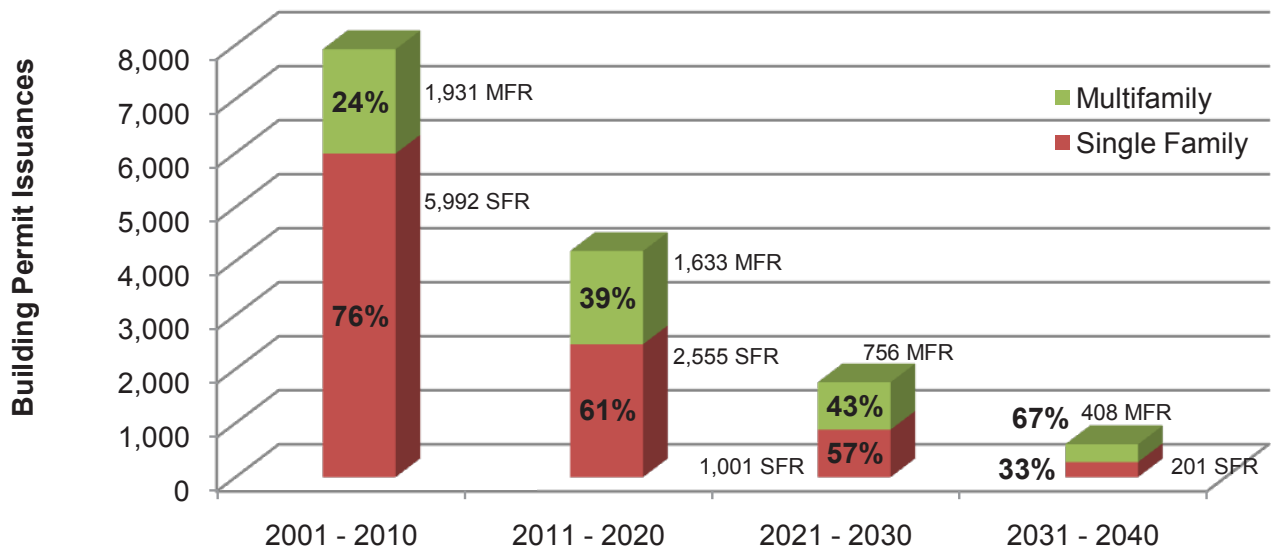
Based on the percentage breakdowns at the bottom of Table 3-13, the chart in Exhibit 3-10 presents alternative projections for single-family and multifamily permit issuances for the next 30 years that provide a more gradual and moderate shift from single-family to multifamily housing as compared to SANDAG’s projections illustrated in Exhibit 3-7.

These projections and Carlsbad’s tapestry segmentation indicate that the demand for higher-priced housing in lower density neighborhoods, such as those being built in the northeast and southeast quadrants of the city, is expected to continue, with the future potential for higher density townhome product types in 20 to 30 years. Residents 20 to 34 years of age with a greater preference for multifamily housing are projected to increase by the highest margin during the next ten years. Based on tapestry segmentation profiles for these residents, future growth in demand for multifamily housing will focus on the city’s northwest quadrant, as younger, up-and-coming residents with growing wealth

exhibit a growing preference for older, urban neighborhoods with an abundance of services, retail opportunities, and walking access to amenities, such as those offered in Carlsbad Village and the Barrio. Redevelopment potential of these areas will therefore be greatest during the next ten years.

From 2031 to 2041, a significant increase in residents 85 years of age or older will create a much greater demand during that timeframe for multifamily senior housing and assisted living facilities. In the more immediate horizon, the City of Carlsbad Planning Department’s list of pipeline projects contains more than 430 units of senior housing and assisted living facilities that are under review or approved but not yet built, including the 300+ unit Dos Colinas senior housing rental project located on 45 acres that will offer independent living cottages to assisted living apartments, an 82-unit assisted living project in Bressi Ranch, and a 50-unit senior housing project on Harding Street.¹⁹

EXHIBIT 3-9: CITY OF CARLSBAD ALTERNATIVE PROJECTIONS FOR PERMIT ISSUANCES



Sources: U.S. Department of Housing and Urban Development (<http://socds.huduser.org>), SANDAG, City of Carlsbad

¹⁹ City of Carlsbad Planning Department, http://wdesigngroup.net/Res_DosColinas.html, Loopnet

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4 Retail and Shopping



The following chapter provides: 1) an analysis of taxable sales for Carlsbad and other cities in the North San Diego County market area; 2) demand forecasts for future retail space in Carlsbad; 3) a retail leakage analysis that provides guidance for how the city can strengthen its position in the market area; and 4) demographic trends and preferences in Carlsbad for retail, dining, entertainment and shopping opportunities.

4.1 Taxable Sales and Retail Demand

Retail Inventory

Table 4-1 presents the current inventory of retail space in the North San Diego County market area, which includes the cities of Carlsbad, Oceanside, Encinitas, Vista, and San Marcos. The strength of Carlsbad's retail base in the market area is evident in its vacancy rate (lowest) and average lease rate (highest). It is important to note that these figures do not include regional malls, such as Plaza Camino Real.

TABLE 4-1: RETAIL INVENTORY (Q2 2010)

	Buildings	Inventory ¹ (SF)	Vacancy Rate	Avg Lease Rate	Under Construction (SF)	Proposed New Construction (SF)
Carlsbad ²	254	3,840,591	4.7%	\$2.24	43,359	558,671
Encinitas	303	6,762,204	5.3%	\$2.16	48,844	12,620
Oceanside	472	7,414,494	8.8%	\$1.77	30,588	122,935
San Marcos	250	4,693,527	9.4%	\$1.90	0	227,560
Vista	354	4,996,538	10.0%	\$1.54	0	77,995

¹ Building inventory consists of retail and shopping centers over 2,500 SF, excluding regional malls. Average rental rates are average asking rates quoted "triple net" on a "per square foot per month" basis.

² Proposed new construction for Carlsbad is based on the city Planning Department's list of pipeline projects through December 2009.

Sources: Colliers International, City of Carlsbad Planning Department

The city’s December 2009 estimates for proposed new construction include the Palomar Commons retail center project, recently approved by the City Council, which will include a 153,974 square foot Lowe’s home improvement store. Other notable retail projects in the city’s development pipeline are listed in Table 4-2.

The new Lowe’s home improvement store will address significant “sales leakage” in building materials from the city. A “sales leakage” in specific retail categories (e.g., building materials, auto parts, home furnishings and appliances) indicates that the city (the “trade area”) is not efficiently capturing local retail demand for certain goods and that residents are traveling to neighboring cities (e.g., Oceanside, Encinitas, Vista, San Marcos) in the North San Diego County market area to satisfy that demand. Conversely, a “sales surplus” in specific retail categories (e.g., motor vehicles, clothing stores) indicates that the city is capturing both its local demand and regional demand from neighboring cities’ residents in the North San Diego County market area.

Taxable Sales

Table 4-3 presents 2008 taxable sales reported by the State Board of Equalization for Carlsbad and the North San Diego County market area. As indicated by Carlsbad’s local capture rate of taxable sales in the market area, the city generates significant sales from apparel stores and motor vehicles and parts. This is attributable to the city’s regional centers, including Plaza Camino Real, the only regional mall in the market area, and Car Country Carlsbad. The city is also home to other major retail locations, such as Carlsbad Premium Outlets, the Forum at Carlsbad, Carlsbad Village and Costco. The city’s high local capture of market area sales can also be attributed to its coastal location, which creates a 180-degree market area. Unlike a 360-degree market area that competes with other surrounding and overlapping market areas, the North San Diego County market area is bordered to the west by the Pacific Ocean and to the north by Camp Pendleton. Exhibit 4-1 provides a map of the market area including a 15-minute drive time map from McClellan-Palomar Airport.

TABLE 4-2: RETAIL PROJECTS IN DEVELOPMENT PIPELINE (DECEMBER 2009)

Project Name	Location	SF
Carlsbad Paseo	Paseo Del Norte and Palomar Airport Road	44,391
Green Dragon Tavern	Paseo Del Norte and Palomar Airport Road	21,281
La Costa Town Square	Rancho Santa Fe Road and La Costa Avenue	284,000
Palomar Commons / Lowes	Palomar Airport Road and El Camino Real	179,244
Plaza Camino Real Expansion ¹	Highway 78 and El Camino Real	35,417
Other (Under 10,000 SF)	Various	14,273
		578,606

¹ Plaza Camino Real Expansion will result in a 35,417 SF net increase in retail floor area (main mall structure and out-buildings). Overall, the expansion will result in the removal of 179,631 SF of retail space, which will be replaced with 215,048 SF of new retail space.

Source: City of Carlsbad Planning Department

**TABLE 4-3: 2008 TAXABLE SALES FOR NORTH SAN DIEGO COUNTY MARKET AREA
(2008 DOLLARS IN THOUSANDS)**

Population	Market Area ¹			Carlsbad			
	522,942			103,406			
	Sales Tax Permits	Taxable Sales	Taxable Sales per Capita	Sales Tax Permits	Taxable Sales	Taxable Sales per Capita	Local Market Share
Retail Stores							
Apparel stores	747	\$ 370,622	\$ 0.709	255	\$ 235,612	\$ 2.279	63.6%
General merchandise stores ²	180	1,057,100	2.021	31	267,389	2.586	25.3%
Food stores ³	304	878,196	1.679	53	183,831	1.778	20.9%
Eating and drinking places	1196	741,162	1.417	214	189,470	1.832	25.6%
Home furnishings and appliances ⁴	498	361,131	0.691	120	54,165	0.524	15.0%
Building materials ⁵	157	402,744	0.770	22	15,796	0.153	3.9%
Motor vehicles and parts	366	914,143	1.748	63	549,733	5.316	60.1%
Service stations	136	696,991	1.333	28	140,798	1.362	20.2%
Other retail stores	2939	837,889	1.602	803	185,283	1.792	22.1%
TOTALS	6,523	\$ 5,680,205	\$ 10.862	1,589	\$ 1,698,408	\$ 16.425	29.9%

¹ Market Area includes the cities of Carlsbad, Encinitas, Oceanside, San Marcos and Vista.

² Taxable sales adjusted upward .05 times to address non-taxable drug sales.

³ Taxable sales adjusted upward 2.5 times to address non-taxable groceries.

⁴ Includes the 442 and 443 3-digit NAICS codes, including furniture stores, home furnishings stores, appliance, T.V., and other electronics stores, computer and software stores, and camera and photographic supplies stores.

⁵ Carlsbad's local market share for building materials is based on 2008 sales and does not include the Palomar Commons project which will include 153,974 square foot Lowe's home improvement store. New Lowe's store is expected to capture Year 2020 market demand and sales.

Sources: State Board of Equalization, SANDAG population projections

Table 4-4 on the following page provides a detailed comparison summary of taxable sales for all cities in the North San Diego County Market Area.

TABLE 4-4: 2008 TAXABLE SALES FOR NORTH SAN DIEGO COUNTY MARKET AREA (IN THOUSANDS OF DOLLARS)

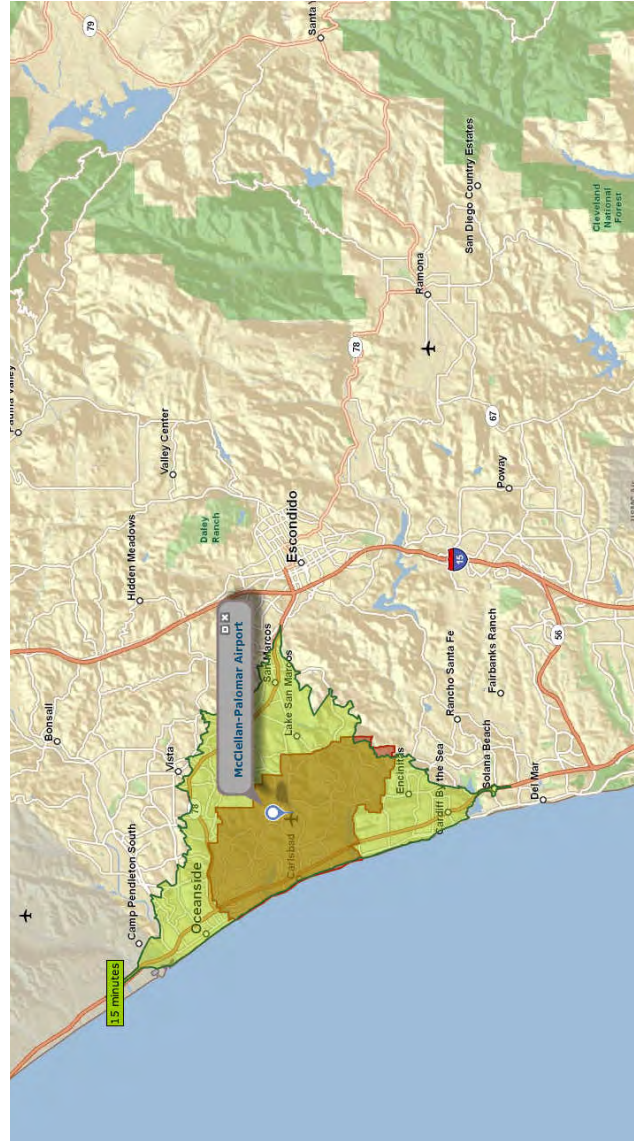
Retail Stores	Market Area 522,942		Carlsbad 103,406		Oceanside 178,102		Encinitas 63,615		Vista 95,400		San Marcos 82,419	
	Taxable Sales	Taxable Sales per Capita	Taxable Sales	Local Market Share	Taxable Sales	Local Market Share	Taxable Sales	Local Market Share	Taxable Sales	Local Market Share	Taxable Sales	Local Market Share
Apparel stores	\$ 370,622	\$ 0.709	\$ 235,612	63.6%	\$ 45,268	12.2%	\$ 28,118	7.6%	\$ 26,153	7.1%	\$ 35,470	9.6%
General merchandise stores ¹	1,057,100	2.021	267,389	25.3%	283,071	1.589	99,877	1.570	235,216	2.466	171,547	2.081
Food stores ²	878,196	1.679	183,831	20.9%	242,177	1.360	166,594	2.619	159,093	1.668	126,502	1.535
Eating and drinking places	741,162	1.417	189,470	25.6%	201,960	1.134	138,632	2.179	97,468	1.022	113,633	1.379
Home furnishings and appliances	361,131	0.691	54,165	15.0%	51,058	0.287	63,536	0.999	21,388	0.224	170,985	2.075
Building materials ³	402,744	0.770	15,796	3.9%	105,987	0.595	#	#	139,145	1.459	141,816	1.721
Motor vehicles and parts	914,143	1.748	549,733	60.1%	130,635	0.733	84,025	1.321	83,546	0.876	66,205	0.803
Service stations	696,991	1.333	140,798	20.2%	211,769	1.189	115,805	1.820	119,288	1.250	109,331	1.327
Other retail stores	837,889	1.602	185,283	22.1%	181,576	1.020	250,506	3.938	93,773	0.983	126,751	1.538
TOTALS	\$ 5,680,205	\$ 10.862	\$ 1,698,408	16.425	\$ 1,294,041	7.265	\$ 842,141	13.238	\$ 867,854	9.097	\$ 977,761	\$ 11.863
				29.9%		22.8%		14.8%		15.5%		17.2%

¹ Taxable sales adjusted upward .05 times to address non-taxable drug sales.
² Taxable sales adjusted upward 2.5 times to address non-taxable groceries.

³ Carlsbad's local market share for building materials is based on 2008 sales and does not include the Palomar Commons project which will include 153,974 square foot Lowe's home improvement store. New Lowe's store is expected to capture 2020 market demand and sales.

Sources: State Board of Equalization; SANDAG population projections

EXHIBIT 4-1:



As shown in Table 4-4, Carlsbad is capturing the greatest share of taxable sales (29.9 percent) in the market area with the highest taxable sales per capita (\$16,425). The city's lowest capture rate is in building materials at 3.9 percent. The city's taxable sales in this retail category will soon jump closer to 20 to 30 percent with the city's recent approval of the 153,974 square foot Lowe's home improvement store, which will be the anchor of a 184,844 square foot retail center (Palomar Commons). The city has historically leaked (lost) significant sales in the building materials category to its neighboring cities in the market area. The new Palomar Commons retail center will also help meet future demand for retail space in the market area as the recession eases and housing production accelerates in the city.

Retail Demand Forecast

As the market area's population increases, taxable sales in the market area are assumed to also increase according to per capita sales. Using average statistics for sales per square feet by retail category, future demand for retail space by category can be projected as a function of population growth. Local demand for Carlsbad can then be determined by applying the city's capture rate of taxable sales. Table 4-5 presents demand forecasts for future retail space by category for Carlsbad and the remainder of the market area. The methodology for the demand forecast is described as follows.

- A sub-regional market area for North San Diego County was identified using a 15-minute drive time from McClellan-Palomar Airport to include the cities of Carlsbad, Encinitas, Oceanside, San Marcos, and Vista (see Exhibit 4-1).
- 2008 taxable sales for each city in the market area were assembled from the State of California Board of Equalization's annual report, organized by retail category, totaled for the market area, and used to calculate Carlsbad's local capture rate of taxable sales by category.
- Taxable sales for food stores were adjusted upward by 2.5 times to account for non-taxable groceries. Taxable sales for general merchandise stores were adjusted upward by 0.5 times to account for non-taxable prescription drug sales.
- Using 2008 SANDAG population estimates for the five cities, taxable sales per capita were calculated for the market area.
- 2020, 2030 and 2040 projections for taxable sales by retail category for the market area were calculated using SANDAG's population projections and the taxable sales per capita.
- Average taxable sales per square feet by retail category were assembled and applied to the 2020, 2030 and 2040 taxable sales projections to forecast future square footage demand for each category.
- Carlsbad's 2008 capture rate for taxable sales was applied to the projected space demands to calculate the city's local demand for retail space by category.
- All dollars are 2008 dollars in thousands of dollars. Inflation was not factored.

TABLE 4-5: CITY OF CARLSBAD RETAIL DEMAND PROJECTIONS (2008 DOLLARS IN THOUSANDS)

Retail Stores	2008			2020			2030			2040						
	Market Area	Carlsbad	Carlsbad Market Share	Market Area	Carlsbad	Carlsbad Market Share	Market Area	Carlsbad	Carlsbad Market Share	Market Area	Carlsbad	Carlsbad Market Share				
	Taxable Sales per Capita	Taxable Sales per Capita	Taxable Sales per SF ¹	Total Taxable Sales	Total Taxable Sales	Total Taxable Sales	Total Taxable Sales	Total Taxable Sales	Total Taxable Sales	Total Taxable Sales	Total Taxable Sales	Total Taxable Sales				
Apparel stores	\$ 370,622	\$ 0.709	370	\$ 235,612	\$ 2,279	63.6%	\$ 405,762	\$ 35,140	94.973	\$ 434,140	\$ 63,518	171.670	\$ 459,596	\$ 86,974	240.470	\$ 152,872
General merchandise stores ¹	1,057,100	2.021	300	267,389	2.586	25.3%	1,157,328	100,227	334,092	84,507	1,238,269	603,894	1,310,875	253,775	845,916	213,971
Food stores ²	878,196	1.679	495	183,831	1.778	20.9%	961,461	83,265	168,212	35,211	1,028,703	304,055	1,089,022	210,826	425,910	89,165
Eating and drinking places	741,162	1.417	480	189,470	1.832	25.6%	811,434	70,272	146,400	37,426	868,184	264,629	919,090	177,928	370,684	94,761
Home furnishings and appliances	361,131	0.691	250	54,165	0.524	15.0%	395,371	34,240	136,960	20,542	423,022	61,891	447,826	86,696	346,782	52,013
Building materials ³	402,744	0.770	270	15,796	0.153	3.9%	440,930	38,186	141,428	5,547	471,767	255,641	499,429	96,685	358,094	14,045
Motor vehicles and parts	914,143	1.748	2,250	549,733	5.316	60.1%	1,000,817	86,673	38,521	23,165	1,070,811	69,630	1,133,589	219,455	97,536	58,654
Service stations	696,991	1.333	750	140,798	1.362	20.2%	763,076	66,084	86,112	17,799	816,443	119,452	864,316	167,324	223,099	45,068
Other retail stores	837,889	1.602	300	185,283	1.792	22.1%	917,332	79,443	264,811	58,558	981,488	478,664	1,039,038	201,149	670,498	148,268
TOTALS	\$ 5,680,205	10.862	3,000	\$ 1,698,408	16.425	29.9%	\$ 6,218,766	\$ 538,561	1,413,510	343,132	\$ 6,653,692	\$ 973,487	\$ 7,043,834	\$ 1,363,629	3,578,989	1,070,135

¹ Based on statistics from U.S. Business Reporter, local experience with Southern California businesses and auto dealers, and U.S. Census data.

² Taxable sales adjusted upward .05 times to address non-taxable drug sales.

³ Taxable sales adjusted upward 2.5 times to address non-taxable groceries.

⁴ Carlsbad's local market share for building materials is based on 2008 sales and does not include the Palomar Commons project which will include 153,974 square foot Lowe's home improvement store. New Lowe's store is expected to capture 2020 market demand and sales.

Sources: State Board of Equalization, SANDAG population projections, U.S. Business Reporter

Table 4-6 summarizes Carlsbad’s demand projections for future retail space for all categories. It is important to note that these projections do not account for the city’s recent approval of the Lowe’s home improvement store in the proposed Palomar Commons retail center project. However, it can be assumed that the Lowe’s store will meet the region’s new square footage demand for retail space for building materials for the next 10 years. Regional demand for building materials retail space from 2008 to 2020 is projected at 141,428 square feet. The proposed Lowe’s store is estimated at 153,974 square feet. Additional projected demand indicates that, by 2030 and 2040, the region will be able to support two additional home improvement stores of a similar size as the future Lowe’s store. Other major anticipated retail projects not accounted for in this demand forecast include La Costa Town Square, Carlsbad Paseo, Plaza Camino Real Expansion and the Green Dragon Tavern.

It is also important to emphasize that the demand forecast is based on the city’s 2008 capture rate by retail category. The forecast should be considered alongside Carlsbad retail sales leakage data (provided in Section 4.2) to determine where unmet local demand can be met, such as the future Lowe’s. Demographic trends, tapestry segmentation and local resident preferences for shopping, dining and entertainment opportunities should also be considered.

TABLE 4-6: SUMMARY OF CITY OF CARLSBAD RETAIL DEMAND PROJECTIONS	
Timeframe	New Demand for Retail Space (SF)
2008 - 2020	343,132
2020 - 2030	420,831
2030 - 2040	306,172
2008 - 2040	1,070,135

4.2 Retail Leakage

Exhibit 4-2 on the following page provides a retail marketplace profile for Carlsbad, including a retail leakage analysis. The leakage analysis presents a snapshot of retail opportunity in the city as a function of demand and supply. The retail gap represents the difference between retail potential (demand) within the trade area (Carlsbad city limits) and actual retail sales (supply) captured.²⁰ A positive value for a retail gap represents a “leakage” of retail opportunity outside the city, indicating that there is a demand for greater supply of that opportunity in the city. A negative value represents a surplus of retail sales, or a market where customers are drawn in from outside the trade area.

The following leakage analysis addresses unmet local demand of Carlsbad (the trade area) residents while the demand projections in Table 4-5 include both local demand and sub-regional demand from neighboring cities (the market area).

Exhibit 4-3 provides a graphical illustration of retail surplus and leakage by NAICS industry.

As indicated in Exhibits 4-2 and 4-3, a major surplus category is electronic shopping and mail-order houses. Since these businesses are located in the City of Carlsbad, their sales, including Internet sales, are taxable. However, the overall growing trend toward online shopping may result in increased sales leakage in many industry groups to market areas outside of San Diego County and California.

As shown in Exhibits 4-2 and 4-3, Car Country Carlsbad attracts residents from adjacent communities, providing a strong surplus in auto sales and in parts sold for vehicle maintenance and repair. Other major surplus categories include full-service restaurants (including those located at resorts/hotels). However, the city experiences large leakages in the sales of auto parts (e.g., Kragen, Pep Boys), accessories and tires and “Other Motor Vehicle Dealers” (e.g., RV, boat, motor sports/motorcycle) to neighboring jurisdictions (e.g., Oceanside, Vista). Another significant leakage is furniture, largely due to major furniture distributor and store districts in

²⁰ ESRI and Infogroup.

EXHIBIT 4-2: RETAIL MARKET PLACE PROFILE

Summary Demographics (as of 1/1/2010, SANDAG)

2010 Population	106,804
2010 Households	40,351
2009 Median Household Income (1999 \$ adjusted for inflation)	\$72,281

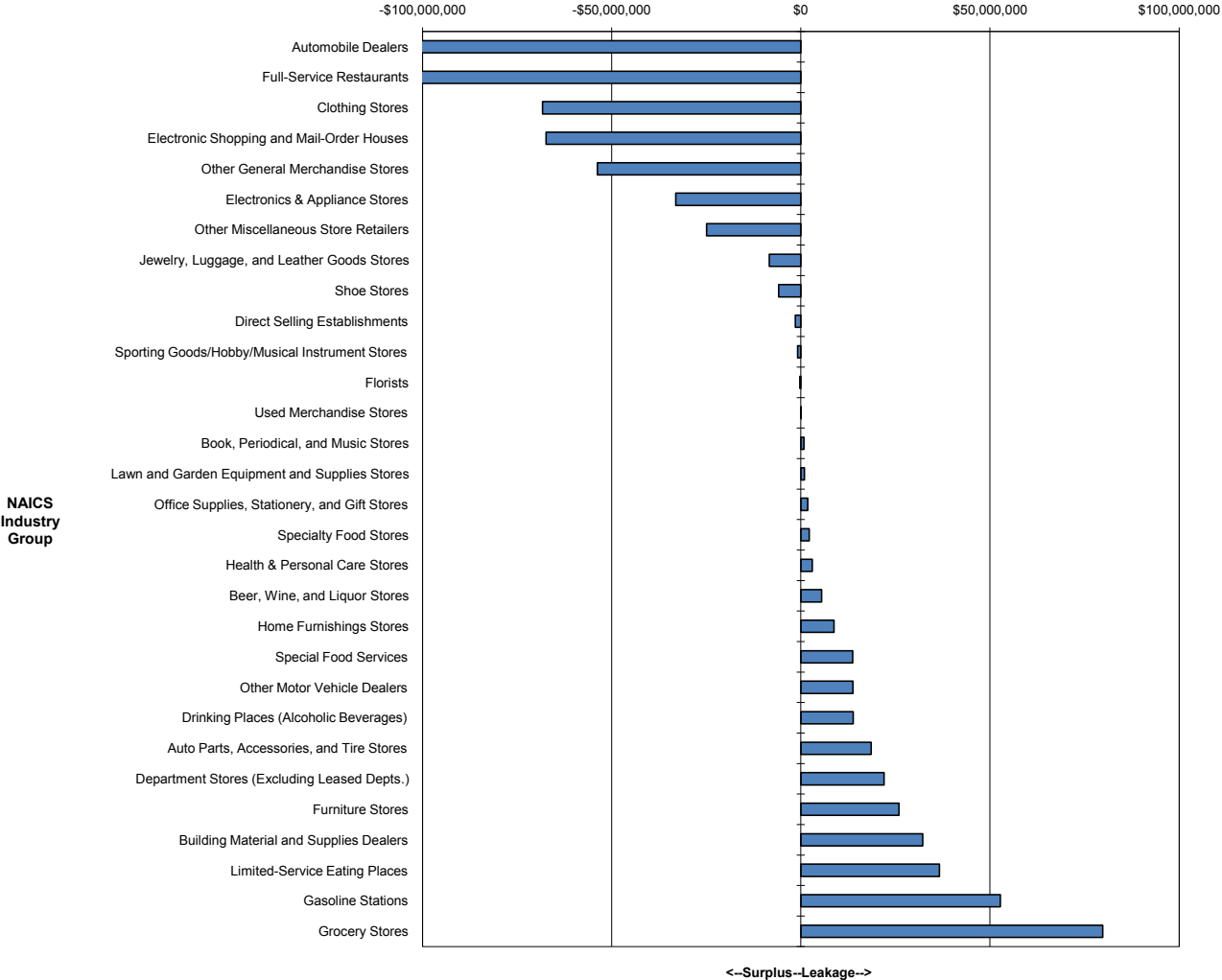
Industry Summary	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap (Demand - Supply)	Surplus / Leakage Factor	Number of Businesses
Total Retail Trade and Food & Drink (NAICS 44-45, 722)	\$1,643,157,859	\$2,270,713,480	-\$627,555,621	-16.0	1,015
Total Retail Trade (NAICS 44-45)	\$1,389,443,378	\$1,928,544,313	-\$539,100,935	-16.2	795
Total Food & Drink (NAICS 722)	\$253,714,481	\$342,169,167	-\$88,454,686	-14.8	220

Industry Group	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap	Surplus / Leakage Factor	Number of Businesses
Motor Vehicle & Parts Dealers (NAICS 441)	\$360,150,015	\$876,124,881	-\$515,974,866	-41.7	53
Automobile Dealers (NAICS 4411)	\$306,266,834	\$854,606,486	-\$548,339,652	-47.2	26
Other Motor Vehicle Dealers (NAICS 4412)	\$30,772,392	\$16,985,675	\$13,786,717	28.9	19
Auto Parts, Accessories, and Tire Stores (NAICS 4413)	\$23,110,789	\$4,532,720	\$18,578,069	67.2	8
Furniture & Home Furnishings Stores (NAICS 442)	\$59,395,628	\$24,700,644	\$34,694,984	41.3	39
Furniture Stores (NAICS 4421)	\$38,548,759	\$12,593,799	\$25,954,960	50.8	14
Home Furnishings Stores (NAICS 4422)	\$20,846,869	\$12,106,845	\$8,740,024	26.5	25
Electronics & Appliance Stores (NAICS 443/NAICS 4431)	\$44,344,179	\$77,430,908	-\$33,086,729	-27.2	96
Bldg Materials, Garden Equip. & Supply Stores (NAICS 444)	\$66,501,309	\$33,297,528	\$33,203,781	33.3	44
Building Material and Supplies Dealers (NAICS 4441)	\$63,839,124	\$31,596,357	\$32,242,767	33.8	33
Lawn and Garden Equipment and Supplies Stores (NAICS 4442)	\$2,662,185	\$1,701,171	\$961,014	22.0	11
Food & Beverage Stores (NAICS 445)	\$284,600,994	\$197,122,491	\$87,478,503	18.2	55
Grocery Stores (NAICS 4451)	\$264,464,875	\$184,653,180	\$79,811,695	17.8	20
Specialty Food Stores (NAICS 4452)	\$11,194,312	\$8,990,731	\$2,203,581	10.9	26
Beer, Wine, and Liquor Stores (NAICS 4453)	\$8,941,807	\$3,478,580	\$5,463,227	44.0	9
Health & Personal Care Stores (NAICS 446/NAICS 4461)	\$72,630,929	\$69,625,113	\$3,005,816	2.1	70
Gasoline Stations (NAICS 447/NAICS 4471)	\$185,105,634	\$132,342,849	\$52,762,785	16.6	17
Clothing and Clothing Accessories Stores (NAICS 448)	\$68,578,106	\$151,104,079	-\$82,525,973	-37.6	192
Clothing Stores (NAICS 4481)	\$54,385,379	\$122,688,258	-\$68,302,879	-38.6	126
Shoe Stores (NAICS 4482)	\$5,120,711	\$10,988,506	-\$5,867,795	-36.4	25
Jewelry, Luggage, and Leather Goods Stores (NAICS 4483)	\$9,072,016	\$17,427,315	-\$8,355,299	-31.5	41
Sporting Goods, Hobby, Book, and Music Stores (NAICS 451)	\$21,665,052	\$21,761,386	-\$96,334	-0.2	72
Sporting Goods/Hobby/Musical Instrument Stores (NAICS 4511)	\$11,099,787	\$11,990,884	-\$891,097	-3.9	52
Book, Periodical, and Music Stores (NAICS 4512)	\$10,565,265	\$9,770,502	\$794,763	3.9	20
General Merchandise Stores (NAICS 452)	\$158,894,248	\$190,646,627	-\$31,752,379	-9.1	18
Department Stores Excluding Leased Depts. (NAICS 4521)	\$99,351,115	\$77,334,027	\$22,017,088	12.5	7
Other General Merchandise Stores (NAICS 4529)	\$59,543,133	\$113,312,600	-\$53,769,467	-31.1	11
Miscellaneous Store Retailers (NAICS 453)	\$31,895,699	\$55,207,391	-\$23,311,692	-26.8	122
Florists (NAICS 4531)	\$2,013,517	\$2,267,523	-\$254,006	-5.9	19
Office Supplies, Stationery, and Gift Stores (NAICS 4532)	\$9,777,440	\$7,983,891	\$1,793,549	10.1	31
Used Merchandise Stores (NAICS 4533)	\$1,258,065	\$1,183,401	\$74,664	3.1	18
Other Miscellaneous Store Retailers (NAICS 4539)	\$18,846,677	\$43,772,576	-\$24,925,899	-39.8	54
Nonstore Retailers (NAICS 454)	\$35,681,585	\$99,180,416	-\$63,498,831	-47.1	17
Electronic Shopping and Mail-Order Houses (NAICS 4541)	\$18,471,812	\$85,808,541	-\$67,336,729	-64.6	8
Vending Machine Operators (NAICS 4542)	\$5,929,864	\$641,083	\$5,288,781	80.5	2
Direct Selling Establishments (NAICS 4543)	\$11,279,909	\$12,730,792	-\$1,450,883	-6.0	7
Food Services & Drinking Places (NAICS 722)	\$253,714,481	\$342,169,167	-\$88,454,686	-14.8	220
Full-Service Restaurants (NAICS 7221)	\$85,428,558	\$238,078,943	-\$152,650,385	-47.2	122
Limited-Service Eating Places (NAICS 7222)	\$127,190,987	\$90,565,331	\$36,625,656	16.8	79
Special Food Services (NAICS 7223)	\$22,794,247	\$9,094,876	\$13,699,371	43.0	13
Drinking Places - Alcoholic Beverages (NAICS 7224)	\$18,300,689	\$4,430,017	\$13,870,672	61.0	6

Data Note: Supply (retail sales) estimates sales to consumers by establishments. Sales to businesses are excluded. Demand (retail potential) estimates the expected amount spent by consumers at retail establishments. Supply and demand estimates are in current dollars. The Leakage/Surplus Factor presents a snapshot of retail opportunity. This is a measure of the relationship between supply and demand that ranges from +100 (total leakage) to -100 (total surplus). A positive value represents 'leakage' of retail opportunity outside the trade area. A negative value represents a surplus of retail sales, a market where customers are drawn in from outside the trade area. The Retail Gap represents the difference between Retail Potential and Retail Sales. ESRI uses the North American Industry Classification System (NAICS) to classify businesses by their primary type of economic activity. Retail establishments are classified into 27 industry groups in the Retail Trade sector, as well as four industry groups within the Food Services & Drinking Establishments subsector.

Sources: SANDAG 2010 Population and Housing Estimates (summary demographics); ESRI and Infogroup (leakage/surplus data).

EXHIBIT 4-3: LEAKAGE/SURPLUS BY INDUSTRY GROUP



Note: Surplus for Automobile Dealers and Full-Service Restaurants is -\$548,339,652 and -\$152,650,385, respectively.
 Source: ESRI and Infogroup.

adjacent cities (e.g., San Marcos). Grocery, specialty food and liquor stores also represent a large leakage category. Grocery leakage is likely the result of several factors, including affordable options in neighboring cities at “big box” supercenters and warehouse clubs, located on or near major transportation corridors. Another major leakage is in gasoline and service station sales. While Carlsbad’s gas stations have significantly higher gasoline prices per gallon than neighboring cities, adjacent cities have more convenient and affordable gas stations located in close proximity to Highway 78, Interstate 5 and major thoroughfares.²¹ As discussed earlier, the city’s leakage of sales in building materials, garden equipment and supply stores is anticipated to be addressed through the construction of the new Lowe’s home improvement store at the proposed Palomar Commons retail center.

These leakage categories represent existing demand that the city can capture today from local residents. The retail space demand projections in Table 4-5 represent future additional regional demand that the city can capture, particularly in these categories, from both city residents and the greater market area. Leakage categories therefore provide the greatest opportunity for local capture in the immediate future with additional and greater regional demand opportunities from the market area. The sooner leakage categories can be addressed by the city, the greater the ability of the city to strengthen its position in the market area to capture additional future demand from the entire market area, as projected in Table 4-5.

4.3 Demographic Trends

Demographic trends are an important factor in developing strategies to capture greater regional market demand in the retail categories identified in Table 4-5. Demographic trends also influence leakage factors since retailers require a certain demographic composition to justify sufficient demand to locate in a particular community or neighborhood. As Carlsbad residents proportionately increase in age and affluence, the shifting tapestry segmentation indicates that their retail preferences will change over time, preferring to eat out more regularly, shop at high-end department stores and increasingly use catalogs and the Internet for shopping. Given the existing surplus of food and beverage services in Carlsbad (see Exhibits 4-2 and 4-3), the city may have greater future opportunities to cater to local residents by providing upper scale dining, entertainment and shopping opportunities.

While home furnishings and appliances may not be as important to an aging population, such retail goods are important to the suburban-oriented tapestry segments that will continue to live in the city today and into the future. The suburban-oriented tapestry segments in Carlsbad will justify opportunities for the city to support the location of such retail uses in the city, which will assist in meeting the projected market area demand by 2040 for an additional 346,782 square feet of home furnishings and appliances (see Table 4-5). The location of such retail uses in Carlsbad will also reduce or eliminate Carlsbad’s current local leakage in this category. In other words, the city’s current leakage in this category presents an opportunity to capture a greater share of the sub-regional market area demand beyond the 52,013 square feet of this retail category projected to be provided in Carlsbad by 2040.

²¹ Motor Trend Gas Prices for Carlsbad, Encinitas, Oceanside, San Marcos and Vista, http://www.motortrend.com/gas_prices/32/california/san_diego/index.html, Retrieved August 16, 2010

4.4 Other Retail Trends

Carlsbad's high capture of the market area's taxable sales in apparel and automobiles reaffirms the importance of Plaza Camino Real and Car Country Carlsbad as regional assets to the city's economic base. Plaza Camino Real reflects the regional mall model that was common in the 1960s, including abundant parking and an indoor shopping environment. New and emerging trends in mall models focus on experiential design concepts, providing visitors with walkable environments where the experience of community gathering and connection is as important as the types of retail outlets provided. Given Carlsbad's tapestry segmentation, consumers will increasingly look to retail as a source of community connectivity, local products and business diversity²², as is manifested in the Carlsbad Community Vision and its defining core values. Additionally, retail is moving from a warehouse model to a showroom model in which potential buyers visit a store to try out a product before shopping online. Redevelopment and rehabilitation of major shopping destinations make regional malls a potentially significant leader in showcasing effective sustainable design, if they can meet consumers' growing demand for community gathering places and for smaller shop spaces that serve as showrooms.²³ As the retail environment changes, Carlsbad's major retail centers will either be updated to reflect current trends or become obsolete, weakening its retail strength and ability to capture future regional demand, as projected in Table 4-5.

Similarly, Car Country Carlsbad is a traditional auto park model. Auto parks were designed to increase consumer choice and showcase products side by side. Recently, however, increased automobile durability and use of the Internet for shopping has changed the market for auto parks. This retail district is in transition as the motorcar industry restructures and manufacturers' requirements evolve regarding dealer facility size, features and style. Table 4-5 projects by 2040 an additional 97,536 square feet of new demand for motor vehicles and parts in the market area, with 58,654 square feet of local capture in Carlsbad. Given the projected

demand and changing trends in auto park models, expansion and reconfiguration of Car Country Carlsbad should be considered. Opportunities for the city to also capture additional sales in auto parts, accessories and tires (a major leakage category) through existing auto dealerships or alternative models should be considered.

²² Urban Land Institute Magazine, January 2007.

²³ Urban Land Institute Magazine, January 2008.

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5 Hotel and Tourism



Hospitality in the San Diego region continues to struggle to recover from the recession, as national and local unemployment rates remain high, personal income fluctuates and gas prices rise. Given the level of uncertainty of leisure and commercial travel patterns during the life of the General Plan, the trend analysis provided in this chapter focuses on historical benchmarks in the Carlsbad/Oceanside hotel submarket in comparison to the La Jolla submarket and greater San Diego County regional market.²⁴

5.1 Local Profile and General Trends

As of 2008, the City of Carlsbad offered lodging for visitors at 35 hotels in 3,582 rooms.²⁵ In fiscal year 2009-10, 56 percent of transient occupancy tax

revenues were generated by five hotels: La Costa Resort and Spa, Four Seasons Aviara (now Park Hyatt), Hilton Garden Inn, Sheraton Carlsbad and Homewood Suites.²⁶ As shown in Table 5-1, the recession has had a significant impact on transient occupancy tax revenues for the city as revenues have fallen annually by about 10 percent the past two years and overall by 19.5 percent.

According to a city news release in 2010, “the two largest resorts in Carlsbad saw their transient occupancy taxes drop by \$1.6 million, although this decrease was partially offset by an increase in new hotel rooms in the city. The opening of the Sheraton Carlsbad Resort, Hampton Inn and Homewood Suites combined with the closing of the Olympic Resort resulted in a net increase of 416 rooms.”²⁷ The net result was a \$1.26 million drop in transient occupancy tax revenues between fiscal years

	FY 2007-08	FY 2008-09
Transient Occupancy Tax Revenue	\$14,277,352	\$12,752,422
Total General Fund (GF) Tax Revenue	\$98,398,974	\$97,273,299
TOT Percentage of Total GF Tax Revenue	14.51%	13.11%

Source: City of Carlsbad Finance Department

²⁴ Colliers PKF Hospitality Research defines the Carlsbad/Oceanside submarket as being “located north of the city of San Diego along the Pacific Ocean. Properties in this sector consist of resort hotels located on the beach, as well as full and limited-service hotels along Interstate 5,” and the La Jolla/Point Loma submarket as being “located north of San Diego along the coast of the Pacific Ocean. This area includes the communities of Del Mar, La Jolla and Rancho Santa Fe.”

²⁵ City of Carlsbad Planning Department

²⁶ City of Carlsbad Finance Department

²⁷ <http://www.carlsbadca.gov/about/news/pages/keeping-city-in-black.aspx>

2008-09 and 2009-10. Occupancy rates at moderate-priced and budget hotels were impacted particularly hard, largely due to price compression triggered by aggressive cuts by luxury hotels.²⁸ California has been particularly impacted by these trends. In 2009, there were record declines in revenue per available room, completed hotel sales and the number of hotels for sale. There was also a record jump in the number of distressed hotel properties.

According to a recent Urban Land Institute article, most hotel experts agree that a true recovery will not take place until at least 2011, and will likely remain slow until 2012. After the immediate downturn fades, new development in the resort sector will remain hampered by recent overbuilding, especially at the luxury level. Urban Land Institute suggests that new resort development will stall until existing distressed properties are recapitalized, shadow inventory is cleared, and infill, add-on, and completion of existing projects is completed.

Table 5-2 and the following discussion provide a closer examination of past hotel trends in multiple markets since 2005.

5.2 Hotel Benchmark Analysis

Table 5-2 provides a historical comparative analysis of hotel benchmark trends in the Carlsbad/Oceanside submarket, La Jolla submarket, and greater San Diego County regional market. While city-specific data for Carlsbad is not specifically provided, the analysis separates benchmark data for upper priced hotels with an average daily rate of \$100 or more and lower priced hotels with an average daily rate of less than \$100. Upper priced hotel data can be applied to discussions about the city's future opportunity for higher end hotels and resorts.

Average Daily Rates

Overall, the comparative analysis indicates that regional trends in the hotel industry between 2005 and 2010 (through August) are consistent in the Carlsbad/Oceanside and La Jolla submarkets. Average daily rates in the submarkets and regional market all rose between 2005 and 2008, and subsequently fell back to 2005 rates in the following year. Through August 2010, rates continue to fall in both submarkets and the regional market. Only upper priced hotels in the Carlsbad/Oceanside submarket have experienced an upward movement in average daily rates between 2009 and August 2010, from \$163.93 to \$164.14. However, compared to the La Jolla submarket and the regional market, overall average daily rates for upper priced hotels in the Carlsbad/Oceanside submarket fell by a much larger dollar value (-\$9.96) and percentage (-5.7 percent) between 2005 and 2010.

²⁸ "Hotel Segments and the Laws of Economics," Gregory Hartmann, Mar. 16, 2010

TABLE 5-2: HOTEL TRENDS BY SUBMARKETS (NOMINAL DOLLARS)¹

	2005	2006	2007	2008	2009	Thru Aug 2010	Change (2005 - 2010)	
							\$	%
AVERAGE DAILY RATE								
Carlsbad/Oceanside								
All Hotels	\$120.36	\$127.65	\$135.72	\$137.51	\$121.47	\$117.25	-\$3.11	-2.6%
Upper Priced Hotels	\$174.10	\$185.02	\$194.93	\$186.45	\$163.93	\$164.14	-\$9.96	-5.7%
Lower Priced Hotels	\$73.71	\$76.79	\$82.02	\$84.87	\$75.07	\$69.02	-\$4.69	-6.4%
La Jolla								
All Hotels	\$144.64	\$156.52	\$169.48	\$171.78	\$145.96	\$143.67	-\$0.97	-0.7%
Upper Priced Hotels	\$155.22	\$167.87	\$182.73	\$184.70	\$158.10	\$153.83	-\$1.39	-0.9%
Lower Priced Hotels	\$93.55	\$103.61	\$110.12	\$112.50	\$89.33	\$89.30	-\$4.25	-4.5%
San Diego County Region								
All Hotels	\$127.75	\$137.24	\$145.55	\$147.85	\$128.11	\$125.18	-\$2.57	-2.0%
Upper Priced Hotels	\$152.06	\$163.47	\$173.50	\$175.70	\$151.77	\$148.10	-\$3.96	-2.6%
Lower Priced Hotels	\$77.95	\$83.44	\$88.76	\$88.63	\$75.30	\$72.74	-\$5.21	-6.7%
OCCUPANCY RATE								
Carlsbad/Oceanside								
All Hotels	67.0%	65.9%	67.1%	63.5%	59.7%	61.3%	-	-5.7%
Upper Priced Hotels	70.5%	68.5%	68.8%	65.9%	61.4%	64.0%	-	-6.5%
Lower Priced Hotels	64.2%	63.8%	65.6%	61.1%	58.0%	58.4%	-	-5.9%
La Jolla								
All Hotels	72.5%	74.0%	74.1%	68.3%	62.0%	66.5%	-	-6.0%
Upper Priced Hotels	73.0%	73.9%	73.3%	67.5%	61.3%	66.6%	-	-6.5%
Lower Priced Hotels	70.0%	74.4%	77.6%	72.3%	65.5%	67.1%	-	-2.9%
San Diego Region (MSA)								
All Hotels	72.6%	73.7%	73.1%	69.8%	63.7%	66.9%	-	-5.7%
Upper Priced Hotels	74.4%	74.9%	74.1%	71.1%	64.9%	68.6%	-	-5.8%
Lower Priced Hotels	69.3%	71.2%	71.3%	67.0%	60.9%	63.3%	-	-6.0%
ROOM SUPPLY²								
Carlsbad/Oceanside								
All Hotels	4,826	4,919	5,039	5,545	5,667	5,730	-	904
Upper Priced Hotels	2,132	2,225	2,337	2,770	2,879	2,920	-	788
Lower Priced Hotels	2,694	2,694	2,702	2,775	2,788	2,801	-	107
La Jolla								
All Hotels	6,595	6,673	6,729	6,915	6,993	7,071	-	476
Upper Priced Hotels	5,423	5,501	5,557	5,747	5,825	5,907	-	484
Lower Priced Hotels	1,172	1,172	1,172	1,169	1,168	1,174	-	2
San Diego Region (MSA)								
All Hotels	52,568	52,773	53,727	55,104	57,189	57,825	-	5,257
Upper Priced Hotels	34,488	34,881	35,561	36,756	38,703	39,250	-	4,762
Lower Priced Hotels	18,080	17,892	18,166	18,348	18,487	18,575	-	495

¹ Upper Priced Hotels = \$100+ ADR; Lower Priced Hotels < \$100 ADR

² Room Supply = Average daily room nights available per quarter, represented as a change over previous year, same quarter.

Source: Colliers PKF Hospitality Research, September - November 2010 Hotel Horizons Forecast

Hotel Occupancy Rates

Hotel occupancy rates for both submarkets and the regional market consistently fell during the 2005 to 2010 timeframe. Lower priced hotels in the La Jolla submarket experienced the smallest reduction. Occupancy rates for upper priced hotels in the Carlsbad/Oceanside submarket reached a five-year low in 2009 with a 61.3 percent occupancy rate. Since then, the occupancy rate has begun to climb again and was reported at 64 percent as of August 2010.

During the Envision Carlsbad Phase 1 stakeholder interviews, two local executives noted that “there seems to be an issue with rooms seasonally” and that “60-65 percent of visitors [at one local resort] are there for conventions.” By focusing on bringing in visitors during off-peak times, for smaller conventions, golf events and other local activities, the city has the potential to increase occupancy rates within the city’s current inventory of room supply.

Hotel Room Supply

An indication of future demand is the addition of average daily room nights to a submarket’s hotel room supply. Between 2005 and 2010, the Carlsbad/Oceanside submarket’s hotel room supply increased by 935 average daily room nights, including 839 average daily room nights in upper priced hotels. During Fiscal Year 2008-09, the opening of three major upper priced hotels, the Sheraton Carlsbad Resort, Hampton Inn and Homewood Suites, combined with the closing of the Olympic Resort, resulted in a net increase of 416 rooms in the city, contributing to half of the 839 net increase in average daily room nights for upper priced hotels in the Carlsbad/Oceanside submarket.

Hotel Supply Pipeline

Table 5-3 provides a summary of the hotel supply pipeline for the selected submarkets. The pipeline includes projects at the pre-planning, planning, final planning, and construction stages of development.

TABLE 5-3: HOTEL SUPPLY PIPELINE¹

	Upper Priced			Lower Priced			Unclassified / Independent		
	Properties	Rooms	% Submkt.	Properties	Rooms	% Submkt.	Properties	Rooms	% Submkt.
Carlsbad/Oceanside	4	705	12.2%	0	0	0.0%	3	132	2.3%
La Jolla	3	563	8.1%	0	0	0.0%	2	205	2.9%
San Diego Region	15	3,077	5.3%	5	433	0.7%	16	4,297	7.4%

¹ Includes pre-planning, planning, final planning, and construction stages.

Source: Colliers PKF Hospitality Research, September - November 2010 Hotel Horizons Forecast

From 2005 through August 2010, new hotel room supply for upper priced hotels in the Carlsbad/Oceanside submarket grew by a total of 788 available room nights. According to Colliers PKF Hospitality Research (see Table 5-3), 705 new rooms are currently in the pipeline for upper priced hotels, which would represent 12.2 percent of the submarket’s upper price hotel room supply. The City of Carlsbad Planning Department’s list of pipeline projects approved but not yet built includes seven properties with 702 hotel rooms, 116 condominium hotel rooms and 224 timeshare rooms, indicating that most, if not all, new rooms in the Carlsbad/Oceanside submarket are planned to be located in Carlsbad. These new

projects will include a proposed new 250 room Legoland Hotel in Carlsbad. According to the City of Carlsbad Planning Department, a 2012 opening may be feasible. Other hotel projects in the city’s list of approved pipeline projects are listed in Table 5-4.

563 rooms are currently in the pipeline in the La Jolla submarket for upper priced hotel rooms. The Carlsbad/Oceanside submarket’s growing share of the regional market for upper priced hotels indicates that Carlsbad will continue to capture future demand for new resort hotels along the northern coast of the region.

TABLE 5-4: HOTEL PROJECTS IN DEVELOPMENT PIPELINE (DECEMBER 2009)		
Project Name	Location	Rooms
DKN Hotel	3136 Carlsbad Boulevard (Carlsbad Village)	104
Lumiere Mixed-use Hotel	3150 Ocean Street (Carlsbad Village)	39
Legoland Hotel California	Legoland Drive and Cannon Road	250
Sheraton Phase II Hotel	5480 Grand Pacific Drive	94
Sheraton Phase II Timeshares	5480 Grand Pacific Drive	224
Hilton Hotel (Ponto)	Poinsettia Lane and Carlsbad Boulevard	215
La Costa Resort Expansion (Condo Hotel)	2100 Costa Del Mar Road	116
		1,042

Source: City of Carlsbad Planning Department

5.3 Leisure, Tourism and Commercial Travel

Visitors to Carlsbad are served by 2,138 workers from 99 companies in the entertainment and recreation sector, including the roughly 860 employees of Legoland California.²⁹ Other major attractions include the city's two public golf courses (The Crossings and Rancho Carlsbad) and two private golf courses (La Costa and Aviara). In addition to its desirable location, Carlsbad has the opportunity to benefit from its natural advantages in future trends in resort development, including an increased focus on green development and ecotourism, multi-generational resorts, which can cater to the interests of multiple generations of family members, and niche resorts, which attract a narrow segment of enthusiasts of a particular activity, such as golf or surfing.

