REGIONAL PLANNING COMMITTEE

Friday, August 3, 2007
12 noon to 2 p.m.
SANDAG Board Room
401 B Street, 7th Floor
San Diego

AGENDA HIGHLIGHTS

- REGIONAL COMPREHENSIVE PLAN: 2007 ANNUAL PERFORMANCE MONITORING REPORT
- DRAFT 2007 REGIONAL ECONOMIC PROSPERITY STRATEGY
- REGIONAL HABITAT PRESERVATION
- FY 2008 REGIONAL PLANNING COMMITTEE ANTICIPATED ACTIONS AND DISCUSSION ITEMS

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MISSION STATEMENT

The Regional Planning Committee provides oversight for the preparation and implementation of the Regional Comprehensive Plan that is based on the local general plans and regional plans and addresses interregional issues with surrounding counties and Mexico. The components of the plan include: transportation, housing, environment (shoreline, air quality, water quality, habitat), economy, borders, regional infrastructure needs and financing, and land use and design components of the regional growth management strategy.
Welcome to SANDAG. Members of the public may speak to the Regional Planning Committee on any item at the time the Committee is considering the item. Please complete a Speaker’s Slip, which is located in the rear of the room, and then present the slip to Committee staff. Also, members of the public are invited to address the Committee on any issue under the agenda item entitled Public Comments/Communications/Member Comments. Speakers are limited to three minutes. The Regional Planning Committee may take action on any item appearing on the agenda.

This agenda and related staff reports can be accessed at www.sandag.org under meetings on SANDAG’s Web site. Public comments regarding the agenda can be forwarded to SANDAG via the e-mail comment form also available on the Web site. E-mail comments should be received no later than noon, two working days prior to the Regional Planning Committee meeting.

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## REGIONAL PLANNING COMMITTEE
**August 3, 2007**

<table>
<thead>
<tr>
<th>ITEM #</th>
<th>RECOMMENDATION</th>
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<tr>
<td>+1.</td>
<td>APPROVAL OF JUNE 1, 2007, MEETING MINUTES</td>
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<td>2.</td>
<td>PUBLIC COMMENTS/COMMUNICATIONS/MEMBER COMMENTS</td>
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Members of the public will have the opportunity to address the Regional Planning Committee (RPC) on any issue within the jurisdiction of the Committee. Speakers are limited to three minutes each and shall reserve time by completing a “Request to Speak” form and giving it to the Clerk prior to speaking. Committee members also may provide information and announcements under this agenda item.

### CONSENT (Items 3 and 4)

<table>
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<tr>
<th>+3.</th>
<th>ANNUAL REVIEW OF BOARD POLICY NO. 033: IMPLEMENTATION GUIDELINES FOR SANDAG REGIONAL HOUSING NEEDS ASSESSMENT MEMORANDUM (Susan Baldwin)</th>
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</thead>
</table>

SANDAG Board Policy No. 033 requires an annual review and evaluation to determine whether changes to the Regional Housing Needs Assessment (RHNA) implementation guidelines are needed. The Executive Committee and Board of Directors discussed these issues at their June 8 and June 22, 2007 meetings, respectively. Staff recommended that no changes to Board Policy No. 033 be made at this time, but that the policy be reviewed again in 2008.

<table>
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<tr>
<th>+4.</th>
<th>SMART GROWTH TOOL BOX: CRITERIA FOR SELECTING NEXT PILOT PROJECTS FOR I-PLACE$^3$S SKETCH MODELING TOOL (Carolina Gregor)</th>
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As part of the Regional Comprehensive Plan (RCP) implementation program, SANDAG is developing a "Smart Growth Tool Box" this fiscal year. One of the programs in the Tool Box is the I-PLACE$^3$S tool, an internet-based planning program designed to provide communities with the opportunity to develop and evaluate alternative land use scenarios for selected areas. Last year, SANDAG partnered with the City of Escondido as part of a Pilot program to test the application of I-PLACE$^3$S in a smart growth context. SANDAG is ready to initiate two additional pilot projects this fiscal year. The RPC is asked to approve the proposed criteria for selecting the additional projects. The additional pilot projects will be announced in October, and at that meeting, Escondido planners will demonstrate the application of I-PLACE$^3$S to their Downtown Specific Plan Update.
The Regional Comprehensive Plan, adopted in 2004, provides a consensus statement of the region’s vision, goals, key issues, and needed actions. The Plan also calls for ongoing monitoring to track progress toward implementation. In 2006, SANDAG released the Regional Comprehensive Plan: Establishing a Baseline for Monitoring Performance, to serve as a benchmark for all future annual performance monitoring reports. The Regional Planning Committee is now asked to release the 2007 RCP Performance Monitoring Report for a 60-day public review period.

The Regional Economic and Prosperity Strategy is an element of SANDAG’s Regional Comprehensive Plan. Previous Prosperity Strategies tracked San Diego’s progress through the economic restructuring of the mid to late 1990s. An overview of the draft 2007 Regional Economic Prosperity Strategy (REPS) was presented to the RPC on June 1, 2007, as part of the joint meeting held with the Transportation Committee. The focus for this agenda will be on the Recommended Actions and public comments received on the draft report. The RPC is asked to discuss and comment on the draft 2007 REPS.

The RPC is asked to recommend that the Board of Directors approve the proposed cost allocation methodology as recommended by the Shoreline Preservation Working Group for the preliminary planning phase of a regional beach sand replenishment project. The recommended distribution of costs among coastal cities was discussed and a recommendation was made by the Shoreline Working Group at its July 12, 2007, meeting.

In July 2007, the SANDAG Policy Board discussed regional habitat preservation, including an overview of the habitat preservation plans, past SANDAG efforts and commitments, the impact on local jurisdictions and stakeholders, a scientific perspective on long-term habitat preservation, and what the region needs to accomplish habitat preservation. SANDAG staff will provide an overview of the discussion as well as one of the key implementation efforts underway by the EMP Working Group.
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<td>+9.</td>
<td><strong>ANTICIPATED REGIONAL PLANNING COMMITTEE (RPC) ACTIONS AND DISCUSSION ITEMS FOR FISCAL YEAR 2008</strong> (Coleen Clementson)</td>
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<td><strong>DISCUSSION</strong></td>
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<td>This report outlines anticipated actions and discussion items for the RPC based upon the SANDAG Board-adopted Fiscal Year 2008 Overall Work Program and suggests a calendar of meetings with themes that implement the Regional Comprehensive Plan. The RPC is asked to discuss and comment on the attached report.</td>
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<td>10.</td>
<td><strong>UPCOMING MEETINGS</strong></td>
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<td><strong>INFORMATION</strong></td>
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<td>The September meeting of the Regional Planning Committee has been cancelled. The next meeting is scheduled for October 5, 2007, at 12 noon and will focus on Smart Growth Planning Tools.</td>
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<td>11.</td>
<td><strong>ADJOURNMENT</strong></td>
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<td>+ next to an item indicates an attachment</td>
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The joint meeting of the Transportation Committee and the Regional Planning Committee was convened by Chair Madaffer and Chair Jerry Jones, East County, at 11:05 a.m.

REPORTS

D. DRAFT 2007 REGIONAL ECONOMIC PROSPERITY STRATEGY (INFORMATION)

Councilmember Monroe introduced the item. As Co-Chair of the Regional Economic Evaluation and Prosperity Strategy Advisory Working Group (Advisory Group), he and the committee studied regional and national data and from that compiled the two-volume report Preparing for Regional and Global Collaboration. The report defines strategic goals, recommended actions, identifies public policies and infrastructure investments, and proposes responsible agencies and organizations. The document endorses some politically-sensitive recommendations such as free trade, the need for transmission line in energy, stepped-up action in water reformation, and nuclear energy as a source of future energy supply. Councilmember Monroe urged committee members to read the report.

Chair Madaffer recognized that Charlene Zettel, Airport Authority, was present and stated that she would be assigned as the alternate from the Airport Authority for the Transportation Committee.

Marney Cox provided an overview of the 2007 draft Regional Economic Prosperity Strategy (Strategy). The Strategy is an element of SANDAG’s Regional Comprehensive Plan. Previous Strategies tracked San Diego’s progress through the economic restructuring of the mid to late 1990s. The 2007 draft prosperity strategy focuses on defining and analyzing the region’s current challenges and outlining strategies to improve San Diego’s economic performance.

The strategy focuses on benchmark results from the study of state and national trends in 25 comparable regions. After analysis of the observations and data, the Advisory Group developed the Strategy, which is organized in four indicator areas: social and economic performance, business vitality, resources for economic growth, and infrastructure capacity. Focus for the San Diego region is to slow the rate of cost of living and increase the rate of wage growth. Mr. Cox presented the factors affecting the rate of the cost of living and wage growth. Mr. Cox discussed how the four indicator areas affected the San Diego
region’s standard of living. The Strategy includes a total of nine goals and 26 specific recommended actions. Mr. Cox highlighted two goals that would have the greatest impact to the region’s standard of living: increase housing supply to stabilize prices, and a goods movement strategy and action plan. Mr. Cox stated that the region needs to focus on the visitor industry model for job growth and utilize a collaborative approach with other regions to implement the prosperity strategy.

Supervisor Roberts requested clarification on the statement that the region would see a $2 billion benefit by improving border crossing speeds.

Mr. Cox stated that the impact from improved, faster goods movement and the increase in dollars spent for employment and recreational activity here in the United States would realize a $2 billion benefit.

Supervisor Roberts asked staff to define which category would include military spending. Military spending is high in our region and should have a higher impact than some of the employment clusters indicated in the report. Supervisor Roberts stated that the military spending seems to be significant enough to be included in the strategy.

Mr. Cox stated that military spending is considered an employment traded cluster in terms of tax dollars spent and the housing service provided to those military personnel but the uniformed military component impact to the region’s economy is relatively low.

Mayor Holt Pfeiler asked staff whether the tribal lands and gaming were included in the entertainment industry cluster and staff indicated that it was included in the data.

Councilmember Bob Campbell (North County Inland) requested clarification on the differential between housing rentals and home sales numbers.

Mr. Cox explained that as housing prices continue to increase and sales continue to fall, more units are being offered as rentals. Without a major downswing in home prices, more units will become rentals.

**Action:** This item was presented for information only.

**CONSENT**

A. SMART GROWTH TRIP GENERATION AND PARKING DEMAND STUDY (INFORMATION)

In FY 2008, SANDAG will be embarking on a study to evaluate smart growth trip and parking rates for use in updating the SANDAG traffic generator model and Smart Growth Design Guidelines. The report provides an overview of the study and anticipated outcomes. This item was presented for information only.

**Action:** Upon a motion by Deputy Mayor Rindone (South County) and a second by Supervisor Pam Slater-Price, County of San Diego, the Transportation Committee and Regional Planning Committee accepted Consent Item A.
Tom Scott, Executive Director, San Diego Housing Federation, stated his support for the item and asked the committee to place emphasis on affordable housing parking demand. He requested that the study focus on the parking needs for affordable housing in the smart growth areas.

REPORTS

B. SURVEY ON FINANCIAL IMPACT ON TRANSIT FACILITIES AT REGIONAL SHOPPING CENTERS (INFORMATION)

Item B was deferred to future Transportation and Regional Planning Committee meetings.

C. CALIFORNIA ENERGY COMMISSION (CEC) PARTNERSHIP (INFORMATION)

Susan Freedman, Senior Regional Energy Planner, presented an overview of the project. SANDAG has been awarded funding from the California Energy Commission (CEC) to conduct regional energy planning. The Overall Work Plan and Budget of the energy planning program for FY 2007 and FY 2008 have been amended to incorporate the additional project and funding. The Energy Working Group (EWG) has developed a partnership with the CEC to focus on the relationship among land use, transportation, and energy planning, and the impacts of greenhouse gas on these planning areas. CEC has chosen SANDAG to partner as they recognize SANDAG as a leader in transportation and land use planning and SANDAG’s history in regional energy planning. The CEC Board approved two contracts—the Regional Energy Planning Contract, and a smaller grant called “Rebuild America,” which will focus on methods of energy-efficient new construction. The three main tasks of the partnership are to update the Regional Energy Strategy 2030, to expand our Sustainable Regions Pilot with Carlsbad and other local governments, and to conduct an alternative fuel vehicle and infrastructure assessment and develop tools for local governments. The EWG will also identify recurring funding mechanisms.

Chair Jones requested clarification on the role of San Diego Gas and Electric (SDG&E) in the process.

Ms. Freedman stated that SDG&E is a member of the EWG and has been involved with the planning process from the beginning. They have provided some local funding to the energy planning program, and have provided input on land use and infrastructure planning components.

Chair Jones requested clarification on how SDG&E’s long-term resource plan integrates with the Regional Energy Strategy and what are the differences between the two plans.

Ms. Freedman stated that there is overlap between the two plans but that SDG&E focuses on short-term energy supply and the Regional Energy Strategy focuses on the long-term vision. The Energy Strategy includes the utility and many other organizations to attain short-term and long-term courses of action for sustainable energy.
Mr. Gallegos commented that this partnership will provide better tools for energy planning and future energy-efficient models. The goal with the CEC is to implement working models that can be used statewide.

Kevin Siva, Southern California Tribal Chairmen’s Association (SCTCA), stated that this partnership is an excellent opportunity to involve tribes in a planning process for energy consumption and would like to discuss including a member of the SCTCA in the working group.

**Action**: This item was presented for information only.

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**REGIONAL PLANNING COMMITTEE DISCUSSION AND ACTIONS**

**MEETING OF JUNE 1, 2007**

The meeting of the Regional Planning Committee was called to order by Chair Jones at 12:00 p.m. See the attached attendance sheet for Regional Planning Committee member attendance.

1. **APPROVAL OF MEETING MINUTES**

   **Action**: Upon a motion by Supervisor Slater-Price and a second by Mayor Lesa Heebner, North County Coastal, the Regional Planning Committee approved the minutes from the May 4, 2007 meeting.

2. **PUBLIC COMMENTS/COMMUNICATIONS/MEMBER COMMENTS**

   **Action**: There were no public comments/communications/member comments.

3. **REGIONAL BEACH REPLENISHMENT RESOLUTION OF SUPPORT**

   Supervisor Slater-Price introduced the item. The Shoreline Preservation Working Group discussed the potential of implementing a regional sand replenishment project. Nearly all the coastal cities have passed resolutions of support. In order to compete for state regional beach replenishment funds, SANDAG staff is preparing a feasibility study for submission to the state in July. The feasibility study must include a resolution of support from the local agency’s governing body. The draft resolution only requires SANDAG’s commitment to work to identify local funds. Supervisor Slater-Price commented that support for sand replenishment projects is critical to both non-coastal and coastal cities as constituents from both areas visit the beaches, and our beaches are the region’s number one tourist resource.

   **Action**: Upon a motion by Mayor Heebner and a second by Supervisor Slater-Price, the Regional Planning Committee recommended that the Board of Directors adopt the resolution of support.
4. LEGISLATIVE STATUS REPORT – STATE HOUSING AND SMART GROWTH LEGISLATION

Susan Baldwin, Senior Regional Planner, presented the item. This report was provided to the Executive Committee last month and presents an overview of pending legislation related to housing and smart growth development as well as pending legislation related to the implementation of Propositions 1C (Housing and Emergency Shelter Trust Fund Act of 2006) and 84 (The Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006). Ms. Baldwin stated that several of SANDAG’s high-priority goals are related to this legislation. There are numerous bills introduced to the legislator at this time relating to the implementation of Propositions 1C and 84. Many program goals of these bills are similar and focus on providing incentives for transit-oriented and infill development that provides more housing. SANDAG has been working on guidelines and criteria for inclusion in implementing the legislation. SANDAG has convened a Stakeholders Group to discuss these guidelines and the Stakeholder’s Group has prepared a consensus document. The Stakeholder’s Group goal is to obtain the region’s fair share of bond funds and assist in the implementation of the RCP. The Stakeholder’s Group determined the regional split of the funds, allocation of the funds, and that the criteria should be ranking not threshold. The Stakeholder’s Group determined the type of ranking criteria that would be utilized. The Stakeholder’s Group will continue to work with local governments and agencies on the details and criteria for projects related to funding under this legislation.

Mayor Heebner commented that the affordable housing ranking criteria needs to reflect the impact of AB 1256 so that developers would be required to build more affordable housing units to meet state density requirements. SANDAG should bring local jurisdictions attention to this need for local inclusionary housing policies in their housing elements.

Action: This item was presented for information only.

Mayor Jim Janney, South County, expressed his concern that the Regional Planning Committee did not receive a thorough briefing on the draft Regional Economic Prosperity Strategy item during the joint meeting. Mayor Janney requested that the item be brought back to the committee at a later meeting for a more in-depth briefing and discussion.

Discussion ensued among the members and staff regarding the need to bring back the draft Regional Economic Prosperity Strategy item to the Regional Planning Committee for a more thorough briefing and discussion, the need to be briefed on all the recommendations presented in the draft document, and whether there was a critical time condition for approval of the draft Strategy.

Chair Jones directed staff to return to the Committee at its first meeting in August with a more in-depth briefing on the draft Regional Economic Prosperity Strategy, including a full briefing of all recommendations in the document.

8. UPCOMING MEETINGS

The July 6, 2007, meeting has been cancelled. The next meeting of the Regional Planning Committee is scheduled for Friday, August 3, 2007, at 12 noon.
9. ADJOURNMENT

Chair Jerry Jones adjourned the meeting at 12:26 p.m.

Attachment: Attendance Sheet
## CONFIRMED ATTENDANCE
### SANDAG REGIONAL PLANNING COMMITTEE MEETING
#### June 1, 2007
#### 12:00 p.m. to 2:00 p.m.

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<th>MEMBER/ALTERNATE</th>
<th>ATTENDING</th>
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<td>City of Escondido</td>
<td>Lori Holt Pfeiler, Chair</td>
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<td>Steve Gronke</td>
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<td>Toni Atkins, Vice Chair</td>
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<td>Pam Slater-Price</td>
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<td>Pedro Orso-Delgado</td>
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ANNUAL REVIEW OF BOARD POLICY NO. 033:
IMPLEMENTATION GUIDELINES FOR SANDAG
REGIONAL HOUSING NEEDS ASSESSMENT MEMORANDUM File Number 3002600

Introduction

On April 28, 2006, the Board of Directors adopted Board Policy No. 033: Implementation Guidelines for SANDAG Regional Housing Needs Assessment (RHNA) Memorandum (Attachment 1).

This policy sets forth guidelines for incentives related to the RHNA for the 2005-2010 housing element cycle, which was adopted by the Board on February 25, 2005.

As part of the approval of the final RHNA for the San Diego region, the Board agreed to provide certain financial incentives to jurisdictions that provide a greater share of affordable housing now and in the future.

Board Policy No. 033 identifies the funding programs that will be subject to the RHNA policy, the housing element-related eligibility requirements for the funding programs affected by the policy, and how incentive points will be allocated based upon lower-income housing production.

The policy also specifies that an annual review shall be prepared to determine whether changes to the guidelines are needed. It further states that issues to be considered during the annual review include, but are not limited to: lessons learned during the prior year, the relationship between the RHNA memorandum and SANDAG smart growth goals, and new funding sources proposed to be subject to the memorandum.

On June 8, 2007, the Executive Committee reviewed and forwarded this report to the Board of Directors. Staff recommended that no changes to Board Policy No. 033 be made at this time, but that the policy be reviewed again in May 2008. On June 22, 2007, the Board of Directors concurred with this recommendation.

Discussion

Pilot Smart Growth Incentive Program

The first funding program affected by the RHNA policy was the Pilot Smart Growth Incentive Program. This funding program awarded more than $22.5 million of federal Transportation Enhancement funding to 16 projects in six jurisdictions. (Thirty-three projects from 12 agencies requested more than $44 million in funding during FY 2006.) Based on the RHNA policy adopted on February 25, 2005, 22 bonus points (15 percent of the total points) were granted to jurisdictions in
which the percentage of low-income households in the 2000 United States Census was greater than the 1999 regional average of those households. The jurisdictions that received the bonus points included National City, El Cajon, Imperial Beach, Lemon Grove, La Mesa, Escondido, Vista, Chula Vista, San Diego, and San Marcos. Per the policy adopted by the Board on February 25, 2005, this bonus system was only intended to apply to the Pilot Smart Growth Incentive Program.

**TDA/TransNet Bicycle Pedestrian Funds**

Board Policy No. 033 has been applied to two funding cycles of the Transportation Development Act (TDA)/TransNet Bicycle and Pedestrian funding program.

For the FY 2007 TDA/TransNet Bicycle and Pedestrian funding cycle (for which applications were due in February 2006), Board Policy No. 033 required that jurisdictions submit a draft of their housing element to the California Department of Housing and Community Development (HCD) by the TDA/TransNet funding application due date. Jurisdictions that had not submitted a draft of their housing element to HCD were ineligible for funding in the FY 2007 cycle.

In the FY 2008 TDA/TransNet Bicycle and Pedestrian funding cycle, eligibility for these funds required that prior to the application due date jurisdictions must have:

1. adopted a housing element that has been found in compliance with state law by the HCD (Section 2.4.2 of Policy No. 033) (See Attachment 2 for a report on the status of housing elements in the San Diego region.);

2. submitted information to SANDAG regarding the actual production of housing units in all four income categories (very low, low, moderate, and above moderate) (Sections 2.4.3 and 2.4.3.1); and

3. (if applicable) provided information to SANDAG regarding progress toward complying with any rezoning programs contained in its housing element that are required to meet the adequate site identification requirements of state law (Sections 2.4.3 and 2.4.3.1).

In addition to the eligibility requirements listed above for FY 2008, Board Policy No. 033 calls for points to be awarded for affordable lower-income housing production in the evaluation of projects. A maximum of 50 points (25 percent of the total points) can be awarded to a project based on the number of affordable lower-income housing units produced in the jurisdiction in relation to their annualized RHNA goals.

In the FY 2008 program, six jurisdictions met the housing element eligibility criteria and submitted information regarding their housing production in four income categories (Chula Vista, El Cajon, Escondido, La Mesa, San Diego, and San Marcos) between July 1, 2005, and June 30, 2006, the first year of the housing element cycle. Attachment 3 includes the evaluation criteria and points awarded to the TDA/TransNet program applicants for the FY 2008 funding cycle. Based upon an initial evaluation, this approach appears to provide more graduated results than the affordable housing approach applied to the Pilot Smart Growth Incentive Program as can be seen by the points awarded. (Final action by the Transportation Committee and Board on the FY 2008 TDA/TransNet Bicycle and Pedestrian funding cycle is scheduled in June.)
Analysis of Board Policy No. 033 Implementation and Next Steps

The purpose of Board Policy No. 033 is to incentivize housing element compliance and reward jurisdictions for the production of affordable lower-income housing units. Because the FY 2008 TDA/TransNet cycle is the first funding program to which the policy has been fully applied, staff recommends that no changes be made at this time, but that the policy be reviewed again following the FY 2009 TDA/TransNet funding cycle that is scheduled in 2008.

Also, the next major funding source to be affected by the policy is the TransNet Smart Growth Incentive Program. As the criteria for this program are developed for the FY 2009 funding cycle, SANDAG working groups and committees should consider whether any changes should be made to the policy based on the lessons learned from two years of implementation, and the relationship between the RHNA memorandum and SANDAG smart growth goals. Another issue that should be considered, that has been raised by Regional Planning Technical Working Group members, is whether the total number of affordable lower-income units that are produced should be part of the evaluation process in addition to the percentage of units produced in relation to the RHNA goals.

BOB LEITER
Director of Land Use and Transportation Planning

Attachments: 1. Board Policy No. 033: Implementation Guidelines for SANDAG Regional Housing Needs Assessment

Key Staff Contact: Susan Baldwin, (619) 699-1943, sba@sandag.org
IMPLEMENTATION GUIDELINES FOR SANDAG REGIONAL HOUSING NEEDS ASSESSMENT MEMORANDUM

Purpose

The purpose of this policy is to provide guidelines on the implementation of the memorandum adopted by the SANDAG Board of Directors on February 25, 2005, in association with the adoption of the 2005-2010 Regional Housing Needs Assessment (RHNA) (Attachment 1, referred to herein as the “Memorandum”). The Memorandum laid out specific provisions regarding SANDAG's allocation of discretionary funding to local agency projects in relation to local jurisdiction housing element compliance and lower income housing production.

These implementation guidelines restate the provisions of the Memorandum and define how they will be implemented. The numbered italicized wording in this Policy is taken verbatim from the Memorandum; the implementation guidelines are contained in the text that follows. This policy shall be reviewed and evaluated annually to determine whether changes to the guidelines are needed. Issues to be considered during the annual review include, but are not limited to: lessons learned during the prior year, the relationship between the RHNA memorandum and SANDAG's smart growth goals, and new funding sources proposed to be subject to the memorandum.

Pilot Smart Growth Implementation Program

1. Jurisdictions whose 1999 lower income households as a percentage of total households is estimated to be greater than the regional average shall receive 15 bonus points (out of 100 possible) for projects requesting funding through the Pilot Smart Growth Incentive Program. (This would include National City, El Cajon, Imperial Beach, Lemon Grove, La Mesa, Escondido, Vista, Chula Vista, San Diego, and San Marcos.)

1.1 This provision of the Memorandum has been implemented. The Pilot Smart Growth Incentive Program criteria, which were approved by the SANDAG Board on April 22, 2005, included the required bonus points for the cities noted above (22 points out of 147 points – 15 percent of the total points awarded).

Future Discretionary Funding Criteria

2. In addition to the current Pilot Smart Growth Incentive Program, for all future discretionary funding allocated to local agency projects by SANDAG (following the adoption by jurisdictions of housing elements for 2005-2010), the following criteria shall apply:

a. In order to qualify for such funding, a jurisdiction will be required to demonstrate that it is in compliance with provisions of its adopted housing element which set forth their commitment to providing adequate multi-family zoned land or other actions necessary to accommodate their share of lower income housing under the adopted RHNA.
b. Incentive points (a minimum of 25 points out of 100 possible) will be given to projects in jurisdictions in which lower income housing units are being produced in accordance with the housing unit figures contained in Alternative 3.

c. In order to verify compliance with these provisions, each jurisdiction shall annually submit a report to SANDAG indicating its progress in complying with requirements of its housing element, as well as actual production of housing units within its jurisdiction by income category, during the preceding year.

2.1 To implement Items 2.a. - 2.c. of the Memorandum, “discretionary funding allocated to local agency projects by SANDAG” shall be defined as: funds allocated by SANDAG to local jurisdictions (the cities or County) through a competitive process. These funds are listed in Attachment 2 and include the TransNet Smart Growth Incentive Program, Transportation Development Act (TDA) Non-motorized Program, and TransNet Bicycle Program, among others.

2.2 The following types of funding shall not be subject to the provisions of the Memorandum:

2.2.1 Formula funds allocated by population or number of miles, because they are not allocated on a competitive basis.

2.2.2 Discretionary funds allocated to Caltrans, the two transit agencies, and SANDAG because they are not local agencies.

2.2.3 Funds allocated directly by Caltrans to local jurisdictions because SANDAG is not involved in their allocation.

2.2.4 Funds which can be allocated to entities other than local jurisdictions (e.g., TransNet Environmental Mitigation Program Regional Habitat Conservation Fund).

Attachment 3 provides a more detailed list of funding sources/programs that shall not be subject to the Memorandum.

2.3 As new funding sources become available, the Board of Directors shall decide whether they should be subject to the Memorandum and this Policy shall be amended.

2.4 To be eligible to apply for future discretionary funding allocated by SANDAG to local agency projects, local jurisdictions shall do the following:

2.4.1 During the first year of the housing element cycle (July 1, 2005 – June 30, 2006), a jurisdiction shall have submitted a draft of its housing element to HCD or have self-certified its housing element in compliance with state law by the due date for the grant application. This screening criterion shall apply for any discretionary funding programs subject to the Memorandum whose application due date is between July 1, 2005, and December 31, 2006.
2.4.2 Starting January 1, 2007, jurisdictions shall be required to have adopted housing elements (which have been found in compliance with state law by HCD or self-certified). Also, those jurisdictions that were not able to identify adequate sites to meet their RHNA goals and were required to include a program in their housing elements to identify additional sites by rezoning must be able to demonstrate that they are making progress toward implementing the rezoning program in conformance with the schedule contained in their housing elements. "Making progress" toward implementing the rezoning program is defined as having demonstrated a good faith effort in undertaking the rezoning program described in the housing element.

2.4.3 Starting in 2006, jurisdictions shall be required to submit an annual report with the information described in Section 2.4.3.1 below in order to be eligible for funding programs for the following calendar or fiscal year, whichever is applicable. The report must be have been submitted to SANDAG prior to the application due date for the funding source. The first annual reports are due on October 1, 2006, and cover the first year of the 2005-2010 housing element cycle (July 1, 2005 – June 30, 2006). Starting in 2007, the reports will be due on April 1 per Senate Bill 253 (Torlakson), which changed the reporting time frame to the calendar year and the reporting due date to April 1 of each following year.

2.4.3.1 The annual report shall provide information regarding the actual production of housing units by all four income categories (very low, low, moderate, and above moderate). If the report is submitted for the first time in years two, three, four, or five of the housing element cycle, it shall include the total number of units produced by income category during each year of the housing element cycle. The report also shall indicate (if relevant) progress toward complying with any rezoning programs contained in the housing element that are required to meet the adequate site identification requirements of state law (as noted in paragraph 2.4.2 above).

2.5 Memorandum Item 2.b. ties the allocation of funding to the production of lower income housing through the award of incentive points based on the number of lower income housing units produced in accordance with RHNA Alternative 3 (Attachment 4).

2.5.1 Production of lower income housing units will be evaluated and points awarded for each application for discretionary funds based on the percentage of lower income (total very low and low combined) units that were produced in the jurisdiction. The number of lower income units will be calculated for each year on a cumulative basis, and compared to annualized RHNA Alternative 3 numbers. An example of the methodology to calculate the incentive points is shown in Attachment 5. Units shall be counted based on certificates of occupancy or final inspection. Lower income units that were acquired and rehabilitated may only count toward the RHNA Alternative 3 goals when this type of unit was used to meet the site identification requirements for the RHNA numbers as permitted in state law.

Attachments:
1. February 25, 2005, RHNA Memorandum to SANDAG Board of Directors
2. Discretionary Funding Programs Subject to Board RHNA Memorandum
3. Funding Programs Not Subject to Board RHNA Memorandum
4. Final Regional Housing Needs Assessment Modified Alternative 1 (Adopted RHNA) and Alternative 3
5. Hypothetical Example of Allocation of Incentive Points

Adopted April 2006
February 25, 2005

TO: SANDAG Board of Directors  
FROM: Mayor Lori Pheiler, Mayor Steve Padilla, and Councilmember Jim Madaffer
SUBJECT: Agenda Item No. 12 – Final Regional Housing Needs Assessment (RHNA)

Our regional housing needs are significant – both now and in the future. Addressing these needs is often a complex process when dealing with the varied interests of the cities in our region. We are committed to doing everything we can to address our regional housing needs. Recognizing the differences between the cities, we are proposing an incentive-based compromise to the RHNA Modified Alternative 1. Simply put, for those cities that are willing and able to accommodate additional housing, those cities should be compensated through incentives that would help improve existing as well as future infrastructure.

We recommend the Board approve Modified Alternative 1, with the following provisions:

1. Jurisdictions whose 1999 lower income households as a percentage of total households is estimated to be greater than the regional average (Attachment 2, Column 1) shall receive 15 bonus points (out of 100 possible) for projects requesting funding through the Pilot Smart Growth Incentive Program. (This would include National City, El Cajon, Imperial Beach, Lemon Grove, La Mesa, Escondido, Vista, Chula Vista, San Diego, and San Marcos.)

2. In addition to the current Pilot Smart Growth Incentive Program, for all future discretionary funding allocated to local agency projects by SANDAG (following the adoption by jurisdictions of housing elements for 2005-2010), the following criteria shall apply:

   a. In order to qualify for such funding, a jurisdiction will be required to demonstrate that they are in compliance with provisions of their adopted housing element which set forth their commitment to providing adequate multi-family zoned land or other actions necessary to accommodate their share of lower income housing under the adopted RHNA.

   b. Incentive points (a minimum of 25 points out of 100 possible) will be given to projects in jurisdictions in which lower income housing units are being produced in accordance with the housing unit figures contained in Alternative 3 (Attachment 2, Column 13).

   c. In order to verify compliance with these provisions, each jurisdiction shall annually submit a report to SANDAG indicating their progress in complying with requirements of their housing element, as well as actual production of housing units within their jurisdiction by income category, during the preceding year.
## DISCRETIONARY FUNDING PROGRAMS
**SUBJECT TO BOARD RHNA MEMORANDUM**
*(LOCAL JURISDICTION PROJECTS)*

<table>
<thead>
<tr>
<th>Funding Program</th>
<th>Total Funding</th>
<th>Timeframe Available</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| • Transportation Enhancements (TE) Program - Pilot Smart Growth Incentive Program | $19.1 M  
$6.4 M | FY 2006 to FY 2010  
FY 2010 to FY 2011 |
| State           |               |                     |
| • Transportation Development Act (TDA) Article 3 - Non-motorized Program | $2.4 M  
(FY 2006 allocation)  
$2.5 M  
(FY 2007 allocation) | Annual apportionments |
| Local           |               |                     |
| • TransNet Bicycle Program | $3 M | $1 M annually from 2006 to 2008 |
| **Future**      |               |                     |
| Federal¹        |               |                     |
| • To be determined (TBD) | TBD | TBD |
| State¹          |               |                     |
| • TBD           | TBD           | TBD                |
| Local           |               |                     |
| • TransNet Bicycle, Pedestrian and Neighborhood Safety Program | $280 M* | 2009 to 2048 |
| • TransNet Smart Growth Incentive Program | $285 M* |
| • TransNet Senior Transportation Mini-grant Program | $73 M* |
| Regional Rail Grade Separation Program (Funding source TBD) | TBD | TBD |
| • $100 M in Revenue Constrained  
• $200 M in MOBILITY 2030 Plan |                     |

* In 2002 dollars

¹ In prior funding cycles, the SANDAG Board of Directors has allocated funding to local jurisdictions through a competitive process for Regional Arterial System, Traffic Signal Optimization, Highway Noise Barrier, Regional Bikeway, and Transportation Enhancements programs. To the extent that such competitive funding programs are made available in the future, they would be subject to the Board RHNA memorandum.
## FUNDING PROGRAMS NOT SUBJECT TO BOARD RHNA MEMORANDUM

### Current Funding Programs

**Federal**
- Regional Surface Transportation Program (RSTP)
- Congestion Mitigation & Air Quality (CMAQ)
- Transportation Enhancement (TE) Program
- Federal Transit Administration (FTA) Urbanized Area Formula Program (Section 5307)
- FTA Fixed Guideway Modernization Program (Section 5309 Rail Mod)
- FTA Section 5310 Elderly & Disabled Program

**State**
- State Transportation Improvement Program (STIP) – Regional Improvement Program (RIP)
- STIP – Interregional Improvement Program (IIP)
- State Highway Operation and Protection Program (SHOPP)
- TDA Article 4 - General Public Transit Services (Fixed Transit Route Services)
- TDA Article 4.5 - Community Transit Service (Accessible Service for the Disabled)
- TDA Article 8 – Special Provisions (Express Bus and Ferry Services)
- TDA Planning and Administration
- State Transit Assistance (STA)

**Local**
- TransNet Highway Program
- TransNet Transit Program
- TransNet Local Streets & Roads Program

### Future Funding Programs

**Federal**
- same as current programs above

**State**
- same as current programs above

**Local**
1. TransNet Congestion Relief Program – Major Transportation Corridor Improvements
   a. Highway & transit capital projects
   b. Operating support for bus rapid transit (BRT) & rail transit capital improvements
2. TransNet Congestion Relief Program – Transit System Services Improvements & Related Programs
3. TransNet Congestion Relief Program – Local System Improvements & Related Programs
   a. Local Street & Road Program
4. Environmental Mitigation Program (EMP)
5. TransNet Administration and Independent Taxpayer Oversight Committee (ITOC)

---

1 There are a variety of federal and state discretionary funding programs allocated directly by Caltrans that provide funding to local jurisdictions (e.g., Highway Bridge Repair & Replacement [HBRR], Safe Routes to School, etc.). Because SANDAG does not have decision-making authority over these funding programs, they would not be subject to the Board RHNA memorandum.

