

# 8

## Economy, Business Diversity, and Tourism



*Despite being a relatively young city incorporated in 1952, Carlsbad has grown into a major economic hub in north San Diego County. The city is home to internationally leading companies in biotechnology, action sports manufacturing, and information and communication technology, and is a visitor destination. The city's economy is also very diverse, extending from manufacturing, research and development, to tourism, hospitality, and regional retail. Regional projections indicate that Carlsbad will continue to draw an increasing share of regional employment in the decades to come.*

*While economic development activity occurs in the private sector, the city's economic success is partly a result of proactive city initiatives and maintaining a balanced land use program. The Economy, Business Diversity, and Tourism Element (EBDT) is designed to ensure that the city continues to maintain an environment that is conducive to business retention, expansion, attraction, and incubation, and supportive of local economic vitality and business diversity.*

*This element is based on comprehensive analysis of opportunities and growth trends; for background analysis, please consult Envision Carlsbad Working Paper #2: The Local Economy, Business Diversity, and Tourism. In addition, the Envision Carlsbad Land Use Concepts report, contains analysis of fiscal impacts of alternative land use patterns.*

## 8.1 Introduction

### Background and Purpose

This element outlines the city's economic development objectives, serves to ensure that economic decision-making is integrated with other aspects of the city's development, and provides a framework for detailed implementing actions. Topics addressed include:

- Fiscal vibrancy;
- Business retention, expansion, attraction and incubation;
- Tourism; and
- City's role in economic development.

### Relationship to State Law

While the inclusion of economy, business diversity, and tourism is not required in any of the seven mandated elements of a general plan, California Government Code Section 65303 indicates that a general plan may include any other elements that a community considers important to the physical development and vitality of the city.

### Relationship to Community Vision

The EBDT Element is most closely tied to the following core value of the Carlsbad Community Vision:

*Core Value 4: Strengthen the city's strong and diverse economy and its position as an employment hub in North San Diego County. Promote business diversity, increased specialty retail and dining opportunities, and Carlsbad's tourism.*

### Relationship to Other General Plan Elements

The EBDT Element is most closely correlated to the Land Use and Community Design Element, which provides land use designations in appropriate locations and a program to accommodate projected growth.

## 8.2 Historical Perspective and Fiscal Base

### Historical Perspective

Much of Carlsbad's economic growth can be traced back to the city's proactive planning efforts to attract and develop Plaza Camino Real and Car Country Carlsbad in the late 1960s and early 1970s. Both have served as regional retail centers for north San Diego County. The city's reputation as a prime resort/ hotel destination was established when plans for what is now the world famous La Costa Resort and Spa were formulated in the mid-1960s and the La Costa area annexed to the city in 1972. Carlsbad's luxury resort/hotel reputation grew with the opening of Four Seasons Aviara (now Park Hyatt Aviara) in 1997.

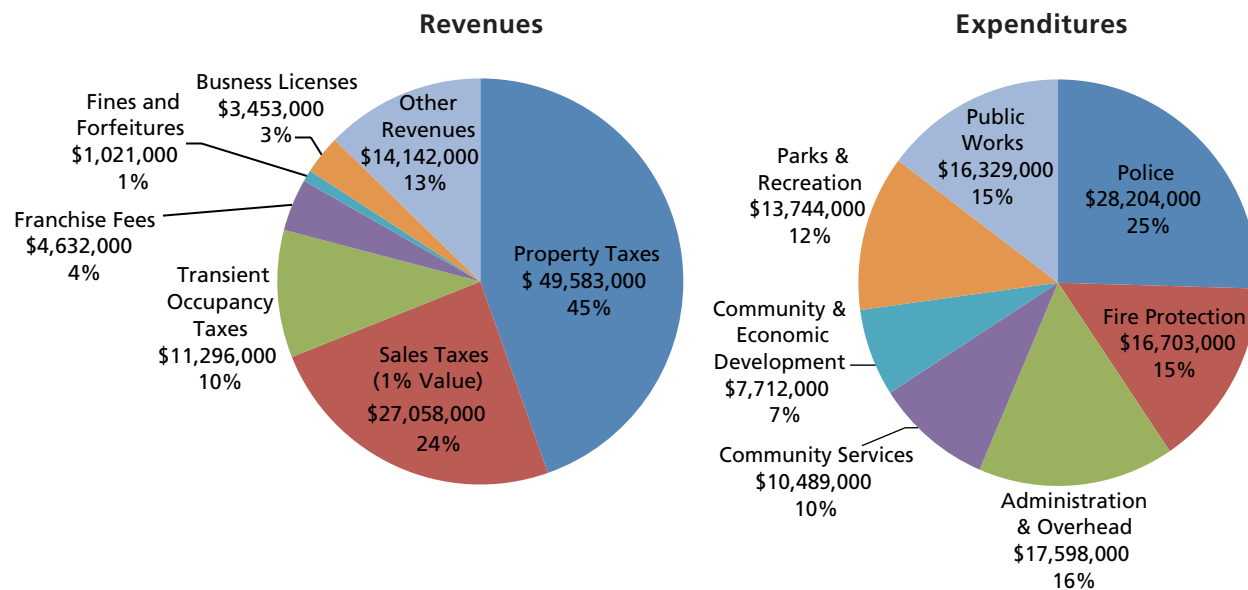
Carlsbad's entry into the high-tech sector followed in the mid-1980s when development of the 500-acre Carlsbad Research Center broke ground. The center's attractive location drew in desirable high-tech companies and fostered the city's job, population and housing growth. Today, the Carlsbad Research Center holds more than 75 million square feet of office, research and light industrial space, and is home to several of the city's top employers (e.g., Callaway, Taylor-Made, Genoptix). Biotechnology was established in Carlsbad with the opening of major life science companies like Invitrogen in 1987. During the mid-1990s, the city quickly earned widespread recognition as a major golf equipment development center. Leisure and tourism in Carlsbad was significantly bolstered in 1999 with the opening of LEGOLAND California Resort, which today attracts more than two-million visitors annually.