An important issue that was raised during the Envision Carlsbad Phase 1 stakeholder interviews was under-utilization of McClellan-Palomar Airport. One local business executive noted that “less than 20 percent of trips that are from Carlsbad for [company] business [go through McClellan Palomar],” and that it would be “advantageous if more people flew in and out of the city for tourism.” An August 9, 2010 San Diego Business Journal article, “Charter Flight Services Steer Clear of Economic Turbulence,” observed that “San Diego-area charter aircraft operators hired for corporate executive travel are facing headwinds as the economy has prompted companies to hire smaller, less expensive jets or choose more economical modes of transportation.” According to the article, these difficult trends are resulting in new or transformed charter businesses that focus on using more fuel-efficient planes for short-haul flights to allow clients to avoid commercial airline travel and to provide cost savings over more expensive charter jet flying. A new charter business, Air2Air Corp., is reported to have grown by at least five percent monthly since opening in August 2008 at McClellan-Palomar Airport. While regular charter services are down (estimated at 60 percent from two years ago), new business trends in the industry may create new potential for attracting executive

and corporate travel to the city by way of McClellan-Palomar Airport.

An April 10, 2010 San Diego Business Journal article, “Local Airline Prepares for Takeoff Late This Year or Early Next,” also reported on the unveiling of a brand new regional aircraft company, California Pacific Airlines, which plans to begin operations out of McClellan-Palomar Airport at the end of 2010 or early 2011. The airline will provide nonstop service to major destinations in California, Arizona and Nevada, including Sacramento, San Jose, Oakland, Las Vegas and Phoenix. A second phase in the airline's business development would include weekend service to selected cities in Mexico.

Longer range forecasts prepared by the San Diego County Regional Airport Authority also project a 40 percent increase in annual aircraft operations at McClellan-Palomar Airport between 2006 and 2026.³⁰

²⁹ ESRI Business Analyst Online

³⁰ San Diego County Regional Airport Authority, “McClellan-Palomar Airport Land Use Compatibility Plan,” amended March 4, 2010

6 Business Climate



Key trend data and demand forecasts for the General Plan update have been provided in previous chapters. This chapter is intended to augment the discussion by providing a narrative overview of emerging trends in the global and regional marketplace that the EC3 and decision-makers may wish to consider. The overview is intended to provide high-level context, rather than quantify future demand for specific land uses.

6.1 Global and National Market Trends

Global and national trends in emerging industries and technology will have a significant impact on Carlsbad's local economy given the city's competitive position as an expanding employment hub for the biotechnology and high-technology industries. One trend is the acceleration of small business formations. At the national level, Challenger, Gray & Christmas' job market index showed that 8.7 percent of people who found new employment in the second quarter of 2009 did so by forming their own businesses. Many of these entrepreneurs have turned hobbies into businesses, and the San Diego region's wealth of educated, technologically savvy workers could provide a boost to high-technology business startups. The demographic projections provided in Chapter 2 of this working paper also indicate anticipated local growth of the "Enterprising Professionals" tapestry segment profile in the city that would provide a readily available source of new high-technology entrepreneurs.

A second trend is the increasing ability to network and work globally. This will reduce the incentive for many workers, particularly in infrastructure-

sparse fields, such as software development, to relocate for work. A corollary to this trend is that more work will continue to be outsourced to lower wage locations, such as the BRIC countries (Brazil, Russia, India, and China). A second corollary is the emergence of "borderless venture capital." As informal and formal global networks emerge, it will become easier for venture capitalists to identify and fund opportunities across borders.

A third significant trend is the aging of the global and national population. As baby boomers age, their overwhelming market power will dictate changes in business strategies. This will affect Carlsbad by increasing the demand for senior housing, for health and wellness services, and for smaller, more convenient places to live and shop. According to the Bureau of Labor Statistics, three of the ten fastest growing job sectors in the U.S. are in-home health-care, elderly and disabled services and community care facilities for the elderly. Over the next 30 years, the city's projected increase in number of residents over the age of 85 affirms these growing demand trends.

6.2 Regional Market Trends

Shortages of qualified workers for Southern California's innovation-based economy will present hurdles to further growth of Carlsbad's biotechnology and high-technology industry. One trade association executive noted during Envision Carlsbad Phase 1 stakeholder interviews that one thing the city should "take a clear lead on is to make sure to identify the skill sets needed for the jobs being created in the city, and then working with the local colleges to ensure education is accessible."

This worker shortage will likely be partially filled in the region's technology industries by outsourcing and attracting foreign talent. The region also faces worker shortages in nursing and other health professions. These jobs will be filled through a combination of recruiting students into appropriate fields of study and by attracting foreign workers.

The region will also face increasing water shortages. While Carlsbad has made a significant effort to combat water shortages through the installation of recycled water irrigation systems and the development of the Poseidon desalination plant, regional water shortages will likely continue to grow as the region's population increases and industries, such as robotics and biotechnology, place greater demands on limited water supplies, particularly imported water. Biotechnology uses, in particular, are heavy users of water. For example, to manufacture one kilogram of recombinant microbial protein drug, a biopharmaceutical company might need 15-30,000 liters of water, or enough to fill a moderate sized swimming pool.³¹ The General Plan and the city's Growth Management Plan should consider goals and policies that ensure sufficient water resources would be regionally and locally available to support Carlsbad's growing biotechnology field.

Policy Environment

Much of SANDAG's demographic projections under the 2050 Regional Growth Forecast are driven by planning efforts for the Regional Comprehensive Plan and Regional Transportation Plan. In 2008, the State Legislature enacted Senate Bill 375 (Chapter 728, Statutes of 2008), a landmark bill that made fundamental changes to Californian's transportation planning process, linking regional transportation plans and local housing elements to greenhouse gas emission reduction targets under Assembly Bill 32 (Chapter 488, Statutes of 2006). As these types of state and regional planning policies targeted at environmental conservation expand, local pressure to reduce vehicles miles traveled (VMT) will increasingly become a key factor in the formation of local land use plans and policies,

including the need to locate services (e.g., daycare, dry cleaning, dining) closer to major employment centers. Several stakeholders during Envision Carlsbad Phase 1 noted the lack of such facilities including one golf company executive who noted the "lack of services for employees during the day; must drive long distances to get to services." A communications company executive also noted "there isn't anywhere to eat [on the eastern side of El Camino Real]." Efforts to address the demand for retail goods and services in these employment centers are already underway, including the recent construction of the Staples retail center and Bressi Village shopping center. Projects approved but not yet built in and around these employment centers also include La Costa Town Square, Palomar Commons, and retail sites in Carlsbad Oaks North.

³¹ California Research Bureau, "Business Needs of Biotechnology", http://www.library.ca.gov/crb/96/07/BIOT_CH5.html, Aug. 16, 2010

7 Planning Issues and Implications



7.1 General Plan Opportunities

As Carlsbad's residential areas near buildout and vacant, developable land continues to decrease, the community's General Plan opportunities should focus on continued expansion of key job clusters, capturing future commercial and industrial demand through land uses that can adapt to emerging trends, supporting existing hotel/resort uses year-round through enhanced tourism and marketing, and repositioning older, existing assets and neighborhoods for renewed investment and economic prosperity.

Residential

Buildout of the city's residential communities will continue under the guidance of the city's Growth Management Plan. New residential development will likely follow past trends and predominantly consist of single-family neighborhoods within planned communities. Future General Plan opportunities and challenges will involve the city's older, established residential neighborhoods, primarily in the northwest quadrant. In these established neighborhoods, opportunities exist to establish housing at increased densities located around transportation centers and other community amenities (e.g., parks, shopping, schools, jobs or employment centers), which could provide workforce housing for major job clusters, particularly in the manufacturing, hospitality and tourism industries. As older housing stock in the northwest quadrant nears the end of its life cycle, infill development should be planned for by identifying appropriate locations for new or rehabilitated multifamily housing. A key factor will be shifting housing demand by density type. As population projections and demographic

trends lead toward a change in resident profiles with a growing preference for multifamily housing, the city will need to consider where, when and how it will provide opportunities for increased densities near resident-serving services and retail. Population projections also indicate that the number of residents 85 years of age and older will significantly grow during the next 30 years, particularly between 2030 and 2040. The city will need to consider where, when, and how it will meet a growing demand for senior housing, including assisted living facilities such as the proposed 300-unit Dos Colinas project.

Office, Research and Development, and Light Industrial

There are approximately 10,000 acres of developable employment lands remaining in San Diego County. Carlsbad is one of five key planning areas in the region that will capture future job growth. The city's key job clusters provide guidance for capturing this future growth and how to plan for Carlsbad's 454 acres of developable employment land amongst industries, particularly between manufacturing/light industrial and research and development/business park/office uses. Current trends indicate that the high cost of land will continue to detract from retention, expansion, and attraction of manufacturing uses. As the city's reputation as a growing employment hub for biotechnology and high-technology spreads, land uses, policies and partnerships with local universities should be explored as a means for promoting further growth of the biotechnology and biomedical job clusters. Office uses that support corporate headquarters should also be a priority but balanced with the understanding that related manufacturing uses for those businesses will be deterred by Carlsbad's relatively higher land

costs and the growing trend to relocate manufacturing operations across the U.S.-Mexican border or overseas.