2 With the exception of the EMP funds, these funds (STIP-RIP, RSTP, CMAQ, TE) are being used to match the TransNet Early Action Program (EAP) and other high priority regional projects. If, however, some portion of these funds were allocated by the SANDAG Board of Directors to local jurisdictions through a competitive process, they would be subject to the Board RHNA memorandum and this policy.
## Final Regional Housing Needs Assessment
### Modified Alternative 1 (Adopted RHNA) and Alternative 3

<table>
<thead>
<tr>
<th>Regional Share</th>
<th>Very Low</th>
<th>Low</th>
<th>Moderate</th>
<th>Above Moderate</th>
<th>Very Low</th>
<th>Low</th>
<th>Moderate</th>
<th>Above Moderate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlsbad</td>
<td>8,376</td>
<td>1,922</td>
<td>1,460</td>
<td>1,583</td>
<td>3,411</td>
<td>2,506</td>
<td>1,816</td>
<td>1,583</td>
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<tr>
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<td>2,945</td>
<td>3,255</td>
<td>7,148</td>
<td>3,730</td>
<td>2,592</td>
<td>3,255</td>
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<td>Coronado</td>
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<td>14</td>
<td>11</td>
<td>12</td>
<td>27</td>
<td>20</td>
<td>14</td>
<td>12</td>
</tr>
<tr>
<td>Del Mar</td>
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<td>6</td>
<td>4</td>
<td>5</td>
<td>10</td>
<td>7</td>
<td>6</td>
<td>5</td>
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<tr>
<td>El Cajon</td>
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<td>75</td>
<td>117</td>
<td>343</td>
<td>86</td>
<td>75</td>
<td>117</td>
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<tr>
<td>Encinitas</td>
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<td>392</td>
<td>299</td>
<td>324</td>
<td>697</td>
<td>502</td>
<td>373</td>
<td>324</td>
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<tr>
<td>Escondido</td>
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<td>548</td>
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<td>461</td>
<td>1,011</td>
<td>486</td>
<td>359</td>
<td>461</td>
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<tr>
<td>Imperial Beach</td>
<td>87</td>
<td>13</td>
<td>9</td>
<td>16</td>
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<td>13</td>
<td>9</td>
<td>16</td>
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<tr>
<td>La Mesa</td>
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<td>89</td>
<td>68</td>
<td>75</td>
<td>164</td>
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<td>56</td>
<td>75</td>
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<tr>
<td>Lemon Grove</td>
<td>242</td>
<td>46</td>
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<td>46</td>
<td>118</td>
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<td>46</td>
</tr>
<tr>
<td>National City</td>
<td>319</td>
<td>18</td>
<td>39</td>
<td>60</td>
<td>202</td>
<td>18</td>
<td>39</td>
<td>60</td>
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<td>Oceanside</td>
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<td>1,098</td>
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<td>2,666</td>
<td>1,454</td>
<td>1,042</td>
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<td>Poway</td>
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<td>216</td>
<td>235</td>
<td>505</td>
<td>419</td>
<td>288</td>
<td>235</td>
</tr>
<tr>
<td>San Diego - Original</td>
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<td>10,292</td>
<td>7,822</td>
<td>8,645</td>
<td>18,983</td>
<td>9,195</td>
<td>7,834</td>
<td>8,645</td>
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</table>

<table>
<thead>
<tr>
<th>Units to/from Unincorporated Area</th>
<th>Very Low</th>
<th>Low</th>
<th>Moderate</th>
<th>Above Moderate</th>
</tr>
</thead>
<tbody>
<tr>
<td>San Diego - Revised*</td>
<td>10,645</td>
<td>8,090</td>
<td>8,645</td>
<td>18,362</td>
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<tr>
<td>San Marcos</td>
<td>1,407</td>
<td>1,069</td>
<td>1,182</td>
<td>2,595</td>
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<tr>
<td>Santee</td>
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<td>241</td>
<td>261</td>
<td>562</td>
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<tr>
<td>Solana Beach</td>
<td>30</td>
<td>22</td>
<td>25</td>
<td>53</td>
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<tr>
<td>Vista</td>
<td>510</td>
<td>388</td>
<td>428</td>
<td>941</td>
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<tr>
<td>Unincorporated Area - Original</td>
<td>2,781</td>
<td>2,113</td>
<td>2,336</td>
<td>5,129</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Units to/from Unincorporated Area</th>
<th>Very Low</th>
<th>Low</th>
<th>Moderate</th>
<th>Above Moderate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unincorporated Area - Revised*</td>
<td>(353)</td>
<td>(268)</td>
<td>0</td>
<td>621</td>
</tr>
<tr>
<td>San Diego Region</td>
<td>24,143</td>
<td>18,348</td>
<td>20,280</td>
<td>44,530</td>
</tr>
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</table>

### Modified Alternative 1**

<table>
<thead>
<tr>
<th>Alternative 3***</th>
</tr>
</thead>
<tbody>
<tr>
<td>Draft RHNA Allocation</td>
</tr>
</tbody>
</table>

**Modified Alternative 1 was approved by the SANDAG Board on February 25, 2005.

***Alternative 3 is referenced in the memorandum approved by the SANDAG Board in conjunction with the approval of the Final RHNA.

Totals may be affected by rounding.

March 18, 2005

Note: Some jurisdiction allocations by income category were adjusted slightly to ensure that regional income category percentages provided by the California Department of Housing and Community Development (HCD) -- 22.5 percent very low income, 17.1 percent low income, 18.9 percent moderate income, and 41.5 percent above moderate income -- were met.

*Adjusted to reflect transfer of lower income units from Unincorporated Area to City of San Diego.
# Example

## Hypothetical Allocation of Incentive Points

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Alt. 3 – Low/Very Low Income Units*</th>
<th>Cum. Annual Number Year 1</th>
<th>Cum. Number Produced Year 1**</th>
<th>Percentage of Alt. 3 Cum. Year 2**</th>
<th>Incentive Points**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlsbad</td>
<td>4,322</td>
<td>864</td>
<td>300</td>
<td>35%</td>
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<tr>
<td>Chula Vista</td>
<td>6,322</td>
<td>1,264</td>
<td>632</td>
<td>50%</td>
<td>13</td>
</tr>
<tr>
<td>Escondido</td>
<td>845</td>
<td>169</td>
<td>127</td>
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<td>19</td>
</tr>
<tr>
<td>Imperial Beach</td>
<td>22</td>
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<td>4</td>
<td>100%</td>
<td>25</td>
</tr>
<tr>
<td>San Diego</td>
<td>17,739</td>
<td>3,548</td>
<td>1,419</td>
<td>40%</td>
<td>10</td>
</tr>
<tr>
<td>San Marcos</td>
<td>2,400</td>
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<td>288</td>
<td>60%</td>
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<tr>
<td>Unincorporated County</td>
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<td>952</td>
<td>400</td>
<td>42%</td>
<td>11</td>
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<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Alt. 3 – Low/Very Low Income Units</th>
<th>Cum. Annual Number Year 2</th>
<th>Cum. Number Produced Year 2**</th>
<th>Percentage of Alt. 3 Cum. Year 2**</th>
<th>Incentive Points Year 2**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlsbad</td>
<td>4,322</td>
<td>1,728</td>
<td>400</td>
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<tr>
<td>Chula Vista</td>
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<td>2,528</td>
<td>832</td>
<td>33%</td>
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</tr>
<tr>
<td>Escondido</td>
<td>845</td>
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<td>253</td>
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<td>19</td>
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<tr>
<td>Imperial Beach</td>
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<td>8</td>
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<td>275%</td>
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<tr>
<td>San Diego</td>
<td>17,739</td>
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<td>3,500</td>
<td>49%</td>
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<tr>
<td>San Marcos</td>
<td>2,400</td>
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<td>960</td>
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<tr>
<td>Unincorporated County</td>
<td>4,758</td>
<td>1,904</td>
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</tbody>
</table>

* 7.5 year number in RHNA Alternative 3 may be modified based on 5-year number included in local housing elements.

** These percentages and numbers are hypothetical for the purpose of explaining the methodology.
Housing Element Status Report
May 4, 2007

Housing elements were due to be completed in the San Diego region by June 30, 2005.

**Adopted by City Council; letter of compliance received from California Department of Housing and Community Development or self-certified**

1. Chula Vista
2. El Cajon
3. Escondido
4. La Mesa
5. Lemon Grove
6. San Diego
7. San Marcos
8. Solana Beach

**Draft in process**

1. Carlsbad
2. Coronado
3. Del Mar
4. Encinitas
5. Imperial Beach
6. National City
7. Oceanside
8. Poway
9. Santee
10. Vista
11. County of San Diego
## Allocation of Incentive Points for FY 2008 TDA/TransNet Bicycle and Pedestrian Project Selection Process
February 26, 2007

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Alt.3 - Low/Very Low Income Units</th>
<th>Annual Number Year 1 (Column 2 ÷ 5)</th>
<th>Number Produced Year 1</th>
<th>Percentage of Alt. 3 Year 1 (Column 3 ÷ Column 2)</th>
<th>Incentive Points (Column 3 x 50 pts.)</th>
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</thead>
<tbody>
<tr>
<td>Chula Vista</td>
<td>6,322</td>
<td>1,264</td>
<td>150</td>
<td>12%</td>
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<tr>
<td>El Cajon</td>
<td>161</td>
<td>32</td>
<td>10</td>
<td>31%</td>
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<tr>
<td>Escondido</td>
<td>845</td>
<td>169</td>
<td>3</td>
<td>2%</td>
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<td>La Mesa</td>
<td>135</td>
<td>27</td>
<td>0</td>
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<td>0.0</td>
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<tr>
<td>San Diego</td>
<td>17,739</td>
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<td>488</td>
<td>14%</td>
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<tr>
<td>San Marcos</td>
<td>2,400</td>
<td>480</td>
<td>156</td>
<td>33%</td>
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SMART GROWTH TOOL BOX: CRITERIA FOR SELECTING NEXT PILOT PROJECTS FOR I-PLACE3S SKETCH MODELING TOOL

**Introduction**

As part of the Regional Comprehensive Plan (RCP) implementation program, SANDAG is developing a “Smart Growth Tool Box” this fiscal year. One of the programs in the Tool Box is the I-PLACE3S tool, an internet-based planning program designed to provide communities with the opportunity to develop and evaluate alternative land use scenarios for selected areas.

Last year, SANDAG partnered with the City of Escondido as part of a Pilot program to test the application of I-PLACE3S in a smart growth context. SANDAG is ready to initiate two additional pilot projects this fiscal year.

**Recommendation**

The Regional Planning Committee is asked to approve the criteria proposed below for selecting the two additional I-PLACE3S Pilot Projects. The additional pilot projects would be announced at the October 2007 RPC meeting. Work on the pilot projects would begin immediately thereafter, and set the stage for general use of the program starting in Fiscal Year 2009.

**Discussion**

**Background**

I-PLACE3S is a sketch modeling tool that is designed to provide planners, community members, and decision makers with the opportunity to develop alternative “what-if” land use scenarios for selected planning areas and evaluate the results of those scenarios based on indicators related to housing, jobs, and other public facilities. The primary value of the model is that it allows participants to gain immediate feedback to view the effects of each growth scenario at both the neighborhood and regional scale.

SANDAG, the City of Escondido, and the I-PLACE3S consultant have been working together to test and refine I-PLACE3S on Escondido’s Downtown Specific Plan update, which is identified on the Smart Growth Concept Map as an Existing/Planned Town Center. Through this pilot project and in combination with their existing public participation program, Escondido has been able to refine and narrow down their preferred land use alternatives for the area. In addition, based on Escondido’s use of the program, SANDAG has been able to make a number of improvements to the model and better understand the steps involved in the local application of the program.
As part of the FY 2008 Work Program, SANDAG has identified resources to conduct two additional pilot projects to continue to refine I-PLACE3S before it is released for general use in FY 2009. In preparation for the additional pilot projects, and in order to gauge interest in the use of the tool, SANDAG conducted two I-PLACE3S training workshops in May for local planners, transit agency staff members, and other interested parties. The workshops were very well attended, and resulted in broad interest in the use of the tool for local planning efforts.

SANDAG anticipates that there will be increasing demand for the use of the I-PLACE3S program at both the local and regional levels. From the local perspective, I-PLACE3S can provide quantitative information about alternative land use scenarios that can assist community members and decision makers in local planning efforts. From the regional perspective, SANDAG is considering the possibility of offering I-PLACE3S as part of the TransNet Smart Growth Incentive Program (SGIP) as a tool for areas identified on the Smart Growth Concept Map to undertake local planning efforts that may result in more smart growth. In addition, there is considerable potential for the use of I-PLACE3S at both the local and regional levels in maintaining and updating the Regional Growth Forecast.

Because of the interest in the use of I-PLACE3S generated from the training workshops, SANDAG is proposing the development of an application form, a call for applications, and a selection process including criteria approved by the Regional Planning Committee for the two additional pilot projects for this fiscal year.

**Proposed Criteria for Selecting Additional Pilot Projects**

The goals of the two additional pilot projects are to generate additional information regarding the potential uses of the I-PLACE3S model, continue to test and refine the model, and better understand the local and regional resources and steps needed to apply the program. As a result, SANDAG is interested in selecting pilot projects that can help test the model at different scales (small, medium, or large size projects) and in different subregions. The following criteria are proposed for RPC approval.

- Must be an area identified on the Smart Growth Concept Map
- Good subregional distribution of areas (preference given to areas within different subregions; no more than one project per jurisdiction)
- Scale of project (priority given to small- and medium-scale projects for this round of pilot projects)
- Project readiness (priority given to planning projects funded in local budgets in this fiscal year and anticipated to be completed within this fiscal year)
- Appropriateness of the application of I-PLACE3S to the project (priority given to areas that have significant potential to benefit from the evaluation of different planning scenarios)
- Willingness to share lessons learned with SANDAG staff, working groups, and policy committees

Applications would be mailed to local jurisdictions in August and due by mid-September. An evaluation panel consisting of appropriate SANDAG staff members, the I-PLACE3S consultant, and two to three planning directors not submitting applications would be formed to review the applications and select the Pilot Projects. The additional pilot projects would be announced to the...
Regional Planning Committee in October, and work on the pilot projects would begin immediately thereafter.

BOB LEITER
Director of Land Use and Transportation Planning

Key Staff Contact: Carolina Gregor, (619) 699-1989; cgr@sandag.org
REGIONAL PLANNING COMMITTEE

August 3, 2007

AGENDA ITEM NO.: 5

Action Requested: ACCEPT

REGIONAL COMPREHENSIVE PLAN: 2007 ANNUAL PERFORMANCE MONITORING REPORT

File Number 3000200

Introduction

Chapter 8 of the Regional Comprehensive Plan (RCP) describes using performance indicators as a tool to track our progress in implementing the plan. In 2006, SANDAG released The Regional Comprehensive Plan: Establishing a Baseline for Performance Monitoring (Baseline Report). The report discusses the significance of each of the thirty nine indicators that were established in the RCP, provides preliminary findings for each indicator where data were available, and includes a discussion of SANDAG work efforts underway that could influence performance over time. The Baseline Report serves as a reference and benchmark for all future monitoring reports.

Monitoring our progress in implementing the RCP will occur on an annual basis. The attached 2007 Annual Performance Monitoring Report (2007 Monitoring Report) represents the first annual RCP monitoring report since the Baseline Report was accepted by the SANDAG Board of Directors in October 2006.

Recommendation

The Regional Planning Committee is asked to authorize release of the draft 2007 Annual RCP Performance Monitoring Report for a 60-day public review and comment period.

Discussion

The 2007 Monitoring Report differs from the baseline report published last year in several ways. First, it is more concise, since it only reports on results for the most recent one-year reporting period (which in most cases in calendar year 2006). Second, it reports findings for four indicators for which data was unavailable for the baseline report: travel times and volumes in key auto corridors, share of new housing units by income category in relation to the adopted Regional Housing Needs Assessment habitat conserved, a percent of preserve areas maintained. Third, the report also references the California Regional Progress Report, a report released by the California Center for Regional Leadership which compares regions throughout California across a variety of indicators. This statewide report includes some indicators that are similar to those included in the RCP Performance Monitoring Report, and for these indicators the California Regional Progress Report is referenced for comparison.
2007 Report Highlights

There are areas where the region appears to be moving in the right direction and others where improvement is needed.

Moving in the Right Direction

- 99 percent of new housing units built in the region in 2005 and 2006 were located within the San Diego County Water Authority water service boundary.
- Transit ridership is increasing.
- The region’s reliance on imported water continues to decrease as the water supply diversifies.
- The share of energy produced from renewable resources continues to increase.

Areas for Improvement

- The region continues to experience a serious housing affordability problem.
- Many waterbodies in the region are impaired.
- Energy usage in the region continues to increase, moving further away from the target established in the Regional Energy Strategy.
- Wait times continue to lengthen at the border, particularly for commercial vehicles.

Next Steps

This report will be presented to the Regional Planning Stakeholders and Technical Working Groups in September for review and comment. Once the 60-day public comment period is complete, the final report will be prepared and forwarded to the Board of Directors for consideration and acceptance as the 2007 Annual RCP Performance Monitoring Report.

BOB LEITER
Director of Land Use and Transportation Planning


Key Staff Contact: Christine Eary, (619) 699-6928, cea@sandag.org
DRAFT
The Regional Comprehensive Plan: 2007 Annual Performance Monitoring Report
The 18 cities and county government are SANDAG serving as the forum for regional decision-making. SANDAG builds consensus; plans, engineers, and builds public transit; makes strategic plans; obtains and allocates resources; and provides information on a broad range of topics pertinent to the region’s quality of life.

<table>
<thead>
<tr>
<th>CHAIR</th>
<th>FIRST VICE CHAIR</th>
<th>SECOND VICE CHAIR</th>
<th>EXECUTIVE DIRECTOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>CITY OF CARLSBAD</td>
<td>Hon. Matt Hall, Councilmember</td>
<td>(A) Hon. Bud Lewis, Mayor</td>
<td>(A) Hon. Jerome Stocks</td>
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<td>CITY OF CHULA VISTA</td>
<td>Hon. Cheryl Cox, Mayor</td>
<td>(A) Hon. Jerry Rindone, Deputy Mayor</td>
<td>(A) Hon. John Minto, Councilmember</td>
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<td>(A)荣. Carrie Downey, Mayor Pro Tem</td>
<td>(A) Hon. Al Ovrom, Councilmember</td>
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<td>CITY OF DEL MAR</td>
<td>Hon. Crystal Crawford, Councilmember</td>
<td>(A) Hon. David Druker, Deputy Mayor</td>
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<td>CITY OF ENCINAS</td>
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<td>(A) Hon. Ed Gallo, Councilmember</td>
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<tr>
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<tr>
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<td>(A) Hon. Jerry Jones, Councilmember</td>
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<tr>
<td>CITY OF NATIONAL CITY</td>
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<td>(A) Hon. Frank Parra, Councilmember</td>
<td>(A) Hon. Mark Arapostathis, Councilmember</td>
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<tr>
<td>CITY OF OCEANSIDE</td>
<td>Hon. Jim Wood, Mayor</td>
<td>(A) Hon. Jerry Kern, Councilmember</td>
<td>(A) Hon. Louie Natividad, Councilmember</td>
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<tr>
<td>CITY OF POWAY</td>
<td>Hon. Mickey Cafagna, Mayor</td>
<td>(A) Hon. Robert Emery, Councilmember</td>
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</tr>
<tr>
<td>CITY OF SAN DIEGO</td>
<td>Hon. Jerry Sanders, Mayor</td>
<td>(A) Hon. Toni Atkins, Councilmember</td>
<td>(A) Hon. Gary Croucher, Commissioner</td>
</tr>
<tr>
<td>CITY OF SAN MARCOS</td>
<td>Hon. Jim Desmond, Mayor</td>
<td>(A) Hon. Hal Martin, Vice Mayor</td>
<td>(A) Hon. Rebecca Jones, Councilmember</td>
</tr>
</tbody>
</table>

As of July 20, 2007
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INTRODUCTION

The Regional Comprehensive Plan (RCP), adopted by the SANDAG Board of Directors in 2004, is the long term planning framework for the San Diego region. It defines a vision and lays out goals, key issues, and needed actions in areas ranging from urban form and transportation to public facilities and borders. It summarizes where we were in 2004, where we want to be by 2030, and what we need to do to get there. The RCP also calls for ongoing monitoring to track progress toward meeting the goals outlined in the Plan.

In 2006, SANDAG released The Regional Comprehensive Plan: Establishing a Baseline for Monitoring Performance (Baseline Report), to be used to benchmark progress on an annual basis. This 2007 RCP Annual Performance Monitoring Report (2007 Monitoring Report) is the first since the Baseline Report was accepted by the SANDAG Board of Directors in October 2006.

This 2007 Monitoring Report includes the most recent data available for each indicator, typically from 2006. For some indicators, there is a one year delay in reporting; in these cases, data from 2005 are included. For all indicators, the most recent data are provided and related to the Baseline Report.

New this year, the California Center for Regional Leadership released the California Regional Progress Report, a report that compares regions throughout California across a variety of indicators. The report included a few indicators that are similar to those featured in the RCP performance monitoring report. For these indicators, the California Regional Progress Report is referenced for comparison.

Based on the data collected for the 2007 Monitoring Report, the indicators illustrate those areas in which the region appears to be moving in the right direction and those in which improvement is needed.

Moving in the Right Direction

- Ninety-nine percent of new housing units built in the region in 2005 and 2006 were located within the San Diego County Water Authority water service boundary.
- Transit ridership is increasing.
- The region’s reliance on imported water continues to decrease as the water supply diversifies.
- The share of energy produced from renewable resources continues to increase.

Areas for Improvement

- The region continues to experience a serious housing affordability problem.
- Many waterbodies in the region are impaired.
- Energy usage in the region continues to increase, moving further away from the target established in the Regional Energy Strategy.
- Wait times continue to lengthen at the U.S.-Mexico border, particularly for commercial vehicles.

Throughout the report, indicator data are in certain cases related to growth in population, housing, or jobs. The following table is provided for reference.
Table 1
Population, Housing Units, and Job Growth in the San Diego Region (2000-2006)

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Population</td>
<td>2,813,833</td>
<td>3,039,277</td>
<td>3,066,820</td>
<td>9%</td>
</tr>
<tr>
<td>Housing Units</td>
<td>1,040,149</td>
<td>1,108,500</td>
<td>1,118,410</td>
<td>8%</td>
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<tr>
<td>Jobs</td>
<td>1,193,800</td>
<td>1,281,800</td>
<td>1,297,100</td>
<td>9%</td>
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Annual Indicators for Monitoring the Regional Comprehensive Plan

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<th>URBAN FORM AND TRANSPORTATION</th>
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<td>5. Travel times and volumes for key transportation corridors</td>
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<tr>
<td>6. Miles of deficient roads on Congestion Management Program network</td>
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<tr>
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<td>8. Regional crime rate</td>
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<table>
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<tr>
<th>HOUSING</th>
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<tr>
<td>9. Housing Opportunity Index</td>
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<td>10. Percent of households with housing costs greater than 35 percent of income</td>
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<tr>
<td>11. Ratio of new jobs to new housing units</td>
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<td>12. Share of new and existing housing units by structure type and income category</td>
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<tr>
<td>16. Habitat conserved within designated preserve areas</td>
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<tr>
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<td>20. Beach widths</td>
</tr>
<tr>
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### URBAN FORM AND TRANSPORTATION

Our land use and urban design decisions determine how well our communities serve us in our daily lives, including the quality of our travel choices and our personal safety. The RCP encourages urban development with an appropriate mix of uses designed to create safe and healthy communities. In addition, the relationship between regional transportation plans and local land use plans and policies is crucial to ensuring that the region’s transportation system efficiently connects our communities. The Urban Form and Transportation indicators track progress toward achieving these goals.

**Share of New Housing Units and Jobs Located in Smart Growth Opportunity Areas**

In 2006, almost 10,000 new housing units were built in the region. Of these, 1,400, or 14 percent, were built in Smart Growth Opportunity Areas\(^1\), as seen in Figure 1. This represents a decline in the share of new housing units built in Smart Growth Opportunity Areas, from 34 percent in 2005.

The Smart Growth Opportunity Areas experienced a net loss of 2,394 jobs, representing a 5 percent decrease between 2004 and 2005, while

---

\(^1\) SANDAG, working closely with the local jurisdictions, developed a Smart Growth Concept Map in 2006, that includes approximately 200 existing, planned, and potential locations for smart growth development based upon land use density and associated transportation service targets in the RCP. The Smart Growth Concept Map is being used in the development of the 2007 Regional Transportation Plan, and to determine eligibility for participation in the TransNet Smart Growth Incentive Program.
the region as a whole experienced an increase of 21,500 jobs in the same time period. As of 2005, 33 percent of the region’s jobs were located in Smart Growth Opportunity Areas.

With only two years of data for this indicator, it is unclear how many new housing units and jobs can be anticipated annually in Smart Growth Opportunity Areas. Continued monitoring is required.

Annual Transit Ridership

Regional transit ridership continues to increase, reversing a previous downward trend between 2000 and 2004; ridership grew 7 percent between 2005 and 2006.

Consistent with SANDAG data, the California Regional Progress Report, measuring a similar indicator, reports that the San Diego region did not make progress between 1999 and 2004 in increasing transit ridership, and that the region ranks in the bottom third among California regions. However, as noted above, data for 2005 and 2006 show recent ridership growth in the region. This upward trend over the past two years is expected to continue in the near future with the opening of the SPRINTER rail line, system changes being made by the Metropolitan Transit System and North County Transit District, and increased funding for transit services through the TransNet half-cent sales tax ordinance.

Additional, the region has made significant progress in streamlining and automating data collection, and improving performance monitoring. One major project in the stages of completion is the RTMS (Regional Transportation Management System) project, which implemented a scheduling system, an Automated Vehicle Locator system and fare collection system. Staff is fully trained and utilizing these new technologies, resulting in more efficient planning and monitoring of the public transit system. This effort has further resulted in significant service improvement.
Commute Mode Shares

As shown in Figure 4, the regional mode split remains stable. The share of commuters driving alone to work has not significantly changed. Year-to-year fluctuations in the data may be the result of sample differences and may not reflect true year-to-year changes. In future years, this data will be reported at a corridor level.

The California Regional Progress Report reports that the San Diego region did not make significant progress between 2000 and 2005 in shifting from single-occupant vehicle commutes. However, San Diego is one of only three regions in California that experienced a reduction in commuters driving alone to work. It appears that this reduction is likely due to an increase in telecommuting in the region.

Figure 4
Regional Commute Mode Shares (2000-2005)

Travel Times and Volumes for Key Transportation Corridors

Data were not available for this indicator in the Baseline Report, and therefore an expanded discussion is provided in this 2007 Monitoring Report.

The RCP includes the goals of reducing traffic congestion on freeways and arterials and developing a network of fast, convenient, high-quality transit services that are competitive with drive-alone travel times during peak periods. Progress toward these goals can be measured by evaluating travel times and volumes for key auto and transit corridors.

Travel time and volume data on freeways are provided by the Performance Measurement System (PeMS), a Web-based system used for reporting and monitoring the performance of the freeway system. Freeway detector stations collect volume and lane occupancy information every 30 seconds.

The quality of transit-related data for this indicator is limited. However, additional PeMS are being developed so that travel times and volumes can be measured for both transit and regional arterials in future monitoring reports, and will provide mode share information at the corridor level. It should be noted that the data presented below do not represent “door-to-door” commute times. Corridor monitoring is currently limited by the availability of freeway loop detector stations; thus all segments listed below are confined to each respective freeway. Corridors monitored in this indicator are shown in Map 1. Travel times have not increased or decreased much in most corridors. The I-15 northbound p.m. commute experienced the greatest decrease in travel time, from 43 minutes in 2001 to 36 minutes in 2006. The greatest increase in travel time was experienced in the I-15 southbound a.m. commute, which increased from 41 minutes in 2001 to 48 minutes in 2006.
Table 2
Travel Times in Key Auto Corridors (2001-2006)

<table>
<thead>
<tr>
<th>#</th>
<th>Corridor</th>
<th>A.M. Peak Period</th>
<th></th>
<th>P.M. Peak Period</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>I-5 Oceanside to Downtown SD</td>
<td>47</td>
<td>48</td>
<td>46</td>
<td>44</td>
</tr>
<tr>
<td>2</td>
<td>I-15 Escondido to Downtown SD</td>
<td>41</td>
<td>49</td>
<td>48</td>
<td>43</td>
</tr>
<tr>
<td>3</td>
<td>SR 78 Escondido to Carlsbad</td>
<td>16</td>
<td>16</td>
<td>16</td>
<td>22</td>
</tr>
<tr>
<td>4</td>
<td>SR 94 El Cajon to Downtown SD</td>
<td>13</td>
<td>12</td>
<td>13</td>
<td>11</td>
</tr>
<tr>
<td>5</td>
<td>I-8 El Cajon to Downtown SD</td>
<td>23</td>
<td>24</td>
<td>25</td>
<td>22</td>
</tr>
<tr>
<td>6</td>
<td>SR 52 Santee to Sorrento Valley</td>
<td>No data</td>
<td>No data</td>
<td>11</td>
<td>No data</td>
</tr>
<tr>
<td>7</td>
<td>I-805 Mid City to Sorrento Valley</td>
<td>16</td>
<td>17</td>
<td>19</td>
<td>18</td>
</tr>
<tr>
<td>8</td>
<td>I-805 Chula Vista to Sorrento Valley</td>
<td>31</td>
<td>31</td>
<td>32</td>
<td>No data</td>
</tr>
<tr>
<td>9</td>
<td>I-805 Chula Vista to Downtown SD</td>
<td>18</td>
<td>17</td>
<td>18</td>
<td>No data</td>
</tr>
<tr>
<td>10</td>
<td>I-5 San Ysidro to Downtown SD</td>
<td>No data</td>
<td>No data</td>
<td>13</td>
<td>No data</td>
</tr>
<tr>
<td>11</td>
<td>I-8 El Cajon to Sorrento Valley</td>
<td>33</td>
<td>33</td>
<td>35</td>
<td>34</td>
</tr>
</tbody>
</table>

Source: Freeway Performance Measurement System (PeMS Version 7.3), Caltrans
Notes: (1) The a.m. peak period is based on a departure time of 7:30 a.m., and the p.m. peak period is based on a departure time of 4 p.m. (2) The a.m. direction is listed; the p.m. is the reverse direction of travel.

As shown in Table 3, travel volumes have not significantly increased or decreased in most corridors. Decreases in travel volumes were seen in the I-5 Oceanside to Downtown San Diego northbound and SR 94 westbound corridors, which decreased by an average of 7,600 and 7,300 vehicles per day between 2001 and 2006, respectively, or 8 percent. The SR 52 eastbound corridor experienced the greatest increase in travel volumes, adding an average of 6,180 vehicles daily between 2001 and 2006, or 19 percent.

Table 3
Travel Volumes in Key Auto Corridors (2001-2006)

<table>
<thead>
<tr>
<th>#</th>
<th>Corridor</th>
<th>Southbound</th>
<th>Northbound</th>
<th>Eastbound</th>
<th>Westbound</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>I-5 Oceanside to Downtown SD</td>
<td>84,000</td>
<td>84,900</td>
<td>85,600</td>
<td>97,200</td>
</tr>
<tr>
<td>2</td>
<td>I-15 Escondido to Downtown SD</td>
<td>106,100</td>
<td>124,600</td>
<td>123,900</td>
<td>94,300</td>
</tr>
<tr>
<td>3</td>
<td>SR 78 Escondido to Carlsbad</td>
<td>75,400</td>
<td>75,500</td>
<td>76,300</td>
<td>85,200</td>
</tr>
<tr>
<td>4</td>
<td>SR 94 El Cajon to Downtown SD</td>
<td>85,200</td>
<td>94,300</td>
<td>87,200</td>
<td>No data</td>
</tr>
<tr>
<td>5</td>
<td>I-8 El Cajon to Downtown SD</td>
<td>32,900</td>
<td>39,200</td>
<td>39,100</td>
<td>No data</td>
</tr>
<tr>
<td>6</td>
<td>SR 52 Santee to Sorrento Valley</td>
<td>105,400</td>
<td>105,300</td>
<td>105,100</td>
<td>99,000</td>
</tr>
<tr>
<td>7</td>
<td>I-805 Mid City to Sorrento Valley</td>
<td>No data</td>
<td>No data</td>
<td>104,800</td>
<td>No data</td>
</tr>
<tr>
<td>8</td>
<td>I-805 Chula Vista to Sorrento Valley</td>
<td>No data</td>
<td>No data</td>
<td>104,500</td>
<td>No data</td>
</tr>
<tr>
<td>9</td>
<td>I-805 Chula Vista to Downtown SD</td>
<td>No data</td>
<td>No data</td>
<td>104,800</td>
<td>No data</td>
</tr>
<tr>
<td>10</td>
<td>I-5 San Ysidro to Downtown SD</td>
<td>No data</td>
<td>No data</td>
<td>91,800</td>
<td>No data</td>
</tr>
<tr>
<td>11</td>
<td>I-8 El Cajon to Sorrento Valley</td>
<td>No data</td>
<td>No data</td>
<td>No data</td>
<td>No data</td>
</tr>
</tbody>
</table>

Source: Freeway Performance Measurement System (PeMS Version 7.3), Caltrans
Figures 5 and 6 indicate that improvements on I-15, as well as the opening of SR 56 may have helped alleviate congestion in the corridor. For the northbound commute, travel times have been decreasing between 2002 and 2006 even though travel volumes have fluctuated in the same time period.

**Figure 5**  
Comparison of Travel Times and Volumes in the I-15 Northbound Corridor (2001-2006)

![Graph showing travel times and volumes in the I-15 Northbound Corridor](source)

Source: Freeway Performance Measurement System (PeMS Version 7.3), Caltrans

For the region as a whole, the fact that travel times have increased by an average of only 5 percent is a positive sign, suggesting that mobility has remained manageable. This is particularly relevant when considering that between 2001 and 2006, the region’s population grew by 7 percent, and the number of regional jobs grew by 6 percent. Continued monitoring will be required to assess the impact of regional transportation investments, such as those that are included in the TransNet Early Action Program and the 2007 Regional Transportation Plan, on mobility in the region. In addition, more detailed corridor monitoring will be provided in the SANDAG State of the Commute report.

**Miles of Deficient Roads on Congestion Management Program Network**

Data for this indicator are available bi-annually, and there are no new data at this time. As reported previously, congestion has fluctuated between 2001 and 2005. Improvement has been seen on the region’s freeways and arterials between 2003 and 2005, but congestion increased on the region’s highways.

**Figure 6**  
Comparison of Travel Times and Volumes in the I-15 Southbound Corridor (2001-2006)

![Graph showing travel times and volumes in the I-15 Southbound Corridor](source)

Source: Freeway Performance Measurement System (PeMS Version 7.3), Caltrans

**Annual Hours of Traffic Delay Per Traveler**

There are no new data for this indicator at this time. The most recent data available are from 2003, which indicates that annual hours of traffic delay per traveler have increased.

The California Regional Progress Report, reporting on a similar indicator, reports that the San Diego region did not make progress between 1998 and 2004 in decreasing daily vehicle hours of delay. It is noteworthy that none of the other regions made progress on this indicator between 1998 and 2004.

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3 Data for this indicator is from the Annual Urban Mobility Report, published by the Texas Transportation Institute. The most recent Report, published in 2005, provided data for 2003. The report was not published in 2006, because the study’s authors were refining the report’s research methods. The report is expected to resume publication in 2007.
1998 and 2004. However, the San Diego region ranks roughly in the middle of California regions in terms of delay.

