

3D – Economic Development



Commented [KK1]: I'm not sure this chapter even needs to be part of the LUP. This doesn't really address Coastal Act issues. Either is fine.

Blueprint

ECONOMIC DEVELOPMENT

Morro Bay's economy both shapes and is shaped by its physical development. A strong and resilient economy is crucial to the success and adaptability of the community, and critical to ensuring the City's ability to provide essential and expected municipal services to residents, businesses, and visitors. Factors affecting economic development are diverse, encompassing income and health factors, land use and transportation, the number and diversity of businesses, and resident and visitor spending patterns. City staff and officials take this multitude of factors into account when making planning decisions and balancing the economic health of the city in a way that achieves the vision for Morro Bay.

OVERVIEW

Scope and Content

The Economic Development Element directs actions that promote a sustainable economy that can withstand fluctuations in the economic environment of Morro Bay. While not required by California general plan law, this element lays the groundwork for improving and sustaining economic health through 2040 through long-range policies focused on supporting existing and new local- and visitor-serving retail uses and attracting and retaining jobs in the city. The element may be implemented from time to time by shorter-range 5- to 10-year economic development strategies that seek to accomplish portions of the long-term economic vision.

Relationship to Other Elements

Morro Bay's economy affects nearly every other element of *Plan Morro Bay*. The Land Use and Circulation elements promote access to local businesses, services, and employment. The Conservation and Open Space elements preserve the natural areas that bring visitors to Morro Bay and focus on conserving resources of economic importance such as commercial fishing, energy resources, and water management. The Public Safety and Community Well-Being elements ensure that the community can withstand the impacts of physical and social incidents and trends and minimize economic consequences by having minimal disruption to jobs, shipping, and the purchasing of goods and services during these events and after they occur.

RESILIENCY APPROACH

As conditions change in coming decades, increased stress on natural resources, physical assets, and social conditions will create challenges for the community. The local economy needs to be flexible and diverse to be able to recover from natural disasters and social and economic fluctuations, as well as to provide the financial means to ensure that resources and infrastructure are able to withstand the impacts of climate change. Goals and policies in this element incorporate such considerations, planning for a more diverse economy and an increased sales tax base. This element also focuses on sustainable economic practices that will strengthen the job and housing markets, such as investments in renewable energy and provision of affordable housing options.

DEMOGRAPHICS

Morro Bay’s demographic makeup influences the economic resiliency and composition of the community by defining the types of businesses attracted, the ability of residents to pay for goods and services, and the jobs and homes provided. A larger population can support greater and more diverse economic activity, and populations with higher incomes increase that support. However, population growth that is too slow or too fast can cause an imbalance in goods and services offered and the people available to work at such businesses and to purchase the products.

The population in Morro Bay in 2015 was 10,640, with a projected population of 12,015 for the year 2040, an increase of 12.9 percent. Morro Bay is significantly less diverse in terms of racial and ethnic makeup than much of California, and it has a per capita income that is about 8 percent higher than the state average. Residents tend to be more formally educated than the general state population, and unemployment is relatively low. As shown in Table ED-1, Morro Bay residents also tend to be older than the California average, with about 23 percent of residents over the age of 65 and a median age of 49. The number of working-age residents in Morro Bay is similar to the state average, however, providing for a workforce that can support economic development. These factors generally mean that residents in Morro Bay have some expendable income and the city has a reasonably sized workforce to fill local jobs. However, a significant percentage of local residents will be retiring in the next two decades and will have less income available for goods and services.

**Table ED-1:
Age Distribution (2010–2015)**

	Morro Bay			California		
	2010	2015	Average Annual Change	2010	2015	Average Annual Change
Total	10,234	10,640	0.8%	37,253,956	38,907,642	0.9%
Under 20	1,341	1,734	5.9%	10,617,377	10,349,433	-0.5%

	Morro Bay			California		
	2010	2015	Average Annual Change	2010	2015	Average Annual Change
20-34	1,627	2,000	4.6%	8,084,108	8,676,404	1.5%
35-54	2,303	2,426	1.1%	10,580,124	10,582,879	<0.1%
55-64	1,863	2,022	1.7%	3,837,157	4,474,379	3.3%
65 & Over	3,101	2,458	-4.1%	4,135,189	4,824,548	3.3%
Share of Population 25-64	51%	54%		53%	53%	
Population Under 18	12%	15%		25%	24%	
Population Over 65	31%	23%		11%	12%	
Median Age	54.1	49.2		34.9	35.8	

Sources: US Census Bureau, American Community Survey 2010 and 2015 5-year estimates; California Department of Finance, Demographic Research Unit (total population) May 2016 E-4 Population Estimates for 2010 and 2015

KEY ISSUES

Affordable Housing

Housing affordability impacts the spending abilities of residents and therefore the economy as a whole. The specific nature of housing in Morro Bay necessitates particular attention to housing issues, with the city’s tourist economy and large number of vacant or vacation homes affecting housing needs and affordability. Most Morro Bay residents live in single-family detached homes, with more than half paying at least 30 percent of their income to housing costs. The city’s tourist economy also places an emphasis on the service industry, which typically represents lower-wage employment that does not support the average housing costs in the region, making affordable housing a necessity to accommodate many of the workers at Morro Bay businesses. High vacancy rates (in the range of 17 percent) are partially driven by vacation homes that are only occupied part of the year or are used as short-term rentals. These units being removed from the housing supply reduced the number of houses on the market, which increases the cost of housing. While the high cost of adequate housing is a statewide concern, addressing it in Morro Bay is essential to ensuring economic stability and success for the city. Housing supply and affordability are discussed in further detail in the Housing Element.

Market Surplus and Leakage

Market leakage occurs when the demand for a product or service exceeds the supply available within the city and residents travel elsewhere to obtain desired products. A surplus occurs when the supply of a product available within the city exceeds demand and often indicates that either retailers are attracting shoppers from other areas or local residents are buying more than expected. Much of Morro Bay's economy is visitor-serving and thus focused on tourism and retail sales. Morro Bay's beaches, parks, museums, galleries, and special events attract people from throughout the region and state and are a strong contributor to the local economy. Much of Morro Bay's taxable sales revenue comes from retail sales; this type of revenue tends to fluctuate more than other forms of tax revenue based on visitors' desire and ability to travel for getaways and vacations.



Image: Michael Boswell

Morro Bay's Retail Trade Area includes Cambria, Harmony, Cayucos, Morro Bay, and Los Osos. This larger trade area experiences retail leakage in a number of categories, including apparel, home furnishings, sporting goods, specialty food stores, limited-service restaurants and bars, and general merchandise stores. Morro Bay could support a number of new and varied retail stores, particularly in these industries. However, the community has expressed a desire for additional economic development options that would enhance community character and be consistent with community values, and for opportunities that would provide jobs that pay well enough to allow a household to make a living in Morro Bay. Accommodating these additional retail opportunities could help reduce market leakage, but needs to be combined with other strategies that better support the vision of the community and strengthen the economy.

Stagnated Population and Jobs Growth

Population growth in Morro Bay since 2010 has been slow, while job growth has remained constant or even decreased. This, combined with a drop in sales tax due to a loss of retail revenue in the city, creates substantial future challenges for the City in providing maintenance and services. Limited vacant land in Morro Bay creates a challenge to the city's ability to expand the economy and maintain the needed population base to support it. The *Plan Morro Bay* land use plan and policies focus on working within this already existing framework and creating a balance of uses that improves housing options and affordability in the city, while providing for the needs of both visitors and residents. Attracting employers to the community through a focus on business practices, marketing, and providing for attractive locations and infrastructure will help improve the job market in

Morro Bay, and greater job and housing diversity and a higher quality of life will attract and retain residents. Opportunities to accomplish these objectives include accommodating greater density in areas such as downtown, and the future development of the Dynegy and existing wastewater treatment plant areas. Utilizing the land use plan and associated policies, as well as other city plans, will guide the improvement of job and population growth rates in Morro Bay.

Providing for the Needs of Both Residents and Visitors

A high number of Morro Bay residents are homeowners over 55 years of age. While the city's economy should provide for all segments of the community and remain focused on serving the needs of visitors, future retail opportunities and other economic growth in Morro Bay should also help meet the needs and buying habits of homeowners wishing to remain in the city and plan for their retirement from the workforce. Balancing the need to provide for seasonal visitors with the provision of essential services to those who live in Morro Bay will be increasingly important. The Land Use Element identifies key areas of visitor-serving and community commercial uses, and the City will work with local businesses to ensure the right mix of each use is present in Morro Bay.

GOALS AND POLICIES

GOAL ED-1: A strong, resilient local economy.

POLICY ED-1.1: Economic Considerations. Continuously evaluate potential economic development opportunities or impacts of implementing the General Plan land use diagram and the Zoning Code.

POLICY ED-1.2: Financing. Identify mechanisms to finance economic stimulus programs and improvements to specific commercial areas.

POLICY ED-1.3: City Procedures. Adopt business-friendly practices such as customer service practices, a streamlined and efficient application process, and clear expectations of the City's goals and vision.

POLICY ED-1.4: Technology Resources. Make needed and desired renewable energy and modern technology resources readily available to businesses.

POLICY ED-1.5: Infrastructure and Public Facilities. Identify, construct, and maintain built infrastructure systems and facilities that attract and sustain businesses.

POLICY ED-1.6: Streamline the Development Process. Identify, develop, and implement strategies, programs, and processes that streamline the development review process, in particular for retail, service, industrial, and similar markets that provide living wage jobs and needed services.

POLICY ED-1.7: Economic Development Strategic Plan. Adopt and implement the Economic Development Strategic Plan, and prepare and update similar strategic plans on individual target sectors and opportunities within this larger strategy.

POLICY ED-1.8: Jobs-Housing Balance. Actively pursue employment uses that match the skills and educational levels of existing and future residents.

POLICY ED-1.9: Business Support. Support the Chamber of Commerce, retailers, visitor-serving businesses, local business owners, and other agencies in their marketing and business attraction and retention efforts.

GOAL ED-2: Morro Bay is widely known as a destination location.

POLICY ED-2.1: City Image. Promote Morro Bay as a vibrant eclectic coastal community and an excellent place to do business.

POLICY ED-2.2: Tourism and Visitor-Serving Uses. Continue to work with the Morro Bay Visitor Center, the California Department of Parks and Recreation, and local visitor-serving businesses on marketing and business growth activities.

POLICY ED-2.3: Regional Economic Development. Encourage and participate in regional and local economic development and marketing strategies that support the resiliency and growth of Morro Bay.

POLICY ED-2.4: Visitor Attraction. Support and encourