APPENDIX A. BACKGROUND REPORT

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1. INTRODUCTION & SUMMARY OF EXISTING RESOURCES
What local resources are in place to help spark head-of-household job creation?
1.1. INTRODUCTION
The Background Report provides an overview of existing conditions related to economic development in the City. It is intended to highlight opportunities and inform the Economic Development Strategic Plan. The remainder of this Chapter summarizes existing local resources. The following chapters cover opportunity sites, market and labor force trends, the City’s development review process and related fees, and the public engagement undertaken to create the Strategic Plan. While the intent of the report is primarily to discuss background and existing conditions information, where appropriate some early conclusions are drawn to assist the reader and provide context for proposed economic development strategies.

1.2. LOCAL NON-PROFIT ECONOMIC DEVELOPMENT ORGANIZATIONS
This section provides an overview of local non-profit organizations engaged in economic development. Collaboration with these organizations offers the City unique opportunities, including outreach to the business community and interaction with Cal Poly and Cuesta College. In alphabetical order, the organizations described in this Chapter include California Central Coast Research Partnership (C3RP), Cal Poly Center for Entrepreneurship and Innovation (CEI), Cuesta College Business and Entrepreneurship Center, Economic Vitality Corporation (EVC), San Luis Obispo Chamber of Commerce, Cal Poly Small Business Development Center for Innovation (SBDC), and the Workforce Investment Board. The matrix shown in Table 1.1 summarizes the focus of these organizations as well as their target audience.

California Central Coast Research Partnership
The mission of the California Central Coast Research Partnership (C3RP) is to facilitate collaboration between Cal Poly and business/industry by acting as the interface between the University and potential collaborators. One of the major initiatives to support
Chapter 1: Introduction & Summary of Existing Resources

Enable Cal Poly students, faculty, and spouses to find well-paying, interesting job opportunities in clean industries in San Luis Obispo County.

Source: www.c3rp.org

this mission is the establishment of a technology park on campus. The goals of the C3RP are to:

• Strengthen relationships between Cal Poly and industry, and build new relationships where opportunities exist for collaboration;

• Enhance the competitiveness of companies working with Cal Poly by applying university expertise to the development of commercially viable research, products, and technology;

• Create opportunities for industry to take advantage of the deep reservoir of technical expertise in the Cal Poly faculty;

• Provide enhanced access for business to faculty researchers, laboratories, facilities, and students;

• Create opportunities for entrepreneurs to start companies and established businesses to grow by engaging with the University, and

Table 1.1 Local Non-Profit Economic Development Organizations Matrix

<table>
<thead>
<tr>
<th>Local Organization</th>
<th>Who They Help</th>
<th>How They Help</th>
</tr>
</thead>
<tbody>
<tr>
<td>California Central Coast Research Partnership (C3RP)</td>
<td>Entrepreneurs</td>
<td>X</td>
</tr>
<tr>
<td>Cal Poly Center for Entrepreneurship and Innovation (CIE)</td>
<td>Local/Small Businesses</td>
<td>University Students</td>
</tr>
<tr>
<td>Cuesta College Business and Entrepreneurship Center</td>
<td>University Students</td>
<td>Cal Poly/Local Business Collaboration</td>
</tr>
<tr>
<td>Economic Vitality Corporation (EVC)</td>
<td>University Students</td>
<td>Cal Poly/Local Business Collaboration</td>
</tr>
<tr>
<td>San Luis Obispo Chamber of Commerce</td>
<td>University Students</td>
<td>Cal Poly/Local Business Collaboration</td>
</tr>
<tr>
<td>Cal Poly Small Business Development Center for Innovation (SBDC)</td>
<td>University Students</td>
<td>Cal Poly/Local Business Collaboration</td>
</tr>
<tr>
<td>Workforce Investment Board</td>
<td>University Students</td>
<td>Cal Poly/Local Business Collaboration</td>
</tr>
</tbody>
</table>

Cal Poly Center for Innovation and Entrepreneurship (CIE)

The Cal Poly Center for Innovation & Entrepreneurship seeks to empower motivated students to become entrepreneurs and innovative business leaders through classroom and hands-on experiences. The University-wide Center is designed to enable students to interact with faculty and experienced entrepreneurs in ways that will enhance their educational experience as well as strengthen ties between the California entrepreneurial community and Cal Poly while enhancing the University’s historic strengths in technological innovation.

Source: http://cie.calpoly.edu
Chapter 1: Introduction & Summary of Existing Resources

Board of Directors is comprised of business and government leaders from throughout San Luis Obispo County.

Source: www.sloevc.org

San Luis Obispo Chamber of Commerce

The San Luis Obispo Chamber of Commerce is an independent nonprofit membership corporation made up of local business owners working together on behalf of the business community. The Chamber’s primary goal is to enhance the economic health of the San Luis Obispo area and the prosperity of its members.

Source: www.openforbusinessinslo.com

Cal Poly Small Business Development Center for Innovation

A UC Merced-directed Small Business Development Center (SBDC) is located at Cal Poly. The SBDC is aimed at providing educational services for small business owners and aspiring entrepreneurs. All services are free and confidential. Services offered include assisting small businesses with financial, marketing, production, organization, engineering and technical assistance, and feasibility studies. Assistance from the SBDC is available to anyone interested in

Cuesta College Business and Entrepreneurship Center

The Cuesta College Business and Entrepreneurship Center is a network of Community College professionals working in strategic partnerships with businesses, industry, and community organizations to identify and meet California’s economic development needs in the areas of business improvements and entrepreneurship training. The BEC works with private, public, and nonprofit resources to build strong, sustainable, and successful businesses.

Source: http://academic.cuesta.edu/bac

Economic Vitality Corporation

Economic Vitality Corporation (EVC) is a regional nonprofit, economic development organization committed to developing a vibrant and sustainable economy throughout San Luis Obispo County. The organization is funded by private and public sector sponsors that support its mission to help start and grow businesses on the Central Coast. EVC provides local businesses and entrepreneurs with a wide range of resources including business loan programs, workshops and seminars, international trade consultation, angel investor and venture capital resources, and more. The

Source: www.sloevc.org

The Cal Poly Technology Park is located on campus and serves as a space for technology-based businesses, particularly firms engaged in applied research and development. One of the goals of the park is to enhance collaboration between Cal Poly and local industries, and allow park tenants to draw from the expertise of Cal Poly faculty and students.
starting a small business or expanding an existing small business, and who cannot afford the services of a private consultant.

Source: www.sba.gov

**Workforce Investment Board**

Established by Executive Order in response to the mandate of the federal Workforce Investment Act (WIA) of 1998 (Public Law 105-220), the Board assists the Governor in setting and guiding policy in the area of workforce development. The mission of the San Luis Obispo County Workforce Investment Board is to implement the Workforce Investment Act by leveraging community resources and providing a catalyst to workforce development by contributing to a healthy economy in San Luis Obispo County. The Board contracts with local organizations to provide worker assistance, training, outreach to local businesses, policy development, and more.


### 1.3. REVIEW OF EXISTING DOCUMENTS

The following documents were reviewed as part of the Strategic Plan development process. The Airport Area Specific Plan, Margarita Area Specific Plan, and the Orcutt Area Specific Plan are discussed in Chapter 2.

**2011 Citizen Satisfaction Survey Results Report**

This report summarizes results of a survey conducted by the City of San Luis Obispo in 2011 to assess citizen satisfaction and the overall quality of life in San Luis Obispo. The survey also measures support for Measure Y, the half-cent sales tax measure approved by voters in 2006. The biggest concerns voiced by respondents include: availability of affordable housing for middle-class families; availability of stable, good paying jobs in the local area; alcohol related crimes and itinerant problems; and homelessness and transients.

*City of San Luis Obispo Community Development Department and Fairbank, Maslin, Maullin, Metz and Associates.*

**Head-of-Household Job Criteria**

The City of San Luis Obispo Economic Development Steering Committee identified five factors that define a head-of-household job in San Luis Obispo: 1) Stability - the position is permanent and provides a stable income source, 2) Education Level and Technical Skill - the position requires a certain level of education or skill, 3) Career Ladder - there are opportunities for promotions and/or skill expansion, 4) Employer Sponsored Benefits - the employee receives healthcare benefits, and 5) Income Level - the position’s salary enables the employee to support dependents with some level of disposable income.
The City of San Luis Obispo defines a head-of-household job as stable, requiring a certain level of education or skill, offering the opportunity for promotion, providing healthcare benefits, and offering a salary that enables the employee to support dependents while having some of disposable income.

The report suggests the use of the “Self-Sufficiency Standard” for a model income measurement for Head-of-Household jobs. The standard uses market-specific costs for housing, childcare, food, transportation, health care, tax credits and other miscellaneous expenses to define a minimum annual income a head-of-householder needs to make ends meet. The report includes a sample Self-Sufficiency Standard for the SLO-Paso Robles Metropolitan Statistical Area. Based on 2011 economic conditions, the annual salary for an adult should be $26,193; for an adult plus two schoolage children $50,451, and for two adults and two schoolage children $57,562 per adult.

City of San Luis Obispo Economic Development Strategic Plan Steering Committee, 2011.

**SWOT Analysis**

The Economic Development Strategic Plan Steering Committee undertook a SWOT Analysis in Fall 2011. This analysis identified strengths, weaknesses, opportunities and threats in terms of economic development in the City of San Luis Obispo. Based on a set of criteria established by the City, strengths, weaknesses, opportunities and threats received a ranking from 1 through 7, with 7 as the highest priority. The top five priorities identified were:

1. Airport cuts/closing (Threat);
2. Cost of housing (Weakness);
3. Perception/brand of SLO as a hard place to do business (Weakness);
4. Lack of job options for trailing spouses (Weakness), and
5. Complex permitting, fees, process, etc - (Weakness).

City of San Luis Obispo Economic Development Plan Steering Committee, 2011.

**2010 EVC Clusters of Opportunity Economic Strategy for San Luis Obispo County**

In 2010, the Economic Vitality Corporation (EVC) of San Luis Obispo prepared the “2010 EVC Clusters of Opportunity Economic Strategy for San Luis Obispo County” that was strongly endorsed by the San Luis Obispo County Board of Supervisors. The EVC Economic Strategy assessed industries Countywide and identified five key clusters with the greatest opportunities for growth. They are: Building Design and Construction, Health Services, Knowledge and Innovation Services, Specialized Manufacturing, and “Uniquely SLO County.” The clusters are seen as engines for job creation and economic stability. Business leaders have embraced the cluster concept and are implementing action plans for their respective clusters. Several business leaders were identified as “cluster champions,” committed to working to implement the action plans and the vision for each cluster.

Economic Vitality Corporation (EVC) of San Luis Obispo County, November 2010.

**Our Vision of San Luis Obispo’s Economic Future**

The San Luis Obispo Chamber of Commerce prepared the report titled “Our Vision of San Luis Obispo’s Economic Future” in 2010. The report is the fourth iteration of a strategy initiated in 1992 intended to

Airport cuts were identified as a threat to economic development by the Steering Committee as part of the SWOT analysis.
Chapter 1: Introduction & Summary of Existing Resources

Plan sets forth seven strategic goals for 2007-2012. The goals are: 1) Maintain downtown as the social center of the community, 2) Maintain a diverse mix of uses, 3) Maintain retail health, 4) Encourage hotel, housing and live-work developments in Downtown, 5) Retain and expand on the unique pedestrian character and small town ambiance, 6) Maintain an effective Downtown association, and 7) Establish a disaster response and recovery plan for the Downtown Association. The Plan includes a number of strategies for achieving these goals, as well as a list of the parties and committees responsible for their implementation. A new strategic planning effort was started in late 2011.


ACTION for Healthy Communities

The ACTION for Healthy Communities - Community Assessment Report summarizes data collected between 1999 and 2010 on indicators measuring quality of life in San Luis Obispo County. The Report was prepared by United Way of San Luis Obispo County. The research enables decision-makers to allocate resources in a way that effectively addresses critical community concerns. The findings are based on public opinion data and empirical trend data gathered in six areas: basic needs, education, the economy, physical environment, public safety, and social environment. Findings are organized into three categories: data moving in a negative direction, data moving in a positive direction, and data with a combination of both challenges and successes.

Key findings moving in a negative direction include affordability of housing and unemployment rates.

San Luis Obispo Downtown Association

Strategic Business Plan update: 2007 and Beyond

In October 2007, the San Luis Obispo Downtown Association funded the “Strategic Business Plan Update: 2007 and Beyond” report. The Plan is intended as an economic development tool documenting Downtown’s competitive position in the marketplace, identifying strategies for increasing economic vitality, and establishing benchmarks for monitoring the health of Downtown. The report summarizes current (2007) conditions and key issues impacting Downtown. The plan promotes economic and community well being in San Luis Obispo. The report identifies six economic and community development principles for the City that are the foundation for a six-point economic strategy.

The strategy was developed to promote these community development principles. The principles are: 1) Proactively protect and enhance San Luis Obispo’s unique quality of life, 2) Nurture and protect existing businesses and jobs, 3) Nurture and attract future-oriented companies, especially businesses that embrace sustainability, 4) Partner with Cal Poly and Cuesta College as a bridge to the future, 5) Use community-enhancing tourism as an economic development engine, and 6) Modernize our physical and regulatory infrastructure and distribute the costs equitably. Each point in the economic strategy is supported by a list of programs or action items that will implement and advance the strategy.


Key findings moving in a positive direction include high school drop-out rates, use of outdoor recreation facilities in the City, and crime rates.


City of San Luis Obispo Climate Action Plan

The City of San Luis Obispo Climate Action Plan marks the completion of the second and third milestones of the ICLEII-Local Governments for Sustainability’s Cities for Climate Protection campaign: adopting an emissions reduction target and developing a plan to achieve that target. The Plan identifies strategies to guide the development and implementation of greenhouse gas reduction measures in the City. Strategies are organized into six focus areas: buildings, renewable energy, transportation and land use, water, solid waste, and parks and open space. Strategies range from those with a large-scale, high commitment focus on major emission reductions, to smaller-scale, low cost strategies resulting in minor emission reductions. Key strategies include developing an Energy Conservation Ordinance for residential and commercial properties, establishing a renewable energy fund or loan program, promoting the installation of small-scale renewable energy systems, maintaining and expanding transit services, increasing total trips made by bicycle, increasing shared parking reduction allowances, and encouraging compact urban form and mixed-use developments.

City of San Luis Obispo Community Development Department, Public Review Draft, September 2011.

A key strategy identified in the City of San Luis Obispo Climate Action Plan is increasing total trips made by bicycle.
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2. OPPORTUNITY SITES
Chapter 2: Opportunity Sites

Where are the best opportunities for non-residential development and head-of-household job creation?
2.1. SUMMARY OF OPPORTUNITY SITES & SPECIFIC PLANS

Table 2.1 illustrates vacant and underutilized opportunity sites in the City. These sites were identified by City staff, and were chosen based on current conditions and plans for future development. There are a total of 624 acres on 96 sites. Of these 96 sites, 62 (349 acres) are within current City limits. Combined, the sites provide opportunities for millions of square feet of nonresidential development potential even with conservative utilization and intensity rates. However, while substantial raw land is available, significant infrastructure investments are needed to convert the land into buildable lots.

The majority of opportunity sites (67 sites totalling 497 acres) are located in the Airport Area Specific Plan (AASP), approximately 2.5 miles south of Downtown.

Table 2.1 Summary of Opportunity Sites

<table>
<thead>
<tr>
<th></th>
<th>Number of Sites</th>
<th>Acreage</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>96</td>
<td>624</td>
</tr>
<tr>
<td>Within City Limits</td>
<td>62</td>
<td>349</td>
</tr>
<tr>
<td>Outside City Limits, in Sphere of Influence</td>
<td>34</td>
<td>275</td>
</tr>
<tr>
<td>Within Existing Specific Plan Areas</td>
<td>74</td>
<td>574</td>
</tr>
<tr>
<td>MASP</td>
<td>5</td>
<td>74</td>
</tr>
<tr>
<td>OASP</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>AASP</td>
<td>67</td>
<td>497</td>
</tr>
<tr>
<td>Outside of Existing Specific Plan Areas</td>
<td>22</td>
<td>50</td>
</tr>
</tbody>
</table>

Source: City of San Luis Obispo

Other key opportunity sites are located within the Margarita Area Specific Plan (MASP), which is directly north of the AASP, and the Orcutt Area Specific Plan (OASP), east of the MASP, across Broad Street. There are also a number of smaller sites located along Broad Street, south of Downtown and a large site on the west side of U.S. Highway 101, adjacent to the Madonna Plaza Shopping Center.

Figure 2.1 Opportunity Sites Map
**Chapter 2: Opportunity Sites**

**AIRPORT AREA SPECIFIC PLAN**
The vision for the Airport Area Specific Plan (AASP) is informed by three key concepts: (1) re-use and regeneration, (2) value enhancement, and (3) smart and sustainable growth.

The AASP is roughly 1,500 acres and includes the San Luis Obispo Airport. Land use in the AASP planning area is characterized by a mixture of open space and non-residential development. The land use plan concentrates new development near existing development and circulation corridors. Twenty-three percent of the planning area (the entire central portion as well as a few fringe acres) are designated as open space, making up a total of 346 acres. Thirty-two percent of the land area (491 acres) is designated as Services and Manufacturing, 24 percent (342 acres) as Government, and 15 percent (233 acres) as Business Park. Only one percent of the planning area is designated for residential use.

Approximately one third of the area is developed and fully utilized, one third is partially developed, and one third is currently undeveloped. At the heart of the AASP is an undeveloped 368-acre Chevron property.

**MARGARITA AREA SPECIFIC PLAN**
The Margarita Area Specific Plan (MASP) is focused on development of commercial uses (primarily business park and neighborhood serving commercial) and housing, and is intended to facilitate the protection of open space. Key principles of the MASP are:

- Open Space and Sensitive Resource Protection
- Creation of a New Cohesive Neighborhood
- Transit Supporting Land Uses and Densities
- A Pedestrian Friendly Environment
- Minimizing Infrastructure Costs

The MASP planning area is a 420-acre site in the southern part of San Luis Obispo. It is bounded by South Higuera Street, Broad Street, Tank Farm Road, and the ridge of the South Street Hills. The planning area is located within the City’s urban reserve boundary, between existing urbanized areas.

The MASP focuses on infill development rather than expansion beyond the City’s existing urban boundary. Major transportation and infrastructure corridors already exist on the east and west sides of the MASP planning area, and the County regional airport is located one mile to the south.

Land use patterns in the MASP are primarily Open Space (44 percent, 186 acres), Residential (17 percent, or 71 acres), and Business Park (17 percent, or 69 acres). Of the 71 acres of residential land use, 21 percent is designated low density, and 35 percent medium density. Other land uses are Neighborhood Commercial (three acres) and Parks (26 acres).

**ORCUTT AREA SPECIFIC PLAN**
The Orcutt Area Specific Plan (OASP) encompasses approximately 231 acres in the southeast corner of the City, bordered by Tank Farm Road to the south and Orcutt Road to the east.

Current development in the OASP planning area includes a few single-family residences scattered on large parcels, primarily in the western and northeastern sections of the site, and agriculture-related uses on the southern and eastern portions of the planning area, comprised mostly of cattle grazing.

Residential land uses make up 48 percent of the total land area, or 110 acres. Of the residential land use designations, 23 percent is low density, 13 percent medium density, nine percent medium-high density, and two percent high density. Other land uses are Open Space (33 percent, or 80 acres), and Community Commercial/Mixed-Use (one percent, or three acres). Additional features in the OASP include bike and pedestrian paths, and a public park with a potential school site.
3. MARKET & LABOR FORCE TRENDS
3. MARKET & LABOR FORCE TRENDS

What demographic and market factors are impacting economic trends in the City?
Chapter 3: Market & Labor Force Trends

3.1. INTRODUCTION

Chapter 3 summarizes demographic, real estate, and labor force conditions and trends in the City of San Luis Obispo. Key indicators include: average household size, household income distribution, median household and per capita income, educational attainment, racial composition, age distribution, household type, household tenure (rent versus own), median home sales prices, employment by industry, major employers, location quotient (comparative measure of industrial concentration), annual earnings, unemployment rates, commute times, sales tax revenue, commercial vacancy rates, capitalization rates, and commercial property value. Most of the data is compared to the County or the State to provide context. No comparative information was provided in some cases, because it was not needed to elucidate a point (e.g. commute times).

Data was drawn from the California Employment Development Department, the U.S Census Bureau, San Luis Obispo Chamber of Commerce, Zillow, the publicly traded on-line real estate data base, and Stafford McCarty, a local real estate brokerage firm that tracks data in the City of San Luis Obispo, the County and surrounding communities.

The demographic and economic data highlight the central role that Cal Poly and Cuesta play in the local economy. A high proportion of young people, small household size, smaller household incomes, and high propensity to rent all reflect the large student population. The City of San Luis Obispo also has a highly educated workforce that correlates with both the presence of Cal Poly and Cuesta College. Educational institutions and the government play a major role as an local employment generator. Coupled with input from the public engagement process, this data informs and supports the economic development strategies.

3.2. KEY INDICATORS

**POPULATION**

Table 3.1 compares population growth in the City to population growth in the County for 1990, 2000, and 2010. Over the last 20 years population in the City has grown by approximately 3,200 people, at an average growth rate of about 0.36 percent per year.

<table>
<thead>
<tr>
<th>Population</th>
<th>1990</th>
<th>2000</th>
<th>2010</th>
<th>Average Annual Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of San Luis Obispo</td>
<td>41,958</td>
<td>44,148</td>
<td>45,119</td>
<td>0.36%</td>
</tr>
<tr>
<td>San Luis Obispo County</td>
<td>217,162</td>
<td>246,681</td>
<td>269,637</td>
<td>1.09%</td>
</tr>
</tbody>
</table>

Source: US Census Bureau
**Chapter 3: Market & Labor Force Trends**

**Figure 3.1 Average Household Size, City of San Luis Obispo and San Luis Obispo County, 1990 to 2010**

![Average Household Size Chart](Image)

Source: U.S. Census Bureau

**Average Household Size**

The population and households have grown at similar rates, 0.36 percent and 0.33 percent respectively, and, as a result, the average household size has remained near 2.35 persons per household.

Over this same period, the County’s population grew at an annual rate of 1.1 percent and its households at 0.6 percent. While the City’s average household size remained near 2.35 persons, the County’s average household size has increased from 2.4 in 1990 to 2.6 in 2010 (see Figure 3.1).

**Figure 3.2 Household Income Distribution, City of San Luis Obispo, 2000 to 2010**

![Household Income Distribution Chart](Image)

Source: U.S. Census Bureau, American Community Survey Three Year Estimates, 2008-2010.
INCOME

Household income distribution in the City is consistent with what one would expect in a university town. Household income is spread across the spectrum, with a large number of households making less than $10,000 a year (15%). This is likely due to the high number of students who work part-time. Overall, about 56 percent of the households earn less than $50,000 per year (see Figure 3.2). The Self Sufficiency Standard established by the Steering Committee estimates that a household with two adults and two children needs to earn about $57,000 per year (see page 6). The greatest number of households is in the $50,000 to $74,999 income bracket (17%).

Over time, the County’s median household income and per capita income have grown at a faster rate than the City’s (see Figure 3.3 and Figure 3.4). As a leading indicator of an economic transformation, per capita income serves as a good overall measure of wage growth in a region. In 2020, the City’s per capita income (about $25,000) is lower than the County and the State (both of which are about $29,000). In 1990, per capita income for the City and the County were both about $15,000. Thus, wage growth in the City appears to be stagnating as compared to the region. One of the reasons for the City’s lower overall median income may be the large student population. The high proportion of the City’s population under the age of 25 skews the City’s median household income downward when compared to San Luis Obispo County median incomes (see Figure 3.3). When focusing only on the age group under 25, the City has median household incomes lower than the County and the State. According to the 2010 U.S. Census, the median household income for City householders under the age of 25 was $15,921, $5,400 below the County and $16,500 below the State median household incomes for this age group.
Chapter 3: Market & Labor Force Trends

EDUCATION

The City has a higher level of education attainment than the County and the State. More than half of the City’s population over the age of 25 has at least an associate’s degree (see Figure 3.5). According to the U.S. Census, 40 percent of the State’s population over the age of 25 has a high school diploma or lower as compared to 23 percent in the City, and only 11 percent has a graduate or professional degree as compared to 20 percent in the City.

RACIAL COMPOSITION

Figure 3.6 and Figure 3.7 illustrate racial and ethnic composition. The City is 76 percent Caucasian and 15 percent Hispanic or Latino.
About 71 percent of the City’s population falls between the ages of 20 and 64, workforce population age. The largest segment is clearly age 20 to 24, reflecting the influence of Cal Poly. While baby boomers and seniors may represent an economic consideration for the City, only 12 percent of the City is 65 or older as of 2010 (see Figure 3.8 and Figure 3.9).
**HOUSEHOLD TYPES**
Over 60 percent of the City’s households are non-family households, which is defined by the U.S. Census as a “situation where a person is living in a household with non-relatives or by themselves.” In comparison, the County has over 60 percent family households. The presence of college students likely contributes to the high percentage of non-family households (see Figure 3.10).

**HOUSING TENURE**
Fifty eight percent of the City’s households are renters. The presence of college students in the rental market likely contributes to this high rate (see Figure 3.12).

---

**Figure 3.10 Household Types, City of San Luis Obispo and San Luis Obispo County, 2010**

Source: US Census Bureau, 2010

**Figure 3.11 Household Tenure, City of San Luis Obispo and San Luis Obispo County, 2010**

Source: US Census Bureau, 2010
HOUSEHOLD COMPOSITION

The largest household type in the City is composed of single individuals, while the least represented are families with children under the age of 18 (see Figure 3.11).

HOME SALES PRICE TRENDS

The City’s median home sales prices are historically higher than the County’s. The City’s median sales price peaked in January 2007 at $664,000. In September of 2012 the median sales price was $463,800. Home price disparity between the City and County peaked in January 2009 at $162,600. In December 2011, the difference was $51,300 (see Figure 3.13).

To qualify for a conventional mortgage of about $460,000, a household needs an annual income of nearly $77,000 (depending on loan terms, down payment, credit worthiness, and other factors). As of 2010, median household income is approximately $42,500 (see Figure 3.3).
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COMMUTER RATES
Over half of the employed residents have commute times less than 15 minutes, with 85% of employed residents driving less than 25 minutes to work. (See Figure 3.14).

UNEMPLOYMENT
The City has historically had a higher unemployment rate than the County. Over the past two years, the employment rate has been 11 percent while the County’s is at 10 percent (see Figure 3.15). Due to the recession, local trends have tracked State and national trends.

RESIDENT EMPLOYMENT BY INDUSTRY
The top three industries in which City residents are employed are retail trade, educational services and accommodation and food service (42 percent of residential employment, see Figure 3.16). Two of these industries, retail and accommodation/food service, are among the three lowest paid sectors (see Figure 3.17).

MEDIAN ANNUAL INCOMES BY INDUSTRY
Median annual incomes for employed City residents range from about $10,000 to over $75,000 (see Figure 3.17). The three highest paid industries, utilities, information, and public administration, make up about 10 percent of residential employment.
Chapter 3: Market & Labor Force Trends

### Figure 3.16 Resident Employment by Industry, City of San Luis Obispo, 2010


### Figure 3.17 Median Annual Earnings for Employed Residents by Industry Sector, City of San Luis Obispo, 2010

Chapter 3: Market & Labor Force Trends

### Table 3.2 Major Employers in San Luis Obispo County, 2012

<table>
<thead>
<tr>
<th>Employer</th>
<th>Location</th>
<th>Industry</th>
<th>Number of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 County of San Luis Obispo</td>
<td>San Luis Obispo</td>
<td>Government</td>
<td>2601</td>
</tr>
<tr>
<td>2 Cal Poly State University, San Luis Obispo</td>
<td>San Luis Obispo County</td>
<td>Education</td>
<td>2426</td>
</tr>
<tr>
<td>3 Atascadero State Hospital</td>
<td>Atascadero</td>
<td>Public Administration</td>
<td>2200</td>
</tr>
<tr>
<td>4 California Men's Colony</td>
<td>San Luis Obispo County</td>
<td>Correctional Facility</td>
<td>1768</td>
</tr>
<tr>
<td>5 Pacific Gas &amp; Electric</td>
<td>San Luis Obispo</td>
<td>Public Utility</td>
<td>1719</td>
</tr>
<tr>
<td>6 Tenet Healthcare</td>
<td>San Luis Obispo County</td>
<td>Healthcare</td>
<td>1409</td>
</tr>
<tr>
<td>7 Lucia Mar Unified School District</td>
<td>Arroyo Grande</td>
<td>Education</td>
<td>1100</td>
</tr>
<tr>
<td>8 King Ventures</td>
<td>San Luis Obispo</td>
<td>Commercial Development</td>
<td>850</td>
</tr>
<tr>
<td>9 Paso Robles Public Schools</td>
<td>Paso Robles</td>
<td>Education</td>
<td>831</td>
</tr>
<tr>
<td>10 San Luis Coastal Unified School District</td>
<td>San Luis Obispo</td>
<td>Education</td>
<td>828</td>
</tr>
<tr>
<td>11 Cuesta College</td>
<td>San Luis Obispo County</td>
<td>Education</td>
<td>826</td>
</tr>
<tr>
<td>12 Albertsons Stores</td>
<td>San Luis Obispo County</td>
<td>Grocery Store</td>
<td>750</td>
</tr>
<tr>
<td>13 Atascadero Unified School District</td>
<td>Atascadero</td>
<td>Education</td>
<td>655</td>
</tr>
<tr>
<td>14 Wal-Mart</td>
<td>Arroyo Grande</td>
<td>Retail</td>
<td>620</td>
</tr>
<tr>
<td>15 Vons</td>
<td>San Luis Obispo County</td>
<td>Grocery Store</td>
<td>528</td>
</tr>
<tr>
<td>16 French Hospital</td>
<td>San Luis Obispo</td>
<td>Healthcare</td>
<td>520</td>
</tr>
<tr>
<td>17 Rabobank</td>
<td>San Luis Obispo</td>
<td>Financial</td>
<td>450</td>
</tr>
<tr>
<td>18 San Luis Obispo County Office of Education</td>
<td>San Luis Obispo County</td>
<td>Government</td>
<td>450</td>
</tr>
<tr>
<td>19 California Department of Transportation</td>
<td>San Luis Obispo</td>
<td>Government</td>
<td>400</td>
</tr>
<tr>
<td>20 Arroyo Grande Community Hospital</td>
<td>Arroyo Grande</td>
<td>Healthcare</td>
<td>380</td>
</tr>
</tbody>
</table>

Source: San Luis Obispo Chamber of Commerce

**Figure 3.18 Businesses by Number of Employees, City of San Luis Obispo, 2009**

**MAJOR EMPLOYERS**

Eight of the County’s 20 largest employers are in the City of San Luis Obispo. The four largest related to government and education (see Table 3.2).

**BUSINESSES BY EMPLOYEES**

Half of the City’s businesses employ 1 to 4 people. The professional services industry represents nearly 20% of the businesses employing 1 to 4 people. In comparison, 56% of the County’s businesses employ 1 to 4 workers. Almost 70 percent of the businesses employ less than 10 people (see Figure 3.18).
Chapter 3: Market & Labor Force Trends

SALES TAX REVENUE
According to the City’s 2011-13 Financial Plan, sales tax is the number one contributor to the General Fund, accounting for 32 percent of General Fund sources. Figure 3.19 shows sales tax by major business group for the third quarter of 2010 and 2011. While the largest business group is general consumer goods, twenty percent of the total sales tax in the third quarter of 2011 came from the building and construction and business and industry groups.

LOCATION QUOTIENT
The City and County economies have similar industrial profiles, although the County has a heavier concentration of manufacturing, construction, agriculture and mining, while the City has higher concentrations in management, professional services, and administration and support activities (see Table 3.3).

<table>
<thead>
<tr>
<th>Industry Sector</th>
<th>City of San Luis Obispo</th>
<th>San Luis Obispo County</th>
<th>Location Quotient</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of Employees</td>
<td>Percent of Workforce</td>
<td>Number of Employees</td>
</tr>
<tr>
<td>Health Care and Social Assistance</td>
<td>4,452</td>
<td>15.3%</td>
<td>10,586</td>
</tr>
<tr>
<td>Educational Services</td>
<td>4,031</td>
<td>13.9%</td>
<td>11,308</td>
</tr>
<tr>
<td>Accommodation and Food Services</td>
<td>3,782</td>
<td>13.0%</td>
<td>10,309</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>3,154</td>
<td>10.8%</td>
<td>9,527</td>
</tr>
<tr>
<td>Professional, Scientific, and Technical Services</td>
<td>2,167</td>
<td>7.4%</td>
<td>5,021</td>
</tr>
<tr>
<td>Administration &amp; Support, Waste Management and Remediation</td>
<td>1,691</td>
<td>5.8%</td>
<td>3,935</td>
</tr>
<tr>
<td>Other Services (excluding Public Administration)</td>
<td>1,672</td>
<td>5.7%</td>
<td>4,581</td>
</tr>
<tr>
<td>Public Administration</td>
<td>1,653</td>
<td>5.7%</td>
<td>4,640</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>861</td>
<td>3.0%</td>
<td>4,900</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>849</td>
<td>2.9%</td>
<td>2,632</td>
</tr>
<tr>
<td>Finance and Insurance</td>
<td>766</td>
<td>2.6%</td>
<td>1,795</td>
</tr>
<tr>
<td>Construction</td>
<td>759</td>
<td>2.6%</td>
<td>4,184</td>
</tr>
<tr>
<td>Information</td>
<td>618</td>
<td>2.1%</td>
<td>1,459</td>
</tr>
<tr>
<td>Real Estate and Rental and Leasing</td>
<td>548</td>
<td>1.9%</td>
<td>1,342</td>
</tr>
<tr>
<td>Agriculture, Forestry, Fishing and Hunting</td>
<td>547</td>
<td>1.9%</td>
<td>4,103</td>
</tr>
<tr>
<td>Arts, Entertainment, and Recreation</td>
<td>529</td>
<td>1.8%</td>
<td>1,575</td>
</tr>
<tr>
<td>Transportation and Warehousing</td>
<td>421</td>
<td>1.4%</td>
<td>1,455</td>
</tr>
<tr>
<td>Management of Companies and Enterprises</td>
<td>316</td>
<td>1.1%</td>
<td>708</td>
</tr>
<tr>
<td>Utilities</td>
<td>246</td>
<td>0.8%</td>
<td>836</td>
</tr>
<tr>
<td>Mining, Quarrying, and Oil and Gas Extraction</td>
<td>40</td>
<td>0.1%</td>
<td>249</td>
</tr>
<tr>
<td><strong>Total Employment</strong></td>
<td><strong>29,102</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>85,145</strong></td>
</tr>
</tbody>
</table>

Chapter 3: Market & Labor Force Trends

**Chapter 3: Market & Labor Force Trends**

**City Business Tax and Retention Databases**

The City’s business tax database (HdL) includes information on business taxes paid in the City over approximately the last 10 years. The City’s business retention and expansion database (Executive Pulse) is a non-comprehensive set of data about companies in the City. The data in this database is outdated.

**Transient Occupancy Tax Revenue**

Transient occupancy tax (TOT) is one portion of General Fund revenues for the City. In Fiscal Year 2001-2012 TOT was nine percent of the total General Fund revenue. TOT revenue increased from 2004-2005 through 2007-2008, decreased for the two years after that due to the recession and recovered significantly to continue the historic trend upward in 2011-2012.

Source: City of San Luis Obispo

**Figure 3.19 Sales Tax by Major Business Group, 3rd Quarter 2010 and 2011**

Source: City of San Luis Obispo

**Figure 3.20 Transient Occupancy Tax Revenue, 2004 to 2012**

Source: City of San Luis Obispo
Chapter 3: Market & Labor Force Trends

COMMERCIAL REAL ESTATE

After reaching lows in 2007, commercial real estate vacancies rose sharply in recent years. Since 2010, vacancy has been slowly declining, with retail property recovering most quickly (see Figure 3.22). Capitalization rates for commercial property investments declined in the earlier part of the decade, reflecting rising property values. In general, capitalization rates increased during and following the recession and also indicated a wider range of property values in the market place (as shown by a wider range of cap rates).

Figure 3.21 Capitalization Rates, San Luis Obispo County, 2002 to 2011

Note: Capitalization rates are the proportion of net income to purchase price. Capitalization rates are inversely related to property values. Lower cap rates translate to higher values. Capitalization rates for commercial property investments declined in the earlier part of the decade, reflecting rising property values. In general, cap rates increased during and following the recession and also indicated a wider range of property values in the market place (as shown by a wider range of cap rates).

Figure 3.22 Commercial Real Estate Vacancy, San Luis Obispo Metropolitan Area, 2002 to 2011

Note: Vacancy rates are from June of each year. Source: California EDD
3.3. CONCLUSIONS
Demographic and economic factors and trends highlight the central role that Cal Poly plays in the local economy. A high proportion of young people, small household size, and high propensity to rent reflect the large student population. The University, along with County government and other educational entities, also plays a major role as an employment generator for the City’s population. San Luis Obispo has a highly educated workforce, which correlates with both the presence of Cal Poly and the relatively high concentration of professional employment compared with the County overall. High housing prices may be associated with both slow overall population growth and a shifting household income distribution toward higher income households.

Figure 3.23 Implied Commercial Property Values*, San Luis Obispo County, 2002 to 2011

* Property value per $100,000 net income.  
Source: Stafford-McCarty Commercial Real Estate
4. DEVELOPMENT REVIEW PROCESS & FEES
4. DEVELOPMENT REVIEW PROCESS & FEES

How does the City’s development review process and fees compare to similar communities?
4.1. INTRODUCTION
This Chapter evaluates the City’s development review process. The City and four benchmark communities are analyzed to serve as a comparison points for fees, procedural requirements, and permitting timeframes. The development review process is considered an important component of a City’s attractiveness to investors and ability to create head-of-household jobs. This Chapter focuses on development review in terms of processing times and fees.

4.2. BENCHMARKING
The criteria used to select the four benchmark communities were arrived at through collaboration with the Steering Committee and City staff, input received during the Community Member interviews, past City benchmarking efforts, and Consultant Team understanding of the project.

The criteria were:

1. A City located in California
2. Midsize city (population 30,000 to 100,000)
3. Full service city – provides a wide range of core city services, including police, fire, street maintenance, planning, parks and recreation.
4. Major employment/government center
5. College town
6. High quality of life
7. Potential competitor with the City of San Luis Obispo
8. Distinct regional identity separate from a large metropolitan area

Because of the unique characteristics and amenities of the City of San Luis Obispo, selecting benchmark communities was challenging. Nonetheless, based on the selected criteria, the Cities of Santa Barbara, Paso Robles, and Davis along with the County of San Luis Obispo were selected as the benchmark jurisdictions.

Table 4.1 shows the results of the benchmarking criteria and Table 4.2 lists community characteristics.
Chapter 4: Development Review Process & Fees

CITY OF SANTA BARBARA
The City of Santa Barbara is located on the south Central Coast and is home to 88,410 people (2010 Census) and is the County Seat of Santa Barbara. U.C. Santa Barbara is located adjacent to the City and has a student population of approximately 22,850. Santa Barbara is an internationally-known tourist destination and is considered a highly desirable place to live.

CITY OF DAVIS
The City of Davis is located in the Sacramento Valley 14 miles west of the City of Sacramento. The population of Davis in 2010 was 65,622. Davis is home to the University of California at Davis, a major university with a student population of 32,000. The community values a sustainable lifestyle, is family-oriented, bicycle-friendly and is considered by many to have a high quality of life.

CITY OF PASO ROBLES
The City of Paso Robles is located in northern San Luis Obispo County 27 miles north of the City of San Luis Obispo. The population of Paso Robles in 2010 was 29,793. Paso Robles has become a destination for wine-related tourism in recent decades. The cost of housing is slightly lower than in the City of San Luis Obispo.

COUNTY OF SAN LUIS OBISPO
San Luis Obispo County is home to the City of San Luis Obispo and has a total population of 269,637 (2010 Census).

4.3. ANALYSIS
The projects evaluated for each jurisdiction are shown in Table 4.3. The communities were asked for a project that included some commercial uses, preferably office, that had some level of discretionary review, and that had recently gone through the development review process. The projects include office uses, mixed-use, and retail, and range in size from a little over 900 square feet to 55,000 square feet of building with sites up to about an acre. Two example projects were analyzed for the City of San Luis Obispo and one project was analyzed for each of the comparison jurisdictions.
Chapter 4: Development Review Process & Fees

Paso Robles took about four years, however there was a two-year lag on the part of the applicant between receiving planning approval and requesting construction permits.

**FEES**

For each sample project fees were collected for planning, building, engineering, and infrastructure (impact fees). Total fees ranged from about $10,000 to $480,000. Although there were variations among planning, building, and engineering fees, the most significant differences were in impact fees.

Because of the varying sizes of the projects, the fees were compared to the size of the site and the building. Fees per square foot of land range from $4/sf to $19/sf, with the City of San Luis Obispo being the highest. Fees per square foot of building range from $2/sf to $43/sf, with the City being the highest.

**TIMING & PROCESS**

The amount of time to process the example projects from the initial planning application submittal through the certificate of occupancy varied from 19 months to 10 years. Four of the projects were completed within two years, including the City of San Luis Obispo projects. The project in the County was the outlier with a 10-year approval process due to extenuating circumstances with the application. The project in Paso Robles took about four years, however there was a two-year lag on the part of the applicant between receiving planning approval and requesting construction permits.

### Table 4.1 Criteria Comparisons Matrix

<table>
<thead>
<tr>
<th>City or Jurisdiction</th>
<th>In California</th>
<th>Mid-sized City</th>
<th>Full service city</th>
<th>Center of government employment</th>
<th>College town</th>
<th>High quality of life</th>
<th>Potential Competitor with SLO</th>
<th>Distinct Identity</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of SLO</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>SLO County</td>
<td>X</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>City of Paso Robles</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>City of Davis</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>City of Santa Barbara</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>

Finding projects that were completely approved and constructed (Certificate of Occupancy received) in the last few years proved difficult due to the current development climate. However, all of the projects shown in Table 4.3 were initiated since the turn of the century and most went through development review in the last five years.

Based on the information compiled for the City of San Luis Obispo projects and the example projects from the other four jurisdictions, the following conclusions can be drawn about how the City’s development review process compares to the other benchmark communities.
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Chapter 4: Development Review Process & Fees

While the results of this benchmarking study provide useful and interesting information for the City, it is based on a relatively small data set. Moreover, the level of services and quality of life desired by the City also should be factored in – not only because they are highly valued by the community, but also because they help to fuel job growth.

Of the five jurisdictions only the City of San Luis Obispo and the County of San Luis Obispo impose fees related to affordable housing on commercial development. For City of San Luis Obispo Example Project #1, 12 percent of the total fees paid were for the affordable housing impact fee.

Another factor to consider when comparing fees, is that impact fees in certain areas of the City of San Luis Obispo are significantly higher than in the rest of the City. This model is not used in any of the other benchmark communities. The level of fees paid on the City’s Example Project #1 reflects its location in one of the areas with higher impact fee rates.

The City of San Luis Obispo and the County of San Luis Obispo are the only jurisdictions in this study that impose affordable housing fees on commercial development projects.

**SUMMARY**

Table 4.3 shows the combined results of development review processing timelines and fees. As the table shows, the City appears to process permits efficiently with some of the shortest processing times. However, in terms of fees, as compared to the sample projects, the fees paid per square foot of building were much higher at about $43/sf. Davis was the second highest at $13/sf. The biggest component of fees are impact fees.
<table>
<thead>
<tr>
<th>Project Information</th>
<th>Example Project 1</th>
<th>Example Project 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project description</td>
<td>7,537 square foot restaurant at the southwest edge of the City. Located in a “big box” store strip mall.</td>
<td>36,065 square foot mixed-use office and residential located at the southeast edge of the City near the airport.</td>
</tr>
<tr>
<td>Zoning</td>
<td>Retail Commercial</td>
<td>Manufacturing</td>
</tr>
<tr>
<td>General Plan Land Use designation</td>
<td>General Commercial</td>
<td>Services &amp; Manufacturing</td>
</tr>
<tr>
<td>Total building square footage</td>
<td>7,537 sf</td>
<td>36,065 sf</td>
</tr>
<tr>
<td>Total acreage of parcel</td>
<td>0.40 ac</td>
<td>1.11 ac</td>
</tr>
<tr>
<td>Total square footage of parcel</td>
<td>17,424 sf</td>
<td>48,352 sf</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Process</th>
<th>Example Project 1</th>
<th>Example Project 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning Permit/Review Required</td>
<td>Design Review</td>
<td>Design Review Conditional Use Permit Subdivision</td>
</tr>
<tr>
<td>Planning application submittal date</td>
<td>7/29/2010</td>
<td></td>
</tr>
<tr>
<td>Number of rounds of Planning review</td>
<td>Three</td>
<td></td>
</tr>
<tr>
<td>Date Planning Permit(s) granted</td>
<td>4/11/2011</td>
<td>1/23/2006</td>
</tr>
<tr>
<td>Total Planning Permit timeline</td>
<td>8.5 months</td>
<td></td>
</tr>
<tr>
<td>Construction permit application submittal date</td>
<td>4/18/2011</td>
<td></td>
</tr>
<tr>
<td>Number of rounds of Building review</td>
<td>One</td>
<td></td>
</tr>
<tr>
<td>Date Building Permit granted</td>
<td>8/15/2011</td>
<td>12/28/2007</td>
</tr>
<tr>
<td>Total Building Permit timeline</td>
<td>4 months</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Costs</th>
<th>Example Project 1</th>
<th>Example Project 2</th>
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<tr>
<td>Total Planning fees paid</td>
<td>$7,025</td>
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<td>Total Building fees paid</td>
<td>$7,316</td>
<td>$19,571</td>
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<td>Total Engineering fees paid</td>
<td>$2,394</td>
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<th>Fees</th>
<th>Example Project 1</th>
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<tr>
<td>Impact fees</td>
<td>Water - $81,744</td>
<td>Water - $177,392</td>
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<tr>
<td></td>
<td>Water Meter - $1,503</td>
<td>Water Meter - $3,236</td>
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<tr>
<td></td>
<td>Waste Water - $17,377</td>
<td>Waste Water - $39,322</td>
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<td></td>
<td>Traffic - $145,667</td>
<td>Traffic - $59,167</td>
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<td></td>
<td>Affordable Housing - $41,491</td>
<td>Affordable Housing - $123,852</td>
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<td></td>
<td>Public Art - $3,649</td>
<td>Public Art - $2,895</td>
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<td>Total Impact fees</td>
<td>$291,431</td>
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<tr>
<td>Fees per gross square foot of building</td>
<td>$43</td>
<td>$13</td>
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Notes
1. The Planning entitlements included splitting the vacant 1.68-acre parcel into two lots, a 0.76-acre lot and a 0.92-acre lot. The Conditional Use Permit was required to allow a drive-through. The Final Planned Development and Design Review were for the site improvements, layout and building design.
## Chapter 4: Development Review Process & Fees

<table>
<thead>
<tr>
<th>Project Type</th>
<th>City of Davis</th>
<th>City of Paso Robles</th>
<th>City of Santa Barbara</th>
<th>County of San Luis Obispo</th>
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</thead>
<tbody>
<tr>
<td>4,200 square foot bank at the eastern edge of the City just north of Interstate 80.</td>
<td>55,000 square foot three-story office building downtown</td>
<td>915 square foot one-story office building</td>
<td>9,480 square foot commercial building</td>
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<tr>
<td>Light Industrial/Business Park</td>
<td>Office Professional</td>
<td>Commercial Manufacturing</td>
<td>Commercial Service with Airport Overlay</td>
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<tr>
<td>Office</td>
<td>Office Professional</td>
<td>Commercial Industrial/ Medium High Residential</td>
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</tr>
<tr>
<td>4,200 sf</td>
<td>55,000 sf</td>
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<tr>
<td>0.76 ac</td>
<td>0.48 ac</td>
<td>0.23 ac</td>
<td>1.03 ac</td>
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<td>33,106 sf</td>
<td>20,909 sf</td>
<td>9,902 sf</td>
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</table>

| Table: Development Review Process & Fees |  |
|-----------------------------------------|---------------------|---------------------|-----------------------|
| Design Review                          | Conditional Use Permit| Planned Development Permit | Subdivision¹ |
| Two to three                           | Four                | Two                 | Two                  |
| 6.5 months                            | 5.5 months          | 4 months            | 5 years              |
| Three                                  | Three               | Three               | Unknown              |
| 7.5 months                            | 5.5 months          | 3 months            | 1.5 months           |

<table>
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<tr>
<th>Charges</th>
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<th>City of Santa Barbara</th>
<th>County of San Luis Obispo</th>
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<td>Water Meter</td>
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<td>Development Impact Fees - $38,541</td>
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<td>$25,827</td>
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<tr>
<td>$130,000</td>
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<td>$47,000</td>
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<tr>
<td>$4</td>
<td>$6</td>
<td>$11</td>
<td>$1</td>
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</table>
Chapter 4: Development Review Process & Fees

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5. PUBLIC ENGAGEMENT
5. PUBLIC ENGAGEMENT

How does the community perceive the City's economic and business climate?
5.1. INTRODUCTION
Input from the business community, civic leaders, institutions, and other economic stakeholders was an essential part of preparing a comprehensive evaluation of the City of San Luis Obispo’s economic performance. The Economic Development Strategic Plan public engagement process included a Steering Committee, one-on-one and group interviews with key community members, and three public workshops. Feedback gathered during the public engagement process guided the formation and prioritization of economic development strategies and recommendations. Details on the process as well as a summary of findings from the interviews and workshops are included in this Chapter.

5.2. STEERING COMMITTEE
In August of 2011, a Steering Committee was formed to provide an accessible and knowledgeable resource on the local economic climate, assist the City and the Consultant Team with the evaluation of findings, review and comment on draft deliverables, and support the public engagement process. The Steering Committee also worked with project managers at the City to develop the head-of-household job criteria, conduct a SWOT analysis, and assist with the public call for proposals for the preparation of the Economic Development Strategic Plan.

Nine individuals make up this group, with representatives from the local business community, Cal Poly, local non-profits, the Downtown Association, the Chamber of Commerce, and the Economic Vitality Corporation. Steering Committee members acted as workshop “facilitators” during the public workshops. Findings from those working sessions are described in this chapter.

5.3. STAKEHOLDER INTERVIEWS
The Consultant Team conducted 31 personal interviews from a pool of respondents generated by the City. This Section summarizes the results of those interviews. In addition, a copy of the interview instrument is included as Attachment A.

INTERVIEW PROCESS
The interviews were conducted over the course of three days in February 2012. Interviews were approximately 60 minutes in duration and included the collection of such basic data as professional role and affiliations. The interviews were comprised of general, open-ended questions intended to invite conversation and encourage a respondent-driven process. This method facilitates the gathering of an insider perspective as well as the prioritization of key issues and relies on the interviewee’s understanding of the local business climate, opportunities, constraints and potentially effective approaches for building economic vibrancy.

The majority of interviewees (49 percent) represented for-profit businesses. Thirty-two percent of interviewees were from non-profits and institutions (e.g. Cal Poly) and nineteen percent were elected officials and City staff. The distribution of interviewees is shown in Figure 5.1.

![Figure 5.1 Interviewee Affiliation](image-url)}
Chapter 5: Public Engagement

TOP FIVES
Interview responses were sorted by frequency and sequence to enable the Consultant Team to determine the most commonly voiced issues. The City’s top five most commonly cited trends and advantages and the top five challenges and obstacles are listed below. More detail is provided in the following Sections.

Top Fives

Top 5 Trends & Advantages
1. Arts, lifestyle and environment
2. Telecommuting
3. Alternative energy and sustainable business practices
4. Cal Poly faculty and students
5. High speed data connectivity/fiber optic cable

Top 5 Challenges and Obstacles
1. Development review process and fees
2. Cost of living
3. Airport service
4. Trailing spouse/relocation
5. Aging population/lack of “life-building age group”

Interview Results

Trends
The interview process was designed to give respondents the opportunity to discuss economic, demographic, and/or technology trends they believe impact the economic vitality and growth of the City. Responses were organized into six categories and are shown in Figure 5.2.

Technology. Responses related to technology were the most frequent. Interviewees discussed the increasing popularity of telecommuting and how it makes it easier to conduct business given San Luis Obispo’s remote location. They also mentioned high-speed data connectivity associated with the proximity of the fiber optic trunk line, an increase in tech businesses, and Camp Roberts’ participation in the military drone industry.

Quality of Life. Quality of life in San Luis Obispo was another priority topic. According to some respondents, the City attracts companies whose CEOs are looking for a certain lifestyle. There were also a high frequency of responses pointing to the City’s outdoor recreation opportunities, an emerging focus on healthy community initiatives, and the large number of non-profits.

Demographics. Responses associated with demographics included an overall lack of head of household jobs and a gap in the “life-building” age group (28-40).

Tourism. Some respondents saw tourism as an important industry. Respondents noted a growing interest in agricultural and historic tourism, and that San Luis Obispo is a “drive market”, with the majority of visitors arriving by car.

Alternative Energy. Alternative energy trends noted by respondents included the emerging green energy community, firms anchoring their businesses in the green economy, and the emergence of B Corporations.

Other. Responses falling into the “Other” category included discussions of the emergence of home businesses, service-oriented, medical research and medical device, and agricultural businesses. See the text box on page 46 for a list of emerging business types. Some respondents also mentioned opportunities for more interaction between Cal Poly and the business community as well as discord between the City’s senior population and student population.
Advantages

Interviewees were asked to describe what they considered to be the biggest advantages to being located in the City of San Luis Obispo. Responses fell into three general categories: livability, business environment, and location/built space. Responses are described below.

Livability

Interviewees mentioned livability most frequently as an advantage to doing business in the City. Comments in this category included a positive overall lifestyle, the weather and natural environment, and the arts scene. Some interviewees also consider the overall vibrancy and energy to be a draw for businesses, and that citizens make do financially because they love living in San Luis Obispo.

Business Environment. The second most frequently cited advantage was the business environment in the City. According to interviewees, Cal Poly is the most significant and beneficial aspect of the business environment and provides an extensive employee base. This includes faculty, spouses of faculty and graduating students. Other comments included the City’s proximity to markets, location as the County seat and regional center, the engaging business community, intellectual capital, and positive political environment.

Location/Built Space. A few interviewees commented on the City’s location and built environment as an advantage to a business locating in San Luis Obispo. Advantages described include an attractive downtown, perception that the City is well run, and the City’s small size as well as the surrounding greenbelt, which was considered a benefit over small towns surrounded by sprawl.

Challenges

Interviewees were asked to describe the biggest economic challenges facing the City. Results are shown in Figure 5.3 and summarized below.

City Process/Fees. The most frequently cited challenges to economic development were the City’s permitting process and fees. There was an overall feeling that the cost of doing business in the City is very high, and there is a lack of transparency or predictability. Respondents mentioned high fees and hidden fees as a major hindrance for small upstart businesses. Some interviewees believe there is a disconnect between the business community and the
Chapter 5: Public Engagement

EMERGING BUSINESS TYPES
According to interviewees, emerging business types in the City include:
- Home businesses
- Non-storefront businesses
- Start-ups run by Cal Poly students
- Medical research and medical device businesses
- Service-oriented businesses
- Agricultural Businesses (Cal Poly viticulture, urban farms)

City, and consider the City to be reactive rather than proactive when it comes to business development. Another common response was a concern about businesses moving into the County, as the County has implemented a Business Assistance Team (BAT) and streamlined permitting process.

Housing/High Cost of Living. The cost of living in the City was the second most common challenge cited in the interviews. Difficulties finding work for trailing spouses was also a frequently cited issue. Additionally, there is a perception that one has to sacrifice financially to be able to live in San Luis Obispo.

Transportation/Location. The City’s remote location was another common topic identified as a hindrance. Interviewees considered limited airport service to be the biggest problem. Some noted that circulation within the City needed improvement and others were concerned about the capacity of UPS and FedEx facilities, and whether or not they could accommodate significant economic growth. Some respondents also believed that businesses are able to start in San Luis Obispo, but as they grew would inevitably relocate due to issues cited in this report.

Workforce. Responses having to do with the workforce included difficulty creating head of household jobs and attracting mid-level managers. Another common response was that Cal Poly students are forced to leave the area in search of higher-paying jobs to pay off student loans. Additionally, some interviewees believed there is an over dependence on State and regional government jobs.

Other. Responses placed in the “Other” category included; an aging population and lack of “life-building” age group, and a need to retain Cal Poly graduates by encouraging social vibrancy.

Business Types Thriving in San Luis Obispo
Interviewees were surveyed on the types of business that tend to thrive in San Luis Obispo. Tech companies were the most frequently mentioned (37 percent). Other businesses mentioned included specialty manufacturing, services and medical businesses, and businesses providing head of household jobs, creative class jobs, and small entrepreneurial businesses.

Business Types Missing in San Luis Obispo
Interviewees were queried on the types of businesses missing from the San Luis Obispo market. The most common response was retail businesses (43 percent). The most commonly mentioned response for missing retail was a department store. Medical facilities, including a prison medical facility, a local drug and alcohol rehabilitation facility, and a non-alcohol related rehabilitation facility were most frequently mentioned as missing services. Other businesses mentioned included film industry related business, the construction industry, conference facilities, business relying on the supply chain, and businesses that would bring more diversity to downtown.

Beneficial City Efforts
Interviewees were asked to describe City efforts that would benefit local businesses. Responses were organized into seven categories: Streamlined Permit Process, Improved Business Environment, Small Business Assistance, Tourism Promotion, Location/ Amenities, Livability/Culture, and Other. The results are described in detail below.

Streamlined Permit Process. A streamlined permit process was the most common response mentioned.
Chapter 5: Public Engagement

as a way to assist local businesses. Among these responses, fee reduction, streamlined permitting and a “one-stop permitting shop” were the most common. Interviewees also considered there to be hurdles in the development review process. Additionally, respondents believed the City needs to “roll out the red carpet” more in order to lure businesses to San Luis Obispo. In particular, there is a need for coordination between City departments as well as between elected officials and all levels of staff. These respondents stressed San Luis Obispo’s high quality of life was not a big enough draw for businesses.

**Improved Business Environment.** A frequent response was the City needs to improve the business environment to help small businesses thrive. The need for branding was a commonly noted response. Other recommendations included financial incentives for opening a business downtown, more support for home businesses, and a longer-term outlook on economic development.

**Small Business Assistance.** Many interviewees suggested incubator spaces as a way for the City to help small businesses, as well as a small business loan program. Additionally, existing businesses could benefit from loans to improve City property such as sidewalks and other infrastructure improvements, rather than waiting for a large developer to foot the bill through impact fees.

**Tourism Promotion.** Promoting downtown tourism was considered to be an important issue for business development. Recommendations included focusing on cleanliness, lighting and a mix of tenants downtown, representation by tourism groups, developing a program to fund the City’s adobe structures, improving downtown wayfinding and Highway 101 signage, and increasing trolley service.

**Location/Amenities.** Responses regarding location and amenities included a need for more parking, particularly for people commuting to work, improved amenities for business parks, more infrastructure, better train service, and a need to keep medical infrastructure thriving.

**Livability/Culture.** A few interviewees had comments related to livability and culture. Those included more emphasis on public art, promotion of sporting events at Cal Poly, the outdoor recreation industry, finishing the bike trails system, encouraging more affordable housing, and accepting that San Luis Obispo is not Silicon Valley and its lifestyle is more about what there is to do outside of work.

**Other.** Other comments included making an effort to attract businesses serving the Latino community, working towards greater sustainability, starting a food scrap collection program, and improving the intellectual property transfer with Cal Poly.

**Recommendations for Encouraging Job Creation and Business Retention**

Interviewees were asked to give recommendations for how the City could promote job creation and
Chapter 5: Public Engagement

Livability, including the natural environment, weather and arts scene were listed as top advantages for businesses locating in San Luis Obispo. Right: A local band playing at the Thursday night Farmers’ Market.

Encourage business retention. The top four most frequently mentioned recommendations are listed below.

1. Improve coordination between the City and Cal Poly/Cuesta
2. Support small businesses
3. Improve livability and housing options
4. Encourage better collaboration between the City and local industries

Sample Communities
Interviewees were asked to name other communities with programs that make those areas more attractive to businesses, educational institutions, and job creation. The top three communities included 1) Boulder, 2) Santa Barbara and 3) Sonoma. Additionally, Table 5.1 includes all of the other communities mentioned by interviewees (in alphabetical order).

5.4. PUBLIC WORKSHOPS
The Consultant Team worked with staff to develop and host three public workshops, between March 29 and April 26, 2012. Each workshop had a unique theme designed to encourage public input on targeted topics relative to economic development as well as inform the community on project progress. The workshop topics were as follows:

**Workshop 1 - Future of Jobs in SLO**

**Workshop 2 - A Strong SLO Economy: Green, Innovative, and Resilient**

**Workshop 3 - The Economics of Place**

<table>
<thead>
<tr>
<th>Table 5.1 List of Other Sample Communities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Albany, NY</strong></td>
</tr>
<tr>
<td><strong>Atascadero, CA</strong></td>
</tr>
<tr>
<td><strong>Austin, TX</strong></td>
</tr>
<tr>
<td><strong>Boise, ID</strong></td>
</tr>
<tr>
<td><strong>Charlotte, NC</strong></td>
</tr>
<tr>
<td><strong>Colorado Springs, CO</strong></td>
</tr>
</tbody>
</table>
Workshop 1. Future of Jobs in SLO

Workshop 1 began with a short presentation summarizing the project and progress made to date. Attendees then participated in group breakout sessions facilitated by members of the Steering Committee. The purpose of the facilitated discussion was to address head-of-household job creation, and trends, opportunities, challenges, and strategies for economic development in San Luis Obispo.

Facilitator Questions

1. Why are you interested in the City of SLO Economic Development Strategic Plan?

2. What economic, demographic, or technology trends do you believe the City should capitalize on to create jobs?

3. What have you experienced or believe to be the challenges faced by business looking to expand or create new jobs in the City?

4. What strategies do you think would help address these challenges?

Results from Breakout Groups

Reason for Interest in Project. Reasons participants gave for their involvement in the public engagement process include:

- Need for more cultural opportunities for the life-building age group;
- Need for more high quality infrastructure, finding a balance between having a high quality of life without burdening businesses with fees;
- Overall concern about how to plan for the future of a small business;
- Desire for responsible economic growth;
- Looking for long-term stability and opportunities for personal and professional growth;
- Concern about jobs/housing balance, and
- Interest in residential flight, reasons why people leave the City.

Opportunities/Trends. The most commonly mentioned opportunities and trends for economic development in the City were:

- New Cal Poly administration;
- Technology transfer from Cal Poly and Cal Poly entrepreneurs;
- Tech industry/telecommuting;
- Fiber-optic cable/bandwidth access, and
- Culture, arts and lifestyle.

Challenges. Challenges to economic development mentioned during the breakout group sessions included:

- Lack of available land;
- Lack of shovel-ready sites;
- Not enough zoning flexibility;
- Lack of clarity and predictability in the development review process;
- Permit fees and time frame;
- High cost of housing, and
- Lack of substantive opportunities for trailing spouse.
Chapter 5: Public Engagement

Strategies. Strategies for economic development discussed during the breakout sessions were the following:

- Flexible zoning, greater densities and wider variety of housing types;
- Clarity, accountability and consistency in the development review process;
- Introduce guarantees on impact fees, process and timing;
- Conduct an economic development analysis as part of development review;
- Create impact fees by size, with lower fees for “Small by design” type projects;
- Encourage innovation incubators, streamline policies that encourage incubators;
- Create public/private partnership on fiber optic ring;
- Create shovel-ready sites, and
- Have project ambassadors to help ferry appropriate projects through the permitting process.

Facilitator Questions

1. What is government’s role in fostering innovation?
2. What is government’s role in development of fiber optic infrastructure?
3. What should the City do to attract/retain businesses that create head of household jobs?

Results from Breakout Groups

Key strategies mentioned by workshops participants were:

- Leverage the cable landings on the Central Coast, and use broadband to encourage job growth;
- Partner with Cal Poly and Cuesta to develop flexible training programs for trailing spouses;
- Create shovel-ready sites by providing infrastructure or pre-approvals for permitting;
- Create an incubator space to support start-ups;
- Consider ways to foster commercial serving hubs around business parks where existing companies are thriving;
- Research logistical feasibility of attracting direct flights to the east coast;
- Improve transportation between San Luis Obispo and elsewhere as well as within the City;
- Corporate housing could be used to move people here while they work short term or look for other places to live;
- Research why people/businesses have left the City;
- Furnish City staff with the expertise and capacity to quickly process highly desirable projects, and
- Set up a central clearinghouse for small-business resources.

Workshop 2. A Strong SLO Economy: Green, Innovative & Resilient

Workshop 2 was structured to provide a venue for discussion of common issues and sharing ideas on best practices for a green economy. The workshop began with a short presentation by guest speakers, Bob Fasulkey (Vice President of Engineering, Digital West), who spoke about broadband opportunities, and Jim Dunning (C3RP Program Manager), who spoke about innovation at Cal Poly. Participants then broke out into groups to address questions posed in a hypothetical scenario. The scenario revolved around the City receiving grant money and how it might be spent to spur economic vibrancy. The process was aimed at identifying the most pressing economic issues facing the City and the community’s perspective on how those issues might be best addressed. The discussion was facilitated by members of the Steering Committee.

Scenario

The City of San Luis Obispo applies for and receives a substantial, open-ended grant to implement strategies for economic development and job creation. What specific strategies would you like to see the City pursue?

Workshop 3. The Economics of Place

The purpose of workshop 3 was to give participants the opportunity to discuss ways livability and quality of life can be commercialized while growing a diverse economy and increasing head-of-household jobs. The workshop began with a presentation by David Bergman (Principal, MR+E) on the “SLO Life.” After the presentation, participants broke out into groups to discuss a scenario and respond to facilitator questions.
The breakout groups were led by members of the Steering Committee.

**Scenario**
The City’s Promotional Coordinating Committee (PCC) provides financial support for local events and activities that hold interest for tourists and residents alike (e.g. Festival Mosaic, Marathon and the Culinary Carnival). The PCC just received a grant to develop a quality of life program. The purpose of the grant is to increase the City’s attractiveness to employers that may relocate to the City, and employees looking to take middle management or executive level jobs. Please list three to five features you would include if you were designing the program?

**Facilitator Questions**
1. How can the City use SLO Life activities and attributes to retain and/or attract employees and businesses?
2. How can the City protect the SLO Life while helping business grow and create head of household jobs?

**Results from Breakout Groups**
Key suggestions resulting from the breakout group sessions include:

- Identify and pursue industries and businesses that would mesh with the SLO Life (e.g. bike manufacturers, carbon fiber manufacturers, other businesses that mirror the lifestyle and community);
- Identify and encourage other uniquely SLO events like the marathon and bike events;
- Research why Cal Poly alumni have left San Luis Obispo;
- Improve coordination between arts groups and non-profits to avoid donor burnout;
- Support arts programs in the City’s public schools;
- Provide and promote awareness of family-friendly activities and activities for young professionals, to help draw head-of-household jobs;
- Provide a consolidated calendar on the web for uniquely SLO events and activities;
- Establish a Natural History Museum that could serve as a hub for the City’s assets/outdoor activities;
- Bring back historic uniquely SLO events like La Fiesta;
- Engage in community partnerships which lead to placemaking (e.g. the Foundation for the Performing Arts Center);
- Restaurants could display information and products that are uniquely SLO;
- Build recruiting of businesses/individuals around the intangibles (amenities, arts, food, wine, etc.);
- Focus on eco-tourism, and brand SLO as the “Sustainable City,” and
- Connect bike trails and educate the public on their existence.
Chapter 5: Public Engagement

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ATTACHMENT A: COMMUNITY MEMBER INTERVIEW INSTRUMENT

Lisa Wise Consulting, Inc. proposes to use consensus modeling to develop and summarize the results of the stakeholder interviews. The method employs general, open-ended questions intended to invite conversation and relies on the respondents to drive the process and identify and prioritize issues. This method relies heavily on the community’s understanding of history, context, and significance of an issue. The community consensus process quantifies qualitative responses to develop the community’s perspective of opportunities and constraints and effectively advise the policy process.

Data will be reported in aggregate form to protect stakeholder confidentiality.

Stakeholder Information

- Name ____________________________
- Name of business/affiliation (if appropriate) ____________________________
- Type of business/organization (if appropriate) ____________________________
- Year established (if appropriate) ____________________________
- Size of business (number of employees) (if appropriate) ____________________________
- Location (address) of business/organization ____________________________

Questions

1. What economic, demographic, or technology trends do you see having an impact on the economic vitality and growth of the local business community?
2. What are the biggest challenges to achieving the economic development goals of the City? (City goal focus - creation of head of household jobs, strategies for infrastructure, focus on promising growth sectors, expediting desired economic activity, and expanded collaboration w/Cal Poly, Cuesta and business community.)
3. What are the biggest advantages to a business being located in the City of San Luis Obispo? What drives businesses to be located in SLO?
4. What are the biggest obstacles for a business located in the City of San Luis Obispo? What are the biggest barriers to entry for new businesses?
5. What types of businesses thrive in San Luis Obispo?
6. What types of businesses are missing? Name 3
7. What type of City efforts would be most beneficial for local business (small loans, public art, permit streamlining, reduced fees, marketing, branding, other)?
8. Are you aware of other communities’ programs that make those areas more attractive to businesses, educational institutions, job creation? Please be as specific as possible.
9. What can local businesses and higher education institutions do to encourage local, sustainable job creation and business retention in the City?