**Figure 8**
Annual Hours of Traffic Delay Per Traveler During Peak Periods (2000-2003)

Regional Crime Rate

As shown in Figure 9, the rate of crime in the region declined 5 percent between 2005 and 2006.

The California Regional Progress Report, measuring a similar indicator, reports that the San Diego region’s violent crime rate has decreased, but the regional property crime rate has not. The San Diego region ranks roughly in the middle among all California regions in terms of violent crime and property crime rates.

**Figure 9**
FBI Index Crimes Per 1,000 People (2000-2006)

CONCLUSION

As of 2007, the region made slight progress toward achieving the urban form and transportation goals listed in the RCP. The increase in annual transit ridership is an encouraging sign that the region’s residents are increasingly traveling by public transit. It is anticipated that this trend will likely continue as transit improvements are introduced in the future, such as the opening of the SPRINTER rail line. Future monitoring is required to fully understand our progress toward improving mobility. Two indicators, miles of deficient roads on Congestion Management Program network and annual hours of traffic delay per traveler, suggest that congestion is increasing. However, for those indicators, it should be noted that data are only available up to 2005 and 2003 respectively. When examining travel times and volumes in key auto corridors, this indicator suggests that the region is reasonably managing congestion, as travel times and volumes have not increased or decreased significantly between 2001 and 2006 despite the addition of more than 200,000 residents 78,000 jobs.

HOUSING

The lack of affordable housing continues to be one of the major issues facing the San Diego region today. The RCP calls for more housing choices – more apartments, condominiums, and single family homes in all price ranges. How much housing we build, what type of housing we build, and where we build it are some of the most important decisions we can make in shaping our region’s future.
Housing Opportunity Index

Regional housing affordability continues to be at an all-time low, but the decline in affordability appears to have stabilized since 2005. The Housing Opportunity Index measures the percent of homes sold that are affordable to a household earning the regional median income.

The California Regional Progress Report, measuring a similar indicator, reports that the San Diego region, along with all other California regions, did not make progress between 2003 and 2006 in improving housing affordability. The San Diego region ranks in the bottom third of California regions in terms of housing affordability.

Figure 10
Housing Opportunity Index (2000-2006)

Source: American Community Survey, U.S. Census Bureau

Percent of Households with Housing Costs Greater than 35 Percent of Income

Since 2000, an increasing percentage of households in the region have been paying more than 35 percent of their income toward housing costs. This trend may be stabilizing, because the change between 2004 and 2005 is not statistically significant. Year-to-year fluctuations in the data may be the result of sample differences and may not reflect true year-to-year changes.

The California Regional Progress Report, measuring a similar indicator, reports that the San Diego region ranks comparably to other California regions in this area.

Figure 11
Percent of Households Paying 35 Percent or More of Income for Housing (2000-2005)

Source: National Association of Home Builders

Ratio of New Jobs to New Housing Units

The ratio of new jobs to new housing units has fluctuated since 2001, but appears to have stabilized between 2005 and 2006. In 2006, there were 1.5 new jobs for every new housing unit in the region.

The California Regional Progress Report, which uses a different data source for this indicator, reports that the San Diego region did not make progress between 2000 and 2005 in improving its jobs to housing ratio. However, the San Diego region is reported to rank comparably with most regions in California.

Figure 12
Total New Jobs Per New Housing Unit Ratio (2001-2006)

Source: SANDAG Annual Population and Housing Estimates, California Employment Development Department

\* The Housing Opportunity Index (HOI) replaces the Housing Affordability Index (HAI) used in The Regional Comprehensive Plan: Establishing a Baseline for Monitoring Performance, as the HAI no longer exists.
Share of New Housing Units by Income Category

A total of 11,541 new housing units were built in the region between July 2005 and July 2006, including 343 very low-income, 893 low-income, 418 moderate-income, and 9,887 above moderate-income housing units. Based on the 2005 – 2010 Regional Housing Needs Assessment (RHNA) adopted by SANDAG in February 2005, the region achieved 1 percent of the very low-income, 5 percent of the low-income, 2 percent of the moderate-income, and 22 percent of the above moderate-income housing units established in the RHNA. The data show that the above moderate-income housing needs established in the RHNA are being met, while the housing needs for very low-, low-, and moderate-income households are not.

<table>
<thead>
<tr>
<th>Income Level</th>
<th>Very Low</th>
<th>Low</th>
<th>Moderate</th>
<th>Above Moderate</th>
<th>Total For All Categories</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Housing Units Produced</td>
<td>343</td>
<td>893</td>
<td>418</td>
<td>9,887</td>
<td>11,541</td>
</tr>
<tr>
<td>RHNA Goal</td>
<td>24,143</td>
<td>18,348</td>
<td>20,280</td>
<td>44,530</td>
<td>107,301</td>
</tr>
<tr>
<td>Percent Of Goal Produced</td>
<td>1%</td>
<td>5%</td>
<td>2%</td>
<td>22%</td>
<td>11%</td>
</tr>
<tr>
<td>Units Left To Produce</td>
<td>23,800</td>
<td>17,455</td>
<td>19,862</td>
<td>34,643</td>
<td>95,760</td>
</tr>
</tbody>
</table>

Source: Data compiled from local jurisdictions in the San Diego region

Vacancy Rates

Vacancy rates for both owner-occupied and renter-occupied units have remained relatively stable since 2000. Year-to-year fluctuations in the data may be the result of sample differences and may not reflect true year-to-year changes.

Percent of Households Living in Overcrowded Conditions

As shown in Figure 14, the percentage of households living in overcrowded conditions in the region continues to decline.

Source: American Community Survey, U.S. Census Bureau
Number of Households on the Waiting List for Section 8 Vouchers

In 2007, there are approximately 65,600 households on the Section 8 waiting list, down from the approximately 73,500 households on the Section 8 waiting list reported in the Baseline report.

CONCLUSION

Housing affordability continues to be a problem for the region; however, the above data indicate that the rapid decline in affordability may have slowed for the time being. Progress toward meeting Regional Housing Needs Assessment goals has been slow, particularly in the lowest income categories.

HEALTHY ENVIRONMENT

To ensure a healthy environment, the region must protect our key open spaces and sensitive habitat areas, ensure that our air and water are clean, and restore our eroding beaches. Viable natural habitats, water quality, a well-managed shoreline, and air quality are critical components to the health and well being of our residents, as well as to the overall economic prosperity of our region.

Habitat Conserved Within Designated Preserve Areas

The region is engaging in the implementation or development of four subregional habitat conservation plans: the Multiple Species Conservation Program (MSCP) South, finalized in 1998; the Multiple Habitat Conservation Program, finalized in 2003; the North County MSCP, anticipated for completion in 2008; and the East County MSCP, anticipated for completion in 2009. See Map 2 for the location and boundaries of these plans.

Six jurisdictions, including a portion of the unincorporated area of the County have approved habitat conservation plans and signed Implementing Agreements (covering 20 percent of the region). Seven jurisdictions are working on approval of their Implementing Agreements, (covering 73 percent), and seven jurisdictions are not pursuing Implementing Agreements due to limited habitat in their jurisdiction (covering 1 percent). The remaining area (covering 6 percent) consists of military lands.

Of those jurisdictions with approved conservation plans and signed implementing Agreements, 61 percent of land has been conserved within the habitat preserve system. See Figure 15. Additionally, the City of San Diego and County of San Diego have indicated that an additional 15,400 acres and 12,200 acres, respectively, have been obligated for habitat conservation under approved discretionary development entitlements or conservation banks, but have not yet been conserved through formal legal mechanisms (e.g., easement, dedication in fee title to jurisdictions).

Percent of Preserve Area Actively Maintained

Based upon the estimates of land conserved in the region described in the previous section, over one million acres in the region are managed as open space with dedicated land managers. This includes land in North and East County MSCP that are federal, state and locally owned and conserved for open space and habitat. There is currently no regional database that tracks the lands under active management or the activities that have been conducted on these lands. As part of SANDAG’s participation in regional habitat conservation planning, a conserved lands database is being developed to serve as a baseline to start to track this information. Updated data should be available within six to nine months.

5 2007 data has been compiled from five out of six housing authorities that administer the Section 8 program in the San Diego region. 2006 data was compiled from all six housing authorities.
Map 2
Habitat Conservation Planning Areas in the San Diego Region

Figure 15
MSCP South Land Conservation by Year

Source: 2006 Annual Monitoring Reports
**Number of Beach Mile Closure Days**

The number of beach mile closure days fluctuated between 2000 and 2006, but has been relatively stable since 2004.

![Figure 16](image)

**Impaired Waterbodies**

Between 2002 and 2006, impaired waterbodies in the region increased. Impaired waterbodies are those that do not meet Clean Water Act standards. This list is prepared every four years by the San Diego Regional Water Quality Control Board.

In the California Regional Progress Report, the San Diego region was shown to experience the greatest percentage increase in the number of impaired water segments in the state. It is assumed that polluted runoff has been a major factor contributing to increases in impaired water segments regionwide. However, it should be noted that the region as a whole has greatly enhanced its monitoring efforts in recent years; as such, a greater percentage of waterbodies were found to be impaired in 2006 than in 2002. Therefore, the extent to which the region’s impaired waterbodies has increased cannot be conclusively determined, as data from 2002 and 2006 are not comparable. Data collected in future years should indicate whether the dramatic increase in impaired waterbodies between 2002 and 2006 signifies a valid trend.

![Figure 17](image)

**Beach Widths**

A few beaches continue to exceed the target set forth in the SANDAG Regional Shoreline Preservation Strategy, and all beaches had more sand in 2006 than they did in 2005. This is likely due to wave conditions. Wave conditions in the summer of 2006 were more conducive to the onshore transport of sand than those in the summer of 2005. The unanticipated increase in beach width that occurred during the past year could be quickly reversed by less favorable wave conditions in the future. At the time of the 2005 survey, three consecutive years of shoreline retreat had diminished the beach widths at most locations to such an extent that they were equal to or less than pre-Regional Beach Sand Project values (prior to 2001). The area-wide shoreline advance that occurred in 2006 was sufficient to restore the beach widths to levels not observed since the first two years following the Regional Beach Sand Project.
Table 5
Beach Widths and Targets of Shoreline Segments, San Diego Region (in feet) (2000-2006)

<table>
<thead>
<tr>
<th>Fall Averages</th>
<th>2000</th>
<th>2001*</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2010 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SILVER STRAND LITTORAL CELL</strong></td>
<td>Imperial Beach</td>
<td>218.0</td>
<td>308.0</td>
<td>218.0</td>
<td>217.0</td>
<td>221.0</td>
<td>229.0</td>
<td>307.0</td>
</tr>
<tr>
<td></td>
<td>Silver Strand State Beach</td>
<td>448.0</td>
<td>451.5</td>
<td>451.0</td>
<td>449.0</td>
<td>434.5</td>
<td>438.5</td>
<td>486.0</td>
</tr>
<tr>
<td></td>
<td>Coronado</td>
<td>767.0</td>
<td>784.0</td>
<td>767.0</td>
<td>768.0</td>
<td>764.0</td>
<td>737.0</td>
<td>790.0</td>
</tr>
<tr>
<td><strong>MISSION BEACH LITTORAL CELL</strong></td>
<td>Ocean Beach</td>
<td>274.0</td>
<td>283.0</td>
<td>295.0</td>
<td>259.0</td>
<td>264.0</td>
<td>260.0</td>
<td>305.0</td>
</tr>
<tr>
<td></td>
<td>Pacific/ Mission Beaches</td>
<td>286.0</td>
<td>277.7</td>
<td>279.3</td>
<td>282.3</td>
<td>283.7</td>
<td>268.3</td>
<td>301.7</td>
</tr>
<tr>
<td></td>
<td>La Jolla</td>
<td>192.0</td>
<td>213.0</td>
<td>183.0</td>
<td>229.0</td>
<td>219.0</td>
<td>224.0</td>
<td>223.0</td>
</tr>
<tr>
<td><strong>OCEANSIDE LITTORAL CELL</strong></td>
<td>San Diego</td>
<td>226.0</td>
<td>265.5</td>
<td>250.5</td>
<td>209.3</td>
<td>217.8</td>
<td>216.0</td>
<td>236.0</td>
</tr>
<tr>
<td></td>
<td>Del Mar</td>
<td>166.0</td>
<td>133.3</td>
<td>167.3</td>
<td>157.3</td>
<td>120.7</td>
<td>102.3</td>
<td>158.0</td>
</tr>
<tr>
<td></td>
<td>Solana Beach</td>
<td>108.0</td>
<td>171.0</td>
<td>141.0</td>
<td>138.0</td>
<td>133.0</td>
<td>130.0</td>
<td>157.0</td>
</tr>
<tr>
<td></td>
<td>Encinitas</td>
<td>152.3</td>
<td>183.0</td>
<td>177.3</td>
<td>181.3</td>
<td>175.0</td>
<td>150.3</td>
<td>201.8</td>
</tr>
<tr>
<td></td>
<td>Carlsbad</td>
<td>182.8</td>
<td>190.4</td>
<td>210.2</td>
<td>212.8</td>
<td>189.4</td>
<td>177.2</td>
<td>205.8</td>
</tr>
<tr>
<td></td>
<td>Oceanside</td>
<td>287.3</td>
<td>287.0</td>
<td>294.7</td>
<td>302.7</td>
<td>265.0</td>
<td>277.7</td>
<td>300.7</td>
</tr>
</tbody>
</table>

*The SANDAG Regional Beach Sand Project nourished 12 of the region’s beaches in 2001

Lagoon Health

Data are unavailable for this indicator.  

Air Quality Index

After a few years of improving air quality, the number of days during which air quality was considered unhealthy increased by 8 days in 2006. This marks a near-return to the number of days air quality was deemed unhealthy for sensitive groups in 2002 and 2003. The increase in 2006 was likely due to a number of days during which the region experienced record-high temperatures. Data in future years should help determine if last year’s increase in unhealthy air quality days represents a weather-related anomaly in the region’s trend toward improving air quality or if the region’s air quality is actually declining.

CONCLUSION

The region continues to make progress on habitat conservation, and further progress is anticipated as the North and East County Multiple Species Conservation Programs are adopted. As of 2006, the region has been experiencing mixed results with regard to water quality. The number of beach mile closure days has stabilized in recent years, but has not decreased overall. In addition, pollution in our region’s lakes, streams, rivers, bays, and lagoons has gotten worse. Mixed results...
are also observed with regard to shoreline preservation and air quality. Beach widths have mostly decreased since the region’s beach sand replenishment project in 2001, but increased in 2006. This is likely due to changes in wave conditions from the summer of 2005 to the summer of 2006. In terms of air quality, the region appears to be making progress overall; it remains to be seen whether last year’s results were an anomaly due to record-high temperatures.

**ECONOMIC PROSPERITY**

The Regional Economic Prosperity Strategy (REPS), originally developed in 1998, is being updated this year. The REPS identifies strategic goals and recommends actions that call for infrastructure investment and public policy support in order to strengthen the region’s economic foundation. The REPS is based upon the premise that investments in human and physical infrastructure will lead to stronger businesses and a well-trained workforce, ultimately leading to improvements in the regional standard of living.

**Labor Force Educational Attainment**

Labor force educational attainment remains stable. Year-to-year fluctuations in the data may be the result of sample differences and may not reflect true year-to-year changes.

The California Regional Progress Report, measuring a similar indicator, reports that the San Diego region made progress between 2000 and 2005 in educational attainment. The report found that the region had the second highest percentage of residents with Bachelor’s degrees of all California regions in 2005.

**Balanced Job Growth**

There are no new data for this indicator at this time. As of 2004, job growth in the region remains unbalanced. Between 2000 and 2004, the proportional share of job growth in each wage level has not changed much.

**Employment Growth in High-Wage Economic Clusters**

In 2005, there was a slight increase in employment in high-wage economic clusters over 2002 and 2003.
Regional Unemployment Rate Compared to California and the United States

San Diego’s unemployment rate continues to improve, and employment growth is keeping pace with population growth. Generally, San Diego’s unemployment rate tracks that of the state and the nation, and is currently lower than both.

Real Per Capita Income Compared to California and the United States

In 2005, San Diego’s real per capita income increased. It remains above that of California and the United States, but has only increased slightly since 2000.

The California Regional Progress Report, measuring a similar indicator, reports that the San Diego region made progress between 2000 and 2004 in increasing real per capita income. The San Diego region experienced the second highest increase in real per capita income of all California regions between 2000 and 2004.

Regional Poverty Rate Compared to California and the United States

The San Diego region’s poverty rate remains stable and below that of California and the United States. Year-to-year fluctuations in the data may be the result of sample differences and may not reflect true year-to-year changes.
CONCLUSION

The region is experiencing a rising standard of living, as measured by real per capita income—but it is not keeping pace with California or the United States as a whole. Unemployment continues to decrease, and employment in the region’s high-wage clusters is increasing. Other indicators of economic prosperity in the region appear to be stable. San Diego’s Regional Economic Prosperity Strategy, to be considered by the SANDAG Board of Directors in late 2007, contains strategic goals and recommended actions that will help improve the condition of the local economy. It calls for infrastructure investment and public policy support to strengthen the region’s economic foundation and make it more competitive. These policy efforts and infrastructure investments will ensure that the region reinforces its status as one of the most desirable places to work and live. Above all, the strategic goals and recommended actions are designed to expand and create high- and middle-income jobs, which will ensure a rising standard of living for the region’s residents. Future monitoring reports will measure the success of these strategies.

PUBLIC FACILITIES

Our region requires reliable supplies of water and energy, opportunities to reuse and recycle materials, and sufficient disposal options for waste. The region also needs to make more efficient use of its resources. We can do this by locating public facilities where they will most effectively provide access and availability of needed services and protect public health and safety. To address the importance of public facilities to the San Diego region, the RCP focuses on water supply, energy, and waste management. Key issues include meeting our water demand, energy, and waste management infrastructure needs and providing public facilities that meet our current and future needs in a timely, efficient, and sustainable manner.

Water Consumption

New data were unavailable at the time of printing for this report, but is expected to be available in next year’s report. As reported previously, water consumption has fluctuated since 1999, but decreased between 2004 and 2005.

Diversity of Water Supply

The diversity of the region’s water supply is increasing. Increases in the amount of water brought into the region through the Imperial Irrigation District and surface water supplies have helped to decrease the region’s reliance on the Metropolitan Water District of Southern California as a source.
Recycled Water Use

Recycled water use has fluctuated since 2000, but increased 18 percent between 2005 and 2006. This increase may be due to a few new larger recycled water facilities that have begun serving new customers in the region. In addition, agencies have been providing recycled water retrofit assistance to existing customers in order to expedite hook-ups to their recycled water systems. It is anticipated that the amount of recycled water used will continue to increase as the region continues to invest in infrastructure and consumer awareness.

Per Capita Electricity Consumption and Peak Demand

Per capita electricity consumption continues to increase and move further away from the target established in the 2003 Regional Energy Strategy, as shown in Figure 27. Figure 28 shows that peak demand is increasing as well.

**Figure 27**
Amount of Recycled Water Used (2000-2006)

**Figure 28**
San Diego Annual Per-Capita Electricity Consumption (2000-2006)

Share of Energy Produced in the Region vs. Imported

The share of energy produced within the region continues to decrease and move further away from the target established in the 2003 Regional Energy Strategy at an increasing rate.

**Figure 29**
San Diego Annual Per-Capita Electricity Peak Demand (2000-2006)

**Figure 30**
Share of Energy Produced within the San Diego Region (2000-2006)
Share of Energy Produced from Renewable Resources

The region continues to make progress toward increasing its share of energy produced from renewable resources and is moving slowly toward the target established for 2010 in the 2003 Regional Energy Strategy (RES).7

\[ \text{Figure 31} \]
SDG&E Share of Energy Produced from Renewable Resources8 (2000-2030)

Landfill Space Available

An estimated 9 years of landfill capacity currently remain. The County is working on a number of options to expand capacity.

\[ \text{Table 6} \]
Remaining Landfill Space Available

<table>
<thead>
<tr>
<th>Year</th>
<th>Current Remaining Capacity (cubic yards)</th>
<th>Estimated Years of Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>89,044,519</td>
<td>9 (to 2016)</td>
</tr>
</tbody>
</table>

CONCLUSION

The region appears to be making progress regarding its water supply as water consumption has decreased since the previous year, and the region is making progress toward its water diversification strategy. It is particularly important to note that there has been a significant increase in the amount of recycled water used. Energy indicators in the region yield mixed results: on one hand, our usage and the share of energy produced within the region are moving away

---

7 Subsequent to the RES, more stringent state law (SB 107) has been adopted requiring 20 percent renewable energy by 2010. The Governor has also proposed an additional goal of 33 percent by 2020. The RES will be updated in Fiscal Year 2008, and the targets will be reevaluated at that time.

8 These values are based on the California Public Utility Commission’s Renewable Portfolio Standard Rules, and thus, do not include Customer-owned Photovoltaic.
from the targets set in the Regional Energy Strategy. On the other hand, the region continues to increase its share of energy produced from renewable resources. Regarding solid waste management, the region needs to increase its recycling and waste diversion efforts in order to meet its state-mandated target and avoid running out of landfill space.

**BORDERS**

The region's distinct characteristics present a variety of opportunities and challenges for planning and coordinating along our interregional and binational borders. Access to jobs and housing continues to be an important issue. As people move farther away from their places of employment, increased pressure is placed upon our interregional transportation systems.

**Interregional Traffic Volumes into San Diego from Surrounding Counties and Baja California**

The number of interregional trips into San Diego from Baja California, Orange County, Riverside County, and Imperial County continues to increase, particularly from Riverside County.

**Figure 33**
San Diego Region Average Weekday Traffic Volumes to and from Orange, Imperial, and Riverside Counties and Tijuana, Baja California (2000-2005)

Border wait times continue to increase, particularly for commercial vehicles. Commercial vehicles experienced a 12-minute increase in their average border wait times between 2005 and 2006. This is partly due to increased trade and truck traffic, but may also be due to stricter inspections at the ports of entry. However, wait times for both passenger and commercial lanes tend to be substantially higher than the peak period delays shown by the above U.S. Customs and Border Protection data.

**Border Wait Times for Personal Trips and Goods Movement**

Border wait times continue to increase, particularly for commercial vehicles. Commercial vehicles experienced a 12-minute increase in their average border wait times between 2005 and 2006. This is partly due to increased trade and truck traffic, but may also be due to stricter inspections at the ports of entry. However, wait times for both passenger and commercial lanes tend to be substantially higher than the peak period delays shown by the above U.S. Customs and Border Protection data.

**Figure 34**
Average Border Wait Times – Northbound into San Diego from Tijuana (2004-2006)

There are a total of 97,000 Secure Electronic Network for Travelers Rapid Inspection (SENTRI) participants in 2007, which represents 26,000 more participants than were reported in the Baseline report. There are no new data for the Pedestrian Commuter Program and the Free and Secure Trade Program.

**Participation in SENTRI Lanes, Pedestrian Commuter Program, Free and Secure Trade (FAST) Program**

The region continues to experience increasing interregional commute volumes, particularly from Riverside County. Border wait times are increasing as well; commercial vehicles experienced a signif-
icant increase in wait times between 2005 and 2006. Finally, there are 26,000 new participants in the SENTRI program.

**SUMMARY AND CONCLUSIONS**

The results of this year’s Regional Comprehensive Plan (RCP) performance monitoring report highlight those areas in which the region appears to be moving in the right direction and those in which improvement is needed:

**MOVING IN THE RIGHT DIRECTION**

- Ninety-nine percent of new housing units built in the region in 2005 and 2006 were located within the San Diego County Water Authority water service boundary.
- Transit ridership is increasing.
- The region’s reliance on imported water continues to decrease as our water supply diversifies.
- The share of energy produced from renewable resources continues to increase.

**AREAS FOR IMPROVEMENT**

- The region continues to experience a serious housing affordability problem.
- An increasing number of waterbodies are impaired.
- Energy usage in the region continues to increase, moving further away from the target established in the Regional Energy Strategy.
- Wait times continue to lengthen at the U.S.-Mexico border, particularly for commercial vehicles.

The region would expect to experience improvement in the areas listed above as the initiatives recommended in the RCP are developed and implemented. SANDAG is involved in a number of efforts that will ideally result in improvements to the region’s quality of life, and reflect progress in future monitoring reports, such as:

- TransNet Early Action Program projects;
- Transit improvements, such as the opening of the SPRINTER at the end of this year and Bus Rapid Transit on I-15;
- Funding for smart growth through the TransNet Smart Growth Incentive Program and the Transportation Development Act/TransNet Bicycle and Pedestrian Funding Program;
- Strategies recommended in the Regional Economic Prosperity Strategy update later this year;
Introduction

Powerful and sometimes global currents are changing economic and social systems in cities and regions around the world. In response, people in leadership positions are seeking strategies they can use to make their places competitive and to attract and retain technology or innovation based enterprises. These places start with an inherited pattern of land use, a resource base, and a set of institutions tailored to another era. The challenge is to re-orientate land, resources and institutions to accommodate the needs of an economy in the 21st century; the payoff is the opportunity to achieve a high and rising standard of living for all residents.

To help address these transition issues SANDAG has created the San Diego Regional Economic Prosperity Strategy and adopted it as an element of its Regional Comprehensive Plan. The SANDAG Board directed staff to update the Prosperity Strategy and appointed an Advisory Group to oversee that effort, which got underway in September 2006.

The Draft 2007 San Diego Regional Economic Prosperity Strategy was presented to the Regional Planning Committee at its June 1, 2007 meeting. It was requested that the draft Strategy be brought before the Committee a second time to allow for more discussion and to provide additional opportunity for written comments.

Discussion

The Advisory Group’s work, titled Preparing for Regional and Global Collaboration, is organized into two reports: San Diego Regional Economic Prosperity Strategy (Volume I) and Evaluating the Competition and Assessing our Strategic Position (Volume II). Together these two reports represent a complete package; Evaluating the Competition identifies the San Diego region’s major economic strengths, weaknesses, challenges and opportunities, and the Prosperity Strategy develops a framework, makes recommendations and suggests responsibilities for carrying out actions designed to meet our challenges and take advantage of the opportunities. For reference purposes, Attachment 1 contains the Draft San Diego Regional Economic Prosperity Strategy, which was previously distributed to the Committee. Electronic versions of the two volumes can be downloaded from SANDAG’s Website (www.sandag.org/reps).

When conducting the 2007 update of the Prosperity Strategy, the Advisory Group determined that certain measures of our region’s economic performance are not keeping pace with its major competitors or with larger state and national trends. Most disturbing are trends that show San Diego to have a very high cost of living and middle of the pack median wage that has been
growing very slowly for nearly three decades. Combined, these high costs and low wage growth have eroded the purchasing power of a majority of the region’s households.

In response, the Prosperity Strategy offers a framework and a set of Strategic Goals and Recommended Actions designed to meet and overcome these two main challenges to our region’s future prosperity. These goals and actions are the focus of today’s discussion. The Prosperity Strategy suggests that changes in public policies and infrastructure investments can initiate a change in the quality and balance of job opportunities sufficient to generate a high and rising standard of living, by improving output per worker, or productivity. At the same time implementing the recommended actions will also help hold down future cost of living increases. These new public policies and capital investments are a “necessary condition” for higher rates of economic growth to occur locally – strengthening and diversifying our economic foundation and providing our existing industries, emerging growth companies, and universities and research institutions that help create new and highly innovative enterprises with the resources to be competitive in the increasingly global economy of the 21st Century.

Next Steps

The draft two-volume report, Preparing for Regional and Global Collaboration, was made available for public review and comment from Friday, May 18, 2007 through Friday, July 20, 2007. Staff will document and respond to public comment in the final draft, which will be reviewed by the Prosperity Strategy Advisory Group at a meeting in mid-September. At that meeting staff will request the Advisory Group take action to forward the final reports to the SANDAG Board of Directors for approval.

MARNEY COX
Chief Economist

Attachments: 1. Draft 2007 San Diego Regional Economic Prosperity Strategy - Volume 1
(Provided to RPC Members only. Additional copies available upon request and on the SANDAG Website: www.sandag.org)
2. Comments and Draft Responses on May 2007 Draft Report

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PREPARING FOR REGIONAL AND GLOBAL COLLABORATION
DRAFT
VOLUME I

SAN DIEGO’S REGIONAL ECONOMIC PROSPERITY STRATEGY

MAY 2007
The 18 cities and county government are SANDAG serving as the forum or regional decision-making. SANDAG builds consensus; plans, engineers, and builds public transit; makes strategic plans; obtains and allocates resources; and provides information on a broad range of topics pertinent to the region’s quality of life.
Since 1990, the San Diego Association of Governments (SANDAG) has been evaluating and monitoring the local economy. Recently, the Regional Economic Evaluation and Prosperity Strategy Advisory Working Group overseeing this effort completed an update of a report identifying the local economy’s strengths and weaknesses. The assessment was the first step toward the preparation of a plan for strategic action that will help our region remain competitive in the global marketplace. The two volume report is titled Preparing for Regional and Global Collaboration. Together, the two volumes represent a complete package: Evaluating the Competition and Assessing our Strategic Position (Volume II) identifies the region’s economic strengths, weaknesses, challenges, and opportunities, and San Diego’s Regional Economic Prosperity Strategy (Volume I) builds on the information from Volume II and goes on to identify economic goals, make recommendations, and assign responsibilities to carry out those recommendations.

Our research shows and the Advisory Group is concerned that certain measures of our economic prosperity are not keeping pace with our major competitors or with trends nationwide. In addition, our research points out that the region is not adequately equipped and prepared to compete competitively in an increasingly global market place. Simply put, we must respond to current and future global changes, such as the growth in international trade. It is clear that our region competes with the world; however, whether or not we choose to prosper in the global economy depends largely on our local investment and policy priorities.

The Strategy contains Strategic Goals and Recommended Actions that will help improve the condition of the local economy. It calls for infrastructure investment and public policy support to strengthen the region’s economic foundation and make it more competitive. These policy efforts and infrastructure investments will ensure that the region reinforces its status as one of the most desirable places to work and live. Above all, the Strategic Goals and Recommended Actions are designed to grow and create middle-class jobs, which will ensure a rising standard of living for the region’s residents.

A timely response to the challenges we face will allow the region to take advantage of opportunities these challenges may offer. As such, we must act together in a collaborative manner to aggressively implement the Recommended Actions. The Advisory Group believes the region should rely on existing organizations and agencies to implement the strategy. The agencies and organizations most responsible for carrying out the Strategy’s Recommended Actions are identified and asked to take on the responsibility of implementation and achieving results. This leadership process has proven to be successful and ensures a broad-based collaborative approach that minimizes the problems that arise when a new organization or agency is formed to oversee the implementation of the Recommended Actions.

The Advisory Group would like to take this opportunity to share the results of its work with you and hopes you will pay close attention to the Strategy’s Strategic Goals and Recommended Actions. We encourage you to let us know what you think of the two volume report and the recommendations. You can send us comments via fax, e-mail, or mail to the address shown on the following page. We appreciate your taking the time to participate.

Sincerely,

The San Diego Regional Economic Prosperity Strategy Advisory Working Group
Please direct your comments to:

SANDAG
Attn: Monika Clark
401 B Street, Suite 800
San Diego, CA 92101
Fax: (619) 699-1905
E-mail: mcl@sandag.org

Please include the name of a contact person. Comments are due on or before June 8, 2007.
This report was prepared with the assistance of the

2007 REGIONAL ECONOMIC EVALUATION AND PROSPERITY
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SAN DIEGO’S REGIONAL ECONOMIC PROSPERITY STRATEGY
SAN DIEGO’S REGIONAL ECONOMIC PROSPERITY STRATEGY

Powerful and sometimes global currents are changing economic and social systems in cities and regions around the world. In response, people in leadership positions are seeking strategies they can use to make their places competitive and to attract and retain technology-based enterprise. These places start with an inherited pattern of land use, a resource base, and a set of institutions tailored to another era. The challenge is to re-orient land, resources and institutions to accommodate the needs of an economy in the 21st century.

As the United States embarks on its third century of growth and development, one response to this challenge has been a report from the Regional Plan Association of New York calling for a strategy to address national challenges on a regional scale. The report points out that the U.S. needs a Third Century Strategy to contend with the 140 million additional people expected by the year 2050 and the challenges of competing in a global economy. Today, the U.S. has delegated most economic development and planning initiatives to municipalities and has no unifying plan or strategy, as we did, for example, with the Interstate Highway System. Yet, over the next 50 years, if the nation’s population increases by 40 percent as expected, we will need to build half-again as much housing and as much commercial development and infrastructure as we have over the past two centuries.

Most of the nation’s population growth, and even a larger share of its economic expansion, is expected to occur in eight emerging “Mega-regions”. These are large inter-connected metropolitan areas, each of them spread over thousands of square miles, and located in every region of the country including Southern California, which extends south from Ventura County, across the U.S.-Mexico international border to Baja California. Many growth related issues, such as transportation, environmental quality, innovation, energy, water, solid and hazardous waste, and job creation, affect the entire Southern California Mega-region and require for their solution collaboration and coordination of its members.

Regional Collaboration – Preparing for Increasing Global Competition

How we define our region becomes a basis for defining our region’s competitive assets and these assets should be woven into our collaborative strategic planning and actions. For example:

- Our region depends on the transportation infrastructure located in the greater Los Angeles area for access to the national and international marketplace (do we need our own facilities or just better access?).

- We are dependent on Baja California and, increasingly, on southern Riverside County for an important part of our labor force, manufacturing facilities, and product distribution centers (do we need all the labor and business facilities located in San Diego, or do we both need better access?).

1 America 2050: A Prospectus, 2006
We are dependent on outside sources for a majority of the region’s potable water supply, and recently the San Diego County Water Authority helped reduce this risk by entering into agreements with our neighbor to the east, to purchase water from Imperial Irrigation District (IID) and the All American Canal Lining and Coachella Canal Lining projects, effectively strengthening and diversifying our water supply to meet projected population and economic growth.

We are dependent on outside sources for a majority of our energy supply and recent legislation requires that an increasing proportion of the energy we consume come from renewable sources, requiring a significant increase in our transmission capacity, which the local utility, San Diego Gas & Electric (SDG&E), is planning to bring in from sources in Imperial County.

These and other collaborative initiatives are needed for economic growth and will help us remain competitive in a global marketplace. On this latter point, for example, while San Diego has been a pioneer in life science research, along with Northern California and the Northeastern U.S., other regions and countries, such as those in Europe and Asia, have established research centers and production capacities to attract scientists, create new products, and compete with the U.S. Singapore has identified development of life science research and industry as a national priority and has invested substantial funds to attract researchers. Similar developments have occurred in computers, communications, and other high technology industries.

So, we should not rest on our laurels or believe that past success guarantees future prosperity. Closer to home, other states and regions are engaged in cut-throat competition to attract San Diego’s entrepreneurs and convince them that they can grow their companies faster and create greater value for their stakeholders. Florida, for example, has made available nearly a billion dollars worth of investment capital for fostering their life science industries and has successfully attracted satellite operations of two of our local research institutions. Florida policymakers have expressed their goal to build a world class biotechnology cluster that is on par with San Diego. Other regions offer aggressive tax breaks and other economic development incentives to attract these fast growing, technology-oriented businesses.

One thing is clear: to deal with these issues and meet our collective needs, places like San Diego have to evolve and change. And change we have; now with more than 3,000 technology–producing companies, San Diego has transformed itself within two decades into one of the most innovative regions in the U.S. Once known mostly for our defense-related businesses, military establishments, and vibrant visitor attractions, the San Diego region now hosts a diversified set of research-oriented business and knowledge-based institutions that together form eight diversified high-technology clusters.

Competitive forces, global or otherwise, affect places differently; some regions are better positioned for some opportunities than others. However, it is becoming clear that by acting in an “enterprising” manner, places can help shape the attractiveness of their region, enhancing its relative competitiveness in an increasingly global marketplace, and raise their standard of living by providing the resources necessary for economic growth and improved quality of life. Locally, we have only begun to test our ability to form broad regional partnerships to implement problem solving strategies to address the changing needs of our economy.

So where does this leave us? After successfully meeting the challenges of restructuring and diversifying the regional economy do we opt to put our “new” economic drivers on cruise control? Many in this region, including the Regional Economic Evaluation and Prosperity Strategy Working Group overseeing this effort do not believe “cruise control” is an option.
One way to address these and other issues is to periodically evaluate the region’s economic health by benchmarking ourselves against other similar regions, as well as broader statewide and national trends. By benchmarking ourselves we have a way of measuring progress, or lack of progress, to solve recognized problems based on the principle of “what gets measured, gets done.” That is the purpose of this report’s companion document, Evaluating the Competition and Assessing our Strategic Position. The data and analysis contained in the Evaluation report was used as a basis for this report, San Diego’s Regional Economic Prosperity Strategy. Together, the two reports represent a complete package: the Evaluation report identifies the San Diego region’s major economic strengths, weaknesses, challenges and opportunities, and the Prosperity Strategy makes recommendations and assigns responsibilities designed to meet our challenges and take advantage of the opportunities.

**Global Collaboration - Embracing Free Trade**

Preparing our region to compete in the increasingly global marketplace also means embracing free trade. Yet, discussions over “free trade” seem to polarize the participants – “are you fer it or agin it?” Most economists support free trade policies, however, public support for these policies can be characterized as lukewarm or in some cases adamantly opposed. On one side, it is not unusual to hear or read reservations expressed about trade, for example: “Trade harms large segments of U.S. workers.” “Trade exploits poor countries.” On the other side, most economists agree with the proposition that the use of tariffs and import quotas to regulate “free trade” reduces the average standard of living. Why is there such disconnect between economists and the general public?

These reservations about free trade expressed by the public are specific. In other words, the general public understands the benefits from free trade in terms of increased product selection, higher quality, and lower prices. Despite an intuitive understanding of the benefits, the general public has expressed specific and strong reservations about embracing a broad public policy supporting free trade, such as:

- **Distributional effects** - workers are not seen as benefiting from trade. The public perceives that the benefits from trade flow to businesses and the wealthy, and to those abroad rather than those in the United States.
- **Disruptive effects** - trade causes painful adjustments for those who lose their jobs. The perception is that the costs incurred by these workers are not necessarily offset by the creation of new and possibly better jobs.
- **U.S. trade deficit** - the public believes that deficits are not sustainable, we are living beyond our means, and the U.S. should not have a trade deficit; rather, exports should be greater than or equal to imports, in the aggregate and with each country. If there is a trade deficit with a country, the public believes it is because of unfair competition, such as public subsidies, tax breaks and/or an artificially low currency.

Nearly 200 years ago, economist David Ricardo demonstrated the benefits of trade through the principle of comparative advantage and the “economic gains” that can flow from trade through the application of

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2 For example, see the recent article in the Union-Tribune “What’s that sour taste? It’s the U.S. trade deficit” written by Dean Calbreath, April 1, 2007.

3 A wealth of information on trade opinions can be found at the following web site maintained by the Program on International Policy Attitudes: www.americans-world.org
“exchange” and “specialization.” Given the amount of time that has passed it is safe to conclude that economists have not done a good job addressing these concerns, in part because there is a little bit of truth in each of these public perceptions concerning free trade. The underlying point for economists is that free trade stimulates economic growth, usually by increasing productive resources and/or technological change. In practice, these increases are triggered by the spur of competition when countries liberalize trade.

The principle of comparative advantage, implemented through exchange and specialization, is the same whether the trading partners are individuals, cities, counties, states, or countries. In other words, would our lives be better if each of us individually grew all of our food, made all of our clothes, pumped and refined all of our oil and gas, built our own houses, and made all of our own movies? These are rhetorical questions, but the point is that pure self-sufficiency is a recipe for a “Stone Age” standard of living. Instead, to improve our standard of living we “trade” our output for the goods and services that we are not especially adept at producing, and the result is a higher standard of living for all involved.

If the logic and evidence supporting free trade is so convincing (at least for economists) why is the general public reluctant to embrace free trade? Surveys show that the public seems to focus or emphasize the costs rather than the net benefits of free trade, and their perspective is one of an individual evaluating how their current economic status is affected without regard for the national well-being. Economists’ support for free trade rests primarily on the fact that imposing or removing trade restrictions invariably helps some firms and people and hurts others, but resulting in a positive net benefit for the country as a whole from moving toward freer trade.

People see the costs imposed by free trade on workers who lose their jobs because of imports, but fail to see or fully appreciate the benefits to consumers of lower priced goods and services from abroad. For example, restricting imports of a raw material will have positive effects on domestic producers of the raw material, and their employees, but will hurt domestic users of the raw material. Saving jobs in the industry producing the raw material comes at the cost of diffused impacts like reduced jobs in industries using the raw material and higher costs to consumers of the finished product.

Another related public perception is that exports add jobs and imports cost jobs when workers in the home country find they cannot compete with low-cost goods or services from abroad. This gives the impression that a country could add jobs by subsidizing exports and blocking imports. In practice, for the U.S. to export another county must import and pay for those imports, preferably with dollars. How will foreigners obtain dollars unless they export and are paid in dollars? Will the U.S. banks lend the dollars, even though the foreign firms have no way of selling goods in the U.S.? If the U.S. firms accept the foreign currencies as payment, they cannot use the money because imports are blocked. This makes it clear that a policy that restricts imports also restricts exports; every dollar of blocked imports is also, eventually, a dollar of blocked exports. In this way imports and exports are connected in a very

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4 An important point here is that the gains from trade depend on comparative and not absolute advantage. What is crucial for comparative advantage is that the ratio of production costs, and therefore prices, between two goods or services in one country is different from the ratio of the same goods or services in another country. Absolute advantage generally refers to the efficiency or productivity of one country in producing a product, measured by output per worker. Intuitively one might conclude (wrongly) that absolute advantage eliminates the possibility of mutual gains from trade; leading to the perception that a high productivity (high income) country could not engage in mutually beneficial trade with a low productivity (low income) country. Absolute advantage is important in determining incomes, but is irrelevant in whether trade can benefit both countries.

5 Economic growth is further stimulated in the following ways: (1) trade raises a country’s real income, some of which is saved. The increased saving raises the availability of funds for investment spending, augmenting a country’s productive capital stock, allowing for economic growth; (2) faced with increased competition from trade, firms must act to improve their efficiency and responsiveness to customers raising productivity and output; (3) as trade barriers are reduced the size of the market that a firm faces increases offering opportunities for more sales, lower per unit cost, and increased research and development spending.
fundamental way. More specifically, saving jobs by restricting imports saves only jobs in the particular protected industry, and saving those jobs necessarily means losing jobs in another import-competing industry or export industry. The public perception that imports destroy some jobs is certainly correct; however, the key point is that trade causes a change in the distribution of jobs and no major change in the number of jobs, once the disruptive adjustments to changing trade patterns are complete. In this way, economists are not insensitive to workers whose job has been lost as a result of trade, they are confident that additional jobs are created in the areas where we have a comparative advantage. However, economists question the wisdom and effectiveness of a policy that is more concerned about job losses from international trade than jobs lost from domestic competition or changing technology.

Lastly, the general public is concerned about the large and increasing U.S. trade deficit. Some economists are not as concerned about the trade deficit, although there is not the same unanimity among economists on trade deficits as there is on the benefits of trade.

When a country has a trade deficit it is spending more than it has earned and has saved, so it must sell assets to foreigners. A common mistake is to treat international capital flows as though they are passively responding to what is happening in the current account, or trade deficit. Investors abroad buy U.S. assets not for the purpose of financing the U.S. trade deficit but because they believe these assets are sound investments, promising a combination of safety and return. The U.S. has created for itself a comparative advantage in capital markets; we should not be surprised that investors all over the world come to buy the product. As these investors exploit the investment opportunities offered by U.S. financial markets, trade deficits can arise. The U.S. trade deficits are funded by foreign savings invested in U.S. assets.

Viewing trade deficits as investments provides a different way of thinking about their value. From this perspective, the current account or trade surplus or deficit is the difference between a country’s savings and investment. Savings is the difference between what a country produces, measured as GDP, and what is consumed privately and by the government. When investment exceeds savings, a country finances this gap by borrowing from abroad. The trade deficit reflects a country’s firms or government investing in physical capital to take advantage of productive opportunities. These investments expand the infrastructure, build capacity to access natural resources, and take advantage of new technologies. By borrowing from international sources a country can invest more without cutting current consumption. When a country repays this borrowing in the future, the trade balance increases or becomes a surplus. The trade deficit may be a sign of a robust economy, increasing the economy’s productive capacity and the unbalanced trade flows are vital to sustaining the economy’s expansion into the future.

\[6\] It is not unusual for countries to borrow from other countries to make capital investments in their country. The U.S. borrowed heavily from primarily European sources to finance the construction of the transcontinental railroad. Norway borrowed heavily from foreign sources to develop its North Sea oil deposits.
CALL TO ACTION
CALL TO ACTION

A Strategy to Raise Our Standard Of Living

Over the past several decades, the rate of increase in the region’s standard of living has not kept pace with the nation. Our research shows that this trend has been occurring for two reasons: first, the San Diego region has been adding proportionally more jobs at the low end of the pay scale than jobs at the high end of the pay scale. Second, this “unbalanced job growth” problem has been exacerbated by a widening gap between wages received at the high and low end of the pay scale. The combination of these two trends is affecting the standard of living in the region.

Although all businesses and industries contribute to economic growth, it is important to distinguish between those industries that are primarily local and those that sell their products and services nationally and internationally. This latter group of businesses, referred to as “traded industrial clusters,” have a very different role in economic growth.

- Because these firms are export-oriented they bring outside dollars into our region, initiating economic growth and driving the regional economy forward.
- Because they compete at a national and global level, opportunities for growth in these industries are not constrained by the size of the local market, and they can expand far beyond it.
- Because these firms compete nationally and globally they must continuously “innovate” their product or services to remain competitive, forcing them to be leaders in technological advancements and productivity growth.
- Without healthy clusters of export oriented businesses, the rest of our region’s economy – retail, services and government – cannot prosper.

Beginning with the 1998 Prosperity Strategy, the study of San Diego’s economy has relied on cluster analysis to identify the region’s traded clusters. Cluster analysis began as a way to supplement the traditional approach to analyzing industries based on manufacturing, services, and the like, which are commonly used to collect information on firms and employment. As the U.S. has moved from an economy driven by goods production to one driven by knowledge and service-based delivery, it was necessary to group industries according to characteristics shared by firms, such as specialized technologies, demand for certain types of skilled labor, and firm-to-firm supplier relationships.

Many of San Diego’s 16 traded clusters are in high technology sectors, such as biotechnology, pharmaceuticals, communications, computers and electronics. The clusters include firms engaged in research, development, and manufacturing, though the range of activity varies by cluster. For example, biomedical and biotechnology firms in San Diego are concentrated primarily in research and development, and less in manufacturing. Production activities are more common for computer peripherals and defense/transportation equipment. Recreational goods in San Diego can be grouped with high technology industries, due to the specialized technology used to design recreational, particularly golf, equipment.
Other traded clusters have a long history and tradition in the region, such as certain agricultural and food processing industries and visitor-serving industries, including entertainment, amusement, travel and hospitality.

In 2005, San Diego’s traded clusters accounted for about one-quarter of the region’s employment. Average pay for these clusters was 16 percent higher than the region as a whole. High technology clusters comprised about 10 percent of the region’s employment, with an average wage more than 60 percent higher than the region’s average. (A complete list and discussion of San Diego’s traded clusters can be found on pages 46 and 47 of this report. A full discussion on clusters is located in the companion document, Evaluating the Competition and Assessing our Strategic Position, in the “Indicator Category 2: Existing Business Trends” section under the heading, “San Diego’s Engines of Economic Growth.”)

So, what more can we do to re-orientate land, resources, and institutions to influence and accommodate the needs of our economy in the 21st century? The short answer is, if we want world-class companies and their job opportunities we need to provide them with access to world-class – human and physical – infrastructure and supportive, flexible public policies.

In the face of intense global competition, local companies that drive economic growth are involved in an on-going revolution that is fundamentally changing how they do business. Leading-edge firms are focusing on customer satisfaction, reducing time-to-market, controlling costs, continuously improving product quality, and serving niche markets – wherever they may be. To help achieve these goals, companies are focusing on what they do best and contracting out the rest, not necessarily by choice but in order to remain competitive. They are locating activities globally to take advantage of each region’s unique offerings, including ours.

Companies increasingly look beyond their walls for resources and relationships to help them compete. Companies require access to highly skilled people and international markets, advanced telecommunication capacity, information networks, and other resources to be successful. This “regional infrastructure” must be quality-oriented in terms of customer satisfaction, cycle-time reduction, and as flexible as the companies it supports. Flexible, supportive public policies and world class - human and physical - infrastructure provided in a timely fashion will provide local companies with the opportunity to compete effectively in the national and global market-place.

Yet, at times our federal policies seem to make it more difficult for businesses to react to changing market conditions. For example, at the federal level, U.S. policy limits the number of highly skilled foreign workers allowed into the country annually through a 65,000 cap on H-1B visas. The demand for these visas has been over-subscribed for three years in a row on the first day applications are accepted. The oversubscription is a sign that there is a shortage of scientists, engineers, architects, computer programmers and other highly skilled and trained employees in specific regions. At the same time, our media and elected officials seem to be against outsourcing as a way to address the skilled labor shortage. This places businesses between the proverbial rock and hard place, suggesting they not bring in the skilled workers required and not migrate off-shore to where the skilled labor is located.

What are we to do? First, we must recognize that we face two challenges. One challenge is our region’s track record of investing in traded cluster industries offering low wage job opportunities that require a low or minimal amount of education and training. These industries are setting the pace of economic growth in the region. Also, these businesses are not likely to disappear any time soon; more likely they will continue to grow because the region continues to invest and create new capacity. A second challenge is that the demand for unskilled workers is dwindling, even inside the traded clusters that offer the lowest
wages today; this trend will keep the wage rates for unskilled labor relatively low. In other words, the economic plight of the unskilled worker is expected to get worse, and they may find it difficult to get a job in the industries that today require minimal education and training.

In response, the Prosperity Strategy offers a framework to meet these two major challenges. The framework shown in Figure 1 illustrates the dynamic relationship between business employment, wages, and public policy and investment actions that can work together to raise the standard of living by improving output per worker, or, productivity.

![Figure 1](image_url)

**Figure 1**
San Diego Regional Economic Prosperity Strategy (REPS) Links Between Public Actions and Economic Growth
This framework suggests that our public investments and policies provide companies with the foundation and some of the essential resources needed to be competitive and to help eliminate, nullify, or circumvent the limitations in local factors. This framework does not call for our region to compete based on what economists call factor costs, such as land, labor, or raw materials. In today’s economy, globalization allows firms to “source” their factors from the international marketplace and to locate their production and service activities “off-shore.”

The public policies and infrastructure investments, illustrated in Figure 1, should not be thought of as factors of production, but rather as a condition for high rates of economic growth to occur, primarily through the retention and attraction of businesses that facilitate technological progress and stimulate innovation in the economy. In other words, public policies and capital influence the demand and supply of production inputs, through business retention and attraction, which in turn are responsible for relatively high rates of productivity, economic growth and income in a region.

A point worth clarifying, because it is often misunderstood, is that although these traded clusters set the pace for economic growth they do not contain all of the middle and high paying job opportunities. The Prosperity Strategy is designed to affect the pace of economic growth and provide an opportunity to raise the overall standard of living locally; one focus of the Strategy is on traded cluster industries because they are most responsible for setting the pace of economic growth. Successfully increasing the pace of economic growth provides an opportunity for all workers and industries in the region to benefit, not just the traded cluster industries.

The other part of the Strategy is focused on the labor force and increasing their education, skill and training; one of the most effective and well documented ways for workers to earn higher pay is to raise their productivity through education and training. The traded clusters deserve our attention because they are an important starting point for raising the region’s standard of living, but they are not the end point. Expanding job opportunities in some of the traded cluster industries will provide some middle and high paying job opportunities, but there are many middle and high paying jobs outside the traded cluster industries that will benefit greatly from the increasing pace of economic growth. The importance of education to wage earners at the low end of the spectrum can be illustrated by using national data from the 2001 Current Population Survey, which shows that individuals earning $5.15 to $7.15 per hour have notably different levels of education compared to those earning between $8.15 and $10.15 per hour. The main educational difference between these two groups is the prevalence of high school dropouts. Workers earning at the low end have a high school dropout rate (31%) twice that of workers earning the higher wages.

Implied in the Strategy is the opportunity for income mobility through education and training. The issue of income mobility has been taken up in various studies over many years and not all of them agree or highlight the same findings as important. One such study was produced by the California Employment Development Department in 2002. Overall the study found “fairly high” levels of absolute earnings mobility, with the highest rate of mobility among the lowest earners. Some points from the study are worth highlighting here because of their relevance to the Prosperity Strategy.

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7 In 1956, economist Robert Solow developed a model explaining the basis for economic growth that is still considered a mainstay of macroeconomics today. Solow showed that an economy’s ability to raise per capita income evolves from gains in productivity, most of which come from advances in technology and innovation.

8 “Wage Mobility in California: An Analysis of Annual Earnings.” Labor Market Information Division, California Employment Development Department, April 2002. The report examines the wages of a large sample of California workers of all ages and income levels drawn from administrative data collected by the California Employment Development Department. The results were largely consistent with research done using national samples.
• Median real earnings grew from $39,652 in 1988 to $49,054 in 2000, an increase of 24 percent. The change in earnings varied: approximately 30 percent of the sample showed a decline in real earnings, while another third of the workers showed gains of more than 50 percent. These differences indicate a fluid earnings ladder, with ample opportunity to move up or down.

• Of those workers initially in the bottom quintile of the earnings distribution in 1988, approximately 38 percent remained in the bottom quintile in 1992. By 2000, one in five (20%) remained in the bottom quintile. At the other end of the distribution, 80 percent of the workers in the top quintile in 1988 were still earning wages in the top quintile twelve years later.

• Of the workers earning less than $12,000 in 1988 (adjusted for inflation) approximately 15 percent remained in this category by 2000. At the other end of the earnings spectrum, more than 77 percent of the individuals in the top quintile retained their top position.

• Those in the bottom quintile nearly doubled their real annual earnings over the twelve years. The top quintile showed a 9.2 percent gain, most occurring before 1992.

The Strategic Goals and Recommended Actions in the next section were chosen to implement the Prosperity Strategy, enabling the region to meet its two most significant challenges, slow economic growth and a shrinking middle-class.
STRATEGIC GOALS AND RECOMMENDED ACTIONS
Leadership - Rising to the Challenge

Our region’s future economic prosperity depends upon a timely response to the challenges we face and our ability to take advantage of the opportunities they offer. The Regional Economic Evaluation and Prosperity Strategy Working Group has proposed a strategy that addresses our challenges and builds on our strengths. The Strategy is ambitious, yet simple: Identifying strategic goals and making recommended actions that call for infrastructure investment and public policy support in order to strengthen the region’s economic foundation; providing our existing industries, emerging growth companies, and universities and research institutions that create new enterprises with the resources to be competitive in the global economy of the 21st Century.

Above all, in light of the evidence complied in Volume II of this study, which shows a widening income distribution gap, these recommended actions are designed to expand and create high and middle-income job opportunities that will provide a path to prosperity and a rising standard of living for our region’s residents.

How does a region go about carrying out a regional strategy? There may be as many answers to this question as there are regions. The San Diego region has chosen to rely on existing organizations and agencies to implement the Prosperity Strategy. The Strategy contains a set of strategic goals, with suggested ways to achieve them, in the form of recommended actions. The agencies and/or organizations most responsible for carrying out the recommended action are identified and asked to take on the responsibility of implementation and achieving results. This process ensures a broad-based collaborative approach and minimizes the problems that arise when a new organization or agency is formed to oversee the implementation of the recommended actions.

This organizational structure to implement the recommended actions and move the region forward has generally proved to be successful. As part of its Prosperity Strategy implementation responsibilities, SANDAG has been keeping track of progress, or in some cases lack of progress. The Advisory Group’s evaluation of the 10 recommended actions from the 1998 Prosperity Strategy concluded that “Reasonable Progress” had been made on five of the actions; “Little Progress” had been made on three of the actions; and “No Progress” had been made on one of the actions. One of the recommended actions contained multiple objectives and received a split score; some parts received a “Reasonable Progress” score and other parts received a “Little Progress” score.

Making progress on the recommended actions illustrates the commitment and effort on the part of the many agencies and organizations involved. Significant accomplishments since 1998 include: the collaborative effort to restructure and diversify the local economy; securing and diversifying the region’s sources of water; the expansion and improved access to venture capital investment resources; and the willingness of voters in the region to tax themselves to pay for transportation infrastructure improvements. On the downside, the Advisory Group determined that little or no progress had been made in: making housing more affordable; providing a hazardous waste storage and disposal site;
improving access to adequate air service capacity for passengers and cargo; and increasing the capacity at our international land ports of entry. More information on the Advisory Group’s evaluation of the region’s progress can be found in Volume II Evaluating the Competition and Assessing Our Strategic Position.

The recommendations below are focused on the economy and are not meant to be comprehensive. For a more comprehensive evaluation of the region, SANDAG has produced the Regional Comprehensive Plan, of which the Prosperity Strategy is a part. The information and recommended actions in the 2007 Prosperity Strategy will be integrated into the Comprehensive Plan when it is updated.

- **Strategic Goal 1**

  **Increase the housing supply sufficient to stabilize prices.**

  **Recommended Actions**

  1.1 **Emphasize the construction of attached units near employment centers and transportation corridors such as the Smart Growth Opportunity Areas illustrated in SANDAG’s Regional Comprehensive Plan in order to identify where and how our region would prefer to accommodate growth** (lead organizations: SANDAG and local jurisdictions).

  1.2 **Streamline the permit process and regulatory requirements imposed upon developers in order to eliminate excessive review time, cost, and inefficiency** (lead organizations: local jurisdictions).

  1.3 **Reform the state-local government fiscal relationship to help achieve sound, sustainable growth.** (lead organizations: jurisdictions, League of California Cities, California State Association of Counties).

A shortage in the supply of housing units has contributed significantly to high home prices, which are a major impediment to business attraction and retention and thus greater economic prosperity in the San Diego region. Between 1990 and 2004, the growth of population in San Diego has outpaced the growth in the number of housing units. In 2003, less than 15 percent of homes were affordable to households earning the median income, and the percentage of homes affordable to median income earners has continued to fall. This was a substantial decline from 1998, when over 43 percent of homes were affordable to median-income households. At the start of 2007 the median price of a housing unit was close to $500,000. Availability of affordable housing is a fundamental determinant of a family’s quality of life, as well as the region’s economic growth and prosperity. High housing prices force the region’s residents to spend more of their household budget on housing, leaving less available for discretionary spending. Lack of affordable housing makes it difficult to recruit new workers to the region, which is important at a time when a large proportion of older workers reach retirement age. Higher housing prices also translate into higher land values, increasing the pressure to convert limited industrial and R&D lands to residential use. Proposals to address the affordable housing problem through the elimination or expansion of programs such as developmental impact fees, inclusionary housing and density bonuses are insufficient to address the affordability problem of
all workforce housing, as suggested by the discrepancy between the median price of a home and the median income of a household.

Yet, left unaddressed, a by-product of unaffordable housing and limited product type will be a spreading housing market, also known as urban sprawl. In fact, according to SANDAG’s most recent Regional Growth Forecast Update, it is estimated that between 2004 and 2030, approximately 93,000 households will be “exported” to find homes in Riverside County, Imperial County, and Baja California and commute to work in San Diego County. Ultimately, increasing the supply of housing and the productivity of available land, thereby increasing the affordability of local housing units, creates a more competitive housing market. This leaves home buyers who would otherwise commute from outside the region with a more viable opportunity to live and work locally.

Because it will take some time to unravel the affordable housing problem, it will be necessary for this region to work closely with its neighbors to the north, east, and south to meet the transportation needs of those who choose to live outside the region, but travel to San Diego for work, recreation, and other destinations. SANDAG has addressed the issue from the development side by endorsing the Smart Growth Incentive Program. In addition, SANDAG should address the issue of inter-regional commuting in its Regional Transportation Plan.

**Emphasize the construction of attached units near employment centers and transportation corridors such as the Smart Growth Opportunity Areas illustrated in SANDAG’s Regional Comprehensive Plan in order to identify where and how our region would prefer to accommodate growth.** Increasing housing supply is the most effective way to moderate the trend of large home price increases. Implementation of this strategy will require a cooperative and concerted effort by all local jurisdictions, the development industry, and non-profit organizations to encourage and facilitate construction of high-density housing and the required infrastructure improvements and public services. To prevent urban sprawl, it will be necessary to increase average housing density to achieve greater housing production. This would require local jurisdictions to amend their general plans to accommodate smart growth and increasingly dense development. Currently, the public sector approaches this issue by subsidizing the development of affordable units. However, government programs that are designed to produce a small number of subsidized units with below-market prices or rents are helpful to a very limited spectrum of the housing market, but woefully inadequate to address the broad affordability issue.

An initial step has been undertaken by SANDAG’s Regional Comprehensive Plan (RCP), which identifies potential smart growth areas that can support increased housing density, coupled with access to transit and major transportation corridors. SANDAG’s TransNet Smart Growth Incentive Program will encourage smart growth development by providing funding required for infrastructure improvements in Smart Growth Opportunity Areas.

**Streamline the permit process and regulatory requirements imposed upon developers in order to eliminate excessive review time, cost, and inefficiency.** This strategy will require jurisdictions to evaluate their regulatory and permit process and increase their efficiency where necessary, to ensure that they are not indirectly reinforcing affordability problems in the region. Currently, the processing time between application and permit is too long and costly, and makes homes more expensive. This inefficiency increases the cost of the permit and regulatory process, and the cost is eventually passed on to the consumer through a higher home price. Also, the region’s jurisdictions employ different requirements and regulations, complicating the building permit process. This creates disincentive to build housing in areas where the process is more complex, and thus, more
costly than other cities. Local jurisdictions should engage collaboratively to create a more efficient and uniform building permit process, modeling after similar projects, such as the Silicon Valley’s, Smart Permit process. In addition, SANDAG is currently preparing a study that can help developers and homebuyers realize cost savings from providing levels of parking appropriate to smart growth developments. The study will provide recommended parking standards suitable for smart growth areas; currently most parking requirements are tailored to suburban developments.

Reform the state-local government fiscal relationship to help achieve sound, sustainable growth. One reason for the skyrocketing home prices throughout the state is that insufficient property taxes discourage local governments from approving new home development. It costs cities more to provide services and maintain facilities for households than they realize in local taxes, the revenue source used to pay for and sustain public services and facilities. At the same time local governments are motivated by the desire to increase sales tax revenues, so they skew their land-use decisions toward retail uses and away from housing and other uses that do not generate sales taxes. Indeed, many local governments statewide employ cut-throat and predatory competitive practices against their neighboring cities to lure retail establishments to their city. Cities do not employ the same tactics to lure housing, yet in most urban areas in the state there are housing shortages.

The current tax system is an impediment to sustainable communities. It restricts the freedom of local governments to manage their own affairs and thereby destabilizes local governments. It impedes home construction and encourages cities to compete among themselves for the weakest contributors to economic prosperity – retail outlets.

If government is going to “incentivize” the behavior of its governmental institutions, as its fiscal policies are doing in a de facto manner for retail establishments today, the incentive needs to be in-line with its overall goals and objectives, such as making affordable workforce housing available. At minimum, local jurisdictions working through their representative advocacy groups such as the League of California Cities need to work with the state to balance the “fiscalization of land use” impacts, moving towards making cities fiscally ambivalent over using land for retail or housing purposes. Jurisdictions must revise their general plans to facilitate the types of development that the workforce needs to increase the overall standard of living in the region.

▶ Strategic Goal 2

Produce a goods movement strategy for the San Diego region and establish broad support for international “free trade” policies at the federal and state level.

Recommended Actions

2.1 Produce a goods movement strategy for the San Diego region that is integrated into the goods movement network in southern California and the nation to ensure that we can take advantage of the economic growth gains that flow from free trade. (lead organization: SANDAG).

2.2 Actively support free trade policies by engaging in the national debate over international trade to better represent the interests of the San Diego region. (lead organizations: San Diego Regional Economic Development Corporation, San Diego Regional Chamber of Commerce, San Diego World Trade Center).
2.3 Develop a comprehensive plan to meet the region’s long-term air service needs, ensuring access to adequate air passenger and cargo service, that can be integrated into and adopted as part of SANDAG’s Regional Transportation Plan (lead organizations: San Diego Regional Airport Authority, SANDAG).

2.4 Increase processing capacity and reduce wait times at San Diego’s international land ports of entry without jeopardizing security, to take advantage of the cross-border economic growth opportunities. (lead organizations: Caltrans, SANDAG, San Diego Dialogue, U.S. Customs and Border Protection, Mexico’s Secretariat of Foreign Relations through the Consulate General of Mexico).

Nearly 200 years ago, economist David Ricardo demonstrated the benefits of trade through the principle of comparative advantage and the “economic growth gains” that can flow from trade through the application of “exchange” and “specialization.” The benefits from trade are as valid today as they were 200 years ago. The underlying point for economists is that free trade stimulates economic growth, usually by increasing productive resources and/or technological change. In practice, these increases are triggered by the spur of competition when countries liberalize trade.

The principle of comparative advantage, implemented through exchange and specialization, is the same whether the trading partners are individuals, cities, counties, states, or countries. In other words, would our lives be better if each of us individually grew all of our food, made all of our clothes, pumped and refined all of our oil and gas, built our own houses, and made all of our own movies? These are rhetorical questions, but the point is that pure self-sufficiency is a recipe for a “Stone Age” standard of living. Instead, to improve our standard of living we “trade” our output for the goods and services that we are not especially adept at producing, and the result is a higher standard of living for all involved.

Locally, when it comes to public infrastructure and polices that would facilitate and support free global trade and economic growth, the San Diego region is behind. Generally speaking, there are five ways to get goods, services, information, and people in and out of the region and to access global marketplaces: through airports, water ports, rail, highways, and electronically. Our evaluation of San Diego’s strategic position shows that we are poorly endowed in four of these five “trade”-related infrastructure categories. Our best link to the increasingly global marketplace is electronically, through both wired and wireless networks.

The movement of goods across international borders by air, sea, and land is anticipated to be an increasingly important ingredient for achieving economic growth and a rising standard of living for both the regional and national economies. The following recommended actions are designed to focus and increase our region’s support for free trade policies and access to global marketplaces.

Produce a goods movement strategy for the San Diego region that is integrated into the goods movement network in southern California and the nation to ensure that we can take advantage of the economic growth gains that flow from free trade. In the face of rising global competition and opportunities, San Diego needs a goods movement strategy that addresses how our economy can best be connected to the southern California mega-region and the global economy. Through this understanding we can better identify which infrastructure investments will provide the greatest return in economic growth. SANDAG has completed some of this work already, producing a
draft Goods Movement Action Plan, under the guidance of the Freight Working Group. Following federal guidelines in the Safe, Accountable, Flexible, Efficient Transportation Equity Act – Legacy for Users (SAFETEA-LU), SANDAG is employing a systems approach to identify current and future needs for the region’s goods movement system and how these potentially separate systems can work together as one integrated system. The federal initiatives also place emphasis on planning for inter-regional and international trade corridors, identifying infrastructure requirements necessary to support both the regional and national supply chains, and preparation of a plan of finance for freight infrastructure separate from other transportation. To move toward implementation, as a first step, SANDAG’s Goods Movement Action Plan needs to be completed, integrated, and adopted as part of the Regional Transportation Plan.

**Actively support free trade policies by engaging in the national debate over international trade to better represent the interests of the San Diego region.** Although foreign trade policies are generally set at the federal level, their effects are regional. As part of the southern California mega-region, global trade is becoming an increasingly larger part of our economy. Of the nation’s imports, 43 percent of all container goods and 12 percent of all imports from Mexico flow through southern California’s land and sea ports. Locally, trade through the San Diego Customs District totaled nearly $40 billion during 2004. Locally, the growth in trade has been rapid; between 1991 and 2004 exports rose by 142 percent and imports increased by 259 percent, far outpacing the 50 percent growth our Gross Regional Product (a measure of the total value of goods and services produced in the San Diego region).

Although economists have had 200 years to explain the benefits of free trade to the public, there exist significant public reservations concerning these benefits. Public surveys have shown that the discussion over the benefits of free trade need to shift to jobs and production and away from the consumption aspects, that is, away from stressing that trade allows consumers to buy more and varied goods at lower prices. Business and trade advocacy groups and organizations are best able to implement this recommended action, including the San Diego Regional Economic Development Corporation, the San Diego Regional Chamber of Commerce, and the San Diego World Trade Center. To build broad public support for free trade it may be necessary to broaden the topics discussed, for example linking labor and environmental issues with trade negotiations. Other areas include multilateral negotiations to deal with investment policy, competition policy, electronic commerce, and better enforcement of intellectual property rights.

**Develop a comprehensive plan to meet the region’s long-term air service needs, ensuring access to adequate air passenger and cargo service that can be integrated into and adopted as part of SANDAG’s Regional Transportation Plan.** Air service is playing an increasingly important role as a facilitator of economic growth in the local and state economy. As much as 60 percent of the value of goods exported out of the state is shipped by air, much of it in the cargo bays of wide-body passenger planes. These goods represent less than one percent of the total tonnage, meaning that most products shipped by air are lightweight and high-value. Typically, the higher the value or price of a good the greater the skill required to produce the good and the higher the wages paid to the workers. In this way, access to adequate air cargo service capacity provides an opportunity to increase the number of businesses offering mid- and high-paying jobs. Today, Lindbergh Field offers limited air cargo service, shipping about half of what a comparable-sized region exports by air. An estimated 80 percent of the region’s air cargo is trucked out of the region to depart from alternative airports, adding to shipping time and exacerbating freeway congestion. According to the San Diego County Regional Airport Authority, investments in airport improvements at Lindbergh Field, such as additional gates and taxiway extensions, are needed to meet the forecast increase from
209,000 annual operations in 2004 to 300,000 annual operations expected between 2021 and 2030. The aviation activity forecast prepared by the Airport Authority shows that between 2015 and 2022, existing runway capacity at Lindbergh Field will begin to constrain growth in air traffic, and that sometime between 2021 and 2030, no further air service growth will be accommodated. The lead times necessary to plan, process and make adjustments at Lindbergh Field are significant. Immediate action is required to avoid infrastructure capacity constraints that would hinder economic growth opportunities in the San Diego region.

With the failure of an advisory vote regarding joint military-public use of the Marine Corps Air Station (MCAS) Miramar, supported by the Airport Authority on the November 2006 ballot, it is of utmost importance to develop an alternative approach to meet the region’s long-term need for air service, both passenger and cargo. As part of the goods movement strategy implementation, all remaining air service options should be explored, including maximum utilization of Lindbergh Field and the other airports in the region, and cooperation with airports in surrounding regions, such as March GlobalPort and Tijuana International Airport.

**Increase processing capacity and reduce wait times at San Diego’s international land ports of entry without jeopardizing security to take advantage of the cross-border economic growth opportunities.** The San Diego region shares its southern border with the Municipalities of Tijuana and Tecate in Baja California, Mexico. The San Ysidro, Otay Mesa, and Tecate border crossings link this binational region and are the gateways for a growing economic relationship that provides a competitive advantage in the global economy. SANDAG and Caltrans, working together, need to complete SR 905, the principal east-west transportation link providing access to the Otay Mesa Port of Entry, and move forward on establishing a process and financial strategy to build SR 11 and a third Port of Entry.

Both the San Ysidro and Otay Mesa ports of entry stand out compared to the rest of the United States-Mexico border crossings. The San Ysidro-Puerta México Port of Entry (POE) is the busiest international land crossing along the United States-Mexico border, if not the busiest in the Western Hemisphere. In 2005, more than 17 million private vehicles, nearly 10 million pedestrians, and more than 100,000 buses crossed at the San Ysidro POE from Mexico. The Otay Mesa-Mesa de Otay POE continues to accommodate the third highest dollar value of trade among all southern border POEs. In 2006, this POE handled $28.6 billion worth in 1.4 million trucks that transported goods in both directions.

The volume of cross-border vehicle and pedestrian crossings has been increasing, along with an increase in border delays in the last several years, especially in the northbound direction. Also, since September 11, 2001, the U.S. Customs and Border Protection has stepped up security measures at the POEs. Longer and unpredictable waits are influencing the ability and desire to cross the border. Delay hinders the ability of border regions like San Diego to support the kind of businesses, such as Maquiladora plants, that depend on reliable logistics for the production and distribution of traded goods. In an increasingly just-in-time manufacturing economy, unpredictable wait times for trucks at the border are kinks in the supply chain that act as a deterrent to trade and the potential growth in cross-border economic investment opportunities. Cross-border traffic also generates significant income for retailers, hotels, and recreation businesses on both sides of the border. However, rising wait times discourages some from making these types of trips, further inhibiting economic growth.
Inadequate infrastructure capacity, in which investments are failing to keep up with the increase in trade and security requirements at the principal border crossings between San Diego County and Baja California, currently creates traffic congestion and delays that cost the U.S. and Mexican economies an estimated US$6 billion in gross output in 2005. Fully 51,325 jobs are sacrificed because of the reduction in output. In fact, traffic congestion and delays are bad enough today that nearly 60 percent of the cross-border travelers surveyed said they would be willing to pay a $3 toll to cross at a potential new East Otay Mesa Port of Entry if it provided a faster way to cross the border. Similarly, interviews with the trucking industry revealed that investment potential has been curbed due to increasing delays at the border.

Budget constraints at the federal level have limited the ability for the federal government to contribute to border infrastructure needs. Where funds are available, long lead times are required between project design and funding allocation. Under these conditions, SANDAG, working together with Caltrans, the U.S. Customs and Border Protection, and representatives from Mexico, needs to pursue innovative financing mechanisms such as Public-Private Partnerships to help fund improvements necessary to reduce border wait times. Public-Private Partnerships present a way to attract private capital to build needed public infrastructure. Typically these infrastructure investments depend on the ability to generate a revenue stream, such as a toll road would generate, to pay for using private sector funds. This allows the public sector to build infrastructure that would otherwise not be built and pay for that infrastructure with user fees (tolls).

► Strategic Goal 3

Invest in needed energy infrastructure in order to achieve a balanced and diverse energy supply portfolio and ensure delivery of reliable and competitively priced energy.

Recommended Action

3.1 Update the Regional Energy Strategy to provide the region with a clear direction and schedule for meeting the new energy source requirements (lead organizations: SANDAG, San Diego Gas & Electric, California Center for Sustainable Energy [formerly the San Diego Regional Energy Office]).

3.2 Monitor the State of California’s Nuclear Power Plant Assessment (AB 1632) and similar legislation to keep informed on the role of nuclear power to meet future energy needs and advancements in nuclear technology, and waste disposal (lead organization: SANDAG).

The most recent Regional Energy Strategy (RES) was prepared by the San Diego Regional Energy Office (SDREO) and adopted by the SANDAG Board of Directors in 2003. The Strategy was incorporated into the SANDAG Regional Comprehensive Plan (RCP) in 2004. The RES describes a vision of the energy future for the San Diego region. This vision includes reduction in energy consumed per person; use of an efficient and balanced energy supply, including renewable sources; and transmission interconnects to other regions. The Regional Energy Strategy also contains specific goals, such as targets for in-county electric power generation.
Update the Regional Energy Strategy to provide the region with a clear direction and schedule for meeting the new energy source requirements. The San Diego region should actively participate in furthering energy resource diversification, periodically review progress in meeting diversification targets, with emphasis on demand reduction and use of renewable energy as well as generation and transmission, and make such information available to the general public. A close collaboration among SANDAG, SDG&E, and the California Center for Sustainable Energy (CCSE) is necessary to achieve this goal, including addressing specific land use conflicts when siting needed energy infrastructure. The RES is an excellent forum in which to address the economy's energy policy and planning.

The RES has served as the energy policy blueprint for the region, similar to the state's Integrated Energy Policy Report (IEPR), which is prepared by the California Energy Commission (CEC). Significant changes in the energy policy landscape have occurred since the last RES plan was developed and adopted. Particularly, state minimum renewable energy requirements, climate change laws and mandates, and state priorities on conservation, energy efficiency, and clean distributed generation (such as solar panels and wind power) over large-scale fossil-fuel power plants. These changes in energy policy should serve as a framework for the update of the region's energy plan.

The decision to undertake the 2003 RES came at a time when the State of California had removed the investor-owned utilities (IOU) from long-term resource planning. As the RES was in development, the state changed course and again required San Diego Gas & Electric (SDG&E) and other IOUs to conduct long-term resource planning. This resulted in two distinct energy plans for the region; the RES supplying a vision and policy direction for meeting future needs through increased renewable, distributed and energy-efficient resources, and the SDG&E long-term procurement plan (LTPP) outlining how the utility will ensure adequate energy supply to meet future consumer demand and state requirements. SDG&E's LTPP emphasizes the need for a diverse portfolio of supply- and demand-side options, as well as transmission, in order to balance lowest cost with reduced volatility and risk. SDG&E is required to update this plan every two years and should continue to seek input from SANDAG, the California Center for Sustainable Energy, and other stakeholders when planning and implementing energy infrastructure, as should SANDAG during the RES update. Due to the competing interests in this area it is essential to coordinate the two planning strategy efforts in order to reach as close agreement between the documents as possible.

At the state level, the California Public Utilities Commission (CPUC) regulates the IOUs and sets requirements for achieving energy efficiency savings. In 2006, the CPUC set a statewide energy-saving goal for the IOUs of 2,332 gigawatt hours (GWh), of which 1,828 GWh was achieved. SDG&E's energy-saving target was set at 281 GWh, of which it achieved 111 GWh. The state also has assessed progress to date on meeting renewable energy requirements. The CEC's 2006 update to the Integrated Energy Policy Report (IEPR), reports that progress has been slow in achieving state law for using renewable energy to meet 20 percent of demand by 2010 and a state goal of 33 percent by 2020. CEC reports that the three investor-owned utilities - Pacific Gas and Electric, Southern California Edison, and SDG&E - have entered into contracts for nearly 4,000 megawatts (MW) of renewable capacity. However, only 242 MW of those contracts represent new facilities that are on line and delivering electricity at this time. To meet the goal of 20 percent by 2010, the investor-owned utilities will need to add 1,500 MW of renewable generating capacity. Only one percent of SDG&E's purchases came from renewable resources in 2002, and since then it has made the most progress in increasing its renewable energy purchases in the state, reaching 5.2 percent in 2005. Much more progress must be made to meet the 20 percent goal by 2010.
In addition to in-region renewable power, the options for achieving state renewable energy requirements include upgrading existing transmission lines, siting of new lines, utilizing lines currently used predominantly for fossil-fuel based power, or a combination of the above. SDG&E has proposed to the CPUC that the Sunrise Power Link transmission line be built to address the region’s renewable power needs. During its review of the Sunrise Power Link, the CPUC conducts assessments of the proposed line, as well as alternate scenarios for meeting the region’s needs for power. The CPUC expects to make a final determination on the Sunrise Power Link in January 2008. In light of the state law requiring renewable energy to meet 20 percent demand by 2010, the region must continue to aggressively pursue viable options for renewable energy wherever possible.

According to SDG&E, peak demand for energy will continue to grow at an estimated rate of about 100 megawatts (MW) per year. Even after state-mandated energy efficiency programs, demand-reduction programs, and implementation of the California Solar Initiative, the energy needs of the region will require significant investment in additional local power plants and transmission lines.

Monitor the State of California’s Nuclear Power Plant Assessment (AB 1632) and similar legislation to keep informed on the role of nuclear power to meet future energy needs and advancements in nuclear technology, and waste disposal. SANDAG should keep abreast of the California Energy Commission’s assessment of the state’s two nuclear power plants, Diablo Canyon and the San Onofre Nuclear Generating Station. The assessment will examine the effects of major disruptions to the two power plants, including a seismic event or plant aging, as well as costs and impacts of accumulating spent nuclear fuel. The assessment will also evaluate major issues related to the future role of nuclear power plants in the state. SANDAG should also monitor the U.S. Department of Energy’s research and development on next-generation nuclear technology and waste disposal. Some energy experts indicate that reduced dependence on foreign oil as well as clean energy must involve increased use of nuclear energy, while ensuring safe disposal of nuclear waste. Implementing any nuclear program would require a focus and reliance on scientific data in an effort to achieve ambitious energy goals.

▶ Strategic Goal 4

Prepare the labor force to be competitive for jobs created by the San Diego economy and better able to adapt to changing work and skill requirements.

Recommended Actions

4.1 Connect school district databases regionwide to track and assess student performance to better ensure a match between education and skill requirements and attainment. (lead organizations: San Diego County Board of Education and all school districts in the region).

4.2 Explore new approaches to providing education and training opportunities to workers employed by temporary staffing agencies to improve the efficiency and effectiveness of job turnover and transition. (lead organizations: San Diego Workforce Partnership and temporary staffing agencies).
4.3 Develop programs that would prepare older workers for the opportunity to remain actively employed (lead organizations: community colleges and university extension programs).

A region’s economic prosperity depends foremost on the availability of a knowledgeable and skilled workforce. Keeping our region competitive in the global economy requires that our workers have the education, training and skills to be competitive in the global marketplace. The San Diego region will experience major changes and shifts in its population over the next 30 years, which in turn will affect its labor force. We are growing and are expected to add nearly one million people; we are becoming more ethnically diverse, the Hispanic and Asian populations will nearly double and the non-Hispanic White population will shrink by more than 1 percent; our median age is increasing and we are living longer, the number of seniors will double; the number of octogenarians will nearly triple; and an increasing number of us are using temporary employment agencies to find jobs throughout our careers. The following recommended actions are intended to develop and increase the productivity of the region’s human capital.

Connect school district databases regionwide to track and assess student performance to better ensure a match between education and skill requirements and attainment. We live in an increasingly knowledge-based economy where disparities in education and training are likely the most significant sources of the long-term increase in economic inequality. This problem is caused by our skill mix not keeping up with the technology that our capital stock requires.

Our region’s demographic changes, in both size and diversity, bring with them challenges. One of the most threatening trends, locally and statewide, is the potential mismatch between the education requirements of the new economy and the amount of education its future population is likely to have. For example, our economy continues to shift to service-oriented industries whose workers are at least twice as likely as a manufacturing employee to have graduated from high school. In fact, the fastest growing service-oriented industries have the highest share of employees with college degrees. The problem is that education trends locally and statewide are not keeping pace and this trend is expected to worsen because projected population growth is concentrated among groups that have typically attained lower levels of education or inadequate skills.

Reversing this trend will test the public’s commitment to education. As a first step, to help restore the public’s trust, school districts in the San Diego region need to collaborate to create a database to track and assess individual student performance. A regional and computerized database that is diagnostic and performance based can be designed to keep track of what works and what does not work. A centerpiece of this diagnostic database should be accurate middle and high school student drop-out rates.

Explore and test new approaches to providing education and training opportunities to workers employed by temporary staffing agencies to improve the efficiency and effectiveness of job turnover and transition. The growing importance of temporary staffing agencies in the region’s economy presents an opportunity to promote education and training of workers, who are looking for work and may be unemployed, changing jobs or considering changing careers or industries. Temporary staffing agencies’ detailed knowledge of the market’s demand for people and skills can be combined with public and non-profit organizations’ programs for general education and worker training, not only to help supply workers with the needed knowledge and skills, but also to help individual workers adjust to a changing market. A pilot program needs to be
developed to test the viability and effectiveness of this strategy. As one way to organize the pilot program, the San Diego Workforce Partnership could use one or more of its career centers to establish a close working relationship with one or more temporary staffing agencies.

**Develop programs that would prepare older workers for the opportunity to remain actively employed.** Between 1990 and 2000, the median age of San Diego’s population increased from 31 to 33.2 years. By 2030, SANDAG’s Regional Growth Forecast projects that the median age will increase to 38.9 years. An aging population requires special services, such as health care, and reduces the need for services for the young, such as primary education. It is anticipated that many workers reaching retirement age will in fact remain in the workforce, although they may do so in different capacities or even in different industries. Implementation of this action will come from the education community, led by the community colleges, identifying strategies and programs that provide opportunities for older workers who wish to remain in the labor force to acquire new skills or to apply their current skills to new tasks.

- **Strategic Goal 5**

  Reserve existing and vacant prime employment land for light industrial and research and development uses and establish a redevelopment process that would renew and retain existing industrial lands for similar uses in the future.

  **Recommended Actions**

  5.1 **Update the Employment Lands Inventory** and request that all jurisdictions keep the on-line inventory up-to-date to maintain timely and accurate data on land availability (lead organizations: SANDAG, local jurisdictions).

  5.2 **Identify vacant lands to be reserved for future employment use, specifically light industrial and research and development, to provide an opportunity for growth in our region’s traded employment clusters.** (lead organizations: local jurisdictions, economic development agencies/organizations).

  5.3 **Adopt local land use policies to reserve developed prime industrial land and establish an industrial land redevelopment process to retain the integrity of its clustered location and its productive and market value.** (lead organizations: local jurisdictions).

  5.4 **Identify compatible areas for potential co-location or co-development of jobs and housing to clarify where this should occur and where it should not occur.** (lead organizations: SANDAG, local jurisdictions).

The San Diego region has a limited supply of prime industrial land, which is suitable for immediate development or redevelopment for employment use, while traded cluster industries, many of which are in high technology sectors such as biotechnology and communications, require space for expansion or for start-up operations. A 2001 study by SANDAG and the San Diego Regional Economic Development Corporation found that of the nearly 15,000 acres of designated employment land in the region, only 1,420 acres were immediately available for development. Vacant employment land is also being developed at a faster rate than they are being made ready for use. Between 1995 and 2000,
3,196 acres of employment land were developed in the region, while only 1,040 acres were added to the inventory. The shortage of employment land is affected by the rapid rise in housing prices, creating incentives for landowners to convert land designated for non-residential to residential uses.

An example of a pro-active policy to reserve the supply of prime industrial land is the City of San Diego’s “Economic Prosperity Element” of the General Plan. This element proposes to reserve “prime industrial land,” which supports employment in traded cluster industries, and provides guidelines for the conversion or co-location of compatible development on such land. Other cities in the region should consider and adopt similar policies.

The following actions are recommended to assure that land suitable for the region’s key cluster industries will remain available.

**Update the Employment Lands Inventory and request that all jurisdictions keep the on-line inventory up-to-date to maintain timely and accurate data on land availability.** SANDAG should update its previous work on the Employment Lands Inventory, prepared with input from local jurisdictions and intended to provide information on the type and location of available lands ready for development, particularly for light industrial and research and development use. Local jurisdictions should provide at least quarterly information on changes in existing and planned land use which will be incorporated into the updated Employment Lands Inventory.

**Identify vacant lands to be reserved for future employment use, specifically light industrial and research and development, to provide an opportunity for growth in our region’s traded employment.** Local jurisdictions, economic development agencies, and organizations need to identify vacant lands in their community to be reserved for future employment use.

**Adopt local land use policies to reserve developed prime industrial land and establish an industrial land redevelopment process to retain the integrity of its clustered location and its productive and market.** Local jurisdictions should adopt policies to reserve developed prime industrial and R&D land from being converted to non-employment uses, except in context of compatible co-location. Such policies may be incorporated in local General Plans, zoning ordinances, or land development policies.

**Identify compatible areas for potential co-location or co-development of jobs and housing to clarify where this should occur and where it should not occur.** Local jurisdictions need to identify areas appropriate for co-location or co-development of jobs and housing where such uses may complement and further the objectives of smart growth policies. SANDAG has found that from 80 to 85 percent of employment land uses are compatible with housing. SANDAG should build on this finding and work with local jurisdictions to identify potential areas for co-location and incorporate them in the Regional Comprehensive Plan.
Strategic Goal 6

Continue to diversify the sources of water for the region, with particular emphasis on reclamation/reuse, desalination, and conservation.

Recommended Actions

6.1 Implement the long-range plan for water source diversification adopted by the San Diego County Water Authority (CWA) to assure reliable sources of water for the region (lead organization: CWA).

6.2 Undertake cooperative programs to increase water conservation and acceptance of reclaimed water for domestic use to help the region meet its goals of water source diversification (lead organizations: CWA, local water districts, local jurisdictions).

6.3 Assess the need to integrate potential effects of global climate change in planning for the region’s future water supply to better prepare the region for those effects (lead organizations: CWA, research institutions at local universities).

Of the 645,000 acre-feet (AF) of water consumed in the service area of San Diego County Water Authority (CWA) in 2005, approximately 79 percent was supplied by the Metropolitan Water District (MWD). Since 1990, CWA has imported from 75 to 95 percent of the region’s water supply from MWD (CWA, Regional Water Facilities Master Plan, 2004). A key goal of the CWA and also of the 1998 Prosperity Strategy recommendation is to diversify the sources of water used in the service area, which accounts for most of the San Diego region. Continued and cooperative efforts will be necessary to implement the goals of water source diversification.

The 2003 water transfer agreement between CWA and the Imperial Irrigation District (IID) secured a key alternative source of water, which will account for 22 percent of water used in the service area by 2020. Additionally, supplies from CWA’s All American Canal Lining and Coachella Canal Lining projects will account for nine percent of the region’s supply by 2020. However, in order to meet the region’s growing demand for water and also to maintain diverse sources of supply, additional work is needed to increase, reclamation (or reuse), seawater desalination, and conservation.

The San Diego region has already made substantial investment in water reclamation. The City of San Diego has constructed two reclamation facilities – North City Water Reclamation Plant (NCWRP) and South Bay Water Reclamation Plant (SBWRP). NCWRP has capacity to produce up to 24 million gallons per day (MGD) of recycled water, but existing beneficial reuse, consisting mostly of irrigation and some industrial purposes, total only about 6 MGD (City of San Diego, Water Reuse Study [2006]). The SBWRP produces from 5 to 6 MGD of recycled water that is then disposed through the ocean outfall, without application for domestic or industrial reuse. Thus, although the region has substantial capacity to produce recycled water with adequate quality, actual demand for recycled water has not matched that capacity. None of the recycled water is currently used as potable water, due to lack of public acceptance.

The following actions are recommended to further diversify water supply for the region.
Implement the long-range plan adopted by the San Diego County Water Authority to assure reliable sources of water for the region. The San Diego County Water Authority (CWA) has prepared the 2005 Urban Water Management Plan, which identifies a diverse mix of water resources to be developed over the next 25 years. CWA should implement the goals of this plan, with periodic updates to respond to changing conditions.

Undertake cooperative programs to increase water conservation and acceptance of reclaimed water for domestic use to help the region meet its goals of water source diversification. Unlike the IID Transfer Agreement, actions to secure additional local sources of water, particularly conservation and domestic use of reclaimed water, will require cooperation of water users (households and businesses), local water agencies, and local jurisdictions. That is, future success in the diversification of water sources will require concerted action by the region’s public and private organizations, as well as the CWA. In particular, substantial effort will be needed to obtain public acceptance of recycled water as an additional source of domestic potable water, as was successfully implemented in Singapore.

Assess the need to integrate potential impacts of global climate change on the region’s water supply to better prepare the region for those effects. Scientific studies indicate that global climate change – or even cyclical changes in climate – could severely affect the availability and quality of the water supply in the southwestern United States. The CWA and research institutions in the region need to conduct appropriate studies to monitor the potential impacts of global climate change on the region’s future water supply and quality.

▼ Strategic Goal 7

Increase the facilities and resources necessary to provide regionwide opportunities for all children to receive preschool education.

Recommended Actions

7.1 Determine the best way for the San Diego region to implement a universal preschool education program to help increase the educational success rate of each child. (lead organization: San Diego County Office of Education).

7.2 Pursue a legislative program to qualify military families for state-subsidized preschool in order to expand the reach of current preschool opportunities in the state and the region (lead organization: current supporters of AB 170 [Saldaña], including the San Diego Unified School District (sponsor); San Diego County Office of Education and San Diego Regional Chamber of Commerce).

Many studies have shown the economic benefits of investment in preschool education. For example, a 2005 study conducted by RAND estimated that investment required to make preschool available to every 4-year old in California would generate $2 to $4 in benefits for every dollar spent. The benefits identified by the study include reduced need for special education, less grade repetition in K-12, less youth and adult crime, and a more productive workforce. High quality preschool education represents one of the best opportunities for investment in human capital. However, enrollment in preschool education has been limited both in this region and elsewhere, due to lack of facilities, qualified
teachers, and funding. Among 25 comparative metro areas, San Diego ranks 18th in the proportion of 3- and 4-year olds enrolled in nursery or preschool in 2000. San Diego’s proportion declined slightly between 1990 and 2000 (to 58.4 percent), while that of the nation increased (to 64.4 percent).

**Determine the best way for the San Diego region to implement a universal preschool education program to help increase the educational success rate of each child.** The San Diego County Office of Education (SDCOE) should continue its efforts in advocating an increase in preschool enrollment and identifying resources to be applied to this goal. The SDCOE should investigate methods to standardize the content of publicly funded preschool learning experiences. The intent of this recommendation is to provide public preschool opportunities that co-exist with privately funded options, thus setting 100 percent enrollment as the metric for success.

The San Diego County Preschool for All draft Master Plan was approved in December 2005 and was developed with funds from the David and Lucille Packard Foundation and the First 5 Commission of San Diego. The draft Master Plan outlined the guiding principles toward achieving preschool for all, identified barriers to achieving the goal, and tasked itself to find strategies to address those issues. The San Diego County Office of Education is currently working collaboratively with the First 5 Commission of San Diego to provide free, voluntary, quality preschool in six local communities. This effort should be continued and expanded. The First 5 Commission of San Diego is responsible for allocating San Diego County's Proposition 10 funding. Proposition 10, also known as the California Children and Families Act of 1998, added a tax to tobacco products to fund programs promoting the health and well-being of children from prenatal to age five. The funding is granted to local agencies for programs such as parenting education, stipends for childcare providers, health and developmental assessments, and school readiness programs in communities with low performing schools. The Preschool for All initiative falls under the banner of school readiness.

Despite the acknowledged benefits of preschool education, lack of funding is the primary impediment to increasing enrollment. Although public funding would make economic sense, because of a high benefit-cost ratio, it is likely that a variety of sources will be required, including charitable contributions and the participation of businesses and nongovernmental organizations.

**Pursue a legislative program to qualify military families for state-subsidized preschool in order to expand the reach of current preschool opportunities in the state and the region.** The San Diego Unified School District (SDUSD), along with other named supporters, should continue to support the current proposed legislation (AB 170, Saldaña) to expand the reach of current preschool opportunities by amending the existing regulations for providing state funds. Currently, many military families are not eligible for state-subsidized preschool if their Basic Housing Allowance (BHA) is paid directly to private property managers providing on- and off-base housing. In this situation, the BHA is calculated as income and places many military families above the income ceiling for free state preschool. If the BHA is paid through traditional military-run programs, the allowance is not considered income. The non-traditional payment of BHA to private property managers denies subsidized preschool to military families who had previously qualified for these services. The Saldaña measure would exclude the BHA when determining eligibility for state preschool in an amount equivalent to the lowest allowance rate for the military housing area in which the individual lives. The San Diego region’s public and private organizations, including the San Diego County Office of Education and the San Diego Regional Chamber of Commerce, should provide additional support to this legislation. This issue could be addressed concurrent with or prior to implementing the larger agenda of the Strategic Goal, achieving a universal preschool education program in the region.
Strategic Goal 8

Reduce the public costs imposed on businesses and assure that activities funded by public expenditures and regulations meet their objectives and are efficiently and effectively implemented to help keep the region competitive.

Recommended Actions

8.1 Establish a competitive bidding and contracting process for providing public services modeled on the California Performance Review and the City of San Diego’s managed competition initiative, to help ensure services are provided in a cost-effective manner (lead organizations: local jurisdictions).

8.2 Explore and implement alternative ways for meeting public facility and service standards to minimize the need for raising taxes and fees to pay for new infrastructure (lead organizations: major infrastructure and service providers in the region, including SANDAG, Caltrans, San Diego County Water Authority and water districts, San Diego Gas & Electric, and the San Diego County Regional Airport Authority).

8.3 Improve the linkage between infrastructure investments and SANDAG’s Regional Comprehensive Plan to achieve regionwide smart growth goals and objectives (lead organizations: SANDAG, Caltrans, and other infrastructure providers in the region, such as the San Diego County Water Authority, the San Diego County Regional Airport Authority, the San Diego Unified Port District, and San Diego Gas & Electric).

Upon his election, Governor Schwarzenegger called for an exhaustive audit of state operations to uncover waste, fraud, and abuse. He also called for a transformation of state government – blowing up the boxes along the way – to return power and authority to the residents of the state. As a way to act on these assertions the Governor produced the California Performance Review (CPR) to examine state operations and recommended reforms. Locally, City of San Diego Mayor Jerry Sanders led a successful effort to get city residents to vote for a managed competition initiative to help provide cost effective public services.

As the CPR report points out, increasing the performance of government is difficult. Leon Panetta, who served California and the nation in Congress, and later as director of the Office of Management and Budget and as President’s Clinton’s Chief of Staff, offered the following remarks on implementing CPR: my experience is that nobody in any bureaucracy likes to change their turf. That is just a hard reality. If change happens, it occurs in one of two ways. It happens by crisis, which we saw with September 11. We would not have a Homeland Security Agency if not for September 11. Or it happens by leadership. With his advice in mind, and using the CPR as a guide for identifying possible statewide initiatives to reform and improve government programs, actions, and effectiveness, the following recommended actions were developed to be in line with the CPR.

Establish a competitive bidding and contracting process for providing public services modeled on the California Performance Review and the City of San Diego’s managed competition initiative, to help ensure public services are provided in a cost-effective
manner. Many governments—including the State of California and the City of San Diego—have recognized that introducing competition into providing external (to residents and taxpayers) and internal (to city departments) services is an effective strategy for improving quality and productivity. Using market forces to improve the bottom line recognizes that most public service agencies operate as monopolies—exclusive providers of the services. For example, when service agencies have the authority to set policy and service standards, they tend to adopt standards favoring themselves over their customers. Separating responsibilities for delivering services from setting procurement standards helps to prevent this conflict. Implementation of this action at all levels of government will provide the public with the confidence that the public sector has a way to judge the efficiency and reliability of the services and to choose the most cost-effective provider. Neither the public nor the private sector is innately more efficient and reliable than the other but competition will bring the best in both out to serve the customer: residents of the San Diego region.

Explore alternative ways to meet public facility and service standards to minimize the need for raising taxes and fees to pay for new infrastructure. Some long-time Californians call for a return to the state’s “golden era” of major infrastructure investment, which has had a lot to do with shaping California. Many believe that, historically, the state’s prosperity is due to the state’s vision and commitment to build three grand systems: aqueducts, highways, and universities. The systems were, and still are, the cornerstones of the states economy and society. Traditional supply-side infrastructure planning made sense in the 1950s when these sectors were in their infancy, California was growing rapidly, and there was a broad consensus supporting growth. But today, the environment has changed. Not all citizens view the state’s economic and demographic growth as desirable. State and local residents resist building to meet projected demands of a growing population on at least two grounds: they don’t want their taxes raised and they don’t want facilities built in their backyards. In short, the context in which the state or regions plan and fund capital infrastructure investments is vastly different now than during the eras of former Governors Earl Warren and Pat Brown.

Most infrastructure agencies do not explore alternative forms of service delivery or identify non-capital alternatives for meeting future needs. Strategic infrastructure planning poses some basic questions, such as: Are there ways to meet infrastructure needs without investing in new capital equipment? For example, is the only way to accommodate more roadway trips to widen existing or build new freeways? It may be possible to manage the demand for existing infrastructure in ways that encourage its most efficient use and thereby minimize the need for new investment. This sort of demand management contrasts with traditional planning approaches, which focus almost exclusively on increasing the supply of infrastructure. Generally, supply-oriented planning forecasts infrastructure needs based on per capita estimates of consumption. These per capita estimates, in turn, are based on historic patterns of infrastructure use. Demand management, in contrast, begins with consumers’ willingness and ability to pay for services. It recognizes that the demand for infrastructure is dynamic, and it seeks to control the key drivers of that demand to make the most efficient use of existing resources. This strategy can best be implemented by the major infrastructure providers, applying non-traditional strategies of meeting demand.

Improve the linkage between infrastructure investments and SANDAG’s Regional Comprehensive Plan to achieve regionwide smart growth goals and objectives. Our region spends billions annually to maintain, operate, and construct infrastructure facilities. Given the amount of money we invest annually on infrastructure, expenditure plans should be consistent with the overall long-term vision or strategic plan for supplying and delivering services. Today, however, most
infrastructure planning is done without a coordinated “vertical” or “horizontal” framework that prioritizes and synchronizes the annual expenditures of capital improvement programs to meet the goals of the longer-term strategic plans that form the basis of facility master plans. With notable exceptions, most infrastructure programming and planning is not coordinated or prioritized with respect to regional plans. A broader prioritization of infrastructure expenditures requires that a regional framework be established, based on regionwide goals, such as those contained in SANDAG’s Regional Comprehensive Plan, that can be incorporated into and addressed as part of the evaluation of infrastructure projects.

Local jurisdictions, acting together as SANDAG, have endorsed and adopted resolutions of support for an urban form that channels much of the region’s future growth into existing urban (primarily incorporated) communities, preserving and protecting the lifestyle and sensitive environment of our rural (primarily unincorporated) areas. For example, over time, if the RCP goals and objectives are implemented, then an increasing proportion of the growth will occur as redevelopment and urban infill. To adequately prepare for this change, the urban form and design goals in the RCP should be universally embraced to help ensure that infrastructure is in place prior to or concurrent with the land use decisions that implement the urban form goals. Major transit infrastructure investments, for example, need to be supported by land uses that can provide the rider ship to justify the investment.

In this way, strategic planning and visioning drive the capital decision making process. In the absence of a unified strategic vision, the budget process paints a large part of the “big picture” for infrastructure planning by default. Each infrastructure provider develops its own vision of the region’s future from various board actions, administration edicts, and overall climate of opinion and builds its capital budget from individual construction project proposals. This project-based budgeting, using an annual snapshot or limited horizon, attempts to replace the big picture.

► Strategic Goal 9

Monitor and report on the region’s progress in meeting the challenges and goals identified in Evaluating the Competition and Assessing our Strategic Position and San Diego’s Regional Economic Prosperity Strategy.

Recommended Actions

9.1 Conduct periodic updates of both the evaluation of current conditions and the recommended strategies to achieve economic prosperity, to provide elected officials and community leaders with information to help them make informed decisions and take actions to address our future challenges. (lead organization: SANDAG).

9.2 Review monitoring efforts conducted by SANDAG and other organizations for additional information, insight, and directions for future action to identify opportunities for collaboration and coordination (lead organization: SANDAG).

The objective is to measure progress toward regional goals with respect to standard of living, income, education, infrastructure investment, and other indicators of economic prosperity. To this end, SANDAG should undertake the following actions.
Conduct periodic updates of both evaluation of current conditions and the recommended strategies to achieve economic prosperity, to provide elected officials and community leaders with information to help them make informed decisions and take actions to address our future challenges. As it has done in the past, SANDAG should periodically update the evaluation of San Diego’s economic condition and prosperity, review progress toward goals identified in the Regional Economic Prosperity Strategy, and revise or identify new goals and actions as necessary. In this update, SANDAG should solicit input from a broad range of public and private organizations engaged in regional economic development.

Review monitoring efforts conducted by SANDAG and other organizations for additional information, insight, and directions for future action to identify opportunities for collaboration and coordination. The Regional Economic Prosperity Strategy should also review other evaluation and monitoring studies conducted by SANDAG and others, such as Indicators of Sustainable Competitiveness, prepared in association with the San Diego Regional Economic Development Corporation, and the monitoring report of the Regional Comprehensive Plan. Although these studies emphasize different perspectives extending beyond economic issues, they provide valuable insight into the status of the region and its future direction.

In addition, the San Diego Regional Economic Development Corporation (EDC) is launching the “Partnership for the Global Economy,” which will bring an essential and valuable private-sector perspective to region-wide planning, providing input from those who make critical decisions on where their companies will locate and expand. The current initiative builds upon a highly successful initiative in 1999 that helped to catalyze the regional focus on creating the Rady School of Management at UCSD, High Tech High, and other K-12 workforce investment initiatives, capital formation initiatives now led by BIOCOM and CONNECT, and the EDC’s leadership on TransNet, which has added more than $14 billion of future funding for the region’s transportation infrastructure. SANDAG should strongly support the Partnership for the Global Economy and use its outcomes to augment San Diego’s Regional Economic Prosperity Strategy.
STRATEGIC ASSESSMENT SYSTEM
A major component of this report is a framework for measuring progress and comparing the San Diego region against similar competitive places. A vast array of information is available to benchmark and assess ourselves against our competitors for the purpose of identifying the challenges and opportunities facing the San Diego region. Perhaps the most difficult task is organizing the information so it portrays the big picture. Who is the competition? How do we stack up against them? What are the region’s assets? Where do we need to improve? What investments do we need to make today to be healthy and prosperous tomorrow? Are our goals realistic in terms of available resources? What additional resources are needed in order for the region’s goals to be achieved?

For the San Diego region, these questions were addressed in terms of the following groups of issues and statistical indicators:

1. How well is the region performing?
2. How well are the businesses in the region faring?
3. What resources are available to support the region’s future economic and social well being?
4. What is the capacity of the region’s infrastructure to ensure its economic and social well being in the future?

For each group, the following data were examined. First, the San Diego region was compared to 24 other metropolitan areas, selected on the basis of comparable population size and demographic and economic characteristics. Second, historical changes in the San Diego region were compared to changes in California and the U.S. And, third, additional data were collected for the San Diego region to provide a closer look at the issues as they have emerged in the region.

Detailed discussion of indicators is contained in the companion volume to this report (Evaluating the Competition and Assessing our Strategic Position). The following provides a summary of the evaluation, with focus on selected issues.
**Indicator Group 1. Economic and Social Performance**

**Population and Employment.** The growth rate of San Diego’s population is declining. As a result, the population is becoming older, and the newer residents, whether from natural growth or from immigration, are more diverse in racial and ethnic composition than the older residents. An aging population requires special services, such as health care, and reduces the need for services for the young, such as primary education. Growth of the Hispanic population accounts for nearly 80 percent of total regional population growth, creating new opportunities for businesses. Increasing diversity in the workforce requires additional investment in education and training.

San Diego’s workforce population has historically responded to changing economic conditions through migration. New workers have migrated to the region during times of economic growth. And many workers have left the region during times of slow growth or contraction. Mobility of the labor force has been important in maintaining jobs-workforce balance in the region and its relatively low unemployment rate.

While the cumulative increase in the region’s population since 1990 has not kept pace with corresponding increases in California and the nation (Figure 2), the increase in the region’s civilian employment has exceeded those of the state and the nation (Figure 3). This is due in part to the fact that a larger proportion of the region’s residents are seeking work, but also reflects the out-migration of workers who now commute to San Diego region from other areas, such as Riverside and Imperial counties. There is thus a growing imbalance between the region’s need for workers and the opportunities to find suitable housing in the region.
Figure 2
San Diego’s Rate of Population Growth Has Declined Relative to That of California and the United States

Source: U.S. Census Bureau, Population Estimates Program, Population Division

Figure 3
San Diego’s Growth in Civilian Employment Has Exceeded That of California and the United States

**Wages and Income.** In nominal, or current dollar, terms, wages and per capita personal income (PCPI) in San Diego appear to be increasing as fast as, or faster than, wages and income in California and the U.S. However, there has been some erosion in the growth of real average wage and PCPI due to a higher local rate of inflation. On a broader scale, the slight increase in wage inequality appears to be following a similar trend that is occurring nationwide.

Among the 24 metro areas selected for comparison, San Diego ranks 8th in per capita personal income (see Figure 5). However, since 1970, the cumulative growth in real PCPI in the region, after adjusting for inflation, is around 30 percent (Figure 6), less than cumulative increases for both the state (38%) and the nation (62%).

**Average Wage and Cost of Living.** A characteristic which stands out is the region’s high cost of living, which more than offsets its high per capita personal income. The high living cost, due in large part to the high cost of its housing, reduces the purchasing power of its residents’ wages and income, particularly in comparison to other metropolitan areas.

Figure 4 shows that, with respect to average wage per job, San Diego ranks in the middle of the range of metro areas. San Diego, however, has one of the highest living costs, as measured by income required to maintain the same standard of living as elsewhere in the nation. When average wage is adjusted to reflect this ‘standard’ income, the region ranks last in terms of wages per cost of living (Figure 4).

![Figure 4](attachment:image.png)

**San Diego Has the Lowest Average Wage Per Job, When Adjusted for Cost of Living**

<table>
<thead>
<tr>
<th>Wage Per Job/Cost of Living</th>
<th>Wage Per Job</th>
<th>Cost of Living</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highest</td>
<td>San Jose, 1</td>
<td>San Francisco, 1</td>
</tr>
<tr>
<td></td>
<td>San Diego, 9</td>
<td>San Diego, 3</td>
</tr>
<tr>
<td>Lowest</td>
<td>Riverside, 20</td>
<td>Dallas, 20</td>
</tr>
</tbody>
</table>

Source: Bureau of Economic Analysis; CNNMoney.com (data provided by ACCRA)
Figure 5
San Diego Has a Relatively High Level of Per Capita Personal Income

Source: Bureau of Economic Analysis

Figure 6
San Diego Lags Both California and the United States in Cumulative Growth of Real Per Capita Personal Income Since 1970

Source: Bureau of Economic Analysis
Indicator Group 2. Business Vitality

It is somewhat easier today than during the early 1990s to conclude that the San Diego region has a very dynamic and vibrant economy with significant growth potential. During the first half of the 90s decade our region, as well as most of southern California, was mired in the worst economic recession on record, a downturn that broke records dating back half a century and created doubt about our future prosperity.

The businesses and industries once responsible for initiating economic growth were being replaced; our defense and manufacturing businesses employ about half the number of workers today as they did at the end of the 1980s and all four of the financial institutions that had their corporate head quarters here have disappeared. Looking back we now see that our region was caught up in a turbulent restructuring of the local economy, a dynamic that continues today as our economy grows and its job base diversifies.

In light of the changes that have occurred to the businesses that make up our regional economy, the evaluation is focused on how existing and new businesses are faring. The reason for this focus is straight forward: most of a region’s economic growth comes from “home grown” entrepreneurs and businesses, not from outsiders. Much of the diversification of our economic growth during the 1990s has been traced to local sources, small business start ups and expansions from companies with local ties.

Gross Regional Product. Gross regional product (GRP) is the most comprehensive measure of business activity in a state or region. Average gross regional product per person, or per capita GRP, in San Diego in 2004 ($47,172) was higher than both per capita gross state product (GSP) of California ($42,727) and per capita gross domestic product (GDP) of the U.S. ($39,588). San Diego’s per capita GRP also ranks high among comparable metropolitan areas — 4th among 25 metros in 2004.

Between 1990 and 2004, San Diego region’s real total GRP grew 43 percent. This growth exceeded that of the state (40%) and the U.S. (35%) over the same time period. However, the growth has not kept pace with population, resulting in a decline in San Diego’s per capita GRP relative to that of the state and the nation.

Gross regional product can also be considered as a measure of output by the region’s workers. When GRP is divided by the number of workers in the region, the resulting ratio represents average output per worker. Since output per worker is a measure of labor productivity, it can be compared to average wage per worker. That is, in order to raise wages, it is first necessary to raise productivity.

The San Diego region has one of the highest ratios of output per worker to wages when compared against other similar regions. In 2004 San Diego’s average output per worker ranked the 5th highest whereas average wage per worker ranked 12th. The region produces more per dollar paid in wages than all its peers except Houston, Texas. This combination (high ratio of output per worker to wage per worker) results in the 2nd highest difference between productivity and wages of $51,586 per worker and output per worker, with nearly 225 percent above the average wage rate in the region (Figure 9).

Thus, while GRP is a comprehensive measure of the region’s economic activity, it must be considered in conjunction with wages received by workers, as well as the distribution of such wages between high- and low-wage industries.
Figure 7
San Diego Ranks High Among Comparable Metro Areas in Terms of Gross Regional Product Per Capita

San Francisco, 1

San Diego, 3

San Diego, 3

San Jose, 1

Miami, 25

Miami, 25

Miami, 25

Source: Economy.com; SANDAG

Figure 8
San Diego Has Recently Lagged California and the United States in the Growth of Real Gross Regional Product per Capita

Source: Economy.com; SANDAG
Figure 9
San Diego Has the Second Highest Gap Between
Gross Regional Product per Worker and Average Wage per Worker
Among Comparable Metropolitan Areas

Source: Economy.com; Bureau of Economic Analysis

Note: Metro areas are arranged in order of decreasing difference between output per worker and average wage per worker. California and the United States have not been sorted by this difference.
**Job Quality.** Though San Diego has a relatively high level of economic output, as measured by gross regional product, real average wage in the region, adjusted for inflation, has not kept pace with the state or the nation. Compared to the level attained in 1970, real average wage in San Diego has declined by nearly 5 percent, while that in the nation increased by 15 percent and the state, by 10 percent (Figure 10).

In addition to declining real average wage, the region has also experienced an unbalanced growth in job quality, adding fewer jobs in sectors with higher wages and many more jobs in sectors with lower wages. When industries are ranked according to average wage, slightly less than 300,000 jobs with the lowest average wages in 1990 accounted for 20 percent of the total aggregate payroll in the region, while 88,600 jobs with the highest average wages also represented 20 percent of total payroll, resulting in a ratio of 3.5 to 1 in terms of lower-wage jobs to higher-wage jobs (Figure 11). This ratio has increased to 4.4 to 1 in 2004.

From 1990 to 2004, the increase in the number of jobs with the lowest average wages (110,500 jobs), accounting for 20 percent of the region’s total payroll, was 24 times that of increase in the number of jobs with the highest average wages (4,600 jobs) (Figure 12). The substantial increase in lower wage jobs has been assisted by strong public policy and investment, targeting industries such as tourism, entertainment, the uniformed military, and retail trade, without compensating investments for high value-added industries.

Part of the reason for declining average wage is due to the loss of defense and manufacturing jobs in the region since 1990. Manufacturing’s share of total non-farm employment fell from 12.8 percent in 1990 to 8.3 percent in 2004, while professional and business services increased its share from 12.8 percent in 1990 to 16.3 percent in 2004.

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**Figure 10**

San Diego’s Real Average Wage per Job Since 1970
Has Lagged That of California and the Nation

![Graph showing the real average wage per job in San Diego, California, and the United States from 1970 to 2004.](image)

Source: Bureau of Economic Analysis, Regional Economic Information System, Local Area Personal Income, Table: CA34
Figure 11
Average Wage of Industries in Top 20 Percent of Total Payroll Is Three and One-Half Times the Average Wage of Industries in Bottom 20 Percent

Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages; SANDAG

Figure 12
Job Increase in Industries With the Bottom 20 Percent of Total Payroll Since 1990 Is 24 Times the Job Increase in Industries With the Top 20 Percent of Total Payroll

Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages; SANDAG
**Traded Clusters as Engines of Economic Growth.** Businesses in industries that compete nationally and internationally drive the regional economy’s economic growth and have far greater long-term growth potential. These are called traded cluster industries. Because the cluster industries compete at a national and global level, their opportunities for growth are not constrained by the size of the local market, and they can expand far beyond it.

Firms in traded clusters compete nationally and globally, hence they must continuously “innovate” their products or services to remain competitive. In economic terms, innovation can refer to technological advancement, or to the process by which companies create new economic value by using resources more effectively. At one time, businesses did compete on what economists call factor costs (e.g., labor, land, capital, and infrastructure) and the firm with the lowest factor costs won. But as the rock poet Bob Dylan noted, “The times they are a-changing.” In today’s economy, globalization allows these traded cluster firms to source their factors from international markets and to locate their production and service activities “off-shore.”

Our ability to initiate economic growth is dependent on the health of these traded, or export oriented, industries. Without healthy clusters of export-oriented businesses, the rest of our region’s economy – retail, services and government – cannot prosper. More importantly, the key to balancing our job growth, rebuilding our middle class jobs, and raising our standard of living, is the expansion of high value-added employment opportunities in the clusters of businesses that make our export-oriented industries.

The San Diego region has 16 traded clusters with a total of 320,067 local jobs in 2005 (Figure 13). These cluster jobs represent one-quarter of the region’s total employment. On average, cluster jobs pay higher wages ($51,018) than the regional average ($43,801) (Figure 14). Companies within traded clusters tend to be among the region’s leaders in research and development funding, patent awards, and other key indicators of innovation. Many of the clusters also pay high wages, although some do not. All traded clusters are economic drivers for the region because they are export-oriented. A complete list and discussion of the clusters can be found on page 46 and 47.

Although all traded clusters generate revenues for the region, not all clusters provide high living standards. The largest cluster, Entertainment and Amusement, pays the lowest average wage, $16,143 per year, or about one-third of the regional average. Clusters with the highest average wages, such as Communications and Software represent relatively small proportions of overall employment. The challenge for the region is to encourage the growth of higher-wage clusters and reduce dependence on lower-wage clusters for economic growth.

Of the 16 clusters identified for the San Diego region, eight may be classified as high technology clusters: Biomedical Products, Biotechnology & Pharmaceuticals, Communications, Computer & Electronics, Defense and Transportation Equipment, Design, Environmental Technology, and Software. Employment in these clusters totaled 124,669 persons, representing 9.7 percent of 1,282,100 non-farm employment in San Diego in 2005 (California Employment Development Department, Industry Employment). Wages in the eight high technology clusters averaged $82,437, about 62 percent higher than the average wage for the 16 traded clusters ($51,018) and nearly twice as high as the average wage in the region as a whole ($43,801). Thus, high technology clusters help raise the region’s standard of living, and public policy and investment should be directed to helping those clusters grow.
Figure 13
San Diego Has a Diverse Group of Traded Clusters

Source: SANDAG; California Employment Development Department; Bureau of Labor Statistics

Figure 14
San Diego’s Traded Clusters Generally Pay Wages Higher Than the Regional Average of $43,801

Source: California Employment Development Department; SANDAG
ENGINES OF GROWTH
CLUSTER DEFINITIONS, EMPLOYMENT, AND WAGES

The San Diego region has 16 clusters with a total of 320,067 local jobs in 2005. These cluster jobs represent one-quarter of the region’s total employment. On average, cluster jobs pay higher wages ($51,018) than the regional average ($43,801).

BIOMEDICAL PRODUCTS

In 2003, San Diego region institutions (both public and private) received more than a billion dollars in funding from the National Institutes of Health (NIH). Only Boston and New York City received more health research funds, demonstrating San Diego’s position as one of the nation’s premier research locations.

The Biomedical Products cluster consists primarily of products for surgical, medical, dental, and laboratory applications. In the San Diego region there also is a great deal of research in the Biomedical cluster. One change from prior years is that Electromedical Apparatus Manufacturing is now included in the Computer and Electronics cluster, due to its buyer-supplier relationships with that cluster.

The Biomedical Products cluster has 7,500 employees. The average wage for employees in this cluster is roughly $65,000.

BIOTECHNOLOGY AND PHARMACEUTICALS

The San Diego region is a national leader in total venture capital funding received by local companies. Since 2000, more than one third of the region’s venture capital funds received have gone to Biotechnology and Pharmaceuticals companies.

Also, as noted above, San Diego region institutions lead the nation in federal research funding received for Biotechnology and for Biomedical Products. Not surprisingly, the region has a strong concentration of jobs in the general Research and Development (R&D) industry, and more than half of the region’s R&D jobs are in Biotechnology. In addition to research, this cluster also includes the manufacture of medicinal and diagnostic substances.

The Biotechnology and Pharmaceuticals cluster has 21,800 employees. The average wage for employees in this cluster is about $80,000.

COMMUNICATIONS

San Diego’s Communications cluster includes equipment manufacture, communications service, and research and development. The region is home to both globally recognized wireless communications companies as well as dozens of small companies (50 or fewer employees). The region attracts a significant amount of venture capital for telecommunications, accounting for roughly 10 percent of local venture capital funding since 2000. In 2004, the region also received one of only 27 competitively-awarded Technology Opportunity Program research grants from the National Telecommunications and Information Administration.

The Communications cluster has nearly 25,500 employees. The average wage for employees in this cluster is nearly $112,900, the highest of all clusters.

COMPUTER AND ELECTRONICS

The Computer and Electronics cluster in San Diego is largely composed of manufacturing industries. San Diego computer and electronics companies attracted more than half a billion dollars in venture capital funding since 2000.

The Computer and Electronics cluster has about 15,400 employees. The average wage for employees in this cluster is just over $78,800.

DEFENSE AND TRANSPORTATION EQUIPMENT

Given San Diego’s large military presence, it is no surprise that the region has a thriving Defense and Transportation Equipment cluster. This cluster is evolving over time, as shipbuilding takes on increasing significance and aircraft manufacturing declines in local importance.

The Defense and Transportation Equipment cluster has 20,300 employees. The average wage for employees in this cluster is $71,200.

DESIGN

The Design cluster is a branch of what was formerly known as “Business Services.” This newly defined cluster incorporates the design principles required for architecture, engineering, interior, industrial, and graphic design.

The Design cluster has 6,500 employees. The average wage for employees in this cluster is just over $61,800.

ENVIRONMENTAL TECHNOLOGY

The Environmental Technology cluster relates to those industries that improve environmental conditions – either through the manufacture of analytical or cleaning equipment, or through design and consulting services – both indoors and out.

The Environmental Technology cluster has slightly more than 13,700 employees. The average wage for employees in this cluster is about $70,300.
ENTERTAINMENT AND AMUSEMENT
The Entertainment and Amusement cluster reflects San Diego’s international reputation as a tourist destination. At the heart of this industry are local attractions, such as Balboa Park with its museums and the zoo. The cluster also includes other recreational attractions, such as athletic activities, theatre, and dining.

The Entertainment and Amusement cluster has just under 104,400 employees, by far the largest cluster in the region. The average wage for employees in this cluster is $14,600, the lowest of all clusters. This reflects the generally low wages of many food service jobs.

FINANCIAL SERVICES
Financial Services includes banking and lending institutions, as well as investment services. While the Financial Services sector is not generally thought of as a venture capital magnet, the San Diego region has been awarded more than $100 million in venture funding for Financial Services since 2000.

The Financial Services cluster has about 36,300 employees. The average wage for employees in this cluster is just over $73,100.

FRUIT AND VEGETABLES
San Diego produces roughly half of the nation’s avocados. (California produces approximately 90 percent of the nation’s avocado crop by volume, and San Diego produces about half of that.) Thus, it is no surprise that the region has a strong fruits and vegetables cluster.

Other regional specialties include citrus and other fruits and vegetables. The market value of all fruits and vegetables produced in the region was $260 million in 2002. The Fruit and Vegetables cluster includes these farming production activities as well as related farm services and fruit and vegetable canning.

The Fruit and Vegetables cluster has 3,700 employees. The average wage for employees in this cluster is approximately $22,600.

HORTICULTURE
More than three quarters of the poinsettias in the nation come from San Diego. While this is but one example, it clearly demonstrates San Diego’s preeminence in the field of horticulture. In 2003, San Diego County accounted for more than four percent of the nation’s and 20 percent of the state’s sales of nursery products, amounting to $616 million. Likewise, San Diego accounts for 20 percent of the state’s greenhouse square footage.

Nursery and Tree Production and Floriculture Production are thriving industries in the region. Those, along with their supporting industries, make up the Horticulture cluster.

The Horticulture cluster has 6,500 employees. The average wage for employees in this cluster is nearly $30,200.

PUBLISHING
San Diego’s Publishing cluster includes traditional book printing and publishing as well as periodical, directory, and other publishing activities. Several publishers in the region have ties with other clusters. For example, local companies publish materials for the Defense and Transportation Equipment cluster. There also are local publishers that specialize in sports and recreation publications, which ties in with the region’s Entertainment and Amusement and Recreational Goods clusters.

The Publishing cluster has 4,000 employees. The average wage for employees in this cluster is approximately $53,400.

RECREATIONAL GOODS
Recreational Goods is the only single-industry cluster in the region. With an extraordinarily high concentration of golf club, surfboard, and other recreational goods manufacturers in the region, it is clear that this industry is a highly export-oriented economic driver.

The Recreational Goods cluster has about 3,200 employees. The average wage for employees in this cluster is about $51,900.

SOFTWARE
The region attracts a significant amount of venture capital for software development. Since 2000, San Diego region software companies have been awarded nearly $700 million in venture capital funding. The region’s software cluster includes software programming services as well as software publishing and computer training.

The Software cluster has 14,000 employees. The average wage for employees in this cluster is $82,000.

SPECIALTY FOODS
San Diego, in part as a result of its geographic location, has regional specializations in the production of foods such as tortillas and seafood. Those industries, combined with other food processing industries, form the Specialty Foods cluster.

The Specialty Foods cluster has 3,800 employees. The average wage for employees in this cluster is just under $32,200.

TRAVEL AND HOSPITALITY
With over 26 million total visitors and 15 million overnight visitors in 2003, San Diego’s Travel and Hospitality industry thrives. These visitors spent an estimated $5 billion in the county in 2003. Local hotels and transportation services, which accommodate these visitors, account for the bulk of the Travel and Hospitality cluster. Local convention bureaus, travel agents, and tour operators round out the cluster.

The Travel and Hospitality cluster has 33,500 employees. The average wage for employees in this cluster is nearly $27,800.
International Trade and Goods Movement. In 2004, exports through the San Diego Customs District totaled $14 billion, and imports totaled $25.5 billion, for a combined total of $39.5 billion in goods movement. In real 2004 dollars, exports and imports through San Diego increased by 142 percent and 259 percent, respectively, between 1991 and 2004. In comparison, exports and imports through all California’s ports increased 20 percent and 96 percent, respectively. Nationally, exports and imports increased by 40 percent and 118 percent during the same period (Figure 15).

The trade flows through the San Diego Customs District are dominated by transactions with Mexico. Most of the products are transported by trucks and pass through the Port of Entry at Otay Mesa. In 2004, this POE handled $22.2 billion worth of goods in both directions that were transported by more than 1.4 million trucks.

Minority- and Women-Owned Businesses. In San Diego, and generally in California, minority populations are rapidly growing. Compared to 24 other metropolitan areas, San Diego ranks 4th in proportion of business firms with employees which are owned by Hispanics (6.5%), 7th in proportions of firms owned by Asians (8.8%), 14th in proportion of business firms owned by women (16.9%), and 18th in proportion of firms owned by Blacks (1%).

Proportions of San Diego’s firms with employees and owned by Hispanics, Blacks and women are small, particularly when compared with the proportions of the region’s population who are Hispanic (27%), Black (6%), or women (50%), according to the 2000 Census.

Between 1997 and 2002, minority- and women-owned firms with employees have increased in proportion to all businesses with employees, with the exception of Hispanic-owned firms (Figure 16). This runs counter to the increasing proportion of Hispanic population in the region.
Figure 15
San Diego’s Growth in Exports, Imports, and Gross Regional Product

Source: US Census Bureau; Bureau of Economic Analysis

Figure 16
Hispanic-Owned Businesses in San Diego Have Declined as Proportion of All Businesses with Employees Since 1997

Source: U.S. Census Bureau, Economic Census (1997 and 2002)
Note: Only businesses with employees are shown.
Venture Capital Investment. Venture capital investment is a key ingredient in the San Diego region’s business vitality. Traditionally, banks provided much of the capital needed by business for start-up or expansion. However, after the consolidation of the banking industry, no banks are headquartered in San Diego, limiting the opportunity for entrepreneurs to create relationships with lending institutions that are invested in the local community. Venture capital investors represent an important alternative source of funds, at least for firms in key cluster industries, to fund research, development, and investment.

The San Diego region attracts a large amount of venture capital. Between 1995 and 1998, growth in venture capital investment in the San Diego region generally matched that of the state and the nation. There was an explosive growth in 1999 and 2000, followed by a substantial decline in 2003 and an increase in 2004. Between 1995 and 2004, the real value of venture capital invested in the region increased by 260 percent, substantially more than the growth experienced in the nation as a whole (100%) (Figure 17).

However, there is substantial volatility in the volume of venture capital deals in San Diego. The volume declined from $1.5 billion in 2001 to $782 million in 2003, and then rose to nearly $1.2 billion in 2004. This volatility comes from both national economic changes and local companies’ ability to attract funds, limiting the extent to which the region can rely on venture capital as a consistent source of investment financing.

Biotechnology firms received the greatest share (35%) of venture capital invested in San Diego between 1995 and 2004, followed by software (14%), telecommunications (9%), and semiconductors (7%) (Figure 18).
Figure 17
The Growth of Venture Capital Funding in San Diego Since 1995 Has Exceeded Growths in California and the Nation

Figure 18
Biotechnology and Software Industries Receive the Largest Shares of Venture Capital Funding

Source: Price-Waterhouse-Coopers/Moneytree; Thompson Venture Economic
Indicator Group 3. Resources for Economic Growth

This is an assessment of the region’s capacity for economic growth and the critical resources that people in the San Diego region will draw upon for prosperity and growth. Issues include the population’s level of educational attainment and the supply and affordability of housing in the region, measured by housing construction, housing density, and the share of homes sold in an area that could be purchased by a family earning the median income.

Education. The quality of a region’s current and future labor force is a fundamental factor that influences its standard of living. The San Diego region has been following state and national trends in both the percent of adults aged 25 and older who have completed high school and those who have completed college. Across the nation, the proportion of the population aged 25 and older who have completed high school or more rose to 80.4 percent in 2000, from 75.2 percent in 1990. In 2000, the San Diego region’s high school completion rate was 82.6 percent, two percentage points higher than the national rate, and nearly six percentage points higher than California’s rate of 76.8 percent. San Diego’s college completion rate in 2000 also was higher than the state’s and the nation’s, though the difference is much less, 29.5 percent versus 26.6 and 24.4 percent, respectively. In 2000, among 22 metro areas for which data are available, San Diego ranked 16th in proportion of its adult population with a high school diploma and 9th in proportion of adult population with a Bachelor’s degree or higher (see Figure 19). Average educational attainment in San Diego is thus comparable to the nation, the state, and other metro areas, without any clear advantage.

At the beginning of the education process, San Diego ranks low (18th out of 25 metro areas; see Figure 20) and below the U.S. average in the proportion of 3- and 4-year-olds enrolled in a nursery or preschool in 2000. Between 1990 and 2000, San Diego’s proportion of 3- and 4-year-olds enrolled in early childhood education programs fell from 59.9 percent to 58.4 percent; while the nation’s proportion increased from 61.4 percent to 64.4 percent. Although there is no standard definition of “preschool” education, according to the National Center for Education Statistics, there are several common definitions of what constitutes preschool. These include pre-kindergarten programs serving mostly 3- or 4-year-old children and programs providing non-parental care and education of children in a nonresidential setting.
Figure 19
San Diego Has a Relatively High Proportion of Persons 25 and Over with a Bachelor’s or Higher Degree

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<td>Las Vegas</td>
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Source: U.S. Census Bureau, 1990 Summary Tape File 3 (STF 3); Census 2000 Summary File 3 (SF 3); 2004 American Community Survey

Figure 20
San Diego Has a Relatively Low Proportion of Its 3- and 4-Year-Olds Enrolled in Nursery or Preschool

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Sources: U.S. Census Bureau, 1990 Summary Tape File 3 (STF 3); Census 2000 Summary File 3 (SF 3); 2004 American Community Survey.

Note: "Better" represents higher percentage of the population enrolled in nursery or preschool.
**Housing.** A shortage in the supply of housing units has resulted in high home prices, which are a major impediment to greater economic prosperity in San Diego region. Lack of affordable housing diminishes the quality of life for local residents by forcing them to spend more of their household budget on housing, leaving less available for discretionary spending. Primary cause of high housing prices is lack of housing supply. Since 1998, total housing stock in the region increased by less than 8 percent, while total number of jobs increased by 14 percent (Figure 21).

Among 22 comparable metros for which data are available, San Diego ranks last in affordability of owner-occupied homes in 2003, measured by the share of homes sold that could be purchased by a family earning the median income (Figure 22). Only 11.1 percent of the units sold would have been affordable to a household with the region’s median income; in other words, 50 percent of the households could not afford 89 percent to the units sold. Among the comparable metro areas, the San Diego region has been one of the three least affordable housing markets since 1999. San Diego has consistently had one of the highest median home prices out of the comparable metros, increasing from $217,000 in 1995 to $394,000 in 2003 (both values are in 2004 dollars). In 2003, Pittsburgh had the lowest median home price ($108,000) in contrast to San Francisco’s median price of $574,000. San Diego’s value has consistently been above the nation’s, increasing rapidly after 2001 and reducing affordability (Figure 23).

With limited land for urbanization, it may be necessary to increase average housing density to achieve greater housing production. Increasing the supply of units may be the most reliable way to broadly address the housing shortage and lack of affordability. At this time, housing affordability cannot be solved with government programs that are designed to produce a limited and temporary supply of subsidized units with below-market prices or rents.

![Figure 21](image)

**Figure 21**
*Employment Growth in San Diego Since 1998 Has Outpaced Growth in Total Housing Units*

Source: California Department of Finance, City/County Population and Housing Estimates; Bureau of Economic Analysis, Regional Economic Information System, Table CA34, December 2004.

Note: Housing data from 1990 to 1999 are based on 1980 Census controls. Housing data from 2000 to 2004 are based on 2000 Census controls.
Figure 22
San Diego’s Housing Opportunity Index Is the Lowest Among Comparable Metropolitan Areas

Source: National Association of Home Builders
Note: The Housing Opportunity Index for a given area is defined as the share of homes sold in that area that would have been affordable to a family earning the median income. A “better” Housing Opportunity Index represents a greater affordability.

Figure 23
San Diego’s Housing Opportunity Index Has Declined Sharply Since 1998

Source: National Association of Home Builders
Note: The Housing Opportunity Index for a given area is defined as the share of homes sold in that area that would have been affordable to a family earning the median income.
Indicator Group 4. Regional Infrastructure Capacity

Demand for infrastructure is driven by population growth. In the next 30 years, the San Diego region is expected to add more than one million people, bringing the total population to just less than four million. As the region continues to grow, it is necessary to assess the ability of the region’s infrastructure to handle change and to maintain services and support required for economic prosperity. Steps need to be taken to help ensure that adequate infrastructure systems – for transportation, water, sewerage, solid waste, and energy – are in place prior to or concurrent with the region’s growth in population and employment.

At a minimum the region will need to address the following issues: (i) increasing air transportation capacity through facilities other than the San Diego International Airport; (ii) improving access to the national rail network through alignments other than the San Diego-Los Angeles corridor; and (iii) substantially increasing processing capacity and reducing wait times to cross the U.S.-Mexico border. San Diego’s access to international markets, suppliers, and distributors is an increasingly important element of the regional economy. In particular, movement of people and goods across the U.S.-Mexico border is a significant contributor to the region’s prosperity, and constraints on such movement, both at border crossings and in access to and from the border, impose a substantial cost to the regional economy.

Freeways. San Diego’s investments in transportation system capacity, measured in terms of freeway lane-miles, lag behind growth in demand for vehicle transportation, measured in terms of vehicle miles traveled, although this is not a problem that is unique to the region (Figure 24). Lack of system capacity is also indicated by measures of congestion and commuting time. A combination of actions, such as demand management, increased use of transit, and new land use policies will be required to maintain mobility in the region.

International Land Ports of Entry. In 2005, persons crossing northbound at San Diego’s three U.S.-Mexico ports of entry (Otay Mesa, San Ysidro, and Tecate) totaled 58.1 million persons, representing an increase of three percent over the 56.6 million persons recorded in 1996. During the same period (1996 to 2005), the number of northbound truck crossings increased 38 percent, from 580,000 vehicles to 799,800 vehicles (Figure 25). Freight value (imports plus exports) increased by an even larger percentage, 130 percent, during this period, from $11.1 billion in 1996 to $25.6 billion in 2005.

Increased traffic and heightened security have combined to increase delays at the border crossings. A 2006 study by SANDAG and Caltrans District 11 found the average delay per crossing was 45 minutes for passengers and around two hours for trucks. This same study on the economic impacts of border wait times found that these delays result in $2.7 billion (2005 dollars) of lost potential output and a loss of over 33,000 potential jobs in the San Diego region, due to foregone business opportunities. Similar economic impacts are experienced at the state, national, and international levels, as well as negative environmental impacts of numerous vehicles waiting near the border to cross. Investments to our international ports of entry that reduce wait times to cross the border would likely provide the most significant returns in economic growth.
Figure 24
San Diego Has Not Increased Its Freeway Capacity as Fast as Other Metropolitan Areas in the United States

Source: Texas Transportation Institute

Figure 25
Number of Northbound Trucks Entering San Diego Through International Land Ports of Entry (Thousands of Vehicles)

Source: U.S. Bureau of Transportation Statistics; U.S. Customs Service
Note: Represents the Tecate and Otay Mesa Ports of Entry.
**Airport.** San Diego International Airport (SDIA) faces many challenges in providing the region with adequate air service. SDIA is convenient, but its urban location limits the airport’s hours of operation, constrains ground access, and has runways that are too short to accommodate major international air traffic. These issues combined with limited direct routes to major destinations and the fact that the facility’s ability to handle additional operations (take-offs and landings) is expected to peak around 2015, limits the ability of the airport to accommodate the region’s economic growth.

Passenger traffic continues to increase, from 14.9 million passengers in 2002 to 17.4 million in 2005 (Figure 26). Cargo traffic, on the other hand, decreased from 159,000 tons in 2002 to 152,000 tons in 2005. While some improvements can be made in processing passenger traffic through ground facilities, it is clear that capacity limitations will affect the region’s economic growth. There is anecdotal evidence that locally generated air freight is trucked to Los Angeles-area airports for subsequent air transportation. San Diego has invested an average of $4,900 per 1,000 persons in air transportation-related projects, compared to $6,800 for the state and $14,600 for the nation.

**Energy.** A safe and reliable source of energy is essential for future economic development in the region. However, a combination of aging local infrastructure and expected declines in local production, increasing consumption per capita, expected growth and recent regulatory changes requiring renewable energy supplies have made the concern over the region’s energy supply one of the most significant immediate threats to the region’s economy and economic growth. Providing an adequate supply of energy to meet projected future demand will require a combination of actions, including energy efficiency, demand reduction, renewable sources of power, importation and transmission of energy from outside the region, and additional local generation.

A goal of the “Regional Energy Strategy: 2030,” adopted by SANDAG in 2003, would increase the share of energy consumed from renewable sources, such as wind, solar and geothermal. State legislation requires utilities to add new renewable resources each year equaling one percent of energy requirements and replace current renewable contracts with like resources as they expire. By 2017, according to the legislation, 20 percent of the utilities’ total supply should come from renewable sources. Currently, the only way for the San Diego region to meet this goal is to import energy generated with renewable sources.

According to the San Diego Regional Energy Office (SDREO), between 2002 and 2030, the region will experience a near doubling of demand for electric energy, requiring a peak capacity of over 8,000 MW. SDG&E, which is responsible for securing the energy supply needed for most of the region, is undertaking a number of initiatives, including construction of new transmission capacity and increased energy conservation, intended to diversify future sources of energy (Figure 27).
Figure 26
Number of Passengers (in Millions) Using the San Diego International Airport Is Increasing Over Time

Source: San Diego International Airport Authority, 2004-2005 Financial Report

Figure 27
Current and Future Sources of Energy For the SDG&E Service Area

Source: SDG&E
COMMENTS AND RESPONSES
COMMENTS AND DRAFT RESPONSES
COMMENTS AND DRAFT RESPONSES

This section summarizes the public comments received through July 17, 2007 on the draft Preparing for Regional and Global Collaboration two-volume report: Evaluating the Competition and Assessing our Strategic Position (Volume II) and San Diego Regional Economic Prosperity Strategy (Volume I). The comments are organized chronologically, based on the date of the letter, memo, facsimile, or email.

1. San Diego Convention and Visitors Bureau (May 3, 2007)

COMMENT: (1) It would be inappropriate to characterize lower paying service sector jobs as exclusively or even predominately hospitality/visitor industry, as the service sector is not exclusively comprised of the hospitality/tourism industry but also includes retail and professional services. (2) While front line jobs in the hospitality industry may include some unskilled, entry level positions, the industry also employs much higher compensated and better educated/trained professionals in a wide variety of areas ranging from marketing, finance and operations, to human resources, legal and sales. (3) There has been very little if any proactive planning on the part of government to ensure the success of the visitor industry. The industry faces the same bureaucratic hurdles/costs often cited by other business sectors. The significant Investment(s) that have occurred are primarily private dollars. Incentives, if any, provided by government on these projects are no different than incentives that are provided to developers of industrial parks, etc.

RESPONSE: (1) We concur with the observation that the service sector is not comprised only of the hospitality/tourism industry. Under the (new) NAICS classification system there are two major classifications under total private employment, goods producing (18%) and service providing (82%), the hospitality/tourism sectors are part of the service providing category along with a vast majority of the private employment in the region; using this classification system four out of five jobs are service jobs. In the older employment classification system, services were one of about eight major categories.

(2) We agree that all industry sectors have hierarchical job structures, which are connected by career ladders. The more similar jobs are to one another in each industry the simpler the career ladder. If significant differences exist between jobs in one industry the more complicated the ladders become. As pointed out, the hospitality industry has a significant variety of jobs that makes its career ladders more complex, getting experience in one area may not help you obtain a job in another area within the same industry. In addition the hospitality/visitor industry has a large base of workers that for a variety of reasons receive relatively low wages or salaries, bringing down the overall average. This structure cannot be altered easily, if at all. For example a hotel cannot add a significant number of workers in their finance department without adding workers in many of the other areas that make up their employee profile. A hotel may employ one worker in the finance department for every 50 or 100 other employees and until the hotel adds 50 or 100 additional workers it will not hire another worker in their finance department. For this reason the broad base of workers earning low wages or a low salary will likely continue into the foreseeable future.
The main point of the Prosperity Strategy is to balance our job growth better than we have in the past, not to stop jobs being created in one sector at the expense of another. This type of approach is neither reasonable nor feasible. Looking at the many plans being discussed throughout the region, we should conclude that the visitor/hospitality sector will continue to add capacity and grow; but recognize that the structure of the industry does not allow for a balance of high and low paying jobs to be created. The balance must come from the expansion of businesses and job opportunities in the other traded cluster areas.

(3) We disagree with the assertion that all sectors are treated the same. A good example of this is the convention center, clearly a visitor industry establishment built primarily, if not completely with public dollars, to say nothing of its location; we do not believe the Biotech industry would have been given the same opportunity. Other visitor facilities that have been provided preferential treatment are Sea World, Lego Land, the Wild Animal Park, the Zoo, and the Cruise Ship terminals. Even the hotels along the Bay and Harbor have been provided a location that is not available to many if not most other sectors. When Mission Bay was initially dredged and created Shelter and Harbor Islands it was with the dual purpose of expanding tourism and providing a recreational park for residents. The bonds that paid for the creation of Mission Bay were General Obligation Bonds, funded by taxpayers. There are more examples of the region’s investment and continuing commitment to the visitor industry; with more on the horizon, such as the Gaylord development in Chula Vista.

These investments and preferential treatment, combined with good weather and the Pacific Ocean, have provided our region with a nearly $6 billion visitor industry. The Prosperity Strategy points out the type of investments and preferential treatments the other sectors need with the objective of providing balanced job growth.

2. Endangered Habitats League (May 4, 2007)

COMMENT: (1) Endangered Habitats League (EHL) recommends the following specific objectives and standards be included in Strategic Goal 6 that address the water needs of the region.
   a) Identification of specific standards for water conservation
   b) Advancement of a regional policy on water reclamation including dissemination of factual technical data on reclaimed water constituent components
   c) Advancement of a policy for underground water storage in existing aquifers
   d) Development of a regional funding strategy to implement state water quality standards and mandates

(2) Strategic Goal 3, which calls for a strategic approach to meet the region’s energy needs, should include a land use and transportation focus to address climate change. (3) EHL disagrees that sufficient progress has been made on regional habitat plans to warrant removing this issue from the list of recommended actions.

RESPONSE: (1) EHL’s comments regarding water supply and quality and recommendations to develop goals, policies, and funding are thoughtful and consistent with public interest and with policy guidelines developed by the state and local agencies and organizations with responsibility or interest in water issues. The comments are directed toward the April 2007 draft of San Diego Regional Economic Prosperity Strategy (Volume I of Preparing for Regional and Global Collaboration). The May 2007 draft addressed two of the issues identified in these comments – water conservation and reclamation/recycling – and the need for the region to collaboratively pursue further
progress in these areas. Following are responses to the other two issues raised by EHL – aquifer recharge and (storm) water standards.

Recharge or replenishment of local aquifers using both surface and recycled water has been implemented in other areas of California, where current and historical extraction of underground water has introduced risks of potential subsidence or salt water infiltration. Both Los Angeles and Orange counties have implemented groundwater recharge projects using recycled water under the oversight of the Regional Water Quality Control Boards and the California Department of Health Services. In San Diego, groundwater has not historically been a major source of domestic or industrial water, due to limited aquifer capacity and high concentrations of total dissolved solids (salts). As a result, groundwater recharge has also not been a significant issue. However, some local water agencies, such as Sweetwater Authority, are investigating the use of groundwater as source of potable water through demineralization. As groundwater plays a more important role in the future, its recharge, particularly with recycled water, will also need to be addressed.

With respect to stormwater discharge and assuring that the quality of water being discharged meets state health and environmental standards, SANDAG in collaboration with other local agencies is developing action programs and a funding strategy as part of the Regional Comprehensive Plan and its component, Integrated Regional Infrastructure Strategy. Stormwater quality is also a focus of numerous state and local initiatives, including the recently released Draft Integrated Regional Water Management (IRWM) Plan, along with pollution prevention and wetlands and habitat protection. The San Diego Regional Economic Prosperity Strategy has identified goals and recommended actions to improve the region’s economic prosperity, including strategies to meet key constraints or challenges to economic development, such as water supply. Although stormwater quality is an important element in maintaining the region’s quality of life and has both direct and indirect influence on the hospitality industry, it was not considered to have the same impact on economic development as other infrastructure issues.

(2) Although, the Prosperity Strategy does not identify global climate change as one of its Strategic Goals, there are a number of recommended actions in several of the Goals that are supportive of climate change objectives. For example, in Strategic Goal 1 there is a recommended action that emphasizes smart growth, including land use and transportation decisions that reduce the number of roadway trips and the number of vehicle miles traveled; both would reduce the demand for and consumption of gasoline. In Strategic Goal 2 there is a recommended action that would reduce the length of the time it takes cars and trucks to cross our international border with Mexico. This action would reduce both car and truck idling time and reduce air emissions from their exhaust. In Strategic Goal 3 the recommended actions support achieving a higher proportion of our energy supply from renewable sources, limiting our consumption of energy derived from burning fossil fuel. Last, Strategic Goal 6 specifically recommends assessing the need to address the effects of global climate change in planning for the region’s future water supply.

(3) The initial Prosperity Strategy produced in 1992 contained a recommendation concerning the importance of creating multiple species habitat plans as the most cost effective way to provide a predictable administrative process for reviewing and approving project development proposals, reducing the risk of widespread development embargos that would create uncertainty and disruption. Since 1992 cities in the region have adopted at least four habitat conservation programs (HCP), the Multiple Habitat Conservation Program South (MSCP), the Multiple Habitat Conservation Program
(MHCP), and smaller programs in the cities of Carlsbad and Poway. In addition, the County of San Diego is spearheading two efforts, North and East MSCP, which are scheduled to be completed over the next two years. Once completed these combined HCP’s will cover most, if not all, of the habitat sensitive areas in the region. These Plans are consistent with the State of California’s Natural Communities Conservation Planning Program which provides a procedure for regions to move forward with both habitat conservation and development simultaneously. These Conservation Plans have replaced the ineffective approach of piecemeal habitat conservation planning, and are recognized nationally as a successful model that should be emulated. Although more work is needed to ensure these plans are completed, funded and carried out, the region’s progress was considered sufficient to warrant removing the recommendation to establish HCP’s in the region.

3. San Diego Workforce Partnership (May 4, 2007)

COMMENT: San Diego Workforce Partnership’s comments deal with the following three issues: (1) Whether the educational system, from elementary to higher education, should be considered as part of the public infrastructure; (2) whether an aging population would lead to a decreasing need for public services for the young; and (3) how to address the drop-out problem in the region’s schools.

RESPONSE: (1) In its organization, the Prosperity Strategy considers education as an aspect of human resources and not as part of the region’s physical infrastructure. Thus, education is included in Indicator Group 3, Resources for Economic Growth, while Group 4, Regional Infrastructure Capacity, addresses transportation, water and wastewater, solid and hazardous waste, energy, communication, and parks and open space. Both of these areas are important for the region’s economic growth and social well-being.

(2) As the region’s population ages, additional services would be needed by the older segments of the population. The need for investments in services for the young would certainly remain, but may decline in relative terms, such as obtaining sites for new schools. This has been clarified in Volume II, Section 1.1, of the report, as follows: “An aging population requires services for the elderly, such as health care and transportation. This will require a re-examination of priorities with respect to investments in public services for the different segments of the population.”

(3) Regarding the drop-out problem in the region’s public schools, Strategic Goal 4 and its recommended actions (REPS, Volume I) emphasize that the first requirement is for an improved understanding of how individual students progress through the educational system and accomplish learning. Once the current situation is accurately understood, the region can set concrete objectives to improve this process, and the educators can determine the best methods to achieve those objectives.

Other comments regarding data for a figure and abbreviation for San Diego Workforce Partnership have been incorporated in the final report. It is also important to note that SDWP has participated actively in implementing the recommendations of the 1998 Prosperity Strategy, particularly with respect to detailed studies of the region’s traded clusters, as described in Volume II.
4. Larry Glavinic, Regional Planning Stakeholder Working Group (May 22, 2007)

COMMENT: The recommended actions should address obtaining more traded clusters, including goods movement, through (1) drastically improving transportation infrastructure capacity and (2) providing significant economic incentives.

RESPONSE: (1) The Prosperity Strategy believes that goods movement is an essential part of the future standard of living in the San Diego region, which is uniquely situated along the busiest international land border crossing in the world. Prioritizing projects that will effectively increase goods movement capacity is covered in the Draft Goods Movement Action Plan in the Regional Transportation Plan. The Prosperity Strategy emphasized transportation infrastructure investment in Volume 1, Strategic Goal 2, which states that an effective Goods Movement Action Plan needs to be completed and adopted as part of the Regional Transportation Plan in order to effectively increase the goods movement capacity of the region.

Furthermore, the Prosperity Strategy advocates immediate enhancement of cross border capacity, specifically in Strategic Goal 2, which states that increasing processing capacity and reducing border wait times, without jeopardizing security at the international land ports of entry, will allow the region to realize the gains of increased international trade activity, gains which are currently foregone. Strategic Goal 2 advocates the completion of SR-905 and establishing a financial strategy to construct SR-11 and a third land port of entry.

(2) The Prosperity Strategy does not address providing economic incentives specifically to industries or potential cluster industries, but rather feels that the investments outlined in the Prosperity Strategy Strategic Goals will enhance the attractiveness of the region to potential new cluster firms. Included in the Strategic Goals and Recommended Actions are items which directly address the physical infrastructure and capital shortcomings from which San Diego currently suffers. As stated in the Introduction to the Strategic Goals and Recommended Actions, the recommended actions are designed to expand and create high and middle-income job opportunities.

The Advisory Working Group feels that the region will be an attractive location for high value added traded cluster industries if efficient and effective infrastructure investments are made to ensure adequate capacity to serve industrial needs. Historically, the San Diego region has invested in infrastructure components that have proven attractive to lower value added, and thus, lower paying service-oriented clusters – exactly what the Prosperity Strategy hopes to change.

5. Steven E. Otto, Regional Planning Stakeholder Working Group (June 7, 2007)

COMMENT: According to SANDAG forecasts, more and more people will be cross-border commuting in the future to work in San Diego. The Prosperity Strategy does not adequately consider the Northern Baja region in terms of foregone opportunities to increase the regional standard of living. (1) It would be of interest to determine what portion of the 99,000 households being “exported” to find homes outside the region while continuing to work in the region can be attributed to Northern Baja. (2) It would also be of interest to forecast how many persons of Hispanic origin (which will account for 80 percent of the total regional population growth over the next 26 years) will choose to live in Northern Baja and commute to San Diego because of the lack of affordable housing.
(3) Many “Smart Growth” areas are located in older neighborhoods, one element of which is in-deficit current condition of most basic infrastructure. To accomplish Smart Growth, additional developer incentives are essential to overcome the cost of ensuring adequate infrastructure to support new housing development.

(4) Regarding infrastructure investment, rail must be an important part of the goods movement solution, meaning not only new double-tracked rail lines to the north, but also maximizing the great potential of the desert line to the east to connect with the national rail grid.

(5) Regarding water, and what steps can be taken to ensure adequate clean water supplies in the future, given the high costs of installing the necessary special piping, reclaimed water usage will never take off without corresponding major public and private incentives.

RESPONSE: We disagree with the characterization that the Baja region was not taken into consideration in compiling the recommended actions of the Prosperity Strategy. According to SANDAG forecasts, (1) approximately 30% of the 99,000 households “exported” out of the region will choose Baja California to relocate to, Riverside County being a larger draw.

(2) It is currently not possible to use SANDAG’s Growth Forecast to project how much of the region’s future Hispanic population will choose to live in Baja. The Forecast predicts population growth occurring in San Diego County only. SANDAG does not track the number of daily work-commuters into the San Diego region from Baja California. However, anecdotal evidence supports the statement that many workers in the region commute from Baja California, Riverside County, and Imperial County.

(3) SANDAG’s Smart Growth Incentive Program addresses the issue of providing sufficient incentives to developers for building Smart Growth housing in the designated areas.

(4) SANDAG advocates a collaborative approach to addressing the infrastructure capacity requirements of the region, and believes that goods movement will be an essential part of the future regional economy. Recommended Action 2.1 states that the draft Goods Movement Action Plan needs to be completed, integrated, and adopted as part of the Regional Transportation Plan. Rail, as well as other modes of goods movement, is addressed in the Draft Goods Movement Action Plan.

(5) San Diego currently has water reclamation plants. At these plants, the reclaimed water that is not utilized by end-users is discharged into the Pacific Ocean, along with treated wastewater. The Prosperity Strategy emphasizes utilizing the reclaimed water, which we currently have the capacity to produce, as well as conservation and further diversification of water sources.

6. **Center on Policy Initiatives (June 7, 2007)**

COMMENT: CPI’s evaluation of SANDAG’s Prosperity Strategy is organized into four general areas: (1) The current report rehashes the same old recommendations from the 1998 report; (2) The social and economic indicators from the strategic assessment system show that these recommendations have failed to generate economic prosperity for San Diego’s low-wage earners; (3) The recommendations are not based on data; and (4) A different approach to economic development is needed.
RESPONSE: Each of these areas of concern is addressed below.

(1) This is the third update of the Prosperity Strategy. Each time it is updated an Advisory Group (including CPI) evaluates the progress on the most recent past Strategy’s recommended actions using a procedure that classifies progress into one of three categories: reasonable, little, or none. Based on the Advisory Group’s evaluation, recommended actions are added and removed from the list primarily based upon performance and progress. The region has successfully met many of the goals set in previous Prosperity Strategies, including: improvements in air quality, open space conservation and regional habitat preservation plans, solid waste disposal capacity and waste recycling programs, diversifying the sources of our water supply, venture capital funding, and restructuring the local economy after the collapse of the defense sector during the early 1990s. On the downside, the 2007 Advisory Group determined that little or no progress had been made in: making housing more affordable; providing a hazardous waste storage and disposal site; improving access to international markets including adequate air service capacity for passengers and cargo and increasing the capacity at our international land ports of entry.

None of these achievements was easy, all were time consuming, and each has had a very real and lasting effect on the regional economy. Making progress on the recommended actions illustrates the commitment and effort on the part of the many agencies and organizations involved. To suggest that the 2007 Prosperity Strategy “rehashes” the same old recommendations from the 1998 report is an incorrect and misleading statement with no basis in fact.

(2) The Prosperity Strategy recognizes and highlights the fact that the region is generating far more low paying jobs than middle and high paying jobs and that this is keeping the overall average wage rate and standard of living from rising at a pace equal to or greater than the nation. However, generating low paying jobs is not an indication of failure by the Prosperity Strategy, as CPI has suggested, but rather the success of the public and private investments that have been made in the region. Our region has a very successful track record of investing in certain “traded cluster” industries offering low wage job opportunities that require a low or minimal amount of education and training. These successful industries, helped by supportive public policy and infrastructure investments, are setting the pace of economic growth in the region. Also, these businesses are not likely to disappear any time soon; more likely they will continue to grow because the region continues to invest and create new capacity for their growth. The Prosperity Strategy offers a framework and specific recommended actions to better balance our investments that will, in turn, influence the quality of our job growth. This framework suggests that our public investments and policies provide companies with the foundation and some of the essential resources needed to be competitive; similar, for example, as our public policies and investments have done for the region’s very successful and robust visitor industry. In this way the Prosperity Strategy provides a framework built on a successful model that will influence a set of traded employment clusters that offer middle and high paying job opportunities, helping balance the region’s propensity for creating a high proportion of its employment growth in low paying jobs.

(3) The Prosperity Strategy’s strategic evaluation system compiles hundreds of variables and groups them into four broad areas for evaluation. This array of information is available to benchmark and assess ourselves against comparable regions for the purpose of identifying the challenges and opportunities facing the San Diego region. First, the San Diego region was compared to 24 other metropolitan areas, selected on the basis of
comparable population size and demographic and economic characteristics. Second, historical changes in the San Diego region were compared to changes in California and the U.S. to determine if our trends were the same or different from a broad perspective. And, third, additional data were collected for the San Diego region to provide a closer look at issues as they emerged during our research and analysis. Based on the evaluation of this data, two trends have been identified that differentiate the San Diego region from all others; first, middle of the pack wage rates that are growing relatively slowly, and second, a high cost of living; combined, these two trends are wreaking havoc on residents' purchasing power and standard of living. Contrary to CPI's assertion, all of the Prosperity Strategy's strategic goals and recommended actions are aimed at alleviating the economic pain caused by one or both of these challenges which were identified by the data collected and evaluated by the Advisory Group.

(4) The Prosperity Strategy offers a public policy and investment framework with different goals and objectives than the economic development procedures being implemented today, providing an opportunity for achieving different results. The Prosperity Strategy, unlike CPI's suggestions, is focused on generating private sector jobs as a way to secure this region's future prosperity through a rising standard of living on par with or greater than the nation's. Rather than suggest that the private sector has failed, the Prosperity Strategy suggests that the private sector is providing the public sector with a return commensurate with its investment. If the public sector wants a higher return on its investment (in the form of higher wages for workers) it needs to invest in different parts of the economy. To suggest, as CPI has, that local government through regulation can set private sector wages and solve the housing affordability problem is to ask the San Diego region's private sector for a return that is greater than its current capabilities, which in part are governed by the public sector's investments.

A related point worth clarifying, because it is often misunderstood, is that although the traded clusters identified in the Prosperity Strategy set the pace for economic growth they do not contain all of the middle and high paying job opportunities. The Prosperity Strategy is designed to affect the pace of economic growth and provide an opportunity to raise the overall standard of living locally; one focus of the Strategy is on traded cluster industries because they are most responsible for setting the pace of economic growth. Successfully increasing the pace of economic growth provides an opportunity for all workers and industries in the region to benefit, not just the traded cluster industries.

7. Patricia McCoy, Councilmember, City of Imperial Beach; Borders Committee (June 19, 2007)

COMMENT: The Prosperity Strategy should emphasize a balance between ecological and cultural sustainability. There is a fatal disconnect between national policies geared toward faster economic growth and scientific understanding of limits to growth. We must rethink our growth oriented policies and bring them into balance by utilizing a renewable resource base in conjunction with new technologies.

RESPONSE: The Prosperity Strategy will be amended, where appropriate, to reference the San Diego region's collective recognition of the importance of ecological sustainability and ongoing efforts toward achieving the same. The region has adopted regional habitat conservation plans that link sensitive habitat areas throughout the region to maintain viable habitat areas for the region's most sensitive plant and animal species. Linking these plans to water quality improvement and smart growth development can sustain quality of life in the region into the future. Smart growth development is the use of coordinated regional planning to bring transit service,
housing, and employment together in an effort to use land more efficiently. Additionally, land use and regional planning agencies are now beginning to examine how adopted and proposed regional and local plans have an impact on climate change and greenhouse gas emissions. Cooperation and innovation will be needed among all levels of government as well as with private and public organizations to reduce greenhouse gas emissions to 80 percent below 1990 levels by the year 2050 (per AB 32 - Global Warming Solutions Act of 2006).

8. San Diego Workforce Partnership (July 10, 2007)

**COMMENT:** The Workforce Partnership (SDWP) would like the Prosperity Strategy Recommended Action 4.2, which calls for exploring new approaches to providing education and training opportunities to workers employed by temporary staffing agencies, to detail the SDWP's existing efforts to take advantage of the knowledge base and activities of the region’s temporary staffing industry.

**RESPONSE:** Recommended Action 4.2 will be amended to reference SDWP’s March 2004 publication, Point Counterpoint: A Profile of San Diego’s Temporary Staffing Industry; the presence of temporary staffing industry representatives on SDWP governing boards; and SDWP One-Stop Career Centers, where temporary staffing agencies look to find employees for their client employers and SDWP gains employers for its job seekers.

The Recommended Action will emphasize that the SDWP recognizes temporary staffing agencies as a key link between job seekers and employers; and that working closely with these agencies will allow SDWP to leverage the resources temporary staffing agencies are devoting to employment and training activities.

9. City of Vista (July 12, 2007)

**COMMENT:** The City of Vista would like Recommended Action 1.3 concerning the “fiscalization of land use” to discuss the influence of Proposition 13.

**RESPONSE:** Staff will amend Recommended Action 1.3 to include the following discussion. “Many statewide studies, including the Speaker’s Commission on State & Local Government Finance completed in March 2000, that have analyzed the “fiscalization of land use”, trace the rise in its importance back to the passage of Proposition 13 (1978). One of the unintended consequences of Proposition 13, which sought to limit the increases in property taxes, was to give the state control over the allocation of property tax revenue. The State Legislature passed Assembly Bill 8 in 1979 establishing a formula to distribute property tax revenue to cities and counties. This formula dramatically reduced the extent to which local governments depend on property tax revenue to fund local services; more importantly after Proposition 13 some land use types were more valuable than others and jurisdictions land use decisions began to be influenced by the property’s net tax revenue generating capabilities. Cities quickly recognized that sales tax revenue was their best option to replace lost property tax revenue without going to the voters for approval. However, local government’s 1% share of the sales tax revenue collected is distributed based upon the location of the sales transaction, providing cities with the motivation to compete for retail stores. As a result of these unintended consequences, the tax base for supporting local services now is influenced by constitutionally embedded fiscal incentives that distort local growth and development policies. In particular, shopping centers, auto dealerships, hotels, and other commercial developments are enormously attractive to local officials because they produce abundant sales tax revenue for the jurisdictions where they are sited, but not necessarily where the services are needed. Indeed, fiscalization of land use leads to
distorted public policy: the health of the municipal budget is mistaken for the community’s economic prosperity; retail development is confused with economic development; and the most important community need – housing – is regarded as a loser. The fiscalization of land use has made the current tax system an impediment to sustainable communities: it restricts the freedom of local governments to manage their own fiscal affairs and destabilizes them; and it penalizes and impedes residential construction and encourages cities to compete among themselves for the weakest contributors to economic prosperity – retail outlets.”
10. County of San Diego (July 20, 2007)

COMMENT: (1) The County of San Diego (the County) believes that the Prosperity Strategy should include a discussion on the impact of military spending on local businesses; specifically in the Strategic Goals and Recommended Actions section of San Diego Regional Economic Prosperity Strategy and in an appropriate location in the Evaluating the Competition and Assessing our Strategic Position volume. (2) The County described in detail some of the plans and programs it offers regarding: providing attached housing units; streamlining the discretionary review process; improving plan check and map check processes; the type, quantity, and plans for industrial land; and colocation of jobs and housing. (3) The County questions the accuracy of the estimation of adverse impacts of traffic congestion and delays at land ports of entry at the U.S.-Mexico border.

RESPONSE: (1) We agree that the U.S. Military presence has a significant impact on the San Diego economy, providing uniformed military jobs and indirect support jobs. Also, the impacts from military defense contracts awarded to local companies are accounted for separately, primarily under the Defense and Transportation employment cluster. The uniformed military portion is not a focus of the Prosperity Strategy nor does it appear in the Strategic Goals and Recommended Actions section because the armed services lay outside the influence of the local public planning process. The quantity, nature, and location of military jobs are under the purview of the U.S. Federal Government and are based upon the needs of military objectives and the interests of national defense and security. Developing a strategy to expand or influence employment in the military is beyond the scope of local government and the Prosperity Strategy.

Also, the objective of the Evaluating the Competition and Assessing our Strategic Position volume is to compare the San Diego region with 24 similar regions across the country in a number of indicators grouped into four broad categories: Economic and Social Performance, Business Vitality, Resources for Economic Growth, and Regional Infrastructure Capacity. The presence or absence of military personnel alone (which is the only data available for comparison across all 25 regions) is not an indicator of how well a region is performing economically and therefore is not included in the set of indicators used for comparison.

(2) We are aware that some jurisdictions have pre-existing or recently initiated programs to address areas identified in the Prosperity Strategy as Recommended Actions. While the Prosperity Strategy does not discount these programs, they are only viewed as a starting point. The intent of the report is to produce a strategy by which the region can move into the next phase of creating economic prosperity for all the region’s residents. Taking that next step requires new and innovative ways to address old problems that have plagued the region and hindered economic success. Programs that have been in place for a number of years are oftentimes part of the problem, providing outdated solutions for an issue that has quickly grown to crisis proportions. While the examples the County provided of their own programs, including its draft General Plan 2020, were put in place fairly recently, there are jurisdictions that still rely on plans and programs adopted and implemented during another era. It is essential that those jurisdictions are called upon to update and enhance their services in the areas identified in the Strategic Goals and Recommended Actions.

(3) The figures cited in the Prosperity Strategy estimating the loss of gross output and potential output and jobs due to traffic congestion and delays at the international border are from a January 2006 report put forth by SANDAG and the California Department of Transportation, Economic Impacts of Wait Times as the San Diego-Baja
California Border. The study examined the economic effects of congestion on personal trips (in autos and on foot) and cross-border freight operations using the IMPLAN Input-Output Model for U.S. impacts and multipliers developed by the Autonomous University of Baja California for Mexican impacts. The study uses baseline data from two primary surveys (for personal trip impacts) and from official international trade and border crossing statistics (for freight movement impacts). The results from the study were evaluated against the findings from a set of interviews with private businesses that have operations on both sides of the border, verifying the direct link between a reduction in economic activity and increased border crossing wait times; businesses referred to the higher wait times as “supply chain kinks” that prevent them from making “just in time” deliveries of their products to outlets worldwide. The report and results were presented to a June 2005 joint meeting of SANDAG’s Borders Committee and Committee on Binational Regional Opportunities, to SANDAG’s Public Safety Committee in July 2005, and during a SANDAG Board of Directors Bus Tour of Tijuana, Baja California in August 2005. The County of San Diego is represented in each of these groups and did not raise these concerns when the report was initially presented to them.
REGIONAL BEACH SAND REPLACEMENT PROJECT:
PRELIMINARY PLANNING COST ALLOCATION METHODOLOGY

Introduction

SANDAG has initiated the necessary steps to compete for beach sand replenishment funds from the California Department of Boating and Waterways. At the July 12, 2007, Shoreline Preservation Working Group (Working Group) meeting, the Working Group recommended a methodology to be used for the allocation of preliminary planning costs among coastal cities. The preliminary planning costs total $500,000 and include an investigation of offshore sand sources and preliminary project design. These activities are necessary for the development and implementation of a regional beach sand project expected to total approximately $25 million.

Recommendation

The Working Group recommends that the SANDAG Board of Directors adopt the preliminary planning cost allocation methodology based on miles of coastline, and authorize the SANDAG Executive Director to enter into Memoranda of Understanding between SANDAG and the individual coastal jurisdictions for the collection and expenditure of funds. Additionally, the RPC is asked to recommend that the Board of Directors amend the Overall Work Program and Budget to include these preliminary planning funds and authorize the Executive Director to procure a consultant to complete the investigation of offshore sand sources and preliminary design for the preparation of a regional beach sand project.

Discussion

SANDAG has initiated the necessary steps to compete for beach sand replenishment funds from the California Department of Boating and Waterways (DBW). SANDAG staff has developed a feasibility study and has submitted it to DBW for their consideration.

The preliminary planning costs total approximately $500,000 of the $25 million estimated project cost. These costs include the investigation of offshore sand sources and preliminary design for the preparation of a regional beach sand project. These are costs that DBW is requesting the local/regional governments incur prior to distribution of DBW funds. DBW funds would not be distributed prior to Fiscal Year 2009.

At its July 12, 2007, meeting, the Working Group reviewed preliminary planning cost allocation methodologies as outlined in the chart below, and recommended a methodology based upon miles of coastline to be used for the allocation among coastal cities. This allocation methodology is currently used for the Regional Shoreline Monitoring Program and the cost-benefit analysis, which was a component of the recently completed feasibility study.
At the Working Group meeting, SANDAG staff provided an alternate methodology that allocated all planning costs evenly among the coastal cities. Since all cities are benefiting equally from the planning activities, staff recommended that all should pay equally. It should be noted that while some jurisdictions are willing to follow either methodology for allocating the preliminary planning costs, if or when it comes to the allocation of the local share of the remaining costs, an equitable methodology will need to be determined that may or may not be the same used to allocate the preliminary planning costs. The Working Group, which is represented by all jurisdictions that would be affected, unanimously supported the methodology based on miles of coastline (with the exception of the City of Del Mar that was not represented at the meeting).

### Preliminary Planning Cost Allocation Methodologies

<table>
<thead>
<tr>
<th>City</th>
<th>Coastline Miles</th>
<th>% of Coastline</th>
<th>Cost Based on Miles of Coastline</th>
<th>Cost Based on Even Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlsbad</td>
<td>6.5</td>
<td>15%</td>
<td>$74,500</td>
<td>$62,500</td>
</tr>
<tr>
<td>Coronado</td>
<td>3.1</td>
<td>7%</td>
<td>$35,500</td>
<td>$62,500</td>
</tr>
<tr>
<td>Del Mar</td>
<td>3</td>
<td>7%</td>
<td>$34,500</td>
<td>$62,500</td>
</tr>
<tr>
<td>Encinitas</td>
<td>5.8</td>
<td>13%</td>
<td>$66,500</td>
<td>$62,500</td>
</tr>
<tr>
<td>Imperial Beach</td>
<td>2.7</td>
<td>6%</td>
<td>$31,000</td>
<td>$62,500</td>
</tr>
<tr>
<td>Oceanside</td>
<td>3.6</td>
<td>8%</td>
<td>$41,500</td>
<td>$62,500</td>
</tr>
<tr>
<td>San Diego</td>
<td>17.3</td>
<td>40%</td>
<td>$199,000</td>
<td>$62,500</td>
</tr>
<tr>
<td>Solana Beach</td>
<td>1.5</td>
<td>4%</td>
<td>$17,500</td>
<td>$62,500</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>43.5</strong></td>
<td><strong>100%</strong></td>
<td><strong>$500,000</strong></td>
<td><strong>$500,000</strong></td>
</tr>
</tbody>
</table>

Prior to work beginning on these preliminary planning activities, each coastal city is asked to provide a written commitment to fund this work. This commitment will need to be in the form of Memoranda of Understanding between SANDAG and the individual coastal jurisdictions for the collection and expenditure of funds.

**BOB LEITER**  
Director of Land Use and Transportation Planning

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REGIONAL HABITAT PRESERVATION AND ENVIRONMENTAL MITIGATION PROGRAM WORKING GROUP FUTURE ACTIVITIES

Introduction

In November 2004, the voters adopted the TransNet Extension Ordinance which included the Environmental Mitigation Program (EMP) to provide funding for the mitigation of impacts of future transportation projects identified in the Regional Transportation Plan (RTP). The EMP includes funding for direct mitigation of planned transportation projects and additional funding for habitat acquisition, land management, and biological monitoring activities to assist with the implementation of the regional habitat conservation plans.

In September 2005, SANDAG formed the Environmental Mitigation Program Working Group (Working Group) to advise the Regional Planning Committee (RPC) on issues related to the implementation of the TransNet EMP. The 20 members of the working group include representatives from the City of San Diego, County of San Diego, the four SANDAG subregions, state and federal wildlife agencies, and several organizations representing disciplines and interests involved in the implementation of the EMP. Coronado Mayor Pro Tem Carrie Downey is the Chair of the Working Group.

This report outlines the major actions that the Working Group is addressing to promote regional habitat preservation and some future items that will be presented to the RPC.

Discussion

Over the last two years, the Working Group completed a “needs assessment” that identifies the short-term and long-term activities necessary to implement the regional habitat conservation plans, such as biological monitoring, land management coordination, and land acquisition. In addition, in October 2006, the Working Group presented the RPC a set of recommendations for funding specific biological management and monitoring activities and a five-year strategic plan for management and monitoring. In December 2006, the SANDAG Board approved funding these activities and the five-year strategic plan.

Over the next six months the Working Group will be actively working on three major activities; assisting with the development of regional funding for habitat conservation plans, providing guidance on a Memorandum of Agreement to implement the EMP, and providing a list of recommendations for biological management and monitoring activities for Fiscal Year 2008.
Regional Habitat Conservation Funding

Pursuant to the Working Group charter, “the Working Group will assist with the development of a regional funding measure (a ballot measure and/or other secure funding commitments) to meet the long-term requirements for implementing habitat conservation plans in the San Diego region.” At the January 2007 Policy meeting, the Board of Directors began discussing three infrastructure areas that were identified for further evaluation in the Integrated Regional Infrastructure Strategy (IRIS) of the Regional Comprehensive Plan (RCP). The IRIS concluded that three infrastructure areas (stormwater management, beach sand replenishment, and habitat preservation) did not have adequate mechanisms in place to address their long-term funding needs. The IRIS recommends the development of regional funding strategies for each of these three areas. On July 13, 2007, the SANDAG Policy Board had a workshop to discuss habitat preservation in the region and the need for additional funding. A white paper was provided to the SANDAG Policy Board that provides a detailed background of the habitat conservation programs, the status of the various plans, and the funding requirements to complete the regional habitat conservation plans (Attachment 1). The SANDAG Policy Board is expected to continue discussions in October on these three infrastructure needs. The Working Group will continue to provide assistance to help clarify the regional habitat preservation needs and their associated costs.

Environmental Mitigation Program (EMP) Memorandum of Agreement

The intent of the EMP is to “establish a program to provide for the large-scale acquisition and management of critical habitat areas and to create a reliable approach for funding required mitigation for future transportation improvements thereby reducing future costs and accelerating project delivery.”

This concept has been referred to as “advanced mitigation” and has been touted by the federal and state governments as the future direction for accelerating the development of federal- and state-funded transportation projects. SANDAG is the first MPO to attempt this proactive approach for mitigation of the transportation projects included in the RTP. Staff members from the U.S. Fish and Wildlife Service, the California Department of Fish and Game, SANDAG and Caltrans are working on a Memorandum of Agreement (MOA) that will identify the process for regulatory assurances and funding for advanced mitigation for TransNet-funded transportation projects. It is anticipated that the Working Group will review the MOA in September and provide its recommendations for consideration by the RPC this fall.

Fiscal Year 2008 Biological Management and Monitoring

The RPC, recommended, and the SANDAG Board approved, a series of biological management and monitoring actions in October and December 2006, respectively. In addition, a conceptual five-year funding strategy for biological management and monitoring was adopted as a blueprint for future funds. The five-year funding strategy is considered a flexible document to chart the course of future management and monitoring activities based upon a review of the region’s most critical needs. Specific activities would continue to be reviewed by the RPC and approved by the SANDAG Board of Directors on an annual basis (as funding becomes available). It is anticipated that the Working Group will be providing a list of activities for Fiscal Year 2008 in November, assuming approval of the EMP Memorandum of Agreement. Concurrently, the U.S. Fish and Wildlife Service the California Department of Fish and Game are assisting SANDAG with grant opportunities to provide additional funding for biological management and monitoring to leverage any funding obtained from the EMP.
Next Steps

It is anticipated that SANDAG Policy Board will address regional habitat preservation, along with stormwater management and beach sand replenishment, at its October meeting. Over the fall, the Working Group will be bringing forth recommendations on a Memorandum of Agreement for the EMP and a list of recommendation for biological management and monitoring for Fiscal year 2008. SANDAG staff will provide an updated report on habitat preservation efforts and the progress of the EMP Working Group in approximately six months.

BOB LEITER
Director of Land Use and Transportation Planning

Attachment: 1. Regional Habitat Conservation White Paper

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Introduction

San Diego County is recognized nationally for its unique climate, proximity to the border with Mexico, its beaches, and quality of life. The region also is recognized for its overall biodiversity as well as the associated high number of endangered and threatened species. Its 2,000 plant species, 700 bird species, and dozens of mammal, reptile, and amphibian species is arguably greater than any other location in the United States. The region’s geographic diversity of coastlines, foothills, and deserts all contribute to this biodiversity. A study in the journal Science¹ found that San Diego County was one of two counties in the United States with the greatest number of species listed as rare or endangered, and the greatest potential for future listing of species as endangered. Each new species that is listed creates an additional conflict between local land use plans to accommodate growth and economic prosperity, and the regulations for the protection of endangered species. The struggle to get ahead of future listing of endangered species and retain local land use control requires a different approach toward habitat conservation than the project-by-project, piecemeal conservation that characterized past efforts. The San Diego region represents the perfect area to address the conservation of multiple species together in a comprehensive, proactive manner.

Since the initial work on habitat conservation plans in the early 1990s, considerable investment and progress have occurred in the region. This white paper describes efforts in the region to meet the need of growth and development, while developing a strategic plan to protect natural open space and native species, and identifies the future challenges facing this program, which has been identified as a national model.

Discussion

Background on Habitat Conservation Planning

More than 15 years ago, the jurisdictions and stakeholders in the San Diego region, faced with the looming conflicts over land use and endangered species, embarked on a new vision for maintaining the economic prosperity of the region and protecting the natural open space. This effort evolved into the various habitat conservation plans that have been approved or are in process of approval. Habitat conservation plans are seen as a way to balance the biological, economic, and social needs of a region in a strategic approach that creates greater economic and environmental certainty.

A detailed economic analysis prepared by SourcePoint² (the SANDAG Service Bureau) for the Multiple Species Conservation Program (MSCP) South (the first adopted regional habitat conservation plan), determined that the San Diego region’s economy would fare much better under regional habitat conservation plans (HCPs) resulting in more property and sales tax, higher personal

income, and higher retail sales due to increases in land use certainty and development permit streamlining. Habitat preservation may be viewed as an investment, a way to ensure the opportunity for uninterrupted economic growth. In practice, these plans are the most efficient and effective means for expediting appropriate development, as well as preserving the necessary habitat to protect the region’s native species. The certainty provided by these plans assist in the timely and cost-effective development of critical regional infrastructure, local public infrastructure, and private development.

**Development of Habitat Conservation Plans**

During the early development of the MSCP South, a 29-member working group was chartered in 1991, chaired by a deputy chief of staff of former Mayor Susan Golding, to vet issues and develop solutions. Other alternatives were evaluated which included: continuation without habitat conservation plans (business-as-usual), conservation plans that focused just on the needs of a single endangered species, and placing the entire implementation costs of a multiple species plan on new development. These solutions were evaluated through a series of white papers and discarded because they did not meet the fundamental tenets established by the working group. While the details of the various regional HCPs differ, a consensus was reached that the regional HCPs be based on three fundamental tenets:

1. Developing a proactive strategy to preserve, maintain, and periodically monitor a network of habitat and open space. These plans are designed to preserve habitat that meets the needs of multiple species, rather than focusing efforts on one species at a time;

2. Enhancing the economy by reducing constraints on future development and decreasing the costs to comply with federal and state laws protecting biological resources. This is to be accomplished by identifying priority areas for conservation and streamlining permitting for development projects outside these priority areas; and

3. Forming partnerships among various governmental jurisdictions, regulatory agencies, property owners, development industry, and environmental groups. The cost of implementation of these plans was agreed to be equitably shared among the local jurisdictions, state and federal wildlife agencies, and private developers, and to respect the property rights of private land owners.

The regional habitat conservation plans represent San Diego’s “green infrastructure,” key areas of habitat necessary for the protection of endangered species and those species that could become endangered without protection. Just like other regional infrastructure, habitat conservation requires a multi-jurisdictional collaborative approach, capital cost for the conservation lands, and long-term management to maintain the biological resources and periodic monitoring to assure the infrastructure investment is performing as expected.

**Current Status of Regional Habitat Conservation Plans**

Under the State’s Natural Communities Conservation Planning Act of 1991, San Diego was a pilot region for habitat conservation planning. All portions of San Diego County are included in one of four HCPs: the MSCP South, approved in 1998; the Multiple Habitat Conservation Program (MHCP), approved by SANDAG in 2003; the North County MSCP Plan, anticipated completion fall 2008; and the East County MSCP Plan, anticipated completion summer 2009 (see Figure 1). The military bases have similar approved plans adopted for MCAS Miramar and Camp Pendleton.
The cities of San Diego, Chula Vista, Poway, Carlsbad, La Mesa, and the County of San Diego have approved agreements and are implementing their various “subarea” plans which define how the jurisdictions will implement these regional HCPs at the local level. It is expected that the City of Santee also will adopt its subarea plan this year. The North County cities of Escondido, Oceanside, San Marcos, Vista, and Encinitas are currently working with the United States Fish and Wildlife Service and California Department of Fish and Game to determine the next steps toward the local implementation of their regional habitat conservation plan. The adoption and implementation of the HCPs, and the various subarea plans, have been identified in the SANDAG Regional Comprehensive Plan as an important policy objective to maintain the region’s environment health.3

**Implementation of Regional Habitat Conservation Plans**

Each of the regional habitat conservation plans is based upon the premise that the future cost of implementing the regional habitat conservation plans would be shared by the state and federal wildlife agencies, private development, and local jurisdictions. Within each HCP, a target conservation area has been established. The conservation will be achieved through preservation of existing public lands (e.g., Torrey Pines State Park), public acquisition of private lands (e.g., San Diego National Wildlife Refuge), and conservation of private land through the land use entitlement process (e.g., mitigation and dedication). The amount of conservation from each method is estimated in the various HCPs.

Of the private land that is to be acquired by the public under the HCPs, the state and federal governments have committed to acquire one-half of the land with the local jurisdictions acquiring the other half. The state, federal, and local jurisdictions will fund the long-term management and monitoring on lands they own or for which they accept ownership. Private development will contribute land through the development entitlement process. Each one of these groups benefits from the certainty established under these plans, while the general public benefits through the economic stability and preservation of habitat as a visual, recreational, and open space amenity.

Overall, the acquisitions in the San Diego region have occurred faster than the regional HCPs had anticipated in the first ten years of plan implementation. This has been a result of close collaboration with the federal and state wildlife agencies to successfully compete for state bond funding and federal Endangered Species Act (Section 6) funds. A recent analysis of the MSCP South has shown that more than 130,000 acres have been conserved or have been obligated for conservation in the City and County of San Diego. The remaining land acquisitions necessary to meet the goals established by these jurisdictional subarea plans are currently approximately 7.5 percent (3,950 acres) and 20 percent (18,653 acres), respectively. This represents a significant investment by the federal, state, and local governments, and private developments through land use exactions and mitigation.

As the MSCP South matures and completes the obligated target for land conservation, a shift from land acquisition to long-term management and monitoring will be necessary. The remaining regional plans (MHCP, North County MSCP, and East County MSCP) will require land acquisition as well as long-term management and monitoring.

Local jurisdictions continue to acquire and manage land through state and federal grants and general fund contributions. While this has been successful for some jurisdictions, more habitat conservation planning is occurring throughout the state, decreasing the amount of potential grants,

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and thereby increasing the burden on those jurisdictions’ general funds. In addition, the more land that is acquired by a jurisdiction results in an increase in long-term management and monitoring costs. This has resulted in the reluctance of some jurisdictions to adopt their subarea plans due to concerns about long-term financial obligations for management and monitoring conserved lands.

**The Requirement to Manage and Monitoring Conserved Land**

Similar to other regional infrastructure, without a program to monitor the system and manage the preservation of this green infrastructure, there can be no assurance that it will successfully function as expected. Each of the regional habitat conservation plans are required to develop a management plans and directives, as well as a monitoring program to assess the effectiveness of the plans in conserving the sensitive species. Biologically, the need for monitoring and management of the habitat preserve areas are elevated due to the close proximity of existing and future development.

The HCPs are based upon the premise that there will be less habitat in the future, but the habitat will be better managed and therefore be able to continue to support San Diego’s sensitive species. Catastrophic wildfires, droughts, invasion by exotic species, impacts by increased recreation, disease, long-term changes in rainfall are some affects that could impact the persistence and viability of the sensitive species included in these plans. While these plans are designed to capture the natural ecosystem process, they require monitoring to assess the effectiveness of the habitat conservation plans for protecting sensitive species and management actions to respond to unforeseen events. Some general types of management under these plans include signage and fencing of sensitive resource areas, rerouting trails, invasive species control, and reintroduction and enhancement of species populations, where necessary. In light of the 2003 wildfires and the mounting evidence of the pending effects of climate change, monitoring and management is critical for effectively implementing the regional HCPs.

**Long-Term Funding**

Pursuant to the federal and state Endangered Species Acts, each participating jurisdiction must ensure that adequate funding will be allocated to meet their obligations under the HCPs. The Implementing Agreement sets forth the funding obligations of the jurisdiction and wildlife agencies. Upon signing an Implementing Agreement contract, the jurisdiction receives a permit from state and federal governments, which allows for the local authorization to impact endangered species under the conditions set forth in their Implementing Agreement. Given the size, complexity, and biological extent of the species covered in the various regional HCPs, it was agreed that no one jurisdiction could adequately sustain a long-term funding source on its own. Every Implementing Agreement includes a provision to work cooperatively with the other local jurisdictions to secure a long-term funding source.

It was recognized that the jurisdictions would enter into Implementing Agreements at various times allowing for flexibility on the timing of a long-term funding source provided that “good faith efforts to secure long-term regional funding requires additional time.” Currently, no long-term regional funding source exists, but as described below a commitment was included in the TransNet Extension Ordinance to act on a funding measure in the future. Participating jurisdictions are operating using a mixture of general funds and state and federal grants to implement their plans.
Estimated Costs

An analysis of the updated costs for the local jurisdiction’s contribution was evaluated and presented to the SANDAG Board of Directors on January 12, 2007. It was estimated that that a total of $1.5 billion (2006 dollars) would be required over 40 years to complete the necessary local acquisition, management and monitoring, and establish an endowment to perpetually fund the region’s four HCPs. It is acknowledged that this number needs refinement; it represents a close approximation of the comprehensive regional needs of the HCPs based on the costs identified in the various HCPs. Of note is the establishment of a permanent endowment over 40 years, which would provide future funding for the management and monitoring of these conserved lands without the need for additional funding measures.

TransNet Extension Ordinance

Building on the habitat conservation planning efforts in the region, the voters in 2004 adopted the Environmental Mitigation Program (EMP) within the TransNet Extension Ordinance. The intent of the EMP is to “establish a program to provide for the large-scale acquisition and management of critical habitat areas and to create a reliable approach for funding required mitigation for future transportation improvements thereby reducing future costs and accelerating project delivery.” Simply stated, the EMP would secure land today to satisfy tomorrow’s required mitigation of transportation projects to be built over 30 years under the Regional Transportation Plan. If land is purchased in advance of need, with mitigation ratios held constant over time, an economic benefit is derived because the mitigation obligation is known and the land is purchased at today’s prices.

While the EMP includes an allocation for the estimated direct costs for mitigation of upland and wetland habitat impacts for regional and local transportation projects, it also includes funding for regional habitat acquisition, management, and monitoring activities to help implement the regional HCPs.

The EMP is a significant first step toward successful long-term implementation of the HCPs, but it was always recognized that additional funding would be required for the region to complete these plans. How much contribution the EMP provides toward the regional funding source is still being debated by the stakeholders. Since nearly half of the estimated EMP funding will be required to restore wetlands and uplands for mitigation required by federal and state environmental permits, SANDAG staff has estimated that between $200 million and $400 million could be considered as contributing to the regional costs of implementing the HCPs thereby reducing the long-term regional funding need to a range between $1.1 billion to $1.3 billion.

To provide an opportunity for the region to help close this gap in funding, the SANDAG Board included the following provision in the TransNet Extension Ordinance:

“SANDAG agrees to act on additional regional funding measures (a ballot measure and/or other secure funding commitments) to meet the long-term requirements for implementing habitat conservation plans in the San Diego region, within the timeframe necessary to allow a ballot measure to be considered by the voters no later than four years after passage of the TransNet Extension. In the event that such future funding measures generate funding to fully meet regional habitat acquisition and

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management requirements, SANDAG is authorized to reallocate excess funds included in the “Regional Habitat Conservation Fund” to local transportation projects.” (TransNet Extension EMP Principle D)

The specific type of measure, or measures, was not determined at the time the TransNet Extension Ordinance was developed, but a range of options was covered in the SANDAG January 12, 2007, report. While the Ordinance indicates an action no later than four years from the adoption of the TransNet Extension (November 2004), a general consensus among the members of the EMP Working Group has indicated a willingness to extend this timeline to a date more conducive to gain successful approval of a measure or measures.

**Conclusions and Next Steps**

Significant work has already occurred to complete and implement the regional habitat conservation plans. Numerous studies have evaluated the regional acquisition needs and monitoring and management requirements. Habitat preservation in the San Diego region has a long history with established plans in place or being completed, detailed analysis on the requirements and program needs, an estimated funding gap based upon the identified needs, a motivated, well-established stakeholder group working on an established SANDAG EMP Working Group, and a voter-approved provision to take action on additional funding through the TransNet Extension Ordinance.

If it is agreed by the SANDAG Policy Board that implementation of the HCPs is a regional issue and that SANDAG should continue its involvement, the next steps could include working with the local jurisdictions to:

1. Refine the cost estimate for completion (acquisition, and perpetual management and monitoring) of the habitat conservation plans.

2. Evaluate the gaps in funding based on this refined cost estimate to the complete regional HCPs, and the current available funding through other sources (e.g., TransNet) which would offset some of the regional funding needs.

3. Further evaluate a variety of funding options for a regional funding source and the timing to present to the SANDAG Board.

4. Develop a strategy and timeline to engage the public on this issue and possible funding options.

These next steps will be further evaluated and presented at the SANDAG Policy Board meeting in October.
Figure 1: Status of Regional Habitat Conservation Plans as of July 2007

<table>
<thead>
<tr>
<th>Multiple Species Conservation Program South</th>
<th>Multiple Habitat Conservation Program</th>
<th>North County Multiple Species Conservation Program</th>
<th>East County Multiple Species Conservation Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target Conservation 171,917 acres</td>
<td>Target Conservation 19,928 acres</td>
<td>Draft Target Conservation 93,000 acres</td>
<td>Draft Target Conservation TBD</td>
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<tr>
<td>Conservation To Date* 135,000 acres</td>
<td>Conservation To Date 11,000 acres</td>
<td>Conservation To Date N/A</td>
<td>Conservation To Date N/A</td>
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<tr>
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<td>City of Carlsbad¹</td>
<td>Unincorporated County of San Diego²</td>
<td>Unincorporated County of San Diego²</td>
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<td>City of La Mesa¹</td>
<td>City of Encinitas²</td>
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<tr>
<td>City of Poway¹</td>
<td>City of Escondido²</td>
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<td>City of San Diego¹</td>
<td>City of Vista²</td>
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<tr>
<td>Unincorporated County of San Diego¹</td>
<td>City of Oceanside²</td>
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<td>City of Santee²</td>
<td>City of San Marcos²</td>
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<td>City of Del Mar³</td>
<td>City of Solana Beach³</td>
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<td>City of Coronado³</td>
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<td>City of Imperial Beach³</td>
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<td>City of El Cajon³</td>
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<td>City of Lemon Grove³</td>
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<tr>
<td>National City³</td>
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</tr>
</tbody>
</table>

¹ Subarea Plan Approved.
² Subarea Plan in Process.
³ Jurisdictions not pursuing subarea plans because of limited acreage of habitat.
⁴ Source: 2006 Annual Reports for areas with approved subarea plans and lands obligated for dedication in City and County of San Diego.
⁵ Source: Baseline estimates from MHCP, Table 4-1.
ANTICIPATED REGIONAL PLANNING COMMITTEE (RPC)
ACTIONS AND DISCUSSION ITEMS FOR FISCAL YEAR 2008
File Number 3000200

Introduction

This report outlines anticipated actions and discussion items for the Regional Planning Committee (RPC) in Fiscal Year 2008 based upon the Overall Work Program (OWP) that was adopted by the SANDAG Board of Directors in June 2007. Staff is also proposing a calendar of meetings based upon themes that implement the Regional Comprehensive Plan.

Discussion

The Regional Planning Committee is responsible for guiding several work elements in the FY 2008 OWP that implement the Regional Comprehensive Plan. The attached table lists the anticipated actions and discussion items for the RPC by work element and is being provided for RPC information and discussion. The table also includes suggested dates for each of the six working groups that advise the Regional Planning Committee to report on their activities.

In addition, attached for RPC discussion is a proposed calendar of meetings with general themes that implement the Regional Comprehensive Plan. The goal is to group similar action and discussion items together when possible to provide context, and to cancel meetings when specific actions are not required. Other relevant informational presentations including reports on local smart growth planning efforts and tribal planning initiatives will be added over the course of the fiscal year.

BOB LEITER
Director of Land Use and Transportation Planning

Attachments: 1. Table of RPC Anticipated Actions and Discussion Items for FY 2008
2. Proposed FY 2008 RPC Meeting Calendar and General Themes

Key Staff Contact: Coleen Clementson, (619) 699-1944, ccl@sandag.org
## ANTICIPATED ACTIONS AND DISCUSSION ITEMS FOR THE REGIONAL PLANNING COMMITTEE IN FY 2008

<table>
<thead>
<tr>
<th>Activity</th>
<th>Anticipated Action</th>
<th>Tentative Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REGIONAL COMPREHENSIVE PLAN (RCP) PLANNING &amp; IMPLEMENTATION</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Smart Growth Concept Map Technical Update</td>
<td>Recommend</td>
<td>Feb 08</td>
</tr>
<tr>
<td>2. Smart Growth Design Guidelines</td>
<td></td>
<td></td>
</tr>
<tr>
<td>■ Project Overview &amp; Schedule</td>
<td>Information</td>
<td>Oct 07</td>
</tr>
<tr>
<td>■ Draft Guidelines – Part I</td>
<td>Recommend</td>
<td>June 08</td>
</tr>
<tr>
<td>3. Smart Growth Trip/Parking Study</td>
<td>Recommend</td>
<td>Jun 08</td>
</tr>
<tr>
<td>4. Report on computer simulation and visualization tools</td>
<td>Information/Possible Action</td>
<td>Oct 07</td>
</tr>
<tr>
<td>5. Report on outreach program to local planning staffs and commissions</td>
<td>Information/Possible Action</td>
<td>Oct 07</td>
</tr>
<tr>
<td>6. RCP Monitoring</td>
<td></td>
<td></td>
</tr>
<tr>
<td>■ 2007 Draft Report</td>
<td>Accept</td>
<td>Aug 07</td>
</tr>
<tr>
<td>■ 2008 Draft Report</td>
<td>Accept</td>
<td>Aug 08</td>
</tr>
<tr>
<td>7. Blueprint Planning Grant Implementation</td>
<td></td>
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<tr>
<td>■ Final Report on Integrated Regional Infrastructure Strategy (IRIS) funding strategy</td>
<td>Information/Discussion</td>
<td>Feb 08</td>
</tr>
<tr>
<td>■ Blueprint Learning Network Status Report</td>
<td>Information</td>
<td>Feb 08</td>
</tr>
<tr>
<td>8. Report on Regional Planning Technical Working Group Activities</td>
<td>Discussion/Possible Action</td>
<td>Feb 08</td>
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<tr>
<td><strong>REGIONAL HOUSING AND SMART GROWTH DEVELOPMENT</strong></td>
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<tr>
<td>9. Smart Growth Incentive Program</td>
<td></td>
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<tr>
<td>■ Establish Review Committee</td>
<td>Approve</td>
<td>Nov 07</td>
</tr>
<tr>
<td>■ Program Criteria</td>
<td>Recommend</td>
<td>Apr 08</td>
</tr>
<tr>
<td>■ Award Projects</td>
<td>Recommend</td>
<td>Oct 08</td>
</tr>
<tr>
<td>10. Regional Housing Needs Assessment (RHNA)</td>
<td></td>
<td></td>
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<tr>
<td>■ Background Report on RHNA policies and issues</td>
<td>Information</td>
<td>Apr 08</td>
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<tr>
<td>■ Preliminary Timeline &amp; Process for next RHNA update</td>
<td>Recommend</td>
<td>Apr 08</td>
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<tr>
<td>11. Report on Smart Growth Financing Tools</td>
<td>Information/Possible Action</td>
<td>Jun 08</td>
</tr>
<tr>
<td>12. Housing Legislative Program Report</td>
<td>Discussion/Possible Action</td>
<td>Nov 07</td>
</tr>
<tr>
<td>13. Transit Station Area Joint Development Study</td>
<td>Information</td>
<td>Feb 08</td>
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<tr>
<td>14. Report on SPRINTER Working Group Activities</td>
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<td>Apr 08</td>
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<tr>
<td>15. Report on Regional Housing Working Group Activities</td>
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ANTICIPATED ACTIONS AND DISCUSSION ITEMS FOR THE REGIONAL PLANNING COMMITTEE IN FY 2008

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<thead>
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<th>Activity</th>
<th>Anticipated Action</th>
<th>Tentative Dates</th>
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<tr>
<td><strong>REGIONAL ENERGY STRATEGY</strong></td>
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<tr>
<td>16. Report on Sunrise Powerlink Project</td>
<td>Discussion/Possible Recommendation</td>
<td>Nov 07</td>
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<tr>
<td>18. Draft Regional Climate Change Action Plan</td>
<td>Recommend</td>
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<tr>
<td>19. Progress Report on Sustainable Region Program</td>
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<td>May 08</td>
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<tr>
<td>20. Draft Regional Energy Strategy</td>
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<tr>
<td><strong>NATURAL RESOURCE PLANNING AND COORDINATION</strong></td>
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<td>21. Habitat &amp; Environmental Mitigation Program (EMP) Overview &amp; Status Report</td>
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<td>22. Memorandum of Agreement for TransNet EMP</td>
<td>Recommend</td>
<td>Oct 07</td>
</tr>
<tr>
<td>23. EMP Management &amp; Monitoring FY 08 Funding Allocation</td>
<td>Recommend</td>
<td>Nov 07</td>
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<tr>
<td>24. Report on EMP Working Group Activities</td>
<td>Information</td>
<td>May 08</td>
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<tr>
<td><strong>REGIONAL SHORELINE MANAGEMENT</strong></td>
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<td>25. Regional Beach Sand Cost Allocation Methodology</td>
<td>Recommend</td>
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<tr>
<td>26. Regional Beach Sand Replenishment Feasibility Study</td>
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<td>May 08</td>
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<tr>
<td>27. Report on Shoreline Working Group Activities</td>
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<td><strong>RELATED RCP WORK ELEMENTS</strong></td>
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<td>28. Regional Economic Prosperity</td>
<td>Discussion/Possible Action</td>
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<td>29. Report on Intergovernmental Review Program</td>
<td>Discussion/Possible Action</td>
<td>Nov 07</td>
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<tr>
<td>30. Report on Regional Bicycle Plan</td>
<td>Discussion/Possible Action</td>
<td>Feb 08</td>
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## Proposed FY 2008 RPC Meeting Calendar and General Themes

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<tr>
<th>Month</th>
<th>General Theme</th>
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<tr>
<td>July 2007</td>
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<td>August 2007</td>
<td><strong>General Theme:</strong> RCP Elements and Monitoring</td>
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<tr>
<td></td>
<td>- Regional Habitat Preservation Planning</td>
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<td>- Regional Economic Prosperity Strategy</td>
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<tr>
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<td>- SDG&amp;E Energy Planning</td>
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<td>- RCP 2007 Monitoring Report</td>
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<tr>
<td>September 2007</td>
<td>Cancel Meeting</td>
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<td>October 2007</td>
<td><strong>General Theme:</strong> Smart Growth Planning Tools</td>
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<tr>
<td></td>
<td>- Smart Growth Design Guidelines</td>
</tr>
<tr>
<td></td>
<td>- I-PLACE3S Planning Tool and 3-D Visualization</td>
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<tr>
<td></td>
<td>- Smart Growth Concept Map Website</td>
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<tr>
<td></td>
<td>- TransNet EMP Memorandum of Agreement</td>
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<td>- Regional Planning Stakeholder Working Group Activities Report</td>
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<td>November 2007</td>
<td><strong>General Theme:</strong> Smart Growth Financing Tools</td>
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<td>- Smart Growth Incentive Program</td>
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<td>- Joint Development at Transit Stations</td>
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<td></td>
<td>- Intergovernmental Review Program</td>
</tr>
<tr>
<td></td>
<td>- Housing Legislative Update</td>
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<tr>
<td></td>
<td>- TransNet EMP Funding Allocation</td>
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<td>- Sunrise Powerlink</td>
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<td>December 2007</td>
<td><strong>General Theme:</strong> Energy and Climate Change</td>
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<td>- Regional Energy Strategy Technical Update</td>
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<td>- Climate Change and Energy Legislative Update</td>
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<td>January 2008</td>
<td>Cancel Meeting</td>
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<td>February 2008</td>
<td><strong>General Theme:</strong> RCP Elements and Blueprint Planning</td>
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<td></td>
<td>- Smart Growth Concept Map Update</td>
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<td>- Blueprint Planning Grant Wrap-Up</td>
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<td>- Regional Public Facilities Planning</td>
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<td>- Joint Development at Transit Stations</td>
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<td></td>
<td>- Regional Bicycle Plan</td>
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<td>- Regional Planning Technical Working Group Activities Report</td>
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### Proposed FY 2008 RPC Meeting Calendar and Themes (cont’d)

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<th>Month</th>
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<td><strong>April 2008</strong></td>
<td>General Theme: <strong>Smart Growth and Regional Housing</strong></td>
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<td>• Regional Housing Needs Assessment Process</td>
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<tr>
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<td>• Housing Legislation Update</td>
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<td>• Regional Housing Working Group Activities Report</td>
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<td>• SPRINT Working Group Activities Report</td>
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<td><strong>May 2008</strong></td>
<td>General Theme: <strong>Energy, Water Quality and the Environment</strong></td>
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<td></td>
<td>• Climate Change Action Plan</td>
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<td>• Sustainable Region Progress Report</td>
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<td></td>
<td>• EMP Working Group Activities Report</td>
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<td></td>
<td>• Regional Beach Sand Replenishment Study</td>
</tr>
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<td></td>
<td>• Shoreline Working Group Activities Report</td>
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<td><strong>June 2008</strong></td>
<td>General Theme: <strong>Smart Growth Planning and Financing</strong></td>
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<td>• Smart Growth Design Guidelines</td>
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<td>• Smart Growth Trip/Parking Study</td>
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<td></td>
<td>• Status Report on I-PLACE3S and 3-D Visualization</td>
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<td></td>
<td>• Status Report on Regional Smart Growth Financing Strategy</td>
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<td></td>
<td>• Regional Energy Strategy</td>
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Regional Comprehensive Plan:
2007 Annual Performance Monitoring Report

Regional Planning Committee
August 3, 2007

RCP Monitoring Categories

- Urban Form and Transportation
- Housing
- Healthy Environment
- Economic Prosperity
- Public Facilities
- Borders
2007 RCP Monitoring Report

- Travel times and volumes in key auto corridors
- Habitat conserved in designated preserve areas
- Percent of preserve area maintained
- Share of new housing units by income category in relation to RHNA target

Next Steps

- 60 days for public comment
- Solicit Working Group Input
  - Regional Planning Technical Working Group
  - Regional Planning Stakeholders Working Group
- Board of Directors in October
Recommendation

The Regional Planning Committee is asked to authorize release of the draft 2007 Annual RCP Performance Monitoring Report for a 60-day public review and comment period.
San Diego Regional Economic Prosperity Strategy
Preparing for Regional and Global Collaboration

Corrosive Combination
Low Wages Plus High Cost of Living Erodes Purchasing Power

Highest
Wage Per Job
Cost of Living
Wage Per Job/ Cost of Living

San Jose, 1
San Francisco, 1
Dallas, 1

San Diego, 9
San Diego, 3

Riverside, 20
Dallas, 20
San Diego, 20

Lowest
Lowest Housing Opportunity Index

Better

1995
Minneapolis, 1
San Diego, 19
San Francisco, 22

2000
Washington DC, 1
San Diego, 20
San Francisco, 22

2003
Salt Lake City, 1
San Diego, 22

Worse

Housing Opportunity Index Gap is Widening

(% of Households that can Afford the Median Priced House)

San Diego
United States

Slow Growth in Average Wage per Job
(Cumulative Change, $2004)

Slow Growth in Standard of Living
(Real Per Capita Income not Keeping Pace)
**Wage Distribution Gap is Widening**

*(Earnings Distributed by Top, Middle and Lower 1/3 of Jobs)*

**Why is the Wage Gap Wider?**

*(Effect of Job Growth on Salary Distribution)*

<table>
<thead>
<tr>
<th>Salary Distribution</th>
<th>Average Salary Increase</th>
<th>Salary Rate of Change</th>
<th>Job Growth</th>
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<tbody>
<tr>
<td>Highest Paying Jobs (Top 1/3)</td>
<td>$19,977</td>
<td>33.4%</td>
<td>20,280</td>
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<td>Mid Level Paying Jobs (Middle 1/3)</td>
<td>$8,208</td>
<td>19.2%</td>
<td>57,310</td>
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<tr>
<td>Low Level Paying Jobs (Lowest 1/3)</td>
<td>$2,000</td>
<td>8.9%</td>
<td>158,400</td>
</tr>
</tbody>
</table>
**16 Traded Employment Clusters Drive Our Economy**

- Biomedical Products
- Biotechnology
- Communications
- Computer Electronics
- Defense & Transportation
- Design Services
- Entertainment
- Environmental Technology
- Financial Services
- Fruits & Vegetables
- Horticulture
- Publishing Services
- Recreational Goods
- Software
- Specialty Foods
- Travel and Hospitality

---

**Proportion of Jobs in Each Cluster-2005**

*(Traded Clusters Set the Pace of Economic Growth)*

- Financial Services: 11%
- Communications: 8%
- Biotechnology & Pharmaceuticals: 7%
- Defense: 6%
- Computer & Electronics: 5%
- Other Jobs: 26%
- Travel & Hospitality: 11%
- Entertainment & Amusement: 33%
- Other Clusters: 19%
**Effects of Policy Actions & Investments**

- Policy Actions & Infrastructure Investments
- Local Businesses
- Labor Force
- Standard of Living

**Using Clusters to Increase Wages & Living Standards**
(Impact per $1M Increase in Demand)

<table>
<thead>
<tr>
<th></th>
<th>High Value Added Jobs</th>
<th>Low Value Added Jobs</th>
<th>% Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase</td>
<td>$1M</td>
<td>$1M</td>
<td>-</td>
</tr>
<tr>
<td>Jobs</td>
<td>18</td>
<td>46</td>
<td>156%</td>
</tr>
<tr>
<td>Emp. Multiplier</td>
<td>2.53</td>
<td>1.30</td>
<td>-95%</td>
</tr>
<tr>
<td>Wages per Employee</td>
<td>$63,700</td>
<td>$24,200</td>
<td>-62%</td>
</tr>
<tr>
<td>Taxes per Employee</td>
<td>$19,500</td>
<td>$7,300</td>
<td>-62%</td>
</tr>
</tbody>
</table>
High Paying Cluster Industries
(Clusters with Average Wage Greater than Region’s, $2004)

<table>
<thead>
<tr>
<th>Industry</th>
<th>Average Wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communications</td>
<td>$12,800</td>
</tr>
<tr>
<td>Software</td>
<td>$82,000</td>
</tr>
<tr>
<td>Biotechnology</td>
<td>$80,000</td>
</tr>
<tr>
<td>Computer &amp; Electronics</td>
<td>$78,800</td>
</tr>
<tr>
<td>Financial Services</td>
<td>$73,100</td>
</tr>
<tr>
<td>Environmental Technology</td>
<td>$71,300</td>
</tr>
<tr>
<td>Defense &amp; Transportation</td>
<td>$71,200</td>
</tr>
<tr>
<td>Biomedical Products</td>
<td>$65,100</td>
</tr>
<tr>
<td>Design</td>
<td>$61,800</td>
</tr>
<tr>
<td>Publishing</td>
<td>$53,400</td>
</tr>
<tr>
<td>Recreational Goods</td>
<td>$51,900</td>
</tr>
<tr>
<td>San Diego Region</td>
<td>$39,300</td>
</tr>
</tbody>
</table>

Changes in Sources of Water Supply

2005
- MWD: 77%
- Recycled Water: 2%
- Ground and Surface Water: 9%
- IID Transfer / Canal Lining: 4%
- Conservation: 8%

Total Annual Demand: 642,000 Acre-Feet
(Excl. conservation)

2030
- MWD: 37%
- Recycled Water: 5%
- Ground and Surface Water: 10%
- Seawater Desalination: 6%
- IID Transfer / Canal Lining: 30%
- Conservation: 12%

Total Annual Demand: 829,000 Acre-Feet
(Excl. conservation)
Changes in Sources of Energy Supply
(Sources 2007 and 2015)

Air Service Demand Expected To Exceed Capacity
Average Weekday Flights vs. Capacity
2030 High Growth Scenario
(Operational Hours: 6am-12am)
Value of Trade Passing through San Diego
(San Diego Customs District, $Millions)

Increasing Border Trade and Truck Crossings
Increasing Cargo Activity at Port District

Strategic Goals Summary: Public Policies & Investments

- Increase Housing Supply to Stabilize Prices
- Goods Movement Strategy & Action Plan
- Reliable/ Cost Effective Energy & Water Supplies
- Improve Education/ Workforce Development
- Reserve Prime Employment Land
- Improve Government Efficiency and Effectiveness
Recommended Actions Summary: Public Policies & Investments

- Increase Housing Supply to Stabilize Prices
  - Increase Density
  - Streamline Permit Process
  - Remove Fiscal Disincentives

- Goods Movement Strategy & Action Plan
  - Produce Integrated GM Strategy & Action Plan
  - Actively Support Free Trade Policies
  - Ensure Access to Adequate Air Service
  - Reduce Wait Times to Cross International Border
Strategic Goals Summary: Public Policies & Investments

- Increase Housing Supply to Stabilize Prices
- Goods Movement Strategy & Action Plan
- Reliable/ Cost Effective Energy & Water Supplies
- Improve Education/ Workforce Development
- Reserve Prime Employment Land
- Improve Government Efficiency and Effectiveness

San Diego Regional Economic Prosperity Strategy
Preparing for Regional and Global Collaboration
Regional Habitat Preservation & Future EMPWG Activities

Environmental Mitigation Program Working Group (EMPWG)

- Established in September 2005
- EMPWG advises the RPC on issues related to the implementation of TransNet’s EMP
- 20 member Working Group
- Chaired by Mayor Pro Tem Carrie Downey
EMPWG Activities

- Establish regional needs assessment
- FY 2006 & 2007 Funding Recommendations
- Five-year Funding Strategy
  - Assist with Regional Funding (POLICY BOARD in OCT)
  - Recommendations on MOA (RPC in OCT or NOV)
  - FY 2008 Funding Recommendations (RPC in NOV or DEC)

TransNet Extension Ordinance EMP
(In Millions, 2002 Dollars)

Total Program $850 Million

- Transportation Project Mitigation Fund $650m
- Local Transportation Project Mitigation $200
- Major Highway & Transit Project Mitigation $450
- Regional Habitat Conservation Fund $200m
- Plus up to $30m in financing costs

For advanced habitat acquisition
TransNet Extension Ordinance

“SANDAG agrees to act on additional regional funding measures (a ballot measure and/or other secure funding commitments) to meet the long-term requirements for implementing habitat conservation plans in the San Diego region, within the timeframe necessary to allow a ballot measure to be considered by the voters no later than four years after passage of the TransNet Extension.”

TransNet Extension EMP Principle #10

Status of HCPs in San Diego

- Approved Plans
- Pursuing Plans
- Not Pursuing Plans
- Military
Regional Funding

- Endangered Species Act requirement
- Regional funding required by HCP
- Included in HCP Implementing Agreements

Estimate of Regional Need

<table>
<thead>
<tr>
<th></th>
<th>MHCP</th>
<th>MSCP</th>
<th>North MSCP</th>
<th>East MSCP</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total one-time cost</strong> (remaining acquisitions)</td>
<td>$48</td>
<td>$180</td>
<td>$222</td>
<td>$101</td>
<td>$551</td>
</tr>
<tr>
<td><strong>Recurring cost</strong> (manage &amp; monitor for first 40 years)</td>
<td>$55</td>
<td>$248</td>
<td>$155</td>
<td>$70</td>
<td>$528</td>
</tr>
<tr>
<td><strong>Payment to Endowment</strong> (manage &amp; monitor after 40 years)</td>
<td>$44</td>
<td>$200</td>
<td>$125</td>
<td>$57</td>
<td>$426</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$147</td>
<td>$628</td>
<td>$502</td>
<td>$228</td>
<td>$1,505</td>
</tr>
</tbody>
</table>
Regional Funding Next Steps

- Refine cost estimate for regional HCP implementation
- Evaluate existing funding sources (e.g., TransNet EMP, other Cities and County funding) that could reduce regional funding need
- October 12, 2007 Policy Board Meeting

EMPWG Future Activities

- EMP Memorandum of Agreement
  - Formalizes Process on how to implement EMP between SANDAG and Wildlife Agencies
- FY 2008 Management and Monitoring Recommendations
  - Based on conceptual Five-year Funding Strategy
Regional Habitat Preservation & Future EMPWG Activities

August 3, 2007