



CITY OF ESCONDIDO

Comprehensive Economic Development Strategy (CEDS) 2023-2028

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ESCONDIDO

Centre City Pkwy

Centre City Pkwy

Grand Ave

Dear Community Leaders,

Escondido is a city of opportunity. With housing and commercial property that is more affordable compared to other cities in the San Diego region, owning a home and starting a business is within reach for many people.

However, Escondido's economy is showing some concerning signs: educational attainment rates for adults over 25 is lower than the San Diego County region, the state and the nation; household income levels are lower; and the poverty rate is the second highest in the County. The City's population is also declining, with the largest declines in children under the age of five, and young professionals ages 20-29.

Thankfully, there is an opportunity to course correct these economic challenges with a strategic economic approach. With the help of Beacon Economics, the City Council has adopted an action plan around four fundamentals: balance population growth, create more economic opportunities (through attracting high-wage jobs and workforce training opportunities), actively maximize the value of land for housing and high-wage jobs, and intentional placemaking and marketing.

We believe that this focused Comprehensive Economic Development Strategy will shape the City of Escondido and pave the way for a prosperous future. Your engagement and support are crucial to our success. Together, let's build a city that balances growth, creates economic opportunities, showcases our strengths, and establishes Escondido as a home for families and businesses to thrive.

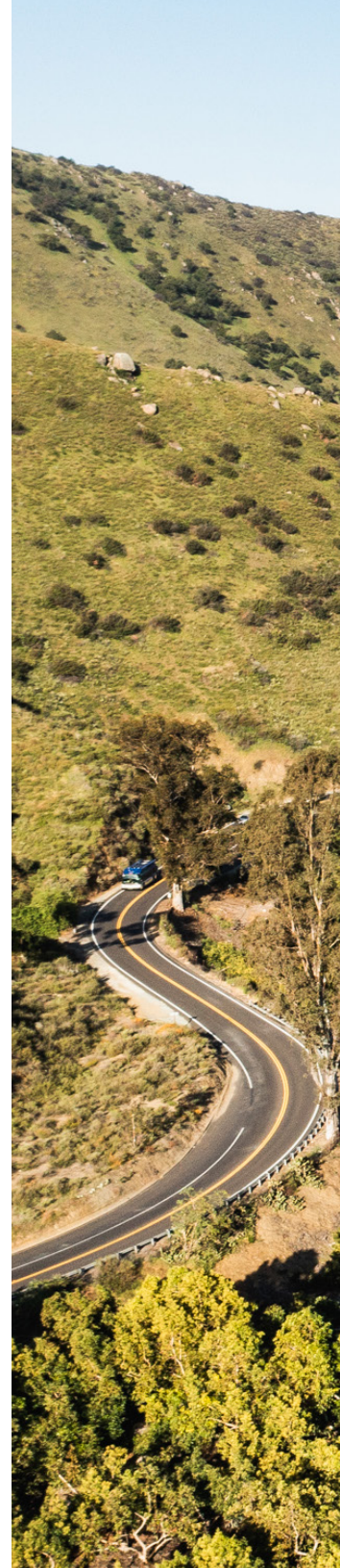
Sincerely,
The Escondido City Council Economic Development Subcommittee

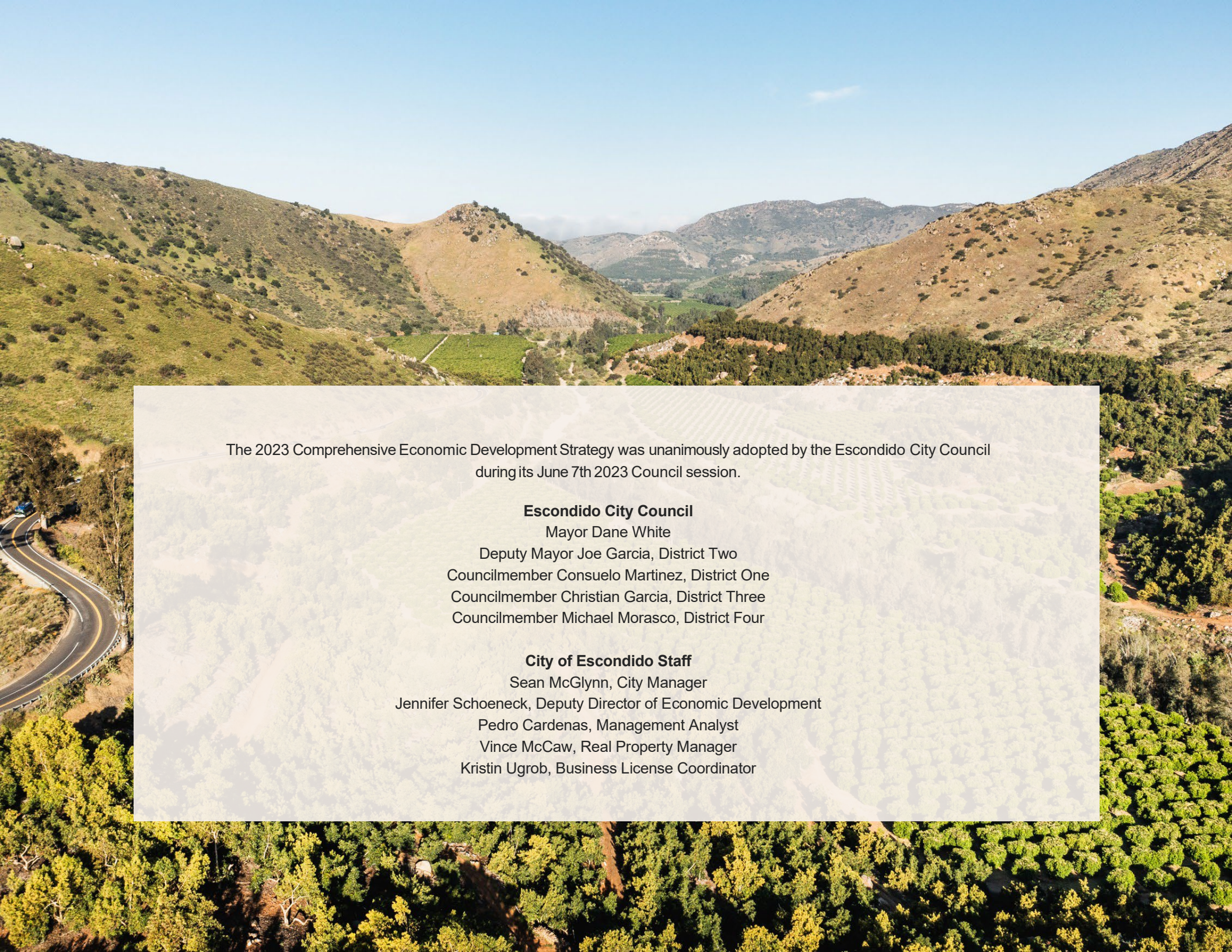


MAYOR
DANE WHITE



DEPUTY MAYOR
COUNCILMEMBER DISTRICT 2
JOE GARCIA





The 2023 Comprehensive Economic Development Strategy was unanimously adopted by the Escondido City Council during its June 7th 2023 Council session.

Escondido City Council

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Deputy Mayor Joe Garcia, District Two

Councilmember Consuelo Martinez, District One

Councilmember Christian Garcia, District Three

Councilmember Michael Morasco, District Four

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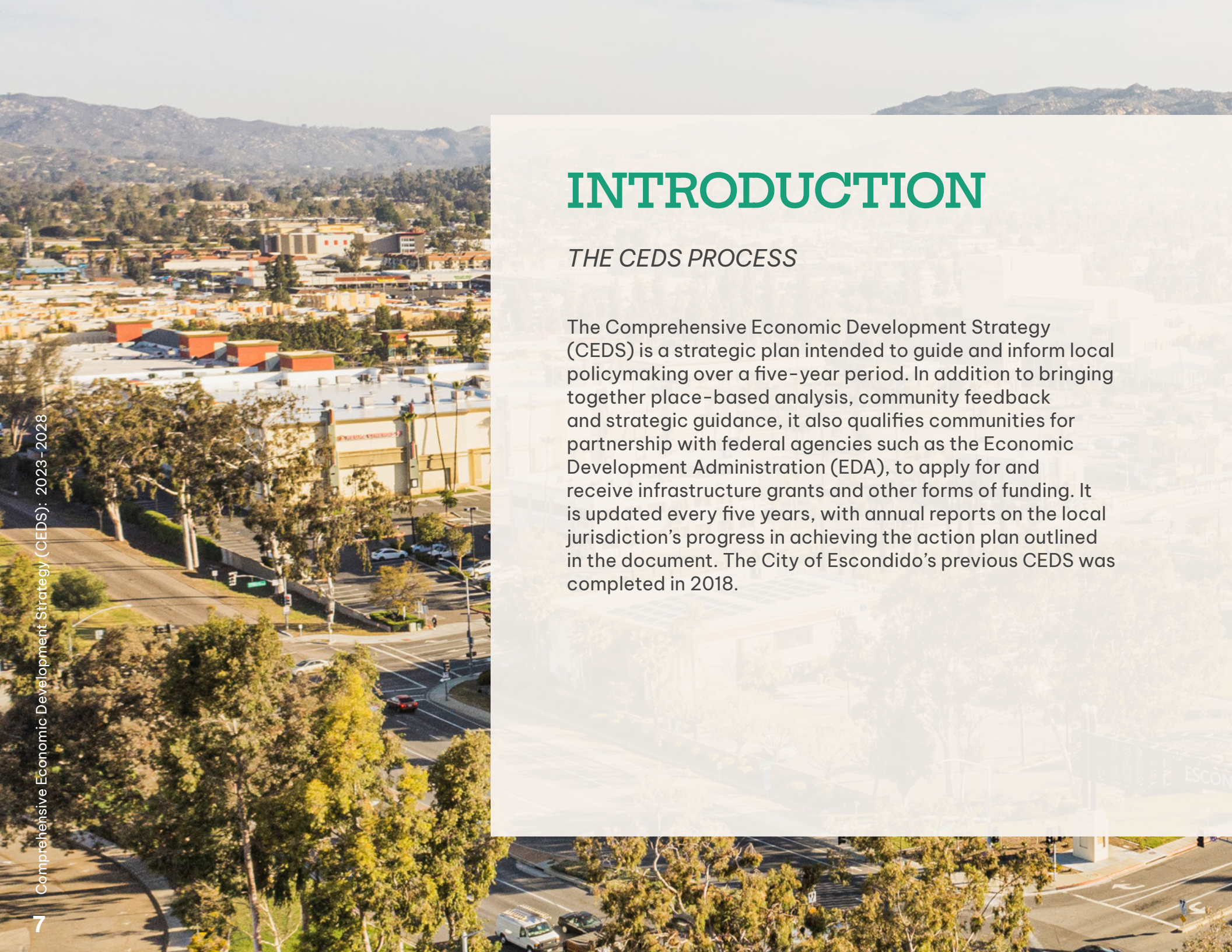
Kristin Ugrob, Business License Coordinator




INTRODUCTION

THE CEDS PROCESS

The Comprehensive Economic Development Strategy (CEDS) is a strategic plan intended to guide and inform local policymaking over a five-year period. In addition to bringing together place-based analysis, community feedback and strategic guidance, it also qualifies communities for partnership with federal agencies such as the Economic Development Administration (EDA), to apply for and receive infrastructure grants and other forms of funding. It is updated every five years, with annual reports on the local jurisdiction's progress in achieving the action plan outlined in the document. The City of Escondido's previous CEDS was completed in 2018.





The CEDS is typically structured as follows: The first section identifies local economic conditions, using the most current available quantitative data. It is crucial to understand why the local economy resembles what it does, and what development potential the community should pursue. The second section uses the previous analysis, community input and other sources to identify local strengths, weaknesses, opportunities, and threats (SWOT). The third and most consequential section is an action plan which presents a list of actionable policies and goals over the planning period that would advance broad-based prosperity on a sustainable and resilient basis. Finally, the CEDS offers an evaluation framework for the purposes of defining and monitoring plan success. In general, the CEDS is meant to be an accessible, data- and community-informed document that harmonizes local planning and development.

DATA SOURCES AND DATES

Much of the data used in this document was sourced from surveys conducted by federal data collection agencies, namely the Census Bureau and the Bureau of Labor Statistics (BLS). Most data on the characteristics of individuals – their age, earnings, poverty status, educational attainment, and industry and occupation – come from the American Community Survey (ACS). The ACS is conducted annually, with the most recent data available relating to 2021.

While both one- and five-year estimates are available for Escondido, we used five-year estimates whenever possible to minimize yearly sampling effects. While one-year estimates are likely accurate for large populations, they have fairly small survey samples for relatively small areas such as Escondido. Five-year estimates have larger samples and thus, smaller margins of error.

Citywide population and population growth were derived from California Department of Finance data, available annually through 2022.

Escondido budgetary data was sourced from the City of Escondido. FY 2021-2022 and FY 2022-2023 data are planned or estimated expenses and revenues.

Industrial land use statistics were sourced from UrbanFootprint, a comprehensive data tool, which calculates building footprints in lots zoned for different uses.

Observed Rent Index, a monthly-calculated figure, was sourced from Zillow. Permitting data regarding housing units and permit valuations were sourced from the Construction Industry Research Board (CIRB) and the Census's Building Permits Survey (BPS). Both sources collect data monthly.

Geographically-coded employment data, such as commuting maps and net jobs, were sourced from the Census's Longitudinal Employer-Household Dynamics Origin-Destination Employment Statistics (LEHD LODES). The LODES is updated annually, but on a several year delay, with data for 2020 released in 2023.

ABOUT BENCHMARKS

Two sets of benchmarks were developed for this CEDS. The first is a collection of local peers of Escondido in San Diego and Riverside Counties. Mostly, these are used to compare Escondido's relative position within local or regional trends. They include most of the cities in the North County region, primarily Oceanside, Vista, and San Marcos. More affluent coastal communities such as Carlsbad, Encinitas, Solana Beach, and Del Mar were usually excluded, except when they were part of a broader North County designation.

Other neighboring peers used were East County cities such as El Cajon, Santee, and La Mesa. Chula Vista and Poway were also included in some analyses. Finally, the Riverside County cities of Murrieta and Temecula were also used as local peers.

A second set of benchmarks was developed to determine Escondido's peers throughout the country. These were determined using a k-means clustering algorithm which in turn was informed by a battery of urban characteristics: city demographics, educational attainment, economic structure, and patterns of growth. The initial analysis yielded approximately 60 cities similar to Escondido, and from these a subset of outer suburbs of major cities was selected. The cities (and their urban centers) were Antioch, California (San Francisco Bay Area); Lancaster, California (Los Angeles); Ontario, California (Inland Empire); Lakewood, Washington (Seattle-Tacoma); Greeley, Colorado (Denver); the village of Hempstead, New York (New York); and New Bedford, Massachusetts (Boston, MA, and Providence, RI). In addition, Oceanside, also a regional peer,

was found to be similar to Escondido through several of the k-means clusters.

These national peers can be used as a benchmark for Escondido's future development. As they have been identified as similar to Escondido presently, comparing the changes over the next decade between Escondido and its peers offers insight into the success of Escondido's development policies, and helps identify which strategies the City should adopt.



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NEW VINTAGE CHURCH
MEETS HERE
SUNDAYS 9AM 11AM

THE GRAND

MANZANITA ROASTING CO

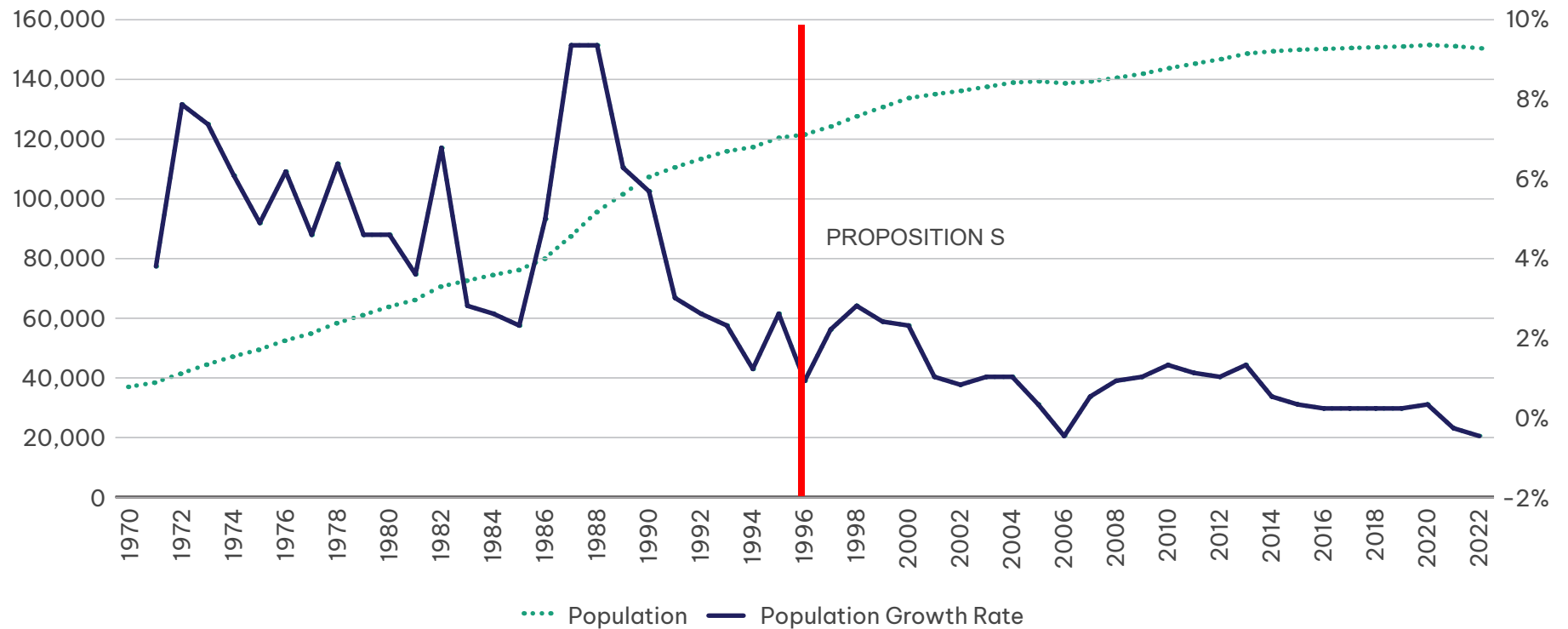
Juniper St

DATA ANALYSIS

DEMOGRAPHICS: ESCONDIDO IS GETTING OLDER AND SOMEWHAT SMALLER



Population Growth, 1970-2022 City of Escondido



Source: California Department of Finance; Analysis by Beacon Economics

Escondido’s population growth has plateaued recently. Local city size grew from 36,792 to 121,693 between 1970 and 1996, and to 150,480 between 1997 and 2016. Strikingly, the City has gotten smaller in the period since the most recent CEDS, dropping from 150,798 in 2017 to 150,679 at the end of 2022.

Trends over the entire 52-year period suggest that modest growth is normal for the City. The annual growth rate over 52 years is a steady 2.8%, which exactly matches the countywide rate during that period. It is the last five years that are at odds with the norm.

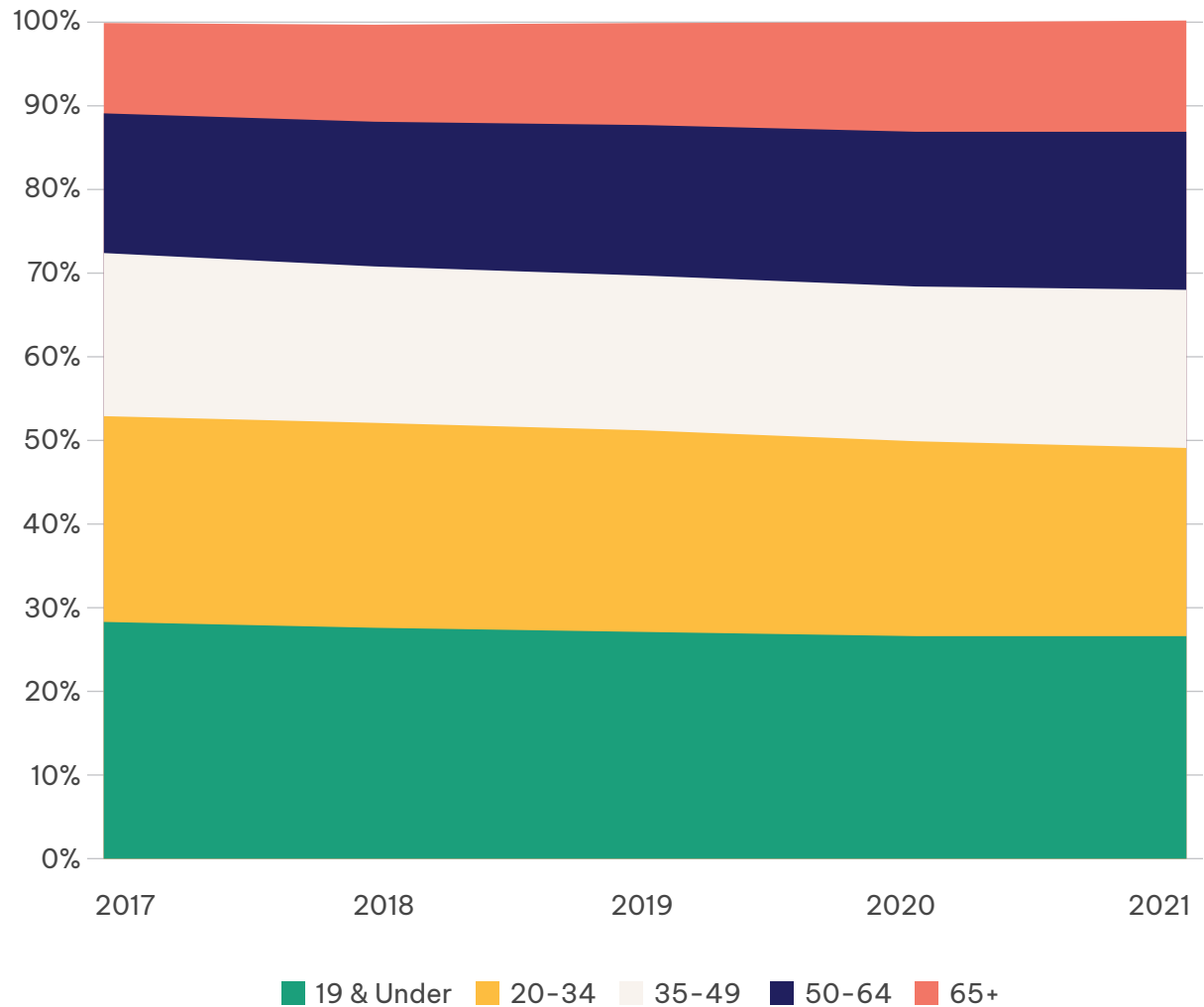
Over that time, San Diego County has grown by a small but positive 0.34% per year, while Escondido has shrunk.

Interviews with community leaders have suggested that slower growth may be related to the passage of Proposition S in 1998 which required the City to obtain voter approval for increased permitted residential densities under the General Plan. While that measure clearly coincided with lower population growth in the subsequent period, it is also clear from the figure above that population growth had already been slowing for other reasons.

The population of Escondido has aged since the last CEDS. In 2016, roughly one in four residents were 50 or above, but by 2021 almost one in three were. The city has more working-age workers than it did in 2017 (60.3% vs 59.3), but its share of young workers – 20- to 40-year-olds – dropped from 30.9% to 29.6%. The proportion of seniors grew by 3.3 points to 13.3, while the percentage of minors shrank by 2.3. to 26.6.

The combination of negative population growth and an aging workforce poses a threat to the fiscal sustainability of the City as well as its ability to attract employers and businesses.

Population by Age Group City of Escondido

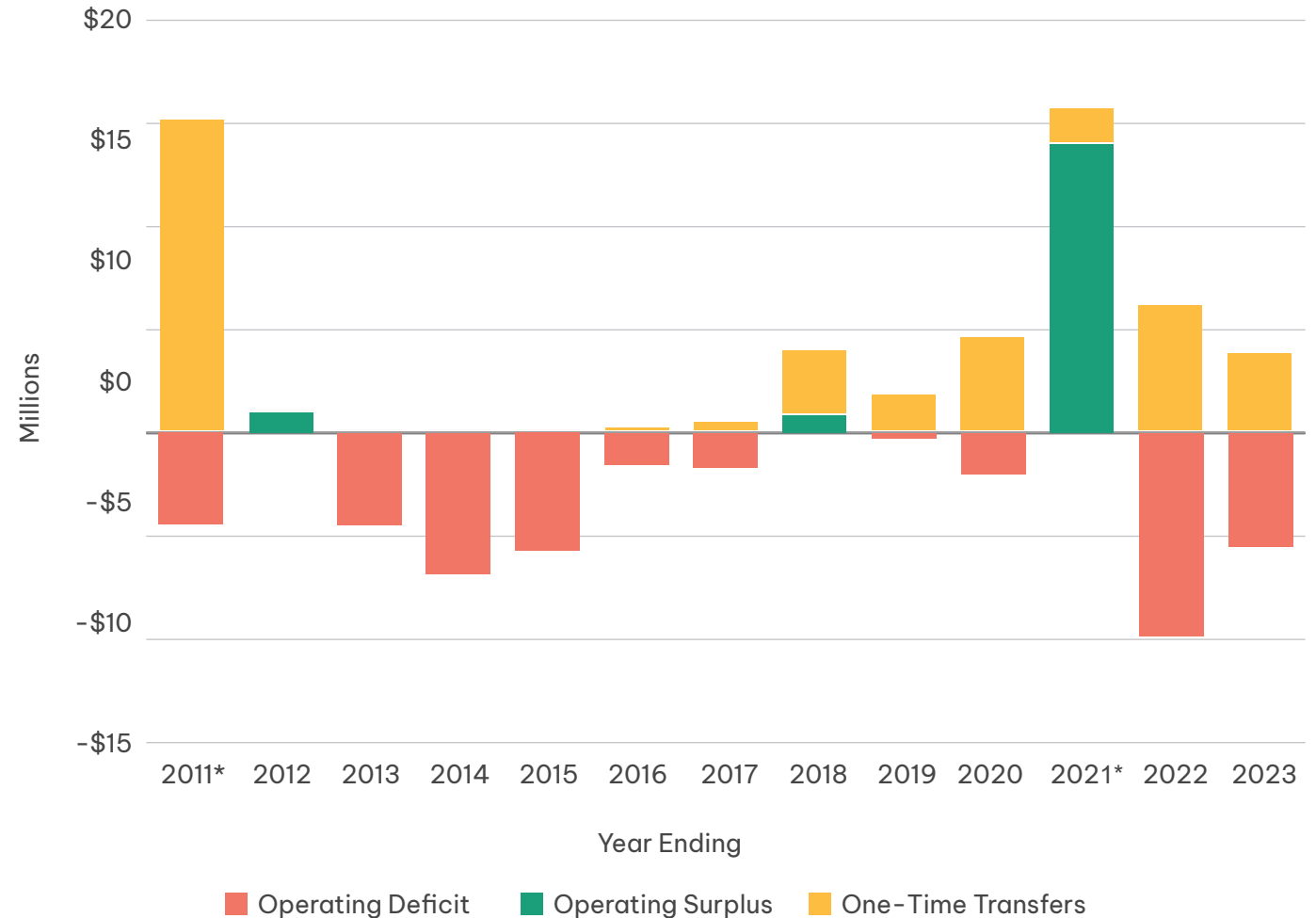


Source: Census ACS; Analysis by Beacon Economics

FISCAL HEALTH : ESCONDIDO FACES A WORSENING FISCAL SITUATION

Escondido has struggled to maintain a balanced budget, frequently dipping into deficits. While in many years one-time sources of revenue helped relieve part or all of the deficit, the City has clung to a policy of only using one-time revenues for one-time projects, rather than as a funding mechanism for planned annual operations. The two years with the greatest budget surpluses, 2011 and 2021, stand out significantly. 2011's large one-time transfer was an interest payment from the redevelopment agency account, as Escondido was the successor to that redevelopment agency. In 2021, the City saw spikes in returns on city investments, as well as certain taxes and permit revenues. Nonetheless, it is evident that these kinds of surplus years are the exception to Escondido's fiscal trends, not the rule. Furthermore, not shown in the graph are transfers from the Gas Tax Fund, which amount to about two million dollars in recent years.

**General Fund Budget
City of Escondido**



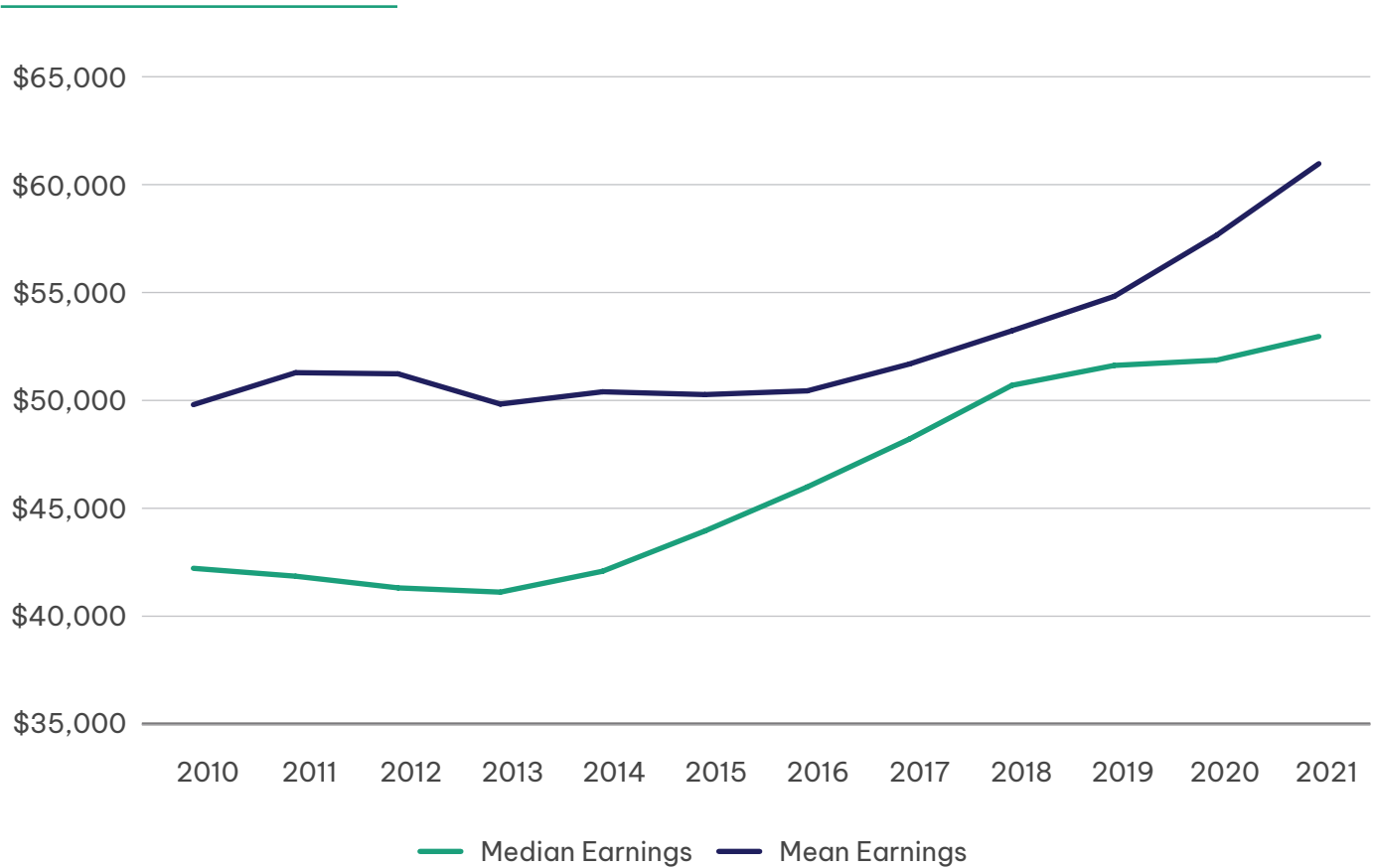
Source: City of Escondido; Analysis by Beacon Economics



LABOR FORCE

ESCONDIDO IS SEEING GAINS IN ITS RELATIVELY LOW EARNINGS AND EDUCATIONAL ATTAINMENT

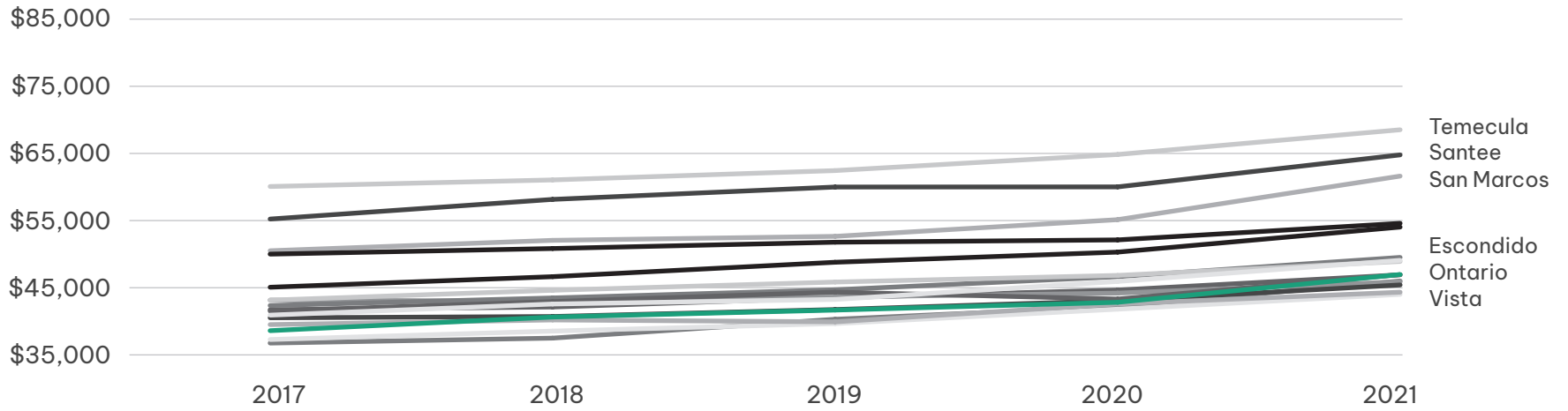
**Average Full-Time Earnings
City of Escondido**



The labor force is defined as the sum of all people over the age of 16 in a given area who are either currently employed or unemployed and seeking work. It does not include those who are not working by choice, disability, or other restrictions. Nor does it include the military, those in prison, or otherwise institutionalized. The earnings charts, however, are not for the entire labor force. Rather, they exclude part-time and seasonal workers, showing earnings for full-time, year-round workers only.

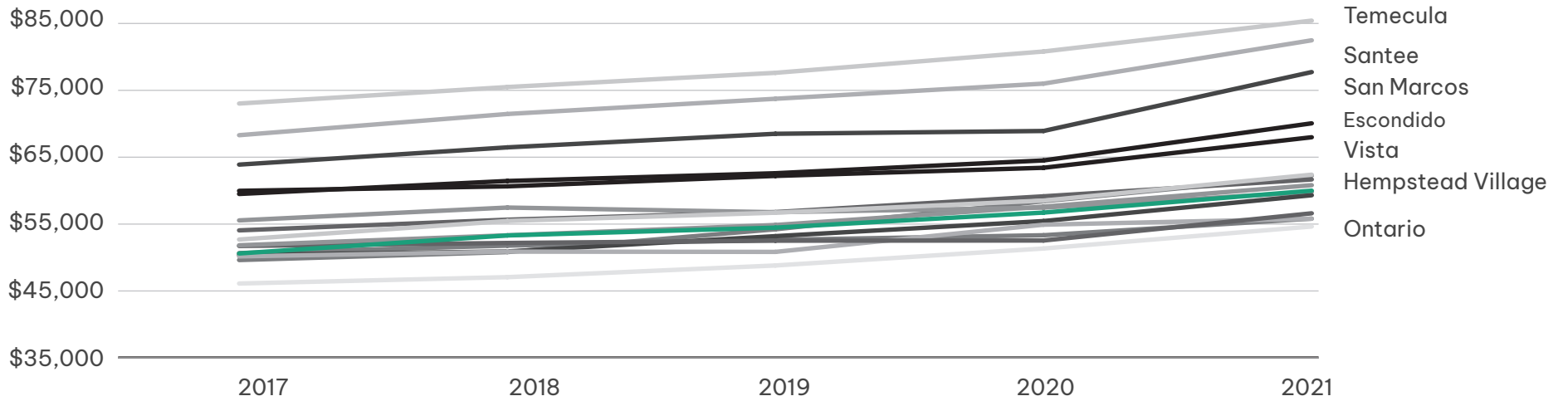
Source: Census ACS; Analysis by Beacon Economics

**Full-Time Median Earnings
City of Escondido**



Source: Census ACS; Analysis by Beacon Economics

**Full-Time Mean Earnings
City of Escondido**

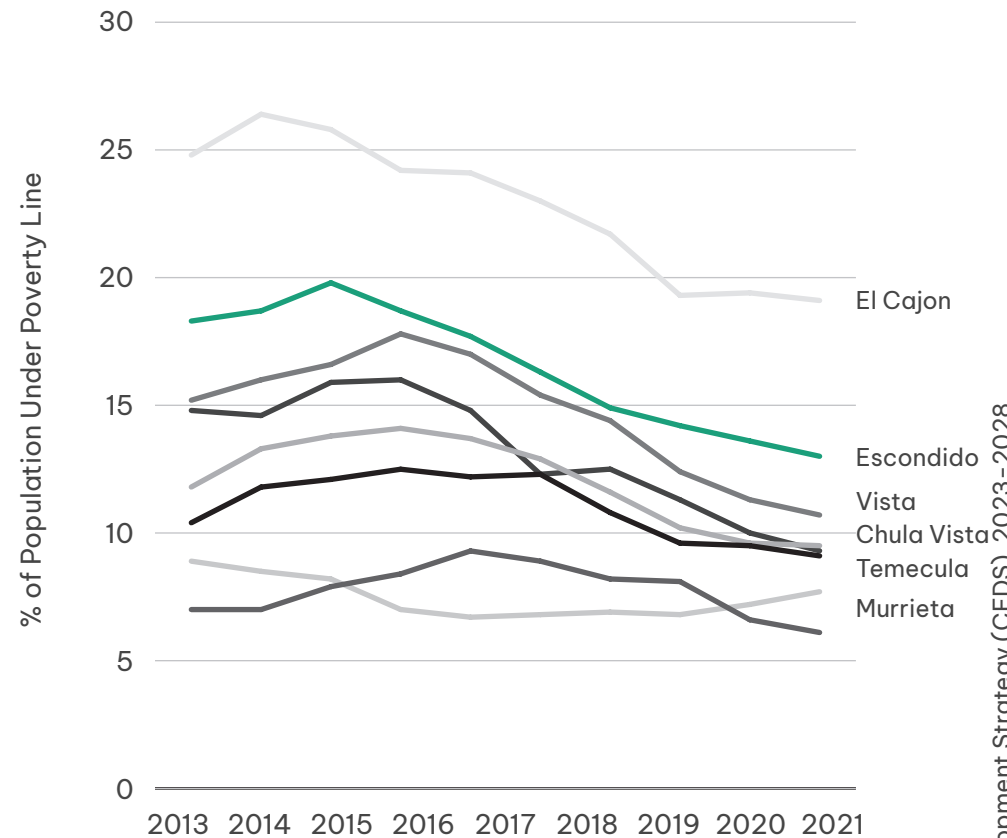


Source: Census ACS; Analysis by Beacon Economics

Like its peers, Escondido has seen residents' earnings grow since 2017. In general, mean earnings are higher across the board compared to median earnings, implying a skew towards higher incomes in the distribution. Escondido is closer to the bottom of the distribution among its peers when measured by median earnings, while it is relatively in the middle of the income distribution when measured by means. Median earnings in Escondido rose steadily from around \$38,500 in 2017 to more than \$46,000 in 2021, while mean earnings rose from around \$51,500 to \$61,000 in the same period.

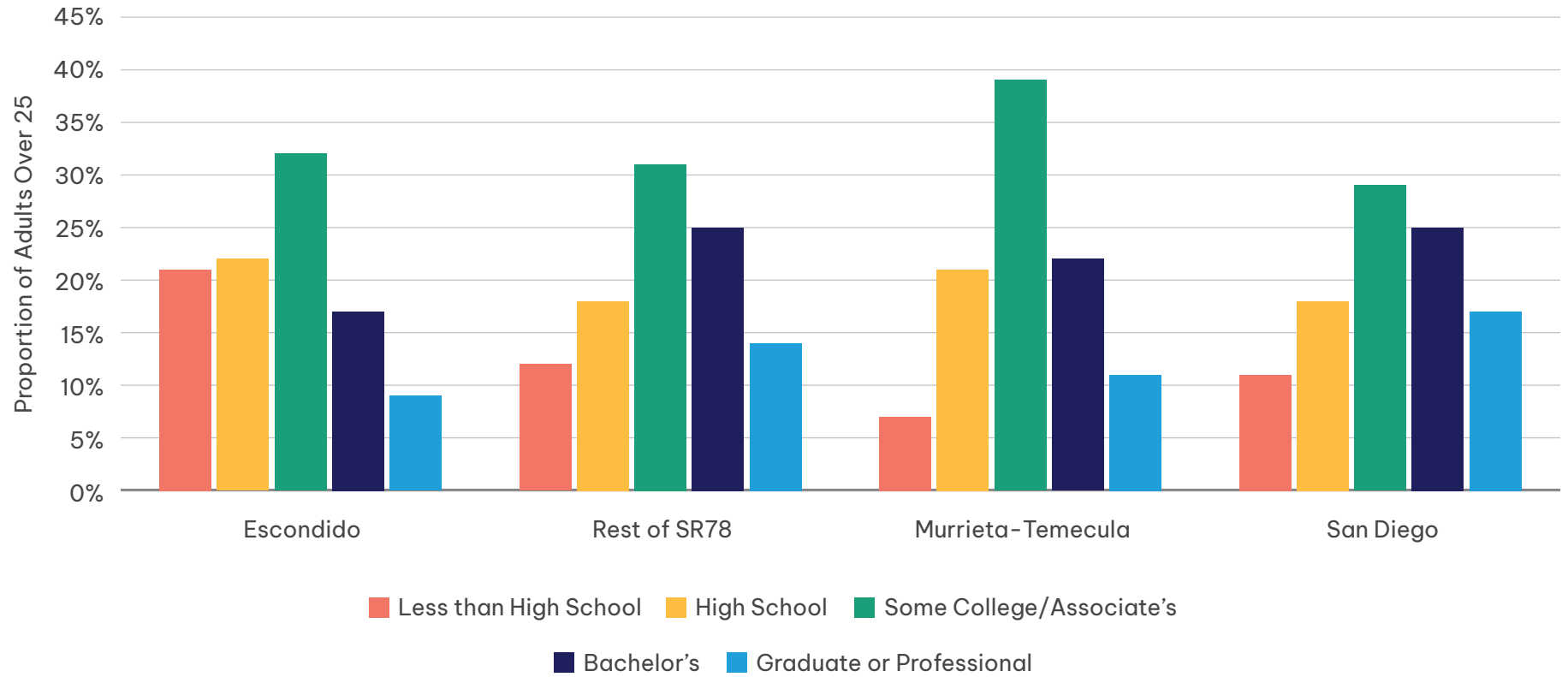
Escondido and most of its neighbors have seen notable declines over the past decade in residents living below the poverty line, with Escondido seeing some of the best improvement in the group. The measure of poverty is a cost-of-living-adjusted figure that sets a certain income threshold for each household size. Households with earnings below that threshold are classified as experiencing poverty. The reduction in poverty in the region is caused partly by rising earnings at the lower end of the spectrum and partly by out-migration of those same people to more affordable areas. However, despite these improvements, Escondido, like many of its peers, still has higher rates of poverty than the national average (11.6%) in 2021. Of the group, only Temecula and Murrieta have seen levels of poverty consistently lower than the national average. Many of these California cities like Escondido suffer from high cost of living, which, even when accounted for in the calculation of poverty rate, still have a high degree of unaffordability. Programs targeted at reducing local poverty are still necessary to close the gap between Escondido, the country and the greater San Diego area.