Consideration should also be given to new and emerging job clusters and the trend toward smaller entrepreneurial startups and the decentralization of large office-based businesses due to increasing use of technology for telecommuting. With limited land supplies to expand job clusters, the city should consider how it could creatively leverage vacant or under-utilized city-owned assets to partner with investors in leading industries. A prime example of this is the city's current efforts to create a green/clean technology business incubator on city-owned property at 2351 Faraday Avenue. Current trends toward increased venture investment funding of these emerging industries will provide a near-term opportunity for the city to assess the relative success of the proposed incubator program and evaluate Carlsbad's competitive strength in supporting new green/clean technology startups and attracting established companies to the city. The city should also consider whether commercial retail and services should be incorporated in future employment centers to facilitate walkable environments that entrepreneurs and their employees may seek. The city should also consider a broader inventory of vacant or under-utilized privately-owned properties to support its economic development objectives.

Retail

The city's retail strength is evident in its high capture of taxable sales in the sub-regional market across major retail categories. Development of the proposed Lowe's home improvement store will address a major leakage category and ensure that the city will capture a much higher share of the market area's future sales in home building and related goods. As the city considers forecasted demand for future retail space, it should examine other leakage categories such as auto parts/accessories/tires, home furnishings and appliances and grocery stores. Addressing leakage in these areas today will ensure the city will capture a greater share of taxable sales in the market area in the future as the region's customer base grows.

The greatest retail opportunities in the near-term involve Carlsbad's existing regional assets, particularly Plaza Camino Real and Car Country Carlsbad. To prevent further obsolescence of these prime properties, the EC3 and the city will need to consider changes in consumer preferences, particularly in a community with a population that is aging, becoming more affluent and increasingly using the Internet for shopping. Carlsbad's current and future tapestry segments are seeking upscale shopping and dining experiences in a walkable environment that provides community gathering spaces and opportunities for connectivity. Reconfiguration of Plaza Camino Real should prioritize these trends and focus on creating a lifestyle center that functions like a "downtown district," offering a combination of retail, restaurant, entertainment and grocery options, and possibly incorporating residential uses within the center. Car Country Carlsbad will also need to consider consumers' increasing use of the Internet for auto purchases and the need to improve the auto park's appearance, traffic flow and connectivity with surrounding uses.

In addition to regional assets, Carlsbad Village and the Barrio present ongoing opportunities to provide residents pedestrian-oriented retail and shopping. As household incomes continue to increase, configuration of retail spaces should support upper scale shops.

Hotel

While future hotel demand is challenging to forecast, there is already current activity to expand the city's inventory of upper priced hotels and resorts. With 1,042 new hotel and timeshare rooms currently in the pipeline in the City of Carlsbad, Carlsbad's continued capture of future hotel demand in the local submarket and regional market is likely, including opportunities for new resort hotels. Given the city's limited land supply for these land-intensive uses, the city should ensure it can provide land for future hotel sites, if future demand arises. Supporting existing hotels/resorts through land use and economic development policies that promote year-round tourism and visitation to the city should also be a policy focus.

Redevelopment

Given the recent expiration (July 2010) of the Carlsbad Village Redevelopment Project Area and the limited geographic boundaries of the South Coastal Carlsbad Redevelopment Project Area, the city will need to consider how revitalization or rehabilitation of existing uses and infrastructure will occur without the Redevelopment Agency's powers and tools. This will be an important consideration as the demand for higher density multifamily housing increases in the near-term in older, established neighborhoods like Carlsbad Village and the Barrio. The fiscal impact analysis that will be prepared for the General Plan update will need to examine the city's existing and potential financing tools to fund the new and upgraded public facilities and infrastructure needed to support future growth and redevelopment of the city.

7.2 Planning Issues and Implications

Based on the trends presented in this working paper, key questions for the EC³ and city to consider for community's core value of "The Local Economy, Business Diversity, and Tourism" are:

1. *How should the city program the decreasing supply of vacant, developable land and spur redevelopment of existing underutilized land to: (1) Facilitate future growth of existing job clusters; (2) Promote tax-generating uses within those clusters; and (3) Support the creation of new job clusters in emerging industries (e.g., green/clean technology)?*

SANDAG projects more than 21,000 new jobs will be created in Carlsbad over the next 30 years through 2040. The distribution of these jobs between manufacturing/light industrial and research and development/business park/office uses will be a critical factor in programming the city's remaining 454 acres of developable employment land to capture future job growth in key industries and trade clusters. While the 454 acres of accounts for redevelopment/infill development, the conversion of existing buildings to support new employment

uses should be considered as a means for meeting future demand for building space. Existing job clusters and projected demographic trends indicate that a large amount of new Carlsbad jobs will be higher wage jobs. Carlsbad's proximity to major research-oriented academic institutions (e.g., UCSD) provides highly educated and trained workforce members to fill those jobs. It also provides important opportunities for the city and local and regional business leaders to partner with those institutions to educate and train future business leaders in emerging industries (e.g., green/clean technology) that can result in the creation and expansion of new job clusters. Office, research and development, and light industrial land uses should also be distributed and located to support already-expanding job clusters..

2. *What General Plan goals, objectives, and policies could the city adopt to provide incentives that attract businesses that expand key job clusters and establish new and emerging clusters?*

Given the nexus between educational institutions in the region and Carlsbad's scientific research and development job cluster, the city should consider General Plan goals, objectives and policies to create more formal relationships between the city, nearby universities and local research and development companies, and explore opportunities to program land uses for joint research facilities that benefit all parties, promote the local and regional economy, and provide a platform for the emergence of new technologies and job clusters.

3. *How can the city plan for and leverage its own real property assets to achieve the Carlsbad Community Vision?*

Given the limited supply of developable land in Carlsbad, the city may have the ability to leverage its own real property assets to attract new capital investment, expand business operations of growing employers, and/or explore partnership opportunities with nearby universities and research and development companies. If such opportunities exist, appropriate land use designations for those asset properties should be considered.

4. *As the city nears buildout under the Growth Management Plan and the age of existing housing stock in older neighborhoods reaches the end of its life cycle, what types and densities of residential uses should replace existing stock, and what are the opportunities to provide workforce housing for the growing hospitality job cluster and tourism industry through infill development and multifamily rehabilitation?*

To support Carlsbad's growing hospitality job cluster and tourism industry, consideration should be given to General Plan goals, policies and land use designations that seek to ensure a sufficient local workforce exists. As regional planning efforts to reduce vehicle miles traveled increase under SB 375, the city will need to consider the interconnectivity of local and regional public transportation systems (e.g., bus, Sprinter, Coaster) to promote the mobility of its local work force. The General Plan update should also consider infill development opportunities in established neighborhoods, particularly in the northwest quadrant that may be appropriate for increased densities and multifamily workforce housing that is located near public transit and community amenities and services.

5. *What opportunities exist in the near-term for the city to capture forecasted demand for retail space within the city's current leakage categories?*

The demand projections for future retail space combined with the city's leakage data provide guidance for capturing existing and future demand for retail goods and services within the city. Capturing a greater share of local demand in the near-term within leakage categories will strengthen the city's position and ability to capture a greater share of the sub-regional demand for retail space and taxable sales in those categories in the future.

6. *What innovative land use designations and policies would promote reconfiguration of existing regional retail assets to adapt to emerging consumer trends and shopping preferences?*

Plaza Camino Real and Car Country Carlsbad present the greatest near-term opportunities to expand upon Carlsbad's already-strong retail base. The General Plan update should consider today's buyer profile and seek to establish land use policies that promote walkable environments, opportunities for community connectivity and a diversity of businesses. In addition to land use scenarios that promote reconfiguration of these older assets, the city will need to continue to consider policies and tools that will help incentivize investment into these properties.

7. *How can the city continue to build upon its defining attributes and work with key stakeholders (e.g., resorts, golf courses/manufacturers) to increase year-round tourism?*

Transient occupancy taxes generate a significant share of the city's general fund revenues. Additionally, visitors to the city also support restaurants and stores, further contributing to the city's economic vitality. A number of projects that will add to the city's inventory of hotel rooms are currently in the pipeline, and will proceed when the economy turns around, indicating the continued long-term attraction of Carlsbad to visitors.

As described previously, supporting existing hotels/resorts through land uses and economic development policies that promote year-round tourism could provide future opportunities to expand those uses to support larger events. A targeted tourism enhancement strategy should: (1) seek to develop currently untapped or underutilized amenities, such as the recreational/tourism potential of the lagoons; (2) promote linkages between the city's attractions to extend visitor stay; (3) cultivate new niches, such as eco-tourism; and (4) provide additional amenities in the beach areas such as restrooms, showers, food services, and hotel shuttle drop-off/pick-up areas, as recommended by one of the resort operators during the Envision Carlsbad Phase 1 stakeholder interviews.