### City Fiscal Base

The city draws General Fund revenues—which fund public safety, road maintenance, park operations and other municipal functions—from a variety of sources, with tax revenues comprising 79 percent of the total. Property taxes provided 45 percent of the city's revenues, while sales taxes provided 24 percent. A key source of revenue for the city is transient occupancy taxes (city taxes on hotel stays), which provided 10 percent of the revenues. In terms of expenditures, police, fire protection, administration, and parks and recreation are the largest categories. Charts 8-1 and 8-2 show General Fund revenues and expenditures.

Carlsbad's economy is aided by the presence of a well-educated population, and the highest incomes of any community in north San Diego County. According to the U.S. Census Bureau, 31 percent of households earned more than \$100,000 in 2010, and this share is expected to reach (in constant 1999 dollars) 50 percent of the households by 2040 (SANDAG, 2050 Regional Growth Forecast).

CHART 8-1: GENERAL FUND REVENUES AND EXPENDITURES (2012)



### Looking Ahead

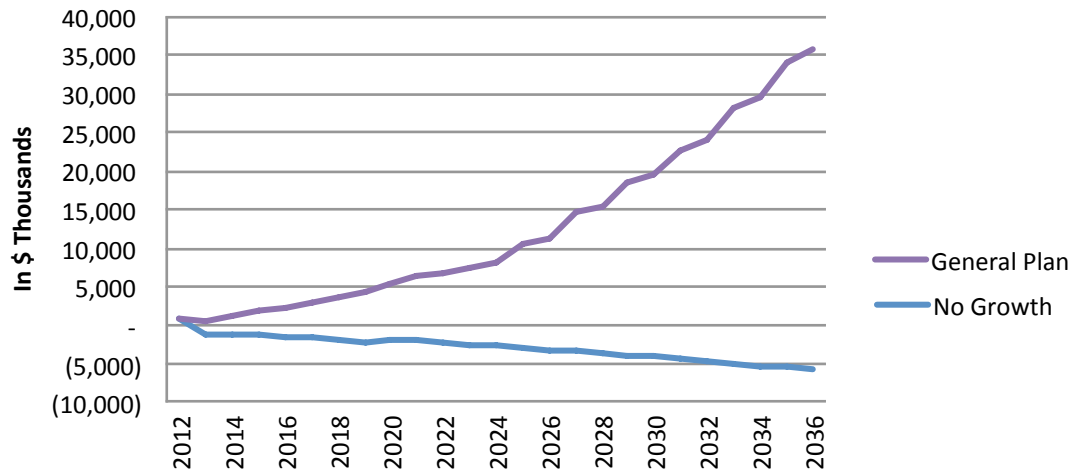
Based on land use development resulting from the General Plan, the city should expect continued strengthening of its fiscal position in the coming years. Projections indicate:

- Strong Fiscal Outlook.** The value of a long-term fiscal forecast, which utilizes conservative or normalized assumptions, is to illustrate where fiscal deficiencies or imbalances might exist or be exacerbated. In general, Carlsbad is in very good financial standing compared to many California communities due to conservative fiscal policies, good land use planning and cultivation of a healthy business community. Long-range trends forecasts for Carlsbad’s primary job clusters also point to continued growth in key industries, even amidst economic undulations, further strengthening the long-term fiscal health of the city.
- Balancing of Land Uses Results in Healthy Revenues.** The General Plan provides for balanced land use development, with a similar proportion of land uses and population in the future as today. This would continue reinforcement of the city’s strong position as an employment hub, and growth in retail and hotel uses, which provide “net revenue gains” for the city. As the city approaches buildout as outlined in its Growth Management Plan, there continues to be a balance of available land for the development of industrial and business uses to complement the remaining land that could be developed as residential. This industrially-designated land will help serve the local economy and strengthen Carlsbad’s position as a net importer of jobs.



- Fiscal Impact Results.** The General Plan provides a well-balanced build-out of Carlsbad from a fiscal standpoint. Over the next two decades, the city can expect the share of General Fund revenue from property taxes to decline from 45 percent to 37 percent. While the share of sales tax revenues would stay constant, the largest proportionate and absolute increase is likely to result from transient occupancy taxes, with its share jumping from 10 percent currently to 19 percent (RSG, 2013). Chart 8-2 shows projected annual net revenues for the General Plan compared to a hypothetical “no growth” scenario, demonstrating that continued development would provide fiscal benefits to the city, and is essential to maintain a positive revenue balance in the future. The fiscal forecast offers an illustrative picture of costs and revenues, provided all assumptions and existing service practices are maintained over the next 20 years; revenues and expenditures will be impacted by a variety of policy decisions, state mandates, and other budget adjustments made over time.

**CHART 8-2: ANNUAL NET REVENUES**



Source: RSG, 2013.

## 8.3 Role of Business Diversity in Economic Development

Carlsbad is notable for the proliferation of jobs within its local traded industry clusters—businesses within an industry cluster typically share common needs for talent, human capital, technology, and infrastructure. Most traded industry clusters are export-oriented – they create wealth by attracting customers and revenue from outside the local area and region rather than being limited to local customers. The importance of export-oriented clusters not only includes an expanded universe of potential customers but also a broader opportunity for growth and protection against local and regional economic decline when some of the population-serving industries are negatively impacted. Industry clusters also attract new start-up businesses – support services and spin-off businesses. The growth in industry clusters will typically have a large multiplier effect, increasing employment and business opportunities for all types of businesses within a given community and/or region.

There are five industry clusters that have a relatively high concentration of employment within Carlsbad or offer an industry that has the opportunity for considerable growth within the next three to ten years. These key industry clusters are: 1) action sports manufacturing, 2) cleantech, 3) entertainment and hospitality, 4) information and communications technologies, and 5) life sciences. Table 8-1 indicates the number of businesses, jobs and average salaries within these industry clusters.

Carlsbad’s land use policies need to flexibly adapt to changing market conditions and economic trends, allowing for a range of uses that support the growth of industry clusters in Carlsbad (e.g., professional office, research and development, biotechnology/biomedical, high-tech, manufacturing, and warehouse/distribution uses).

**TABLE 8-1: CARLSBAD TRADED INDUSTRY CLUSTERS (2012)**

INDUSTRY CLUSTER	CARLSBAD		
	NO. OF BUSINESSES	NO. OF JOBS	ANNUAL SALARY
Action Sports Manufacturing	47	2,773	\$91,020
Cleantech	90	4,882	\$112,672
Entertainment and Hospitality	153	11,941	\$25,567
Information and Communications Technologies	254	9,203	\$114,561
Life Sciences	131	7,033	\$128,722

Source: EMSI Complete Employment, 2012; City of Carlsbad Business Survey Report, 2013; SANDAG Traded Industry Clusters in the San Diego Region, 2012.

## Action Sports Manufacturing

The action sports manufacturing cluster includes businesses that design and produce golf club, surfboard, diving, and other recreational goods, as well as related apparel and accessories. This industry cluster has seen considerable growth over the last 10 years (2003-2013), but is also expected to slightly decline in employment over the next three years (2013-2016).

## Cleantech

The cleantech industry cluster includes businesses that are engaged in renewable energy, energy efficiency, and energy storage. Carlsbad's cleantech businesses are expected to increase employment over 10 percent by 2016 and continue to grow in importance within the local and regional economy.

## Entertainment and Hospitality

The entertainment and hospitality industry cluster includes hotels, transportation services, and restaurants, as well as entertainment attractions such as theme parks, golf courses, and country clubs. This industry cluster provides the largest number of jobs of the five key industry clusters in Carlsbad.

## Information and Communications Technologies (ICT)

The ICT industry cluster includes communications, computer and electronics, and software businesses. Within this cluster, Carlsbad has a strong robotics industry, and is recognized in the region as a hub for the research and design, vendors and suppliers that serve this sub-industry. As of 2013, nearly 1,000 employees in Carlsbad are working on robotics, 3-D movie conversion, and other advanced manufacturing and design technologies. The ICT industry cluster represents a valuable employer in Carlsbad, with strong growth expectations and high wages.

## Life Sciences

The life sciences industry cluster includes biomedical and biotechnology businesses. Biomedical businesses conduct research, design, and production of medical devices, and biotechnology businesses conduct research and development related to biological technologies as well as the manufacturing of medicinal and diagnostic substances (pharmaceuticals). These two industry clusters are expected to see strong employment growth through 2016. Carlsbad is well-positioned to capture growth in the life sciences industry due to the existence of major biomedical and biotechnology companies in Carlsbad.

Carlsbad's proximity to universities offering advanced degrees in related biomedical and biotechnology fields provides a highly skilled workforce, including new entrepreneurs seeking startup opportunities, including incubator space.





*Carlsbad has grown into a major economic hub in north San Diego County. Tourism, hospitality, regional retail, and technology, life sciences, and action sports manufacturing are some of the key economic sectors and industry clusters.*

### *Incubator Space*

In February 2013, the city leased - for \$1 a year for five years - the 6,000-square-foot building at 2351 Faraday Ave. to Bio, Tech and Beyond, which manages a start-up incubator and science education center. The facility provides a community laboratory for scientists to cultivate their research ideas with the goal to spawn new products and launch new companies. The goals of the Bio, Tech, and Beyond incubator are to:

1. Create new life sciences companies and new jobs in Carlsbad;
2. Become a national leader in the citizen science movement, strengthening the city's life sciences industry cluster;
3. Add to Carlsbad's core technology base, resulting in new products and new patents; and
4. Serve as a base for regional science education outreach efforts.

### **Other Industries**

In addition to the key industry clusters described above, financial services and retail businesses also contribute to Carlsbad's economy.

### *Financial Services*

Carlsbad (as of 2010) is home to about 690 companies providing different forms of financial services, including banking, lending and investment services. Top employers include companies such as Wells Fargo Home Mortgage Inc., Advanced Commercial Corporation, Pacific Western National Bank, and Countrywide Home Loans, Inc. Carlsbad's employment growth and reputation as a major employment center will allow the financial services industry cluster to remain steady as other industries grow and expand, contributing to the continuing demand for office space in the city.

### *Retail*

The city's retail strength is evident in its high capture of taxable sales in the sub-regional market across major retail categories. While recent developments will help the city plug retail sales leakage in home building and related goods, as of 2013 Carlsbad continues to experience lost sales in categories such as auto parts/accessories/tires, home furnishings and appliances and grocery stores. Addressing leakage in these areas will ensure the city will capture a greater share of taxable sales in the market area in the future as the region's customer base grows.



The greatest retail opportunities in the near-term involve Carlsbad's existing regional assets, particularly Westfield Plaza Camino Real and Car Country Carlsbad. Redesign of regional-serving retail properties requires a willingness to take on risk and heavy reinvestment into the physical infrastructure of the properties, but the return on investment to the community would be significant. The Carlsbad community will continue to seek upscale shopping and dining experiences in walkable environments that provide community gathering spaces and opportunities for connectivity. Carlsbad Village and the Barrio present ongoing opportunities to provide residents pedestrian-oriented retail and shopping. Bressi Ranch and the upcoming La Costa Town Square development areas provide greater connectivity between retail and residential uses. As household incomes continue to increase, configuration of retail spaces should support stores in walkable centers.



*Examples of job and revenue generators in Carlsbad: tourist-attractors like Agua Hedionda Lagoon (top) and the Flower Fields (bottom), as well as hospitality like Grand Pacific Palisades (bottom).*

## 8.4 Direct Economic Impacts of Tourism and Hotels

Carlsbad has emerged as a major visitor destination, with beaches, lagoons, golf courses, and LEGOLAND California Resort as principal attractors. As indicated in Section 8.3, the entertainment and hospitality industry cluster provides the largest number of jobs (11,941 jobs in 2010) of the five key industry clusters in Carlsbad. More than 2,200 workers (as of 2010) are employed in the entertainment and recreation sectors, including the 1,200 employees (as of 2013) of LEGOLAND California Resort. Other major attractions include the city's two public golf courses (The Crossings and Rancho Carlsbad) and two private golf courses (La Costa and Aviara). Three lagoons, over 40 miles of trails and almost seven miles of coastline are additional recreational assets that draw visitors to the city.

As of 2013, Carlsbad offered lodging for visitors at 37 hotels in over 4,000 rooms. Carlsbad's natural amenities provide opportunities that support future resort development trends, including an increased focus on green development and ecotourism, multi-generational resorts that cater to the interests of multiple generations of family members, and niche resorts that attract a narrow segment of enthusiasts of a particular activity, such as golf or surfing. Monitoring and adapting to shifting consumer behaviors and preferences across different demographic market segments allows Carlsbad to leverage its competitive advantages (e.g., location, climate, topography) and attract a broad range of visitors seeking a broad palate of recreational opportunities.

The city (as of 2012-2013) derived approximately \$13.5 million from transient occupancy taxes, growing a strong 8 percent from the previous year. Additionally, hotels pay property taxes and visitors spend money in restaurants and shopping, which also results in sales tax benefits to the community, as well as revenues for businesses of all sizes.

While future hotel demand is challenging to forecast, there is already current activity to expand the city's inventory of upper priced hotels and resorts. There are approximately 340 new hotel rooms approved or under construction. The General Plan provides for about 1,900 additional hotel rooms in new hotels at several locations, including the power plant site and the Ponto area. This would result in approximately 5,960 hotel rooms at buildout, enabling Carlsbad's continued capture of future hotel demand in the local and regional markets. The number of additional hotel rooms that are ultimately built in Carlsbad will depend on future market conditions.



## 8.5 Economic Development and the City's Role

With vacant land increasingly in short supply, a resurgent regional and national economy, and strong long-term employment growth projections, Carlsbad must prioritize the type and the location of developments that provide the greatest economic benefit. While a significant level of economic development activity occurs in the private sector, the city can work to: ensure city policies do not impede the needs of businesses to move or expand; facilitate and act as a catalyst for development in strategic market segments; be a liaison to connect businesses with resources and problem-solvers to address barriers to entry/growth/expansion; market Carlsbad's competitive advantages to attract new businesses to the area; and coordinate and provide for infrastructure improvements.

A coordinated economic development strategy is also essential for the city to support its community development objectives – such as providing and maintaining parks, protecting open space, and maintaining high levels of municipal services. While this EBDT Element sets goals and policies for economic growth and sustainability, a separate economic development strategy tied to the city's annual budget process is appropriate to implement the goals and policies contained in this element through an action-oriented work program with annual objectives and measurements of success. A managed program of fiscal development, strategic public improvements, and balanced land use will help maximize resultant community benefits. The EBDT Element envisions five central roles for the city:

1. **Promoting development that results in fiscal benefits to the city.** The relative benefit or burden a use places on the city is an important consideration in the allocation and prioritization of future development. For uses that provide particularly high net fiscal benefits—such as hotels—the city needs to preserve an adequate inventory of sites. This is balanced with the need to create and maintain community character and seek to achieve a jobs-housing balance.
2. **Maintaining and enhancing infrastructure and the public realm.** While new growth pays for public improvements generated by that growth, the city needs to continue to maintain and enhance existing infrastructure and the public realm, for example roads, bikeways, and parks and open spaces to remain an attractive location for new private investment. Since the city's ability to pay for public works is in part determined by its fiscal health, these roles are closely intertwined. Improvements can also be targeted to facilitate or expedite certain developments, or to ensure that infrastructure capacity does not become an impediment to growth

3. **Promoting Community Character through Land Use Balance.** Maintaining a balanced supply of different land uses—based on economic and community development objectives—is critical to the city’s financial health. Land use balance is also central to business attraction. Carlsbad’s quality housing stock, retail offering and community amenities provide an attractive package for businesses to locate their corporate headquarters and operations in the community. This land use balance is also necessary to ensure that existing transportation capacity can be used more effectively.
4. **Attracting and Retaining Businesses.** While some uses may provide immediate tangible fiscal benefits, others—such as education and those within the city’s key industry clusters—provide longer term benefits. Attraction and retention of these uses enrich the community, provide job opportunities for the city’s highly educated job force, and bolster the city’s position in a leading sector such as life sciences, information and communications technologies, and entertainment and hospitality.
5. **Developing Strong Partnerships.** Partnerships with local organizations and businesses, and neighboring communities can help to strengthen the north county “brand”, foster public/private partnerships, promote associations with research and higher educational institutions and regional organizations in industries that will attract businesses to Carlsbad’s clusters.



Examples of establishments that assist and benefit from the city’s economic strategy: commercial uses, like Norte’s Restaurant in the Village (left), and action sports manufacturing, like SKLZ (right).

## 8.6 Goals and Policies

### Goals

- 8-G.1** In partnership with business and community groups, proactively engage in the city's economic development.
- 8-G.2** Facilitate retention, expansion, attraction and incubation of businesses that meet the city's economic development objectives.
- 8-G.3** Maintain and enhance a world class climate for conducting business in Carlsbad.
- 8-G.4** Establish land use priorities based on economic criteria and long term community needs; reserve sites for designated uses rather than accepting any development.
- 8-G.5** Attract a center of higher education—a new university, branch, or a research institution—that offers synergies with the city's increasingly technologically sophisticated businesses and workforce.
- 8-G.6** Establish a strong talent pipeline that can serve the needs of local businesses in the short and long term, as well as serve regionally important industry clusters.

### Policies

#### Programs

##### *Monitor and Sustain Fiscal Health*

- 8-P.1** Establish and maintain a consistent database of long-range economic data factors and update trend forecasts on an ongoing basis, to enable city policies and strategies to be proactive and timed to market changes.
- 8-P.2** Establish a user-friendly computerized central information system to be linked with development permitting and the Geographic Information System (GIS) to provide prospective businesses and developers with easy access to information, such as potential development sites and city requirements.

##### *Support Business Retention, Expansion, Attraction and Incubation Activities*

- 8-P.3** Lead and promote business outreach and collaborative initiatives among business leaders and economic stakeholders. Such outreach and collaboration shall include partnering with local businesses and economic development and employment organizations to identify strategies for local business retention and expansion, talent attraction and regional branding.
- 8-P.4** Collaborate with property owners to develop a financing strategy and public improvement program to redevelop Westfield Plaza Camino Real and promote re-investment in Car Country Carlsbad

for renewed economic success and relevance. These sites present the greatest near-term opportunities to expand upon Carlsbad’s already strong retail base.

- 8-P.5** Encourage increased year-round tourism through such means as working with the Carlsbad Tourism Business Improvement District to help market Carlsbad as a complete multi-day, year-round destination, and by working with other organizations to promote and develop Carlsbad as an ecotourism destination.
- 8-P.6** Collaborate with workforce development partners (academic/ research institutions) to identify joint opportunities to spur regional growth of new and emerging job clusters and promote regional entrepreneurialism, leveraging available city land where available.
- 8-P.7** Actively seek to locate at least one center of higher education— university or research institute—that offers synergies with the city’s strong life science industry cluster or other high-technology industries.
- 8-P.8** Seek public-private partnership to foster incubators, especially in locally-strong sectors such as life sciences and technology.

*Strategic Development of Sites*

- 8-P.9** Continually monitor land use in the city to ensure a balanced inventory of sufficient land in strategic locations for all uses, especially those uses that are critical to the city’s fiscal position.
- 8-P.10** As part of the Encina Power Station reuse, ensure development of a balanced cluster of visitor serving commercial uses, such as hotel and retail uses and restaurants, with flexibility to adapt to changing economic circumstances. Ensure this area has a pedestrian-oriented ambiance, is welcoming and accessible to the broader community (not just hotel guests), and provides for restaurants and open spaces that capitalize on ocean views.

See policies in the Land Use and Community Design Element for more on development of this site.

- 8-P.11** Encourage strategic land assembly and infrastructure improvements to provide sites adequate in size and at appropriate locations to meet the needs of businesses the city wishes to attract.
- 8-P.12** Actively invest in infrastructure and engage with property owners, developers and business owners to encourage the revitalization of the Village and Barrio as a walkable, connected and complete neighborhood with high quality restaurant and retail offerings, attractive to the corporate business, residential and tourism communities.
- 8-P.13** Within the Carlsbad Boulevard coastal corridor, encourage development that promotes tourism and economic vitality through a combination of visitor and local-serving commercial, civic, and recreational uses and services. Ensure that this corridor provides vibrant coastal spaces where residents and visitors can gather to enjoy the natural beauty of the coastline, as well as recreational amenities and supporting commercial uses.