Poverty Rate
City of Escondido vs Neighboring Peers



Source: Census ACS; Analysis by Beacon Economics

Educational Attainment, 2021
City of Escondido vs Neighboring Peers**

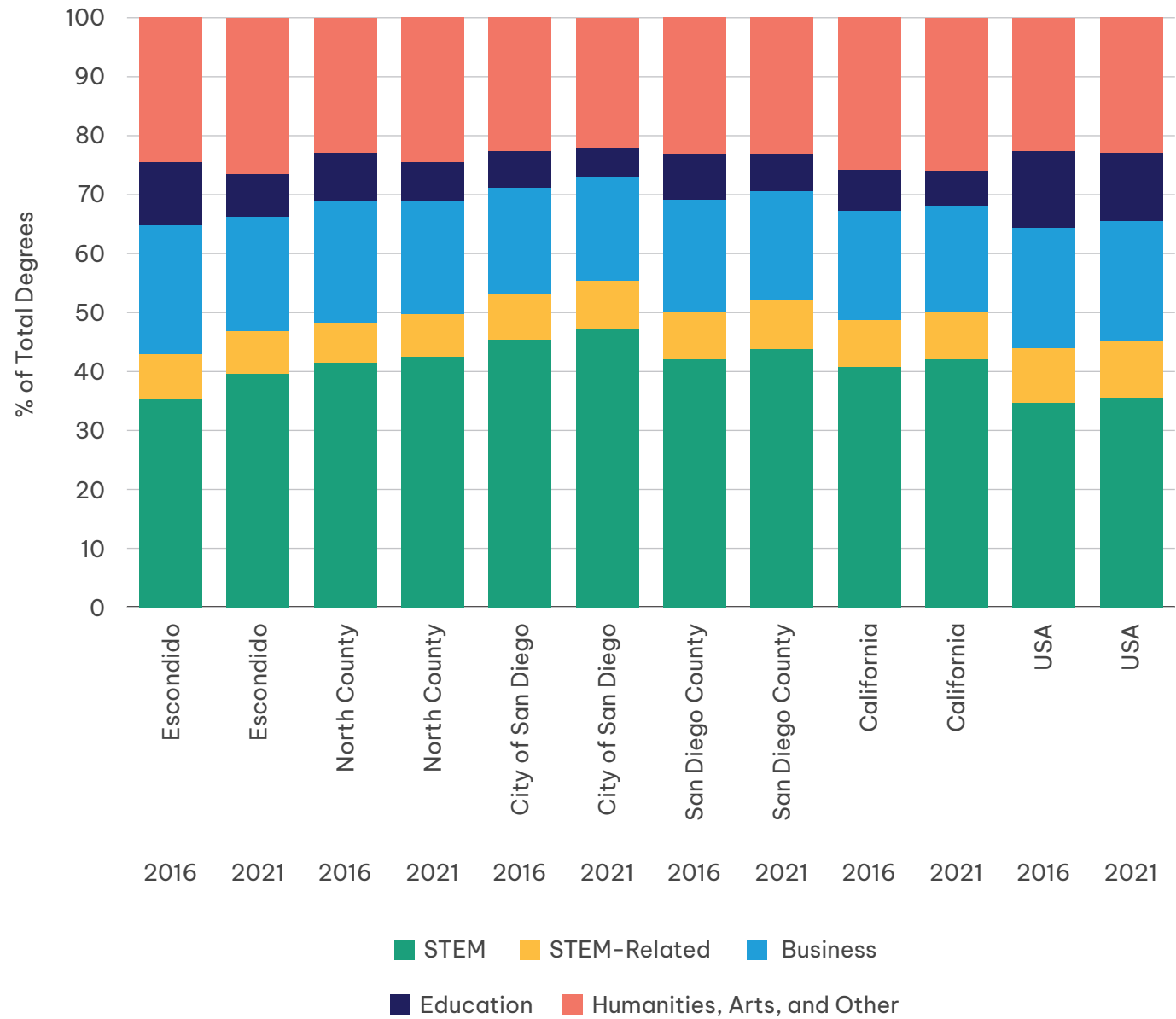


Source: Census ACS; Analysis by Beacon Economics

** Geographies other than Escondido are defined by Census County Divisions. The rest of SR78 is defined as the Oceanside-Escondido CCD without the City of Escondido.

While Escondido has significantly higher proportions of the population with high school and less than high school attainment, and lower bachelor's and higher degree attainment, the general trend over the past five year has been toward higher education at all levels. This is repeated throughout neighboring regions. Escondido saw a significant drop in the proportion of the population with less than high school attainment, decreasing by nearly five percentage points between 2016 and 2021.

College Degrees By Field

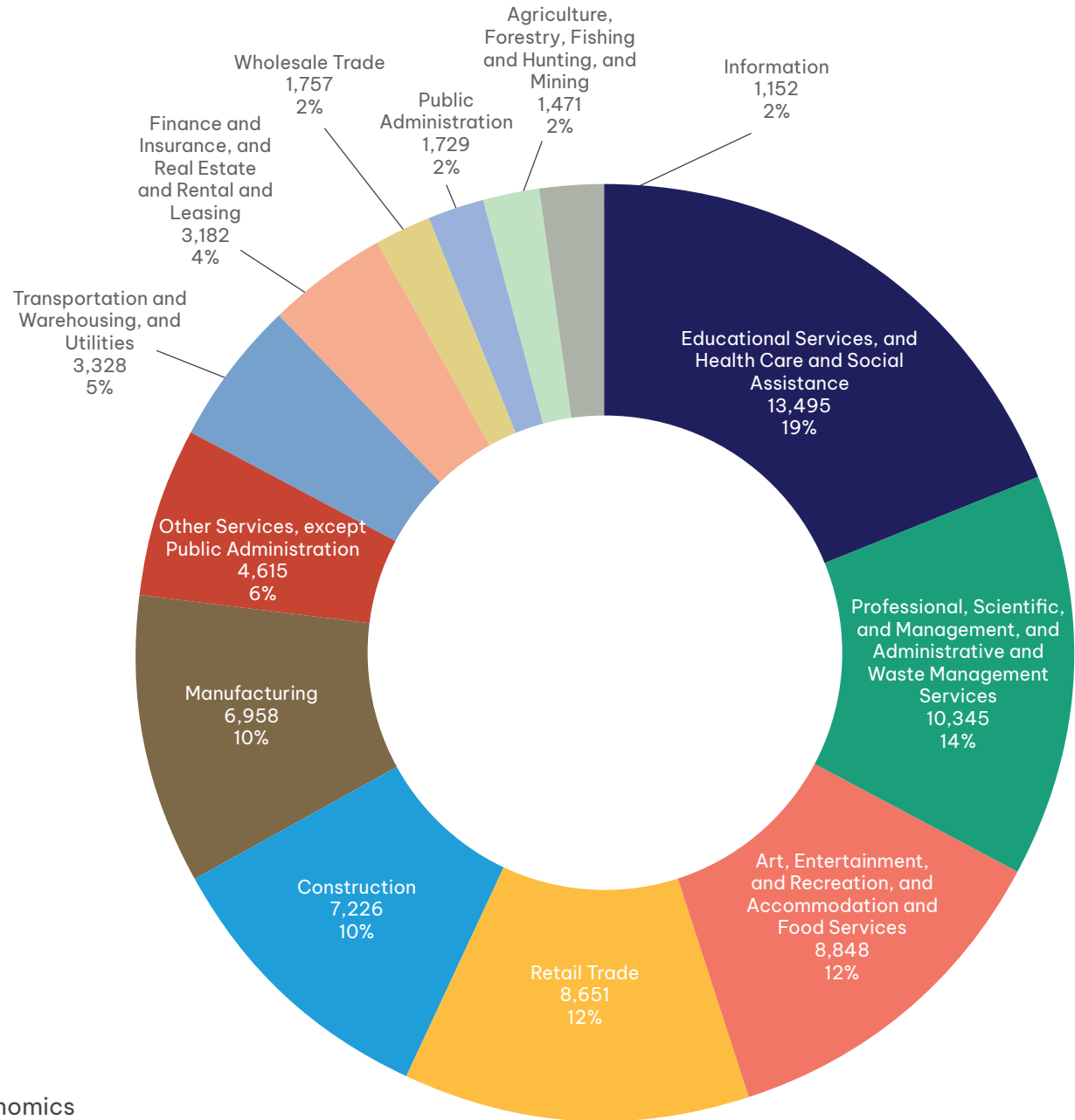


In addition to lower levels of educational attainment relative to the region, Escondido also has fewer science, technology, engineering, and math (STEM) graduates among its college-educated population, compared to North County and the San Diego region. However, Escondido also had a significant increase in STEM- and STEM-related degrees between 2016 and 2021, with STEM degrees growing from 35% of all college graduates in Escondido to nearly 40%.

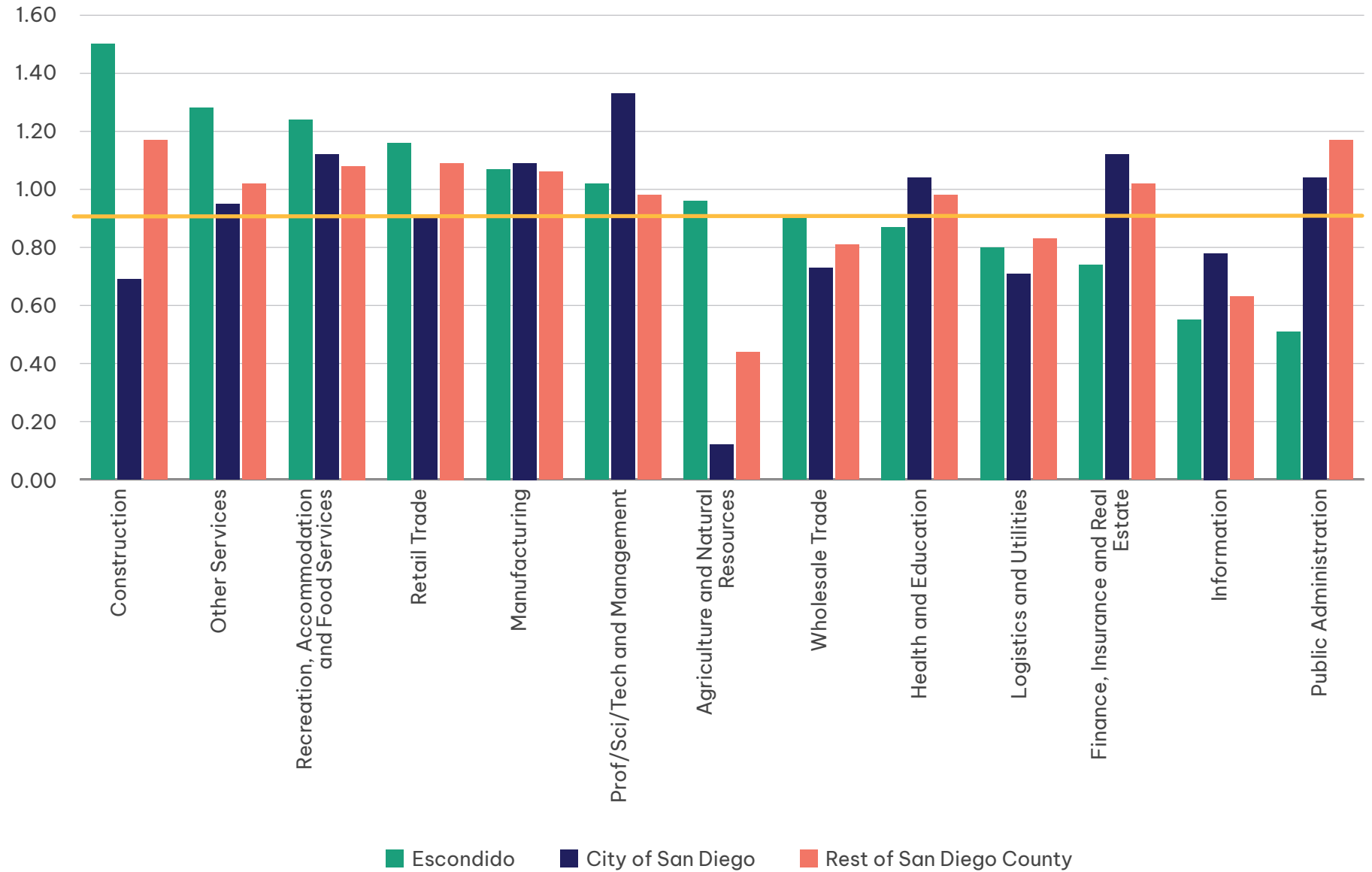
Source: Census ACS; Analysis by Beacon Economics

INDUSTRY: ESCONDIDO'S ECONOMY IS DIVERSE, BUT IS NOT PARTICULARLY SPECIALIZED IN ANY ONE AREA

**Employment by Major Industry
City of Escondido**



Industry Employment Location Quotients, 2021
City of Escondido vs Neighboring Peers

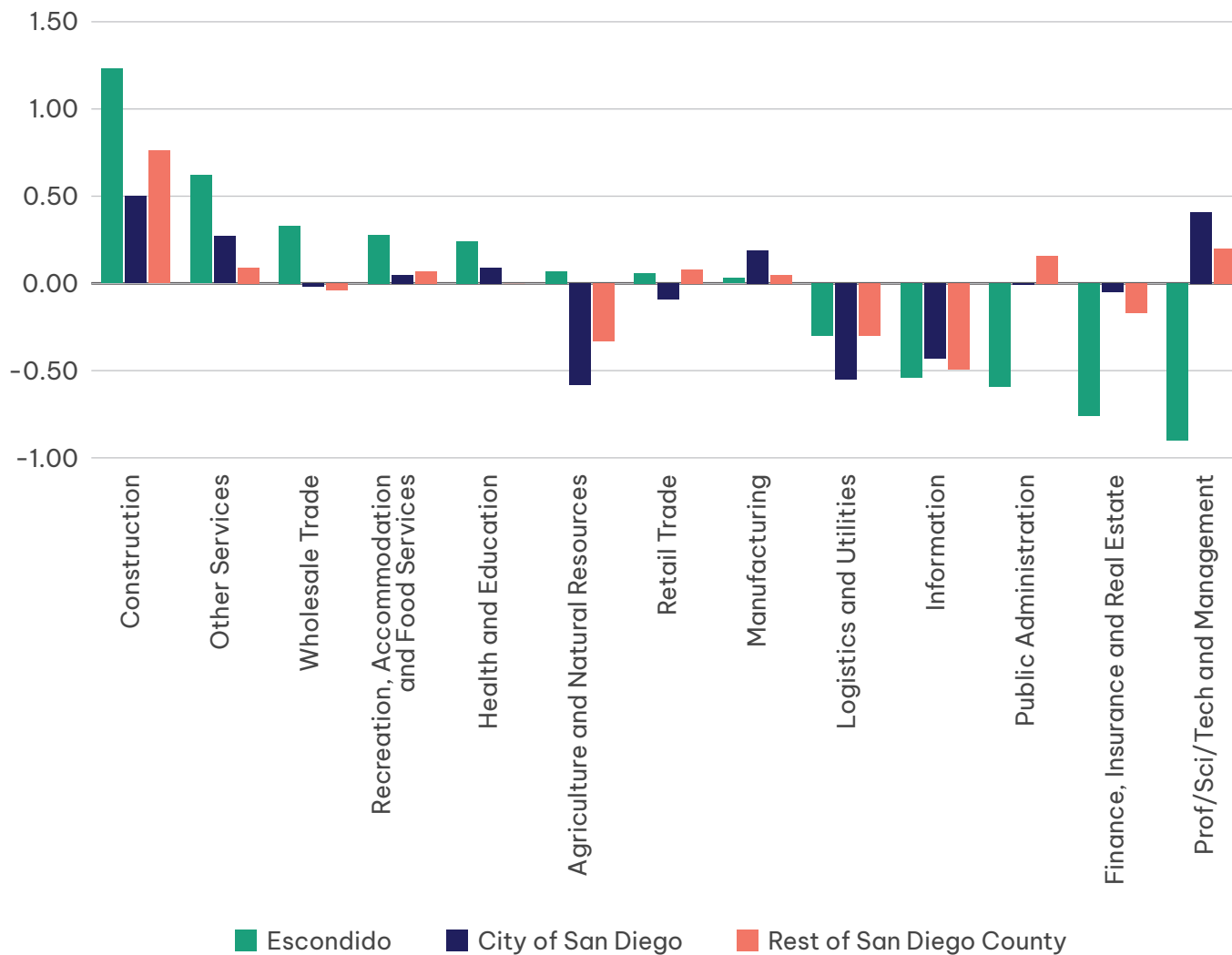


Source: Census ACS; Analysis by Beacon Economics

NAICS Industry Definition and Examples

Industry Name	Businesses Include	Escondido Examples
Agriculture and Natural Resources	Farming, Ranching, Forestry, Mining, Oil & Gas	Grangetto's Farm Wright's Golden Tangerines, Aztec Perlite
Construction	Building Construction, Civil Engineering, General and Specialized Contractors	Erickson-Hall Construction, Carroll Plumbing
Finance, Insurance, and Real Estate	Banks, Insurance Agencies, Brokerages, Leasing Agencies	Escondido Federal Credit Union, State Farm, REMAX
Health and Education	Schools, Hospitals, Nursing Homes, Rehab Clinics, Childcare Facilities	Palomar Medical Center, John Paul the Great University
Information	Data Processing, Publishing, Broadcasting, Telecommunications	Escondido Times Advocate, Icon Industries
Logistics and Utilities	Warehousing, Truck Transportation, Electricity Generation and Distribution	Escondido Hauling Service, Baker Electric, Baker Solar
Manufacturing	Commercial Bakeries, Breweries, Manufacturers	Bimbo Bakeries, Pyramid Granite & Metals, Stone Brewing
Other services	Auto Repair, Civic and Religious Organizations, Car Washes, Dry Cleaners, Hairdressers	Firestone Auto Care, Del's Barber Shop, California Center for the Arts
Professional, Scientific, and Technical, and Management	Accountants, Lawyers, Scientists, Waste Management, Engineering	Gallant Energy Consulting, Lounsberry Ferguson Altona & Peak
Public Administration	Government Offices, Justice System, Tribal Governments	City of Escondido, County of San Diego
Recreation, Accommodation, and Food Service	Performing Arts, Museums, Casinos, Hotels, Restaurants, Bars	San Diego Children's Museum, SpringHill Suites, Frida's Tacos
Retail Trade	Retail Shops, Car Dealers, Gasoline Stations	Urban Barn, Toyota of Escondido
Wholesale Trade	Wholesalers	Furniture Discounter, Henry Avocado

Change in Industry Concentration Between 2016- 2021 City of Escondido vs Neighboring Peers



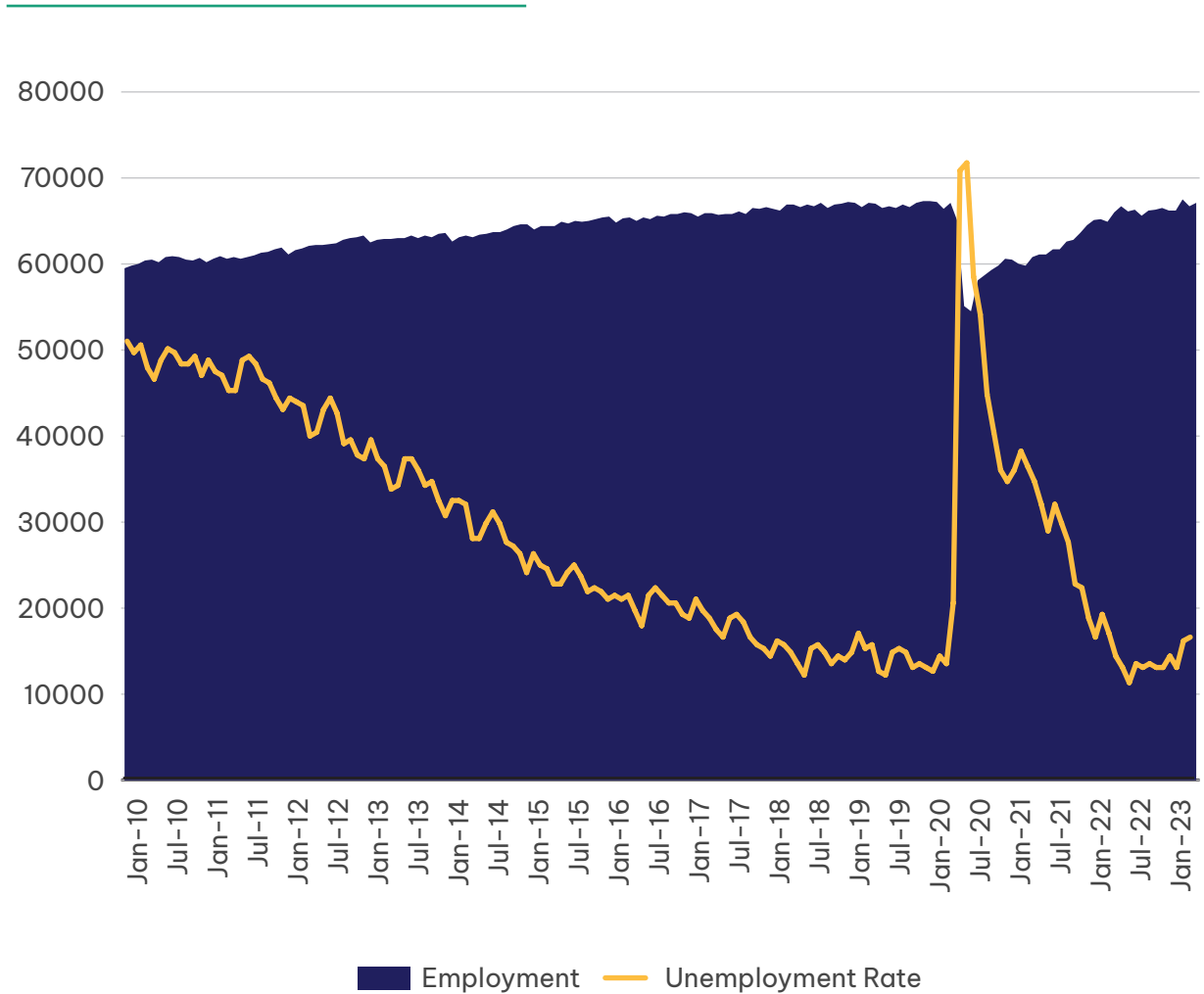
The Escondido economy is noteworthy for its diversity, as shown in the above figure which breaks down local employment by major industry category. No industrial segment makes up more than the 19% commanded by Education and Medical Services. The City’s largest employer is the Palomar Medical Center, which employs roughly 2,600 full-time staff. Overall, professional services, including Professional and Scientific, Finance and related jobs, Public Administration, and Information make up 48% of all employment. An additional 25% of jobs are in traditional working-class sectors – Manufacturing, Construction, and Transportation and related industries. The rest of the economy is split between Retail Trade (12%), Wholesale Trade (2%), Arts and Accommodation (12%) and Agriculture (2%). Escondido’s agricultural employment may be relatively small compared to the rest of the economy, but it is nonetheless larger than the state as a whole (1.97%). A location quotient (LQ) is a measure of local specialization in an industry, based on a ratio of actual employment to expected employment based

Source: Census ACS; Analysis by Beacon Economics

on the location’s population. LQs above 1 signify some specialization in an industry locally, and higher numbers indicate greater specialization. Conversely, LQs lower than 1 indicate an area that has to import industry services from elsewhere. The LQs for Escondido are based on residents’ reported employment industry, rather than on local establishments. They demonstrate that the industries that employ Escondido residents are primarily local services, which have been limited in terms of advancing Escondido’s economic potential.

Between the start of the decade and the onset of the COVID-19 pandemic in March 2020, Escondido saw a steady decline in the unemployment rate, as well as consistent growth in employment. Like many cities, Escondido saw a record spike in unemployment and drop in both employment and labor force participation during 2020. However, the recovery from the pandemic-induced recession was swift, especially given the recession’s magnitude, and both Escondido’s employment and unemployment rates returned to levels similar to pre-pandemic figures. Nevertheless, it’s notable that actual employment has stagnated in the post-pandemic era.

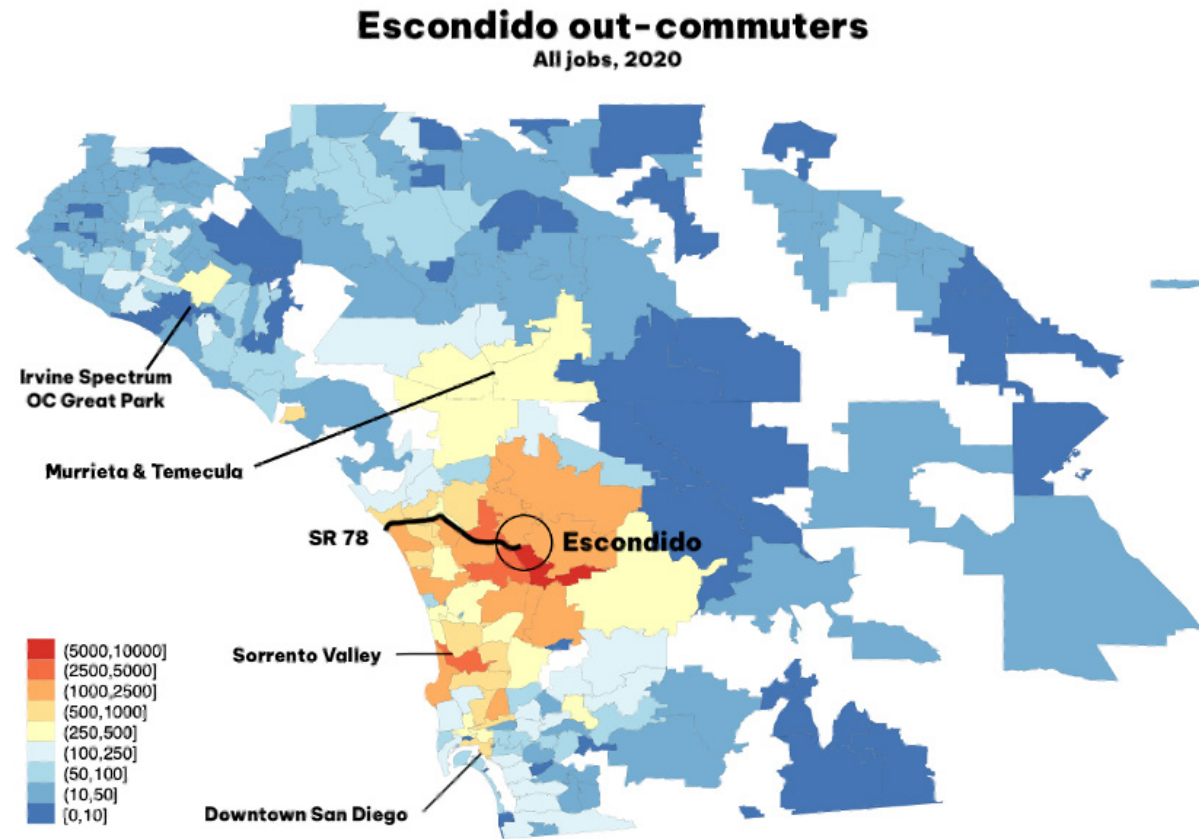
Unemployment Rate and Employment City of Escondido



Source: Bureau of Labor Statistics; Analysis by Beacon Economics

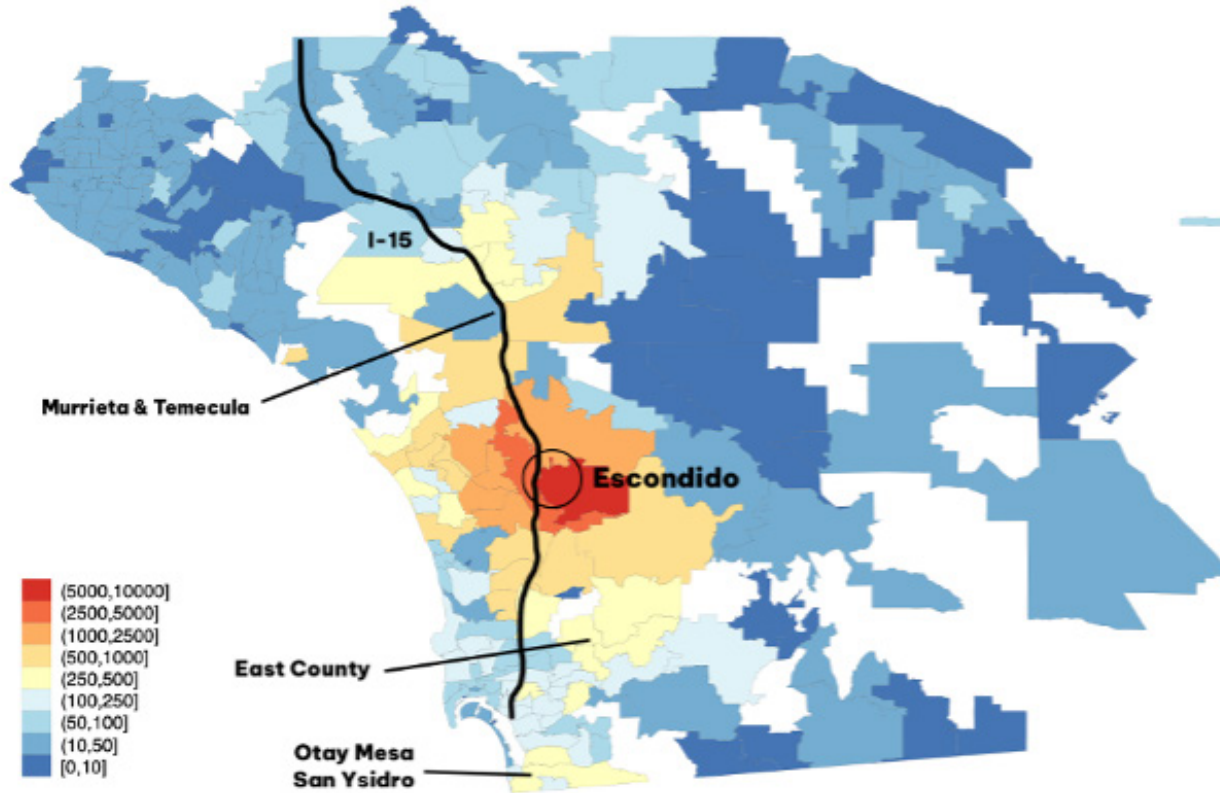
LAND USE: ESCONDIDO HAS A SCARCITY OF JOB LANDS, LEADING TO A HIGH LEVEL OF OUT-COMMUTING

With around 45% of Escondido residents working in either Escondido or nearby cities, commutes are generally concentrated along the State Route 78 corridor. Additionally, around a quarter of all commuters work within San Diego city limits, in areas identified as being high employment concentration centers by SANDAG, such as Kearny Mesa, Sorrento Valley, and Downtown San Diego. While some Escondido residents work in Riverside County, they are outnumbered by those who commute in from there. Additionally, nearly 6% of Escondido workers work in Orange County.



Escondido in-commuters

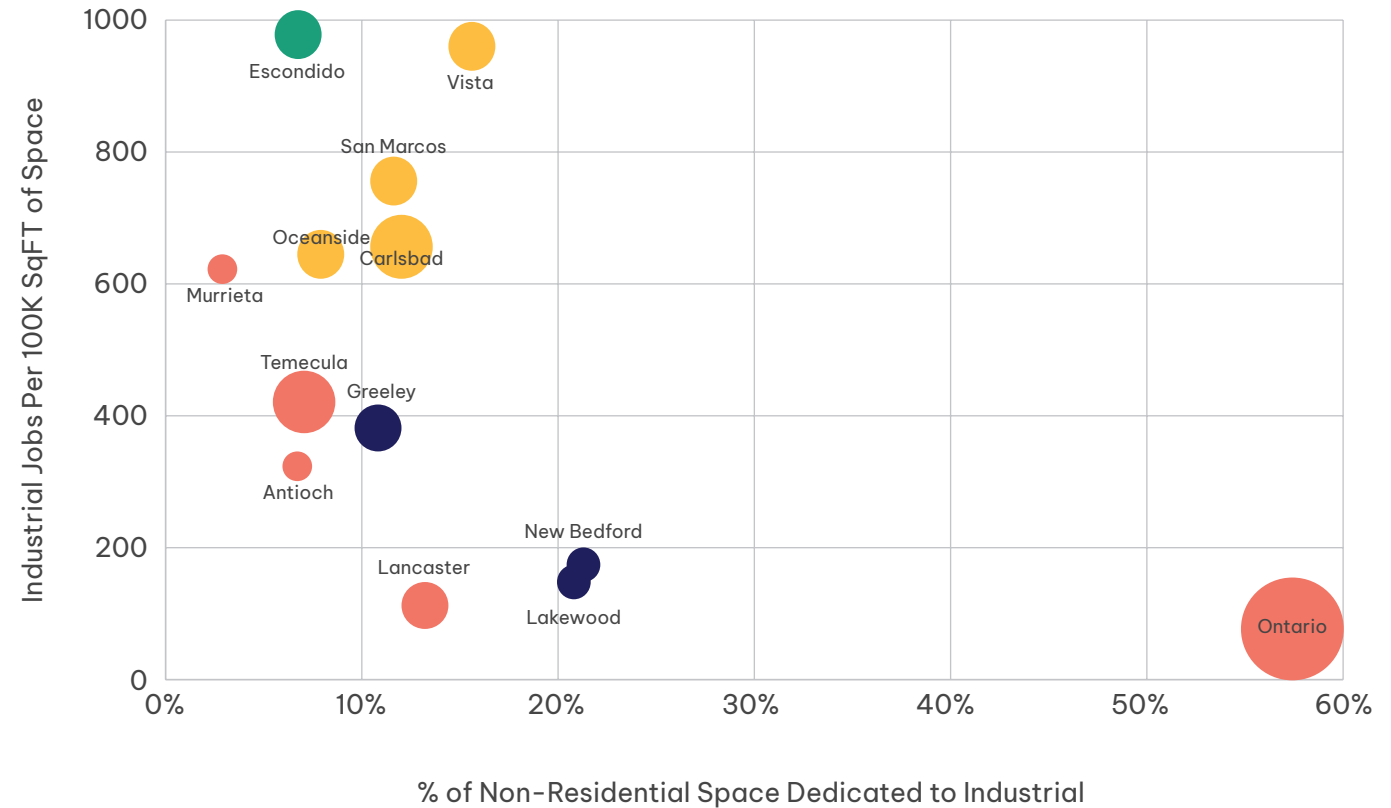
All jobs, 2020



Most workers who commute into Escondido live either in or near the City, with a significant number coming from areas along two primary routes – SR-78 to the coast and I-15 going north-south inland. This means a significant number of Escondido workers originate in Riverside County. A modest number also come from East County suburbs like El Cajon and Santee, and some from as far as San Ysidro and National City near the US-Mexico border.

Escondido appears to have the most intensive industrial economy among its peers in terms of jobs per 100,000 square feet of industrial space, at nearly one thousand jobs. Most of Escondido's North County neighbors (in yellow) have similarly high industrial job concentrations, but Escondido has the lowest proportion of non-residential space zoned for industrial use. However, this is only a measure of interior square footage, rather than of zoned land. With Escondido's relatively high concentration of industrial outdoor storage, as opposed to indoor warehouses (for which Ontario is a major hub), this figure may be skewed. Many of Escondido's industrially zoned areas are occupied by car lots and auto repair, as well as construction offices, all of which employ more outdoor storage and parking than typical light industries.

Total Industrial Jobs*, Land Use, and Labor Intensity City of Escondido vs Neighboring Peers

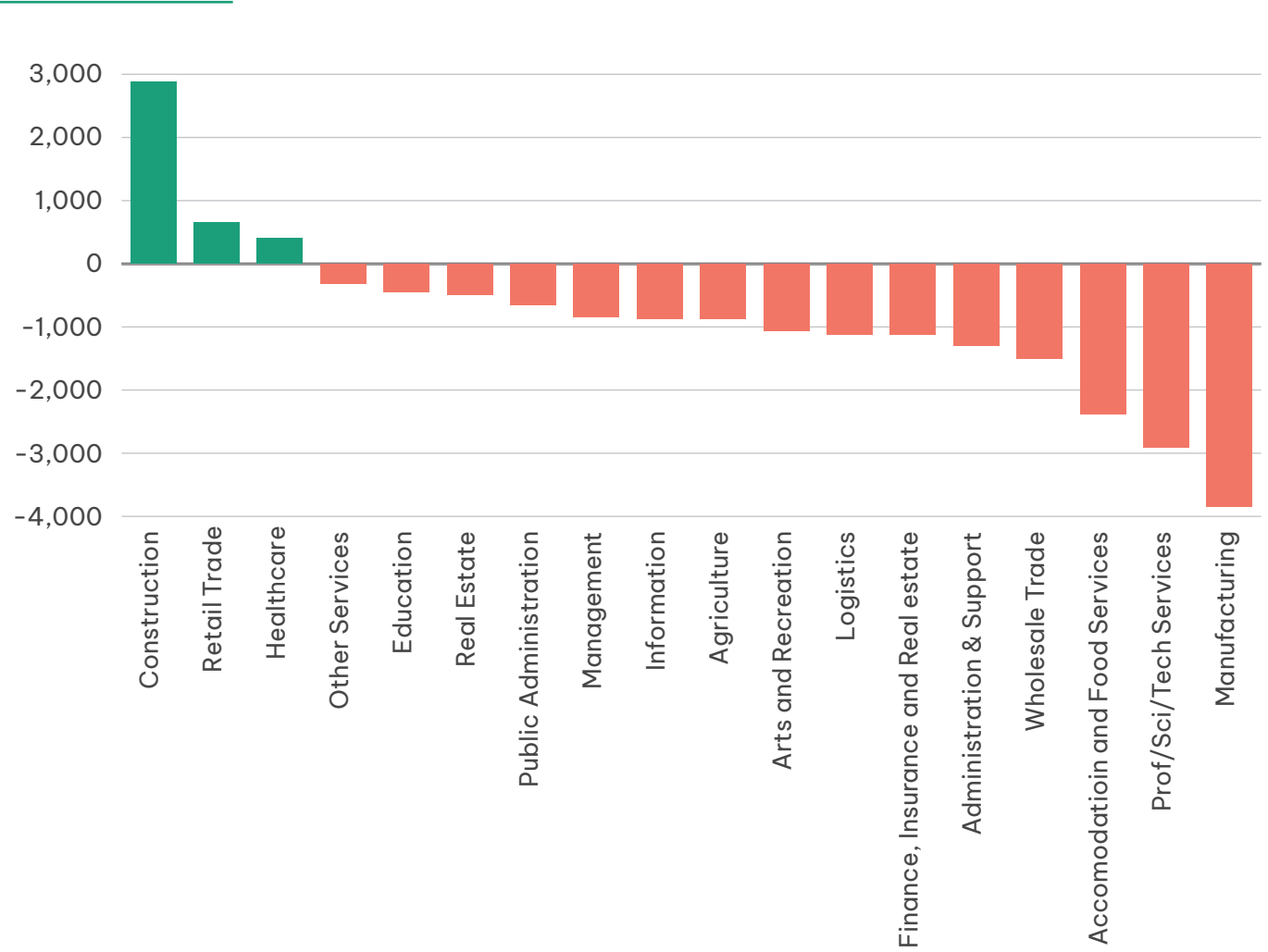


Source: UrbanFootprint; Analysis by Beacon Economics

* The size of the bubble represents total numbers of workers in each industry.

Most industries in Escondido do not provide enough local jobs for Escondido residents, the major exceptions being Construction, Retail Trade, and Healthcare, the latter stemming from the Palomar Medical Center anchoring regional employment in the industry. Other industries, especially higher-income fields like Professional/Scientific/Technical Services and Manufacturing, require Escondido workers to commute elsewhere.

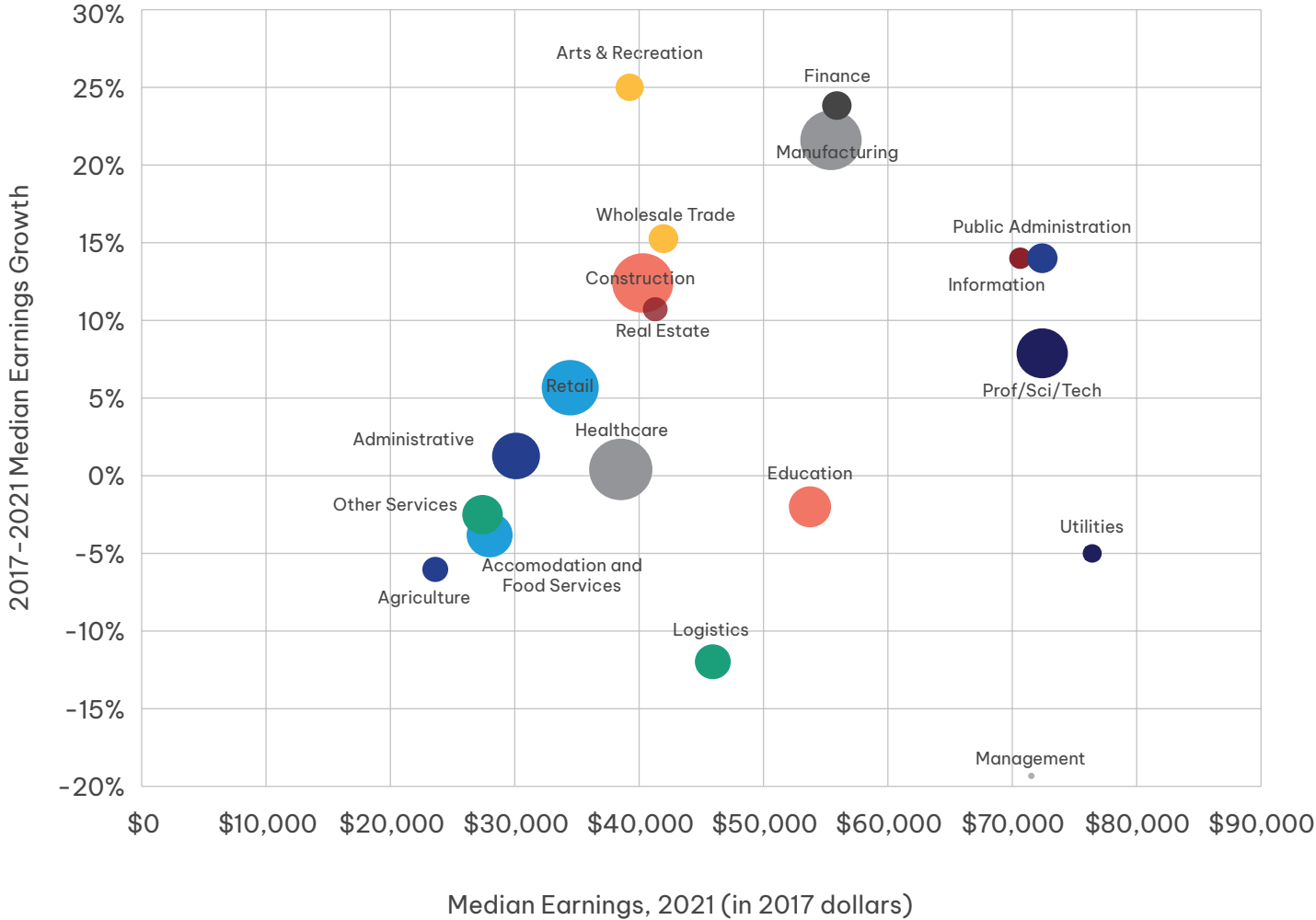
Net Jobs, 2020
City of Escondido



Source: Census Longitudinal Employer-Household Dynamics Origin-Destination Employment Statistics (LODES); Analysis by Beacon Economics

The fastest-growing median real earnings in Escondido occurred in both traditionally white- and blue-collar industries. Arts, Entertainment and Recreation recorded the highest five-year growth at about 25%, with Finance and Insurance, and Manufacturing close behind. Major employers like Construction and Professional, Scientific, and Technical Services also saw median earnings grow at a healthy pace. However, many industries saw marginal growth or even declines in median real earnings, with the already low-paying industries such as Agriculture, Accommodation and Food Service, and Other Services all experiencing declines. Education and Logistics are other major employers which saw declines in real earnings. Health Care and Social Assistance, the largest industry by employment in Escondido, saw no growth in real median earnings.

Employment* and Full-Time Earnings by Industry, 2021
City of Escondido



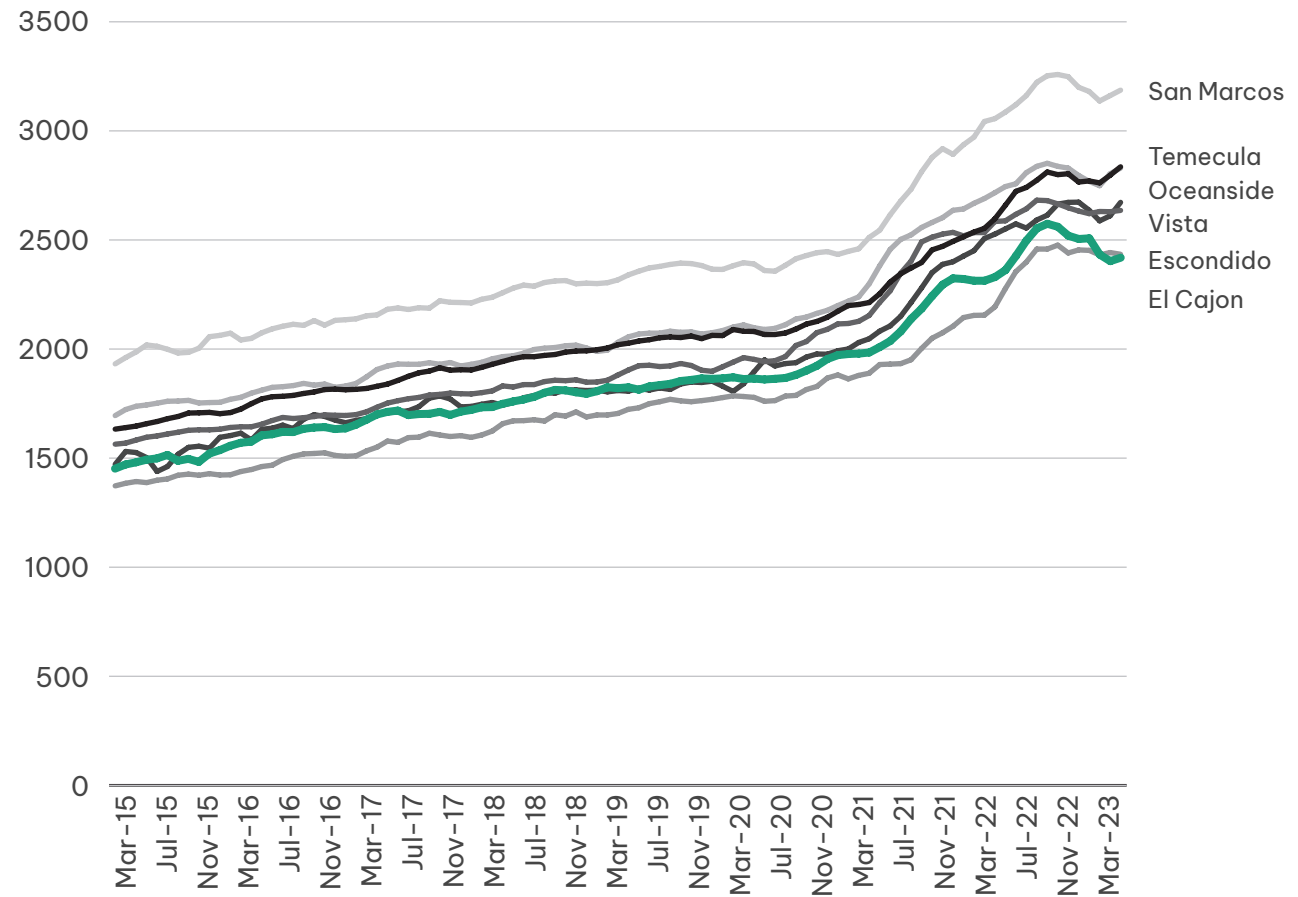
Source: Census ACS; Analysis by Beacon Economics

* The size of the bubble represents total number of workers in each industry.

HOUSING IN ESCONDIDO REMAINS CHEAPER THAN IN ITS PEERS BUT PERMITTING HAS BEEN SLOWER THAN ELSEWHERE.

The Zillow Observed Rent Index (ZORI) seeks to measure average monthly rent in each housing market¹. When compared to neighbors in North County and Riverside County, Escondido’s observed rent index followed a similar pattern between 2015 and 2023. Most cities experienced slow but persistent growth between 2015 and the start of 2021, including through the first months of the pandemic.

**Zillow Observed Rent Index
City of Escondido vs Neighboring Peers**

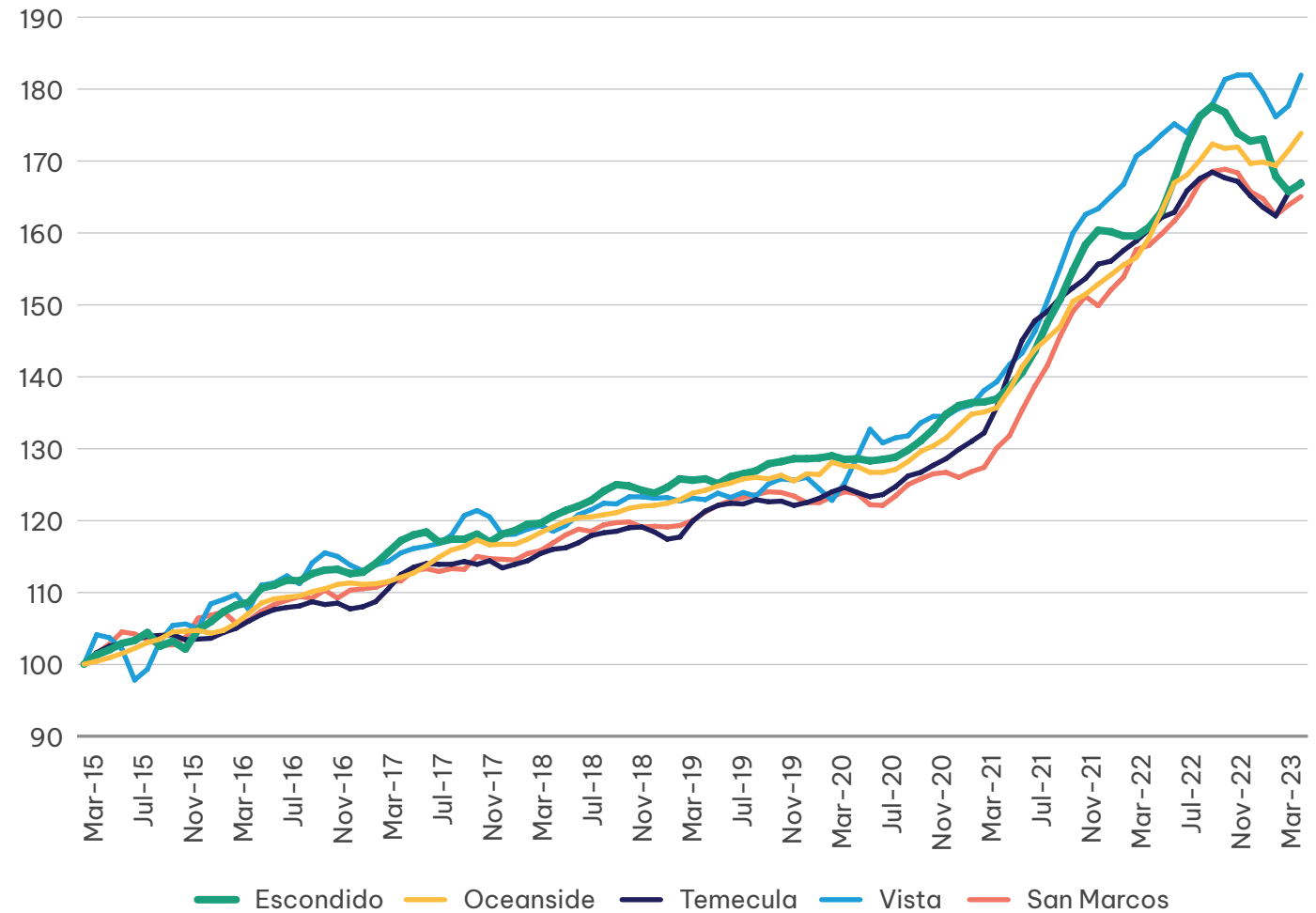


Source: Zillow; Analysis by Beacon Economics

¹ The ZORI uses Zillow’s database to determine a median measure of rent for all units, not just the units available on the market in that month. This helps avoid errors in measurement caused by compositional changes in the rental market that month rather than genuine changes in asking rent.

Starting in 2021, observed rents began to rise precipitously, and continued to rise through the summer of 2022. In the fall of 2022, some cities, including Escondido, saw drops in observed rent – not by dramatic rates, but down to levels comparable to the previous year. Other cities did not see a drop in median rent, but rather a temporary stagnation. Most cities, including Escondido, have once again experienced increases in observed rent since the start of 2023.

Relative Zillow Observed Rent Index
City of Escondido vs Neighboring Peers

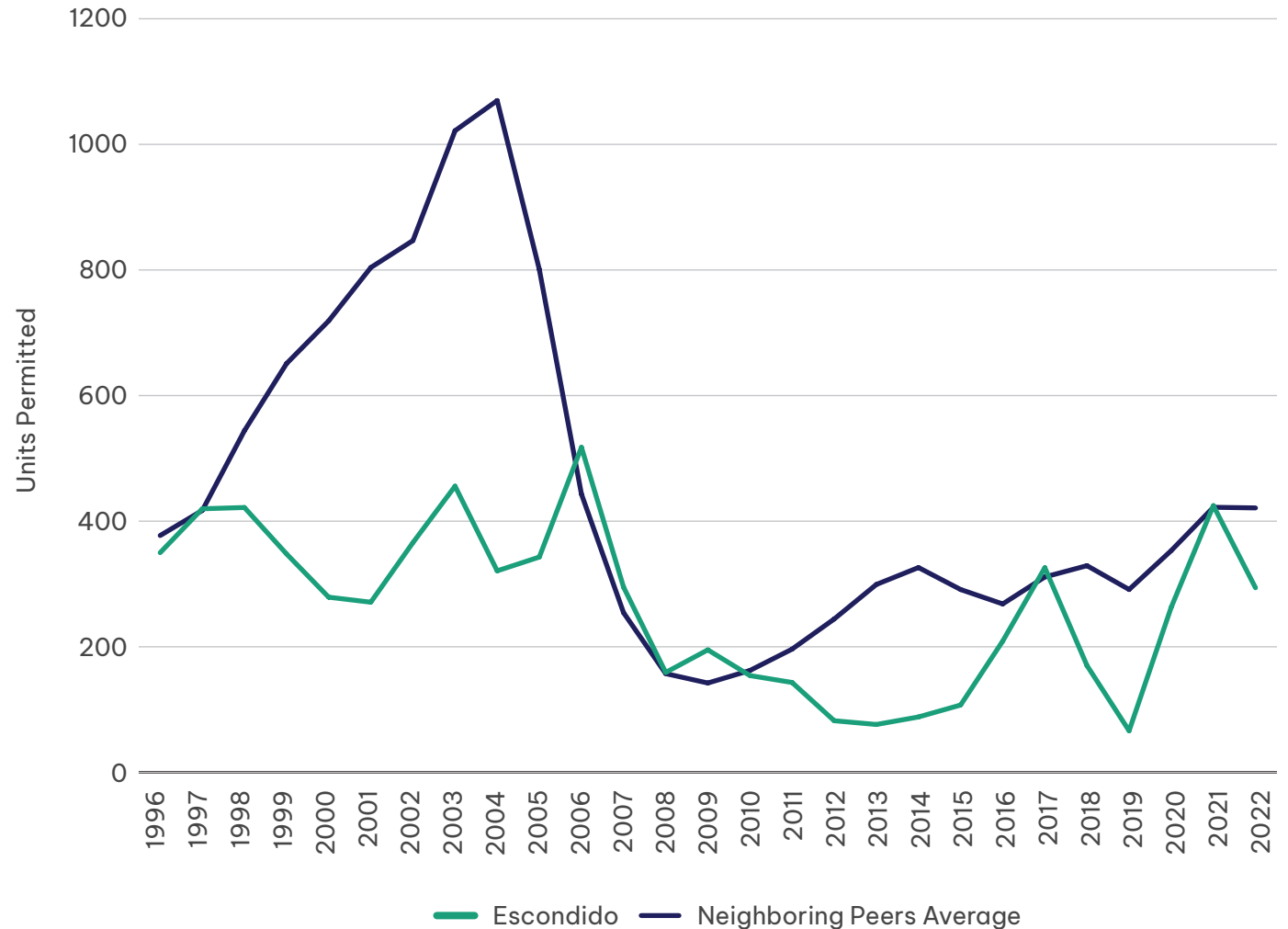


Source: Zillow; Analysis by Beacon Economics

As expected, relative growth in ZORI tells a similar story. Escondido generally saw higher relative growth than most of its San Diego and Riverside County neighbors, save for Vista. Escondido also had the most dramatic drop in relative ZORI in the second half of 2022 among these peers.

Escondido and a composite average of local peer cities share a similar history of residential permitting, with a large volume of primarily single-family units permitted before the onset of the Great Recession. While both geographies saw permitting drop precipitously and remain low for the next decade, most of Escondido’s (relatively few) units between 2007 and 2017 were multi-family, while most in peer cities were single-family. In the past several years, however, permitting in both areas has increased, albeit not to pre-Recession levels. Escondido has diverged from its peers as it is now permitting fewer multi-unit buildings relative to before 2008, and relative to its peers, which have begun increasing the issuing of multi-unit permits.

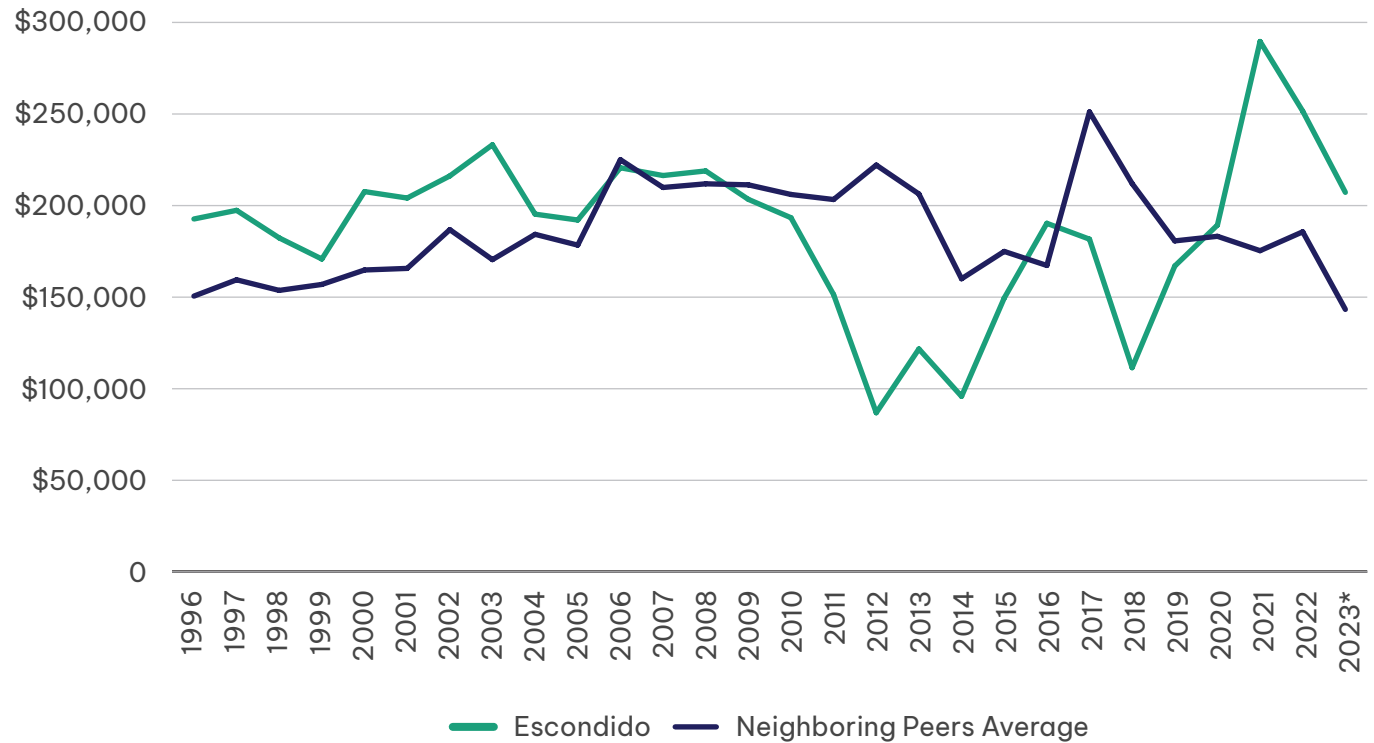
Residential Units Permitted Per Year City of Escondido vs Neighboring Peers



Source: Construction Industry Research Board (CIRB); Analysis by Beacon Economics

The average valuation of permits in Escondido – measured as a factor of construction costs and used to determine fees – has fluctuated relative to its peers, with average valuations being consistently higher in Escondido than a composite of its peers before the Great Recession. In the first half of the 2010s, average valuations rose in the peer composite while falling dramatically in Escondido – a result of the shift toward multi-family construction in Escondido during that period. After 2015, valuations rose in Escondido as permitting of single-family homes increased. However, many of the peers saw an increase in multi-family permits during this period. Valuations of Escondido permits continued to rise, both absolutely and relative to the peer composite.

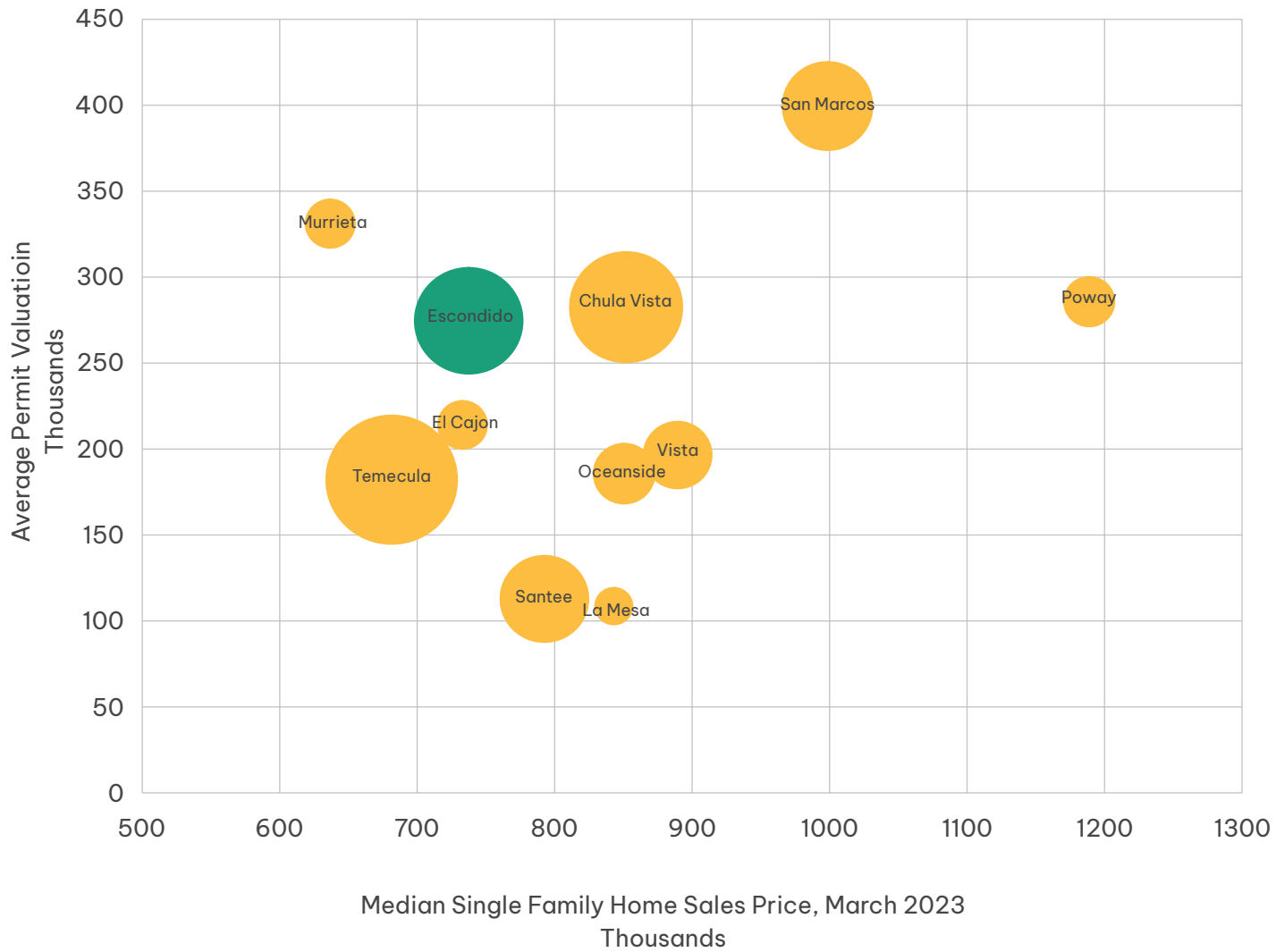
Per-Unit Permit Valuation
City of Escondido vs Neighboring Peers



Source: Construction Industry Research Board (CIRB), Census Building Permits Survey (BPS); Analysis by Beacon Economics

* Through March 2023

Single Family Units Permitted* Since 2020
City of Escondido vs Neighboring Peers

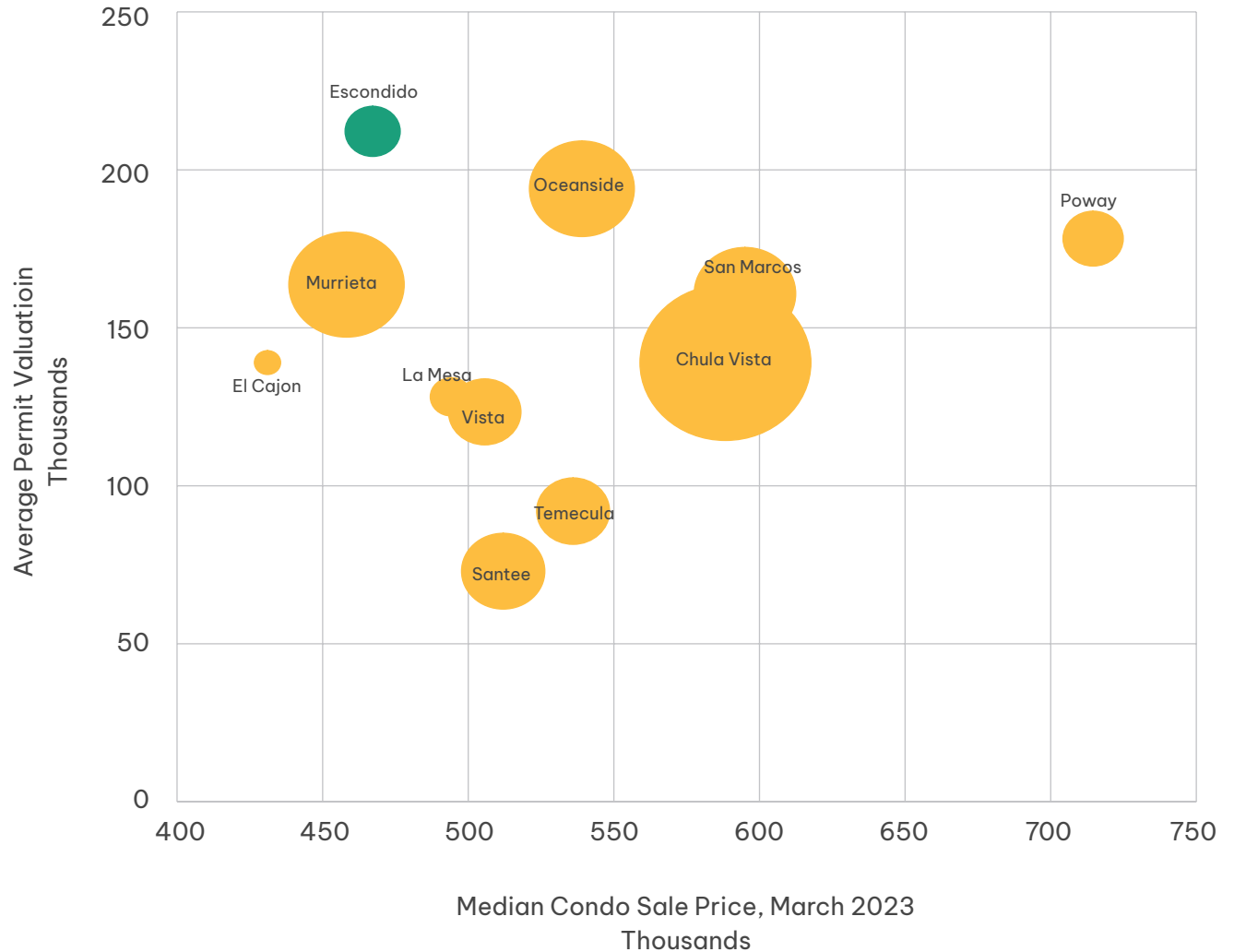


Source: Construction Industry Research Board (CIRB), Census BPS, Redfin; Analysis by Beacon Economics

* The size of the bubble represents the total number of units permitted since January 2020.

Since the start of the COVID-19 pandemic, permitting for new housing in Escondido has been relatively sluggish, compared to peer cities in the region. This is especially noticeable for multi-family developments, where Escondido has permitted fewer units than even Poway, a city with a population a third the size of Escondido's. Furthermore, despite being one of the less expensive cities in terms of both single-family homes and condominiums, the permit valuations of Escondido properties are among the highest in the set (the valuation per unit of Escondido's multi-family developments is the highest in the set). The implication is that these new developments, both single-family and multi-family, are less likely to improve housing affordability in the City than new developments elsewhere. Effectively, as both the region and California as a whole face a housing shortage, Escondido is failing to relieve that shortage by permitting too few units and appears unlikely to experience significant improvements in affordability in the foreseeable future.

Multi-Family Units Permitted* Since 2020 City of Escondido vs Neighboring Peers



Source: Construction Industry Research Board (CIRB), Census BPS, Redfin; Analysis by Beacon Economics

* The size of the bubble represents the total number of units permitted since January 2020.

SWOT ANALYSIS



BACKGROUND

A SWOT analysis is a necessary element of the Comprehensive Economic Development Strategy. Short for Strengths, Weaknesses, Opportunities, and Threats, it is a planning tool that allows communities to understand key planning priorities.

In this strategy, the SWOT acts as a filter between the data-gathering phase and the identification of priority areas. The research team has consolidated input from all phases of research into a list of 16 key planning themes, four from each category. Strengths and weaknesses are treated as elements that are currently either supporting or inhibiting economic development. On the other hand, opportunities and threats promise to be relevant during the current planning period. The Escondido SWOT is summarized on the next page.

In compiling this analysis, the research team was sensitive to topic frequency as well as topic impact. Research topics that emerged from multiple sources were prioritized, as were those deemed most likely to affect five-year planning. The figure below shows the most frequent terms mentioned in community interviews and surveys.

ESCONDIDO SWOT SUMMARY

	Supportive	Detrimental
Now	<p>Strengths</p> <ul style="list-style-type: none"> Affordability Within Region Central Location Natural Amenities Resilient Labor Force 	<p>Weaknesses</p> <ul style="list-style-type: none"> Dependence on Local Services Lower Educational Attainment Net Jobs Deficit Outdated General Plan Slow Housing Permitting
2-5 Years	<p>Opportunities</p> <ul style="list-style-type: none"> California Center for the Arts Downtown Infrastructure CleanTech Assets Regional Manufacturing Cluster STEM Degree Growth 	<p>Threats</p> <ul style="list-style-type: none"> Demographic Dependency Economic Instability Fiscal Instability Shortage of Industrial Land



STRENGTHS

Affordability Within Region

Compared to its San Diego County peers, Escondido is a relatively inexpensive place to buy a home and do business. Across a range of quantitative metrics (mean wage, median wage, housing values, commercial real estate values, industrial values), the City is either the most or the second-most affordable jurisdiction in the County. In community interviews and surveys, the region's affordability was cited as a major reason for settling down in the area, including by a thirty-something worker who relocated to 'The City of Choice' last year, after a long search:

"You know, we took last year and the year before to look for homes, and pretty much the whole San Diego area was very expensive, pretty much unaffordable. So, Escondido was kind of one of the few places in San Diego County that wasn't way off in like Ramona, or, you know, in Alpine. So that's why we ended up here."

That said, the City's affordability is not likely to last forever, or even for the duration of the planning period. Incomes are rising and average permit values are higher in Escondido than in the average regional peer. As more affluent homebuyers are drawn to Escondido by lower rents, they will tend to increase the price of housing. In the longer run, the City will need to rely on more than just price to bring in new residents and new businesses.

Central Location

Escondido's geographic location is one feature that will never change and is an enduring source of economic strength. Its position in North-Central San Diego County gives its businesses simultaneous access to two major economic zones: The San Diego-Tijuana Megaregion (of which it is a part), and Southern Orange County. The area is serviced by major arteries, including Interstate 15, State Route 76 and State Route 78. The city is within 100 miles of three major international airports: San Diego International (32 Miles South), John Wayne (68 Miles North), and Ontario (83 Miles Northeast). The City also has access to a massive agricultural complex that totals 219,874 acres and produced \$1,752,999,086 in crops in 2021².

Centrality has been essential for prominent local businesses such as Henry Avocado. The Henry family has been operating an avocado farm in San Diego County since 1925, and today has its headquarters and two distribution centers in Escondido. Its nationwide distribution network is centered on the Bravocado and Green Goddess brands and draws on a complex supply chain of produce from California, Mexico, Peru, and Chile. North San Diego County is an ideal location for the manufacture and distribution of a wide variety of products.

² San Diego County Agricultural Weights and Measures. "2021 Crop Report." <https://www.sandiegocounty.gov/content/sdc/awm/2021cr.html> (May 1, 2023).

Natural Amenities

Interview and survey respondents were quick to praise Escondido’s abundant natural features, including Lake Hodges, Daley Ranch, the Elfin Forest Recreational Reserve, and Palomar Mountain State Park. In addition, residents seem to appreciate the way in which the natural environment is integrated into everyday life, from nightly stargazing to the year-round Farmers Market at Heritage Garden Park. One resident told the research team that Escondido’s natural amenities compare favorably with famous assets like Griffith Park in Los Angeles.

“Here in Escondido, there’s always space even if a parking lot’s full, you know, use plenty of space on the trail, you don’t really have to worry about bumping into people that often. And you really do kind of get that feeling that Okay, I’m out in nature versus kind of being at Griffith Park, and like, Okay, I’m at a zoo, a lot of people here.”

Having superior natural amenities makes the City attractive for those who, like the person quoted above, are more discerning about where they like to hike and enjoy the natural environment. It also makes the area more attractive as a destination for nature travelers who might be interested in local flora and fauna and to the exotic animals at the Safari Park and Sea World.

Resilient Labor Force

The quantitative analysis highlights the astonishing bounce-back from the Covid-19 pandemic by Escondido’s labor force. Employment in the City has returned to its pre-pandemic level and the unemployment rate is only slightly higher than it was in March of 2020. Throughout the post-pandemic period, median and average earnings have continued to tick up.

The resilience of the Escondido economy is a credit to its industrial base. The City’s largest employer is Palomar Medical Center; the Health Care sector grew by 1.2% between February 2020 and December 2022, compared to 0.8% for the rest of the labor force³.

³ Peterson-KFF Health System Tracker. 2022. “How Has Health Sector Employment Recovered since the Pandemic?” Peterson-KFF Health System Tracker. <https://www.healthsystemtracker.org/chart-collection/what-impact-has-the-coronavirus-pandemic-had-on-healthcare-employment/>

WEAKNESSES

Dependence on Local Services

The very features that helped Escondido's labor force rebound from the pandemic are not likely to drive economic development during the next planning period. The largest industry by employment is Education and Health Care—sectors that are very resilient during periods of economic stress (like the Covid-19 pandemic), but not an engine of economic growth. In general, jobs in 'meds and eds' tend to trail economic growth elsewhere in the economy, and to be mostly associated with population growth. In Escondido, a city with a plateauing economy and population, these sectors will generally not be able to generate more economic opportunities.

Construction is the most specialized industry in Escondido, but this is also less than optimal. As we have seen, construction can drive economic growth in a city like Escondido, but that is mostly due to the city/region's housing deficit. As the housing crisis (hopefully) subsides in the coming years, construction will not see the same rapid growth. Under normal circumstances, economic growth in other sectors creates demand for construction more than construction generates demand for other sectors. Retail is Escondido's second most specialized industry, but, like construction, it is a locally serving industry.

It would be much better for the City to specialize in so-called 'traded industries', meaning industries that tend to export out of San Diego County. Traded industries include Information, Professional Services, Manufacturing and Accommodation. The advantage of traded industries is that they tend to generate higher 'employment multipliers' elsewhere. Whereas one locally serving industry (e.g., a restaurant) might directly employ a few people and support a small number of local suppliers, a traded industry (e.g., a Professional Services facility) will generate much more business-to-business activity, and much more demand for consumer services.



Put succinctly, traded service industries tend to generate employment in locally serving industries, but a locally serving industry will not tend to generate employment in traded industries. More restaurants open up when a new factory is opened, but more factories do not follow more restaurants.

Lower Educational Attainment

Escondido’s educational attainment compares unfavorably to its peers. Fewer of the City’s residents have university or post-graduate degrees and the City has a higher share of residents with less than a high school degree. Lower educational attainment is closely connected to the City’s lower mean and median income level. In a modern economy, jobs for university graduates pay on average 135% more than jobs for high school graduates and are associated with 2.7 percentage points lower unemployment. Such jobs are also less likely to be vulnerable to outsourcing⁴. Put simply, Escondido’s income per capita would be higher if its workers were more educated, and the City might also have a more favorable industry concentration.

Net Jobs Deficit

As indicated in the workforce analysis, the City of Escondido runs a net jobs deficit. This lack of local employment is a weakness of Escondido’s economy and impacts the local economy in at least four ways. First, it means that more Escondido residents are drawn outside of the City for a portion of their workweek. While away, they will be spending less within the community, leading to lower sales tax receipts. Second, it means more uncompensated commuting time for Escondido’s workers. Third, it means that the City of Escondido realizes fewer business license fees than it would in a jobs-neutral scenario. Last year, business license fees contributed 2% to the general fund. Finally, and most importantly, inter-city commutes contribute negatively to the standard of living for most people. Residents who work outside of Escondido may be tempted to move to lower their commute time. On the other hand, the jobs deficit is something of an opportunity. If the City can generate jobs closer to currently commuting residents, then it will be much more likely to retain these residents over the long term.

Outdated General Plan

A city’s general plan is the single most important land use planning document, laying out which land, densities, and designs are permitted, and which require special permission. In the wake of Proposition S, which requires voter approval of densification that exceeds a general plan, Escondido’s general plan is particularly important. It is also relatively old. Five of its seven local peers have either already updated their plans or are in the process of doing so.

⁴ Tempesti, Tommaso. 2016. “Offshoring and the Skill-Premium: Evidence from Individual Workers’ Data.” *The World Economy* 39(10): 1628–52.

CITY	GENERAL PLAN UPDATE YEAR
CARLSBAD	2015
ESCONDIDO	2010
MURRIETA	2020
OCEANSIDE	IN PROGRESS
SAN DIEGO	2008
SAN MARCOS	IN PROGRESS
TEMECULA	2005
VISTA	2012

Slow Housing Permitting

In a region with strong housing demand, the pace of housing permitting in Escondido is slow, relative to its peers. In terms of economic or demographic fundamentals, the City does not face any significant barriers to permitting new housing. Even Measure S, which is sometimes linked to the City’s land use status quo, cannot obviously be linked to slow permitting. Interviews with planning officials and other city leaders indicate that there is widespread commitment towards increasing the number of housing units on the market. Indeed, since 2017 there has been a marked improvement in permits issued. However, neighboring cities still do better in this regard, especially in the multi-family category.

Slow permitting has two major effects on the Escondido economy. First, it makes the City more expensive and therefore less attractive to younger working families who might otherwise bring incomes and the ‘workforce of tomorrow’ into the City. The City will be less attractive to families if it continues to lock them out of home ownership. Second, it represents an unnecessary drag on the construction industry. Construction added more jobs than any other sector between 2016 and 2021, but it would have added even more if Escondido permitted more housing. Slow permitting is also somewhat related to the ability of Escondido to provide adequate housing to its residents. Community respondents, especially from the business sector, reported concerns about public homelessness. A small part of this problem can be connected to barriers (in Escondido and across California) to the construction of new housing units.



OPPORTUNITIES

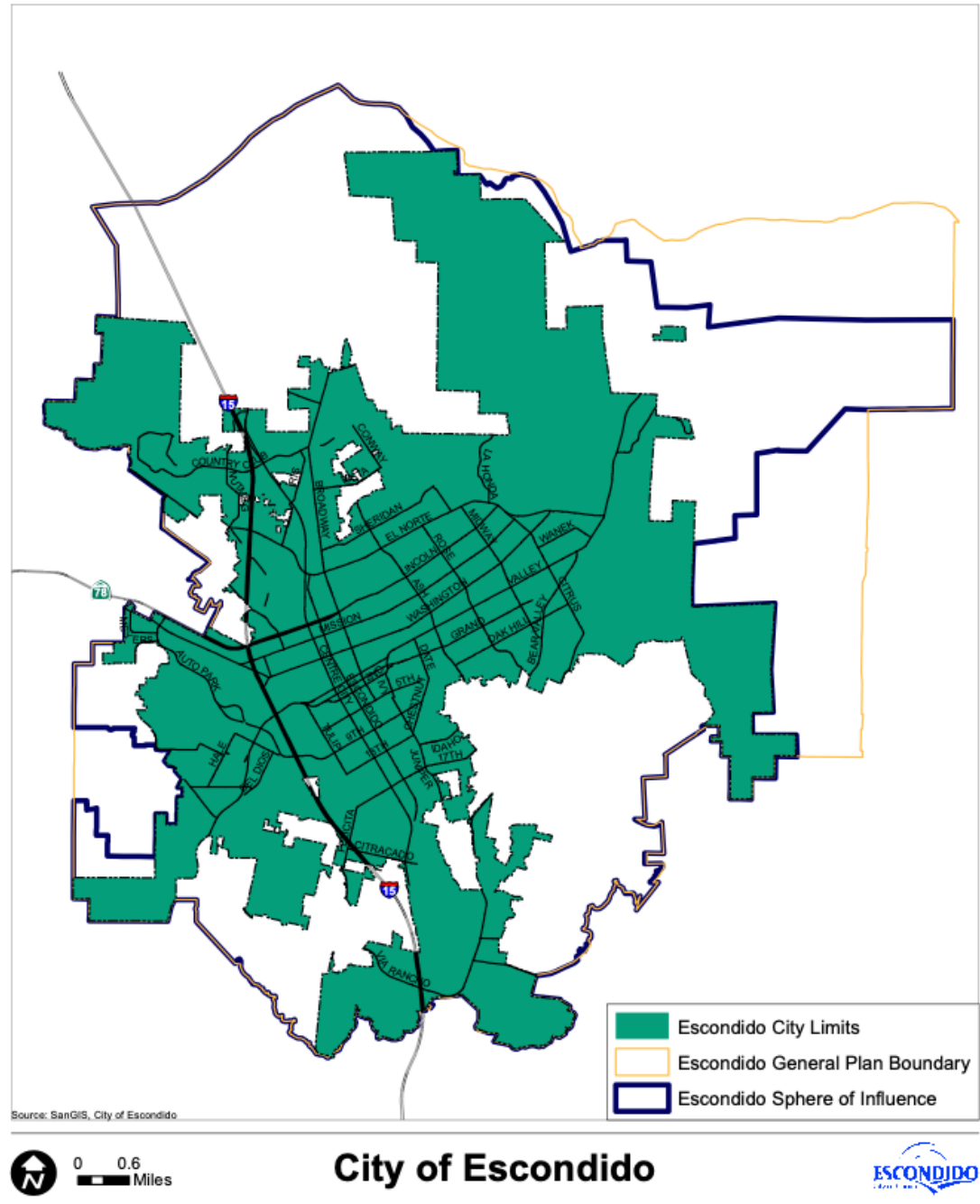
California Center for the Arts

Escondido is home to the cultural hub of North San Diego County in the form of the California Center for the Arts, Escondido (CCAIE). Located on Escondido Boulevard, it hosts a 1500 capacity concert hall, a 400-seat theater, museum space, studio space, and indoor/outdoor event venues. While cultural institutions in other cities tend to have a narrow but committed support base, the CCAIE has the backing of a wide swathe of the community. At community meetings, a number of participants name the center as the City's 'Best Kept Secret' and 81% of respondents to the online survey reported having visited the center. One reason for this might be the affordability of tickets—the median ticket for a Saturday performance at CCAIE in 2023 was just \$25. Roughly 27% of the Center's Budget comes from the City of Escondido and the City continues to maintain its support even as it faces financial stress elsewhere.⁵

⁵ Tash, Joe. 2022. "How Deep Will Cuts Be to California Center for the Arts?" San Diego Union-Tribune. <https://www.sandiegouniontribune.com/communities/north-county/story/2022-06-19/how-deep-will-cuts-be-to-california-center-for-the-arts> (May 1, 2023).

Downtown Infrastructure

Escondido's Downtown Specific Plan (DSP) is the fulcrum of an extensive redevelopment effort in the heart of the City. Initially adopted in 2013 and most recently amended in 2021, the plan provides the regulatory framework for a downtown district that will house and host more people. It directly responds to the City's housing shortage by designating high density areas, permitted to hold up to 100 dwelling units per acre, and emphasizing mixed land uses that can generate housing, employment, and sales tax revenue on the same site. Mixed-use zoning is conducive to more walking and cycling, which the plan also supports with human-scale design elements.



The DSP’s goal is already being realized via the Grand Avenue Vision Project, an eight-block redevelopment that is paving the main thoroughfare, widening sidewalks, hanging streetlights, and making permanent the outdoor dining areas that were popular during the pandemic. At the east end of Grand Avenue, the 13.8-acre Palomar Heights planned community is being built. The project will add 510 new homes and 6,000 square feet of retail space to the heart of downtown.

This progress notwithstanding, the DSP’s Density Transfer Program may yet have the biggest impact on downtown redevelopment. That provision enables developers to transfer unused residential density permissions on one downtown project to another. This should persuade developers to build sooner than they would without the program. Under normal circumstances, a developer may be reluctant to make an early investment when the market might not support fully allowable densities. The program allows the developer to compensate for lower densities on early projects with larger projects later. It also gives them an incentive to make multiple investments in the area.

CleanTech Assets

In California, the clean economy is more than just a lofty goal, it’s state law. AB 350 committed the state to reducing its greenhouse gas emissions to 80% below 1990 levels by 2050. This requires that commercial and industrial activities be less dependent on oil and gas, and that normal patterns of living (choice of automobile, commuting behavior) cause less intensive burning of fossil fuels. The move toward a cleaner economy stands to also open new economic opportunities in some jurisdictions. Clean or sustainable jobs are said to pay around 2% more than equivalent jobs in other sectors, and this difference is increasing. However, for a variety of reasons (labor force composition, local policy, geography), not all jurisdictions will do equally well at attracting green employment⁶.

Escondido’s transition to a sustainable economy will be aided by its formidable CleanTech infrastructure. This starts with comprehensive climate planning like the City’s 2021 Climate Action Plan which lays out a framework to support local-level emissions reductions. It calls for nine strategies and eight specific measures in support of these. The plan received the highest score in the Climate Action Campaign’s 2022 ranking of San Diego County climate plans⁷.

⁶ Bergant, Katharina, Rui C. Mano, and Ippei Shibata. “How the Green Transition Will Impact US Jobs.” IMF. <https://www.imf.org/en/News/Articles/2022/12/12/cf-how-the-green-transition-will-impact-us-jobs> (May 2, 2023).

⁷ “REPORT CARD | San Diego | Climate Action Campaign.” CAC. <https://www.climateactioncampaign.org/report-card> (May 2, 2023).

Strategies for Reducing Greenhouse Gas Emissions, From the 2021 Climate Action Plan

Industry Name	Businesses Include	Escondido Examples
Increase the use of Zero-Emission or Alternative Fuel Vehicles	Reduce Fossil Fuel Use	Reduce Vehicle Miles Traveled
Increase Building Energy Efficiency	Increase Renewable and Zero-Carbon Energy	Increase Water Efficiency
Diversify Local Water Supply	Reduce and Recycle Solid Waste	Carbon Sequestration and Land Conservation

In terms of execution of these plans, Escondido is already home to leading clean technology infrastructure projects. San Diego Gas and Electric’s 30,000 kW energy storage facility was one of the largest in the world when it opened in 2017⁸. In early 2023, an additional 30-megawatt plant – the Seguro Energy Storage project – was proposed in Eden Valley near the western edge of the town. There is also the City’s new water filtration project, the Membrane Filtration Reverse Osmosis facility (MFRO), which treats wastewater so that it can be returned to the agricultural system, lowering the strain on wastewater infrastructure and improving the area’s ability to cope with droughts. Projects like these directly employ operations and construction workers. Perhaps more importantly, they signal to the world that Escondido is at the leading edge of environmental adaptation and management.

⁸ SDG&E. 2017. “SDG&E Unveils World’s Largest Lithium Ion Battery Energy Storage Facility.” <https://www.prnewswire.com/news-releases/sdge-unveils-worlds-largest-lithium-ion-battery-energy-storage-facility-300413077.html> (May 2, 2023).

Regional Manufacturing Cluster

Escondido’s location in North County provides tremendous opportunities for economic development. The region specializes in manufacturing with a presence of around 40,000 jobs in the industry, more than half of all manufacturing jobs in the San Diego region, despite accounting for less than a third of the county’s population.

Crucially, San Diego County is most specialized in high-value manufacturing goods, that is manufacturing operations that require more skilled workers and pay higher wages to frontline workers. As the table below shows, the area has higher location quotients in electronics, chemical and pharmaceutical manufacturing, and has become more specialized in these areas over time.

YEAR	ELECTRONICS MANUFACTURING EMPLOYMENT CONCENTRATION	CHEMICAL MANUFACTURING EMPLOYMENT CONCENTRATION	PHARMACEUTICAL AND MEDICINE MANUFACTURING
2018	2.73	1.11	2.55
2019	2.74	1.11	2.47
2020	2.92	1.21	2.50
2021	2.91	1.31	2.68
2022	2.83	1.32	2.67

Although most manufacturing is concentrated further west in San Marcos, Vista, and Carlsbad, Escondido is still well situated within the North County manufacturing sphere, and the City’s location along SR-78 and I-15 provides excellent market and distribution access . As the sector continues to grow, increasing demand for space and labor leads firms to look for new locations, and Escondido can capitalize on its assets to attract such firms. With North County manufacturing appearing to be fairly resilient – even adding jobs during the COVID-19 pandemic – and specialized in high-value, export-driven manufacturing, the recruitment of a major manufacturer to the City would be a significant economic anchor. Manufacturing also provides employment opportunities that both meet Escondido’s current skill base and raise the City’s median income, relative to other industries which do not require college degrees for most jobs.

STEM Degree Growth

While Escondido has lagged behind its neighbors in higher educational attainment, as well as STEM degrees among college graduates, those gaps have been closing as a result of increased access to higher education and cost of living pressures in other parts of North County. Additionally, there has been growth in the number of degrees granted in STEM at North County universities and colleges in recent years. Escondido's relatively small STEM-industry labor pool had discouraged such businesses from establishing themselves in the City. The growth of this labor pool offers some incentive for technological and scientific firms, the bedrock of San Diego's economic resilience and high incomes, to consider moving to the City.

Additionally, aside from the City's ability to recruit firms, the growth in STEM degree graduates would still improve the City's overall economic resilience, as STEM jobs, especially those that require college degrees, typically command higher salaries and are less susceptible to economic downturns or offshoring than non-STEM and non-degreed jobs.



THREATS

Demographic Dependency

The average age of Escondido’s resident population has risen as homeowners, many of whom moved in before the Great Recession, have chosen to remain and retire in the City. Absent sufficient housing growth, this has effectively locked out young professionals and young families who are less able to afford the homes that do make it to the market. These may in turn lead to additional effects on the demographics of the City as it has been shown that increasing house prices can affect fertility intentions and fertility outcomes among renting households⁹.

An aging population threatens some of the City’s long-term goals. For example, businesses that cater to older families and retirees dissuade families with young children and other new families from moving to the City, thus raising the average age. When families seek to put down roots, they often focus on local affordability, schools, and family-friendly amenities. As a city’s population ages, those amenities are less likely to be established, making it less attractive to those families.

Furthermore, an aging population corresponds to a shrinking labor force, which discourages new employers from establishing themselves in the City. Business plans are often predicated on the expectation of continued growth, but a lack of workers can hamper or even arrest that growth. Businesses are more likely to locate to a dynamic, growing community than a city with a stagnant or shrinking labor pool.

While the population continues to age, Escondido stands to lose out on attracting potential businesses, revenue, and young families.

⁹ Atalay, Kadir, Ang Li, and Stephen Whelan. 2021. “Housing Wealth, Fertility Intentions and Fertility.” *Journal of Housing Economics* 54: 101787.



Economic Instability

Escondido struggles with a high incidence of economic instability, including poverty rates that are higher than the national average and almost all local peers. Poverty is not just a weakness facing the City now; it promises to inhibit development for years to come. Children who grow up in poverty are less likely to acquire educational credentials, and less likely to join the workforce. Similarly, living in a high poverty neighborhood has been linked to lower economic opportunities throughout life, according to experimental studies of those who have been moved out of such areas¹⁰.

Homelessness, especially visible homelessness, is another pervasive problem. A vocal minority of community members, at meetings and in the online survey, asserted that visible homelessness was a major impediment to the City's progress. Some said they were less likely visit certain areas of the City because of homelessness.

Economic instability is a problem because it directly affects the disadvantaged and the homeless. And the perception of this problem may make it harder for the City to attract visitors, new residents, and investment opportunities.

Fiscal Instability

Escondido is on an unsteady fiscal footing, even though its per-capita government spending is among the lowest in North County. For Fiscal Year 2022/23 the City was forced fill an \$8.5 million shortfall by cutting operational services, shaving subsidies to the CCAE, and dipping into \$3.7 million in federal recovery funds. For the most part, these are not sustainable fiscal strategies. The City is already seeing critical staffing shortages in key areas like Planning and Engineering and will not be able to find cost savings without undermining its service obligations. All federal funds under the American Rescue Plan Act must be apportioned by 2024 and spent by 2026, meaning that this mechanism will only be available in the next few budget cycles. Finally, the CCAE will simply not be able to continue operations in the face of more dramatic funding cuts.

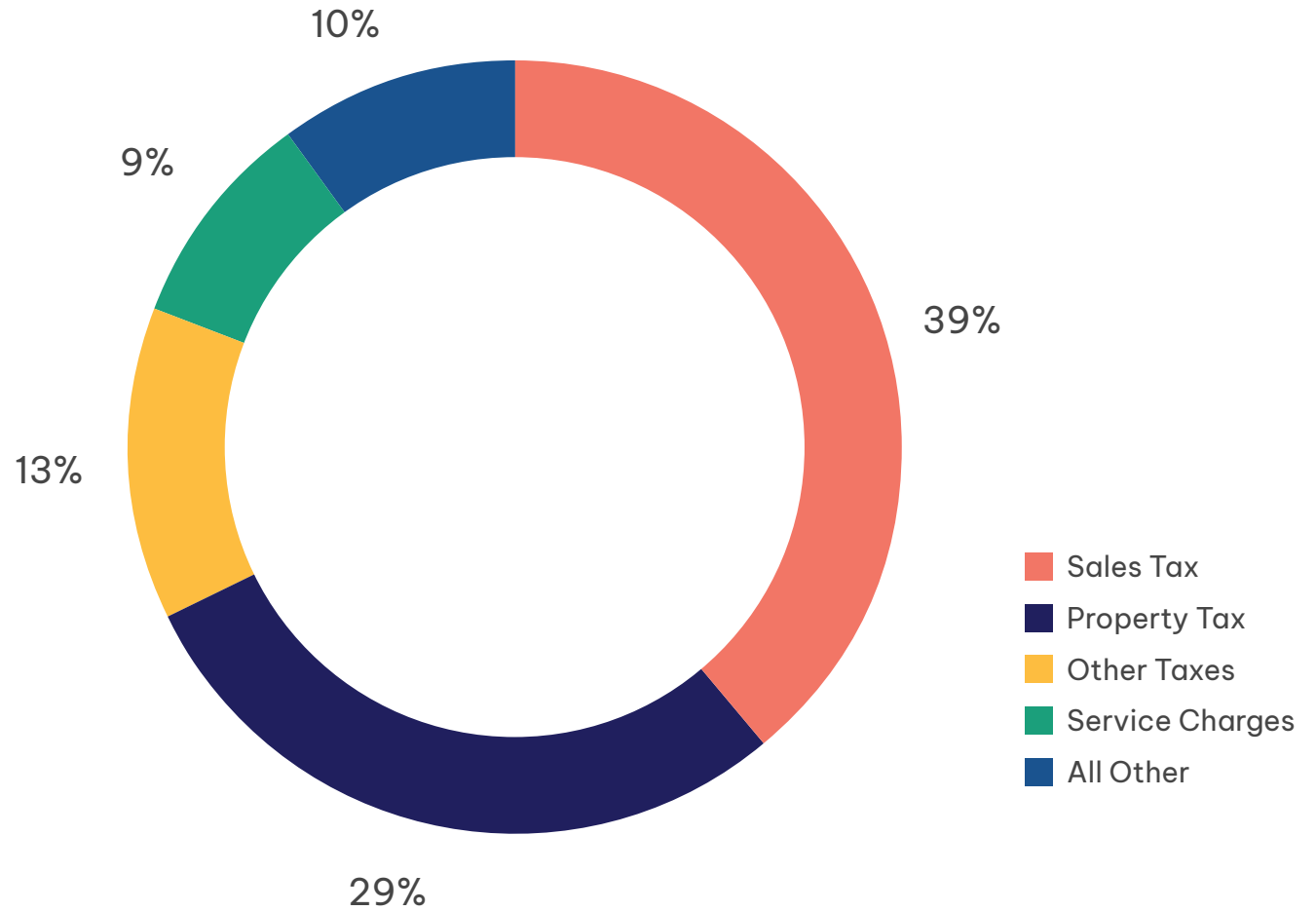
As dire as the current situation is, the macroeconomic environment will likely not be more favorable over the next three to five years. Higher interest rates will make it harder to secure bonds or new sources of federal funding. More fuel-efficient vehicles will continue to place pressure on the gas tax¹¹.

¹⁰ Chetty, Raj, Lawrence Katz, and Nathaniel Hendren. 2016. "The Effects of Exposure to Better Neighborhoods on Children: New Evidence from the Moving to Opportunity Experiment." Opportunity Insights. <https://opportunityinsights.org/paper/newmto/> (May 3, 2023).

¹¹ Pew Research. 2022. "As Electric Vehicle Growth Squeezes Gas Tax Revenues, Data Helps States Prepare." <https://pew.org/3SGtMZv> (May 3, 2023).

The pursuit of additional revenue will prove to be a crucial component of the City’s long-term sustainability. The rejection of Measure E, a sales tax increase, by voters in 2022 only exacerbates the need for this revenue to come from existing sources, especially sales and property taxes. Revenues from these traditional areas will, in turn, grow if the City is able to expand its population, raise the value generated by its businesses, and grow the incomes of its residents.

General Fund Revenue by Source City of Escondido



Source: City of Escondido; Analysis by Beacon Economics

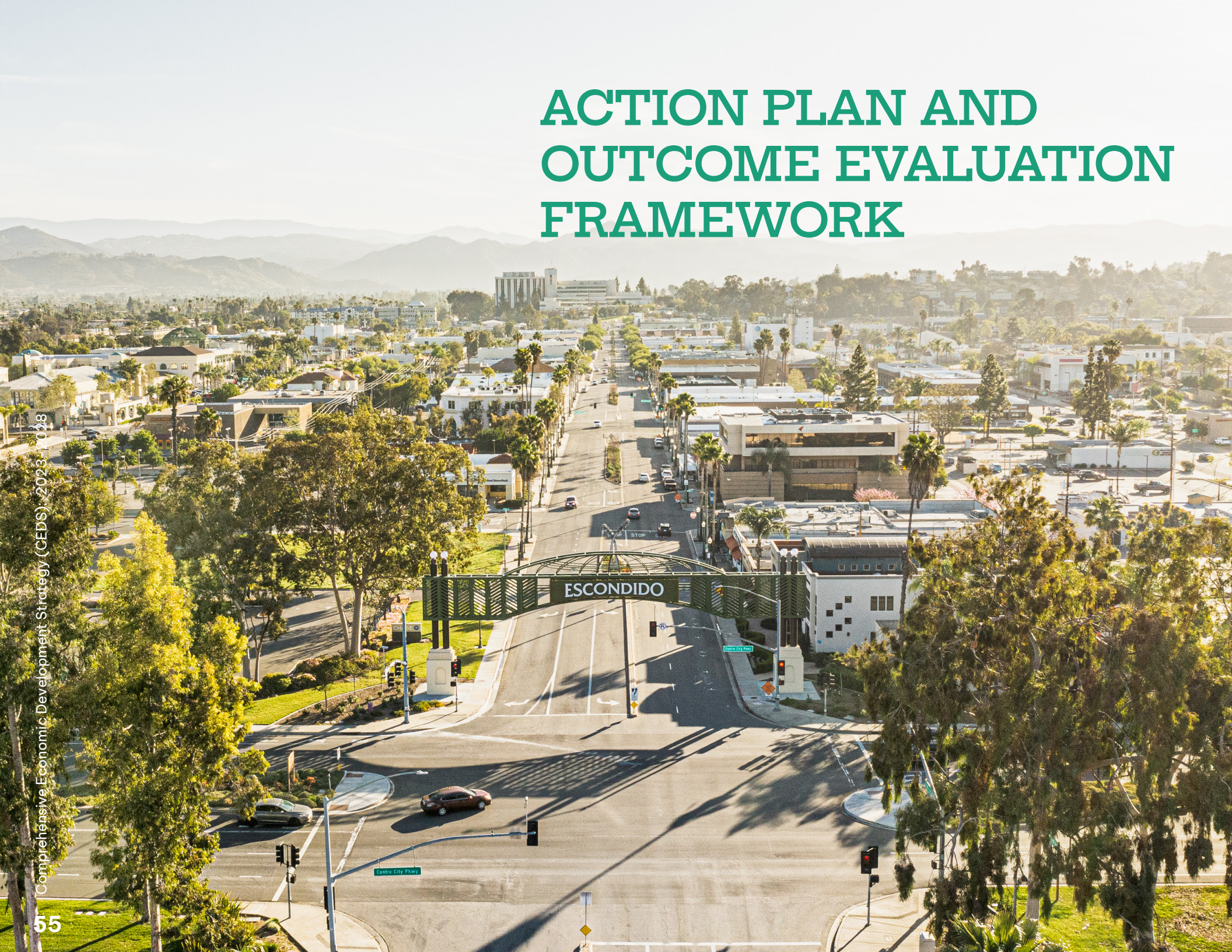
Shortage of Industrial Land

While Escondido has extensive industrial zoning, much of its light industrial space appears to be underused. Within the City’s industrial zone, there are relatively high concentrations of less-than-optimal industries and building types for resilient employment growth. Escondido has many automotive repair shops, open outdoor storage, and car lots, all of which generate less employment and economic opportunity than more intensive forms of industrial activity, such as manufacturing. These industries are also limited in their potential by geographic constraints – neither auto repair nor construction are particularly “exportable” – and therefore limited in their growth potential for employment by local demand. The conversion of current industrial spaces into those fitting a light manufacturing or distribution plant incur costs many commercial landlords are unwilling to take, and thus hamper the ability of the City to attract these more employment-intensive industries. As there still exists firm-side demand for auto repair and outdoor storage spaces, there is further disincentive for landlords to upgrade their buildings or search for new types of tenants.

“People will move here, you know, because they want a walkable experience. Like increasingly so they don’t need to be located in the LA/San Franciscos you know, Santa Monica, San Diego’s they can be in a tertiary city. I think the goal should be to serve new residents by getting rid of unproductive land uses “

This shortage of industrial land, combined with a reluctance to convert existing sites and the City’s limited ability to annex or zone more industrial land, may constrain the City’s potential to attract manufacturing or other industries and to expand employment in this sector.

ACTION PLAN AND OUTCOME EVALUATION FRAMEWORK



FUNDAMENTAL OBJECTIVES: 2023-2028

Based on the analysis of local data and community intelligence, as reflected in the SWOT analysis, it is recommended that Escondido pursue a highly disciplined economic development strategy that is focused on improving **four** community fundamentals.

FUNDAMENTAL 1- BALANCE POPULATION GROWTH RATES

Escondido's plateauing population growth is troubling. It signals that there is not enough economic opportunity to attract new residents and/or that the housing market cannot absorb new residents. The fiscal consequences of this growth are also cause for concern. To become financially solvent, the City will need to grow sales and property tax revenues, and the easiest path to that is increasing the local resident base. The city should also not accept growth on any terms. It cannot allow the extent of growth to challenge community mainstays like agricultural employment, recreational opportunities, and short commutes. Escondido should aim for a modest population growth rate that is faster than it's been since 2010 (.39% per year) but slower than it was in the forty years previously (7.1%). A growth rate of between 3% and 4% represents a middle ground that will add dynamism without undermining Escondido's character or alienating its longtime residents.

FUNDAMENTAL 2- MORE ECONOMIC OPPORTUNITIES

Escondido's economy will work best when it can create economic opportunities for its residents. This means ensuring that everyone who wants a job can get one, and in their field. The need for economic opportunities is most acute for those in poverty or lacking stable housing. Relatedly, there should not be excessive commuting, an activity that takes a toll on the environment, quality of life and productivity. More education and workforce training programs that align with industry needs can attract firms in key industries.

FUNDAMENTAL 3- ACTIVELY MAXIMIZE VALUE OF LAND

California's land values are some of the highest in the country, which means it is more expensive to find a home, start a business, or have fun. In this environment, it is crucial that land is put to its best use. Inefficient land use, such as static storage for goods or cars should be discouraged. Land that is zoned for housing (Fundamental 1) should do just that, and land that is zoned for creating jobs (Fundamental 2) should do that. Just as a cash-strapped household needs to make every penny count, so too must land-scarce Escondido get more people and jobs out of every acre.

FUNDAMENTAL 4 - INTENTIONAL PLACEMAKING AND MARKETING

Feedback from Escondido’s business community and residents has uncovered a gap between how Escondido is experienced by its residents and how it is perceived from the outside. This insider/outsider mismatch is an occasion for The City to tell its own story better. Escondido officials and allies should increase their efforts to ensure that key strengths, including superior natural amenities and comfortable quality of life, are recognizable. Moreover, as the City continues to address its weaknesses, and embrace new opportunities, it needs to be sure that it is updating the rest of the world on these developments. For the sake of sustainable economic development, Escondido cannot afford to be North County’s ‘best kept secret’ for much longer.

Escondido should seek to support at least one, if not all four of these fundamentals through each of its actions. The SWOT analysis in turn suggests strategic priorities and initiatives across three thematic areas:

THEMATIC AREA 1: STREAMLINED INDUSTRY TARGETING

In Brief

Escondido will leverage its **CleanTech Infrastructure**, and **Central Location**, to grow economic clusters in high potential industries. This will allow for the city to pivot away from its **dependence on local services**, and address **its net jobs deficit** and, over time, **its economic instability**. Its clusters will generate jobs for all workers in the labor force, including those with **lower educational attainment**.

Strategic Narrative

The 2017 CEDS proposed targeting 16 economic clusters, six of which were high priority. This goal may have been too ambitious for the period, and not just because of the pandemic. A city with Escondido’s resources needs to be laser-focused on what industry clusters it has a strategic advantage in. The results of the 2023 CEDS study suggest three sectors of focus.

The first cluster is Agriculture and AgTech. These related areas evolve from the city’s historical strengths in farming and ranching, aim to preserve and grow existing agriculture operations, food packaging, and food production companies. Escondido is uniquely positioned to be a leader in the region for this cluster, offering existing land, supply chain resources, and infrastructure such as the Membrane Filtration and Reverse Osmosis (MFRO) water facility, a rail spur, and the San Diego County Farm Bureau. The city’s growing professional services and technology industry coupled with historical strengths in agriculture and food offer the opportunity to grow as an Agriculture and AgTech hub for southern California, conveniently located between Los Angeles and Imperial Counties.

The second cluster is CleanTech. The city is already home to one of the region’s largest electrical consulting and solar companies and has attracted many companies in the CleanTech industry cluster. In addition, the strong automotive industry has been upgrading facility infrastructure and the city has also been selected for two major energy storage projects. These companies and facilities have proven to be anchors for additional activities including upstream (research and development, professional services) and downstream (installation, maintenance). They also act as magnets for trained energy technicians, who might also be employable at other power generation and transmission facilities.

The third cluster is Tourism which includes arts and culture, food and beverage, sports tourism, and the historical downtown. San Diego County has massive tourism anchors in the form of The San Diego Zoo, Sea World, and Balboa Park. Escondido cannot compete with these attractions, but it can offer niche tourism experiences that take advantage of the area’s excellent agriculture, wineries, and breweries, and Escondido’s arts and culture assets such as the California Center for the Arts, Escondido (CCA), Queen Califia’s Magical Circle, and a myriad of local arts organizations, shops, and public murals and sculptures. Some visitors to San Diego County may want to combine large attractions with stays at Escondido hotels or unique bed and breakfasts. Others may seek the area out as an alternative to food and wine destinations in Central and Northern California. The area is much more accessible to food and beverage tourists from Orange County and the Inland Empire, than is Santa Barbara or Napa Valley. Escondido is also a draw for regional sports tourism and can capitalize on the influx of visitors to showcase other tourism opportunities available in the area. A strong tourism industry relies on other locally strong industries. It can provide additional demand for the area’s historical and formidable agricultural industries—tourists who are exposed to food and beverages on a trip are much more likely to become regular customers. Tourism can also act as ‘lead generation’ for new residents and new firms, especially in an era of increased remote work and flexible schedules.

By organizing economic development priorities around three industry clusters, city staff will be able to devote more resources to each one, developing social networks and expertise in these areas. The city will also be able to more readily attract federal funding opportunities in these areas, especially in innovative technology clusters.

Industry targeting is the best way to make use of Escondido’s economic development resources. By organizing its activities on three industry clusters, city staff will be able to devote more resources to each. They will develop social networks and expertise within the CleanTech and tourism industries. They will also be able to exploit federal funding opportunities in these areas, especially in CleanTech and infrastructure.

Industry Targeting Initiatives

Initiative	Fundamental	Goal	Time Horizon
Expedited permitting for selected clusters	Economic Opportunities Land Use	Lower development time for targeted industry projects.	2-3 Years
Recruit 1-2 national clean energy employers	Economic Opportunities	More visibility for Escondido's CleanTech cluster.	2-3 Years
Pursue conditional use permits or moratoria to discourage inefficient land use	Land Use	Transition away from land-intensive local services (e.g., gas stations, outdoor storage).	2-3 Years
Preserve existing agricultural job lands	Economic Opportunities	Ensure that Escondido maintains employment-supporting agricultural land	1 Year
Site preparation for boutique hotel (<160 rooms)	Economic Opportunities Land Use	Attract a Food and Beverage tourism anchor	5 Years
Spinoff "Visit Escondido" into an independent entity	Economic Opportunities	Increased community engagement in the tourism industry	1-2 Years
Develop sports tourism anchor	Economic Opportunities	Attract a Facility or Event that would bolster existing sports tourism revenues	2-3 Years
Research revenue sources in tourism, including a Transient Occupancy Tax (TOT)	Economic Opportunities	Consider municipal financing opportunities in tourism	2-3 Years
Develop a unique brand identity for agricultural initiatives	Placemaking	Position Escondido as a leader in innovative agriculture	2-3 Years

Initiative	Fundamental	Goal	Time Horizon
Leverage AEP6 survey results to identify economic development opportunities for arts and cultural organizations	Economic Opportunities	Align arts and cultural infrastructure with economic development	2-3 Years
Apply for energy and water efficiency funds, set aside by the Inflation Reduction Act	Land Use	Federal resources to improve existing strengths in green infrastructure.	1 Year
Pursue funding to expand MFRO system	Economic Opportunities	Promote resource management in agriculture, expand demand for AgTech.	2-3 Years
Convene regular meetings with Escondido Grower for Ag Preservation and the SDC Farm Bureau	Economic Opportunities	Maintain engagement with EGAP and Farm Bureau for the purposes of economic and infrastructure development.	1 Years
Attract alternative fuel operators to city	Economic Opportunities	Achieve synergy between strategy and existing infrastructure	2-3 Years
Continue to explore AgTech incubator	Economic Opportunities	Increase connectivity between traditional and new economic sectors	2-3 Years
Collaborate with Resource Conservation District to implement best practices	Economic Opportunities Land Use	Maximize productivity and sustainability of agricultural and open spaces	2-3 Years
Develop renewable energy technician programs at Palomar College	Economic Opportunities	Build skill base among non-degreed workers	5 Years
Explore STEM partnership with CSU San Marcos for bachelor's degree attainment	Economic Opportunities	Build degreed worker skill base to match industry demand	5 Years

THEMATIC AREA 2: PROMOTE ENTREPREURSHIP AND COMMERCIALIZATION

In Brief

Escondido will leverage its **natural amenities**, **regional manufacturing cluster** and **STEM degree growth** to grow economic clusters in high potential industries. This will allow for the city to address **its net jobs deficit** and adjust to its **shortage of industrial land**.

Strategic Narrative

Strategic economic targeting is usually understood in terms of industry targeting, but it's also possible to think in terms of life stage. Stories abound of large firms (Hewlett Packard, Microsoft etc.) that started in a garage or small warehouse. Even when these firms were small, they still created economic opportunities for others and supported the local tax base.

Escondido's shortage of industrial land, not to mention regulatory challenges like Measure S, and the lack of greenfield opportunities, mean that there are very few opportunities for it to host large fabrication facilities, especially those such as Qualcomm's Sorrento Valley plant. However, this should not exclude the City from participating in the regional manufacturing cluster because before any manufacturer becomes as big as Qualcomm, it must proceed through the firm life cycle.

Escondido should promote entrepreneurship and early-stage scaling in the very STEM fields that are producing more local graduates, including AgTech and CleanTech. The relevant environments for these activities are home offices and laboratories, small office buildings, and small warehouses that might have formerly accommodated local services like auto repair and storage. In other words, Escondido should seek to foster the kinds of manufacturing activities that can fit in the spaces it has available. These include, early-stage development, testing, prototyping, low-scale manufacturing. As such activities can fit into smaller pockets of underused space such as warehouses and garages, the objectives of economic opportunities and land efficiency will be realized. Expanded coworking office and industrial spaces can be the cradles for nascent entrepreneurs by providing a low-risk, affordable option for space for their businesses.

A focus on entrepreneurs implies a lifestyle-led strategy. Because they tend to also have lower capital costs, they are more likely to choose a location based on personal lifestyle preferences than, say, local tax rates or transport costs. Escondido can take advantage of this by marketing itself to the kind of entrepreneurs with a preference for the City's natural amenities and small-town ambience.

Hard Infrastructure also matters. To communicate with clients and investors, early-stage entrepreneurs need access to seamless internet connections. To compete for such jobs, Escondido will have to ensure that there is no tradeoff between lightning-fast broadband and being able to see the stars at night. The same goes for remote workers. According to a 2020 labor market analysis, San Diego County’s labor force is more susceptible than average to virtual/remote work arrangements. Escondido can potentially benefit from this by attracting workers who would prefer to live closer to the great outdoors while maintaining jobs based in San Diego. However, at a minimum, the City will need to promise viable speeds to remote workers¹². Upgraded broadband will also enable the City to compete for workers who might want to maintain hybrid schedules, while they work at facilities like Apple’s prospective campus in Rancho Bernardo.

Entrepreneurship and Commercialization Initiatives

Initiative	Fundamental	Goal	Time Horizon
Place marketing campaign aimed at early-stage entrepreneurs	Placemaking	Position Escondido as a haven for entrepreneurs who appreciate outdoor and recreational opportunities	2-3 Years
Study feasibility of converting 455 Quince to AgTech	Economic Opportunities Land Use	Incubate AgTech companies on an underused site	2-3 Years
Lower license fees for local STEM Entrepreneurs	Economic Opportunities	Lower brain drain of STEM Graduates	1 Year
Partner with key regional nonprofits to encourage entrepreneurship and innovation	Economic Opportunities	Create more community capacity for entrepreneurship support	2-3 Year
Lower license fees for home businesses	Economic Opportunities	Lower commutes	1 Year

¹² Greg Chmura. “Which Jobs Can Be Done Remotely?: A JobsEQ Analysis of Remote Occupations | Chmura.” <https://www.chmura.com/blog/2020/june/which-jobs-can-be-done-remotely-a-jobseq-analysis-of-remote-occupations>

Initiative	Fundamental	Goal	Time Horizon
Space incubation	Economic Opportunities	Incubation space for early-stage entrepreneurs across industry groups	1-2 Years
Mentoring services for early-stage entrepreneurs	Economic Opportunities	Support inter-generational knowledge transfer from older to younger operators	1-2 Years
Matchmaking services for local entrepreneurs, manufacturers, creditors, and other support organizations	Economic Opportunities	Connect entrepreneurs to regional manufacturers through events and directories.	1-2 Years
Partner with key regional nonprofits to encourage entrepreneurship and innovation	Balanced Population Growth	Targeted advertisement and outreach.	1-2 Years
Promote commercial to industrial conversion along I-15 through Specific Plan	Economic Opportunities Land Use	Convert underused office space into early-stage fabrication space	1-2 Years
Conduct Opportunity Zone marketing	Economic Opportunities Placemaking	Convert underused office space into early-stage fabrication space	1-2 Years
Develop home entrepreneur program at Palomar College	Economic Opportunities	Build skill base among non-degreed workers.	5 Years
Petition digital platforms (e.g. Redfin and Zillow) to show information about local charter and private schools	Balanced Population Growth Placemaking	Ensure that prospective residents have full information about Escondido	2-3 Years
Work with partner organizations to develop credit program for underbanked communities	Economic Opportunities	Improve credit access among those with traditional barriers	5 Years

THEMATIC AREA 3: CREATE A DOWNTOWN DESTINATION DISTRICT

In Brief

Escondido will maintain current momentum, initiated by the **Downtown Specific Plan**, and seek to create a Downtown Discovery District that will attract residents and visitors to the area. The district will channel younger singles and families into the area and will greatly increase housing permitting and retail opportunities. These will in turn help to stem the City's **Fiscal Instability** and **Demographic Dependency** and ensure that **The California Center for the Arts, Escondido** will be an initial draw and catalyst, and as the area develops it will benefit from the larger scale of activity in the downtown area.

Strategic Narrative

Downtown revitalization is undeniable. 16% of community survey respondents singled out the Grand Avenue project as a highlight of ongoing planning. However, some supporters of current redevelopment also complained that Grand Avenue is something of an island amid the larger downtown planning district. To fully succeed, the area will need more extensive development, and much of this will require private sector investment.

If the downtown area can successfully develop then it will contribute more to the three fundamental goals than any other initiative. More multi-family and high-density developments will add to the City's population. Mixed residential and retail spaces are not only a source of jobs, but also a highly efficient use of land.

To meet these goals, the City may need to invest even more of its scarce resources in the area. Permitting will continue to be important, as will engineering interventions that extend the look and feel of Grand Avenue to the wider district. Escondido may also need to reexamine how much space is devoted to cars, rather than residents, shoppers, and visitors.

Destination District Initiatives

Initiative	Fundamental	Goal	Time Horizon
Target housing element at downtown area	Balanced Population Growth	Make district the focal point of state-mandated housing additions	1 Year
Implement property benefit improvement district (PBID)	Economic Opportunities	Apportion some percentage of downtown tax and revenue proceeds to downtown infrastructure and activities	5 Years
Hire a full-time Senior Planner or external resource for downtown	Land Use	Planner would be dedicated to applications in the district	2-3 Years
Conduct a real property analysis of city properties	Land Use	Support activities downtown with additional proceeds	5 Years
Permitting holiday for downtown businesses	Economic Opportunities	Encourage first mover retail into new mixed-use spaces	1 Year
Apply for federal funds to upgrade water infrastructure	Economic Opportunities	Remove infrastructure barriers to new retail	1 Year
Apply for grant funding for sidewalks and crosswalks	Land Use	Use extramural funding to improve walkability	1-2 Years
Develop comprehensive active transportation strategy	Land Use	Link active transportation to city and regional networks	1-2 Years
Add wayfinding signage and right-of-way improvements	Placemaking	Connect highway travelers to local parking and attractions	1-2 Years
Expand density transfer plan	Balanced Population Growth	Allow for developers to bank density bonuses from outside of the planning district, for use inside	1-2 Years

Outcome Evaluation Framework

Measure	Data Source	Data Update
<p>Growth in Traded Industry employment and firms, namely in target industries like Manufacturing, AgTech, and CleanTech, across several NAICS sectors (22, 31-33, 54-56).</p> <p>Growth in local employment of these industries – closing employment-employee gaps/geographic mismatch.</p>	<p>ACS Local Employment Dynamics City of Escondido ED</p>	<p>Annual. Certain measures (LEHD) are delayed by several years.</p>
<p>Growth in median incomes, both within industries and city-wide.</p>	<p>ACS</p>	<p>Annual.</p>
<p>Increased rates of residential (especially multi-family) permitting, especially compared to regional peers</p>	<p>CIRB Census Building Permits Survey</p>	<p>Monthly</p>
<p>Measures of housing affordability, namely slowdown in median sales prices and ZORI; compare to income growth and peers’ housing costs. Additionally, reduction in housing-/rent-burdened households.</p>	<p>Zillow Redfin ACS</p>	<p>Monthly (Zillow, Redfin) Annual (ACS)</p>
<p>Pursuit of fiscal sustainability and municipal revenue growth. Growth in sales tax revenue.</p>	<p>City of Escondido CA Board of Equalization</p>	<p>Annual Monthly</p>
<p>Improvements in the City’s institutional capacity: speed of request processing, grant application and awards, number of and speed of business license application and completion, and completion of infrastructure projects in the pursuit of economic development.</p>	<p>City of Escondido ED</p>	<p>Annual summary of department workflow</p>

Appendix: Recently Completed Infrastructure Projects

i. Water

Completed

1. Spruce Street Drainage Improvement Project	2021
2. San Pasqual Underground Project	2023
3. Recycled Water Easterly Agriculture Distribution	2021

ii. Public Safety and Transportation

1. Escondido Creek Bikeway Missing Link	2019
2. East Valley Parkway and Valley Center Road Improvement Project	2018
3. El Norte Parkway Bridge and Median Improvements	2020

iii. Housing

Units Certified for Occupancy

2018

279

Single Family	144
Accessory Dwelling Units (ADU)	1
Multi-Family	134
<i>Westminster Seminary Student Housing</i>	64
<i>City Plaza Apartments</i>	56
<i>Citron Townhomes</i>	14

2019

434

Single Family	80
Accessory Dwelling Units (ADU)	11
Multi-Family	343
<i>Alcove Apartments</i>	85
<i>Rowan</i>	82
<i>Meadowbrook Retirement Community</i>	66
<i>Citron Townhomes</i>	49
<i>Veteran's Villas</i>	48

	2020	126
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Single Family		44
<i>Country Club Village</i>		36
Accessory Dwelling Units (ADU)		26
Multi-Family		56
<i>Rowan</i>		44
	2021	209
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Single Family		182
Accessory Dwelling Units (ADU)		27
Multi-Family		0
	2022	263
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Single Family		205
Accessory Dwelling Units (ADU)		38
Multi-Family		20



About Beacon Economics

Founded in 2007, Beacon Economics, an LLC and certified Small Business Enterprise with the state of California, is an independent research and consulting firm dedicated to delivering accurate, insightful, and objectively based economic analysis. Employing unique proprietary models, vast databases, and sophisticated data processing, the company's specialized practice areas include sustainable growth and development, real estate market analysis, economic forecasting, industry analysis, economic policy analysis, and economic impact studies. Beacon Economics equips its clients with the data and analysis required to understand the significance of on-the-ground realities and to make informed business and policy decisions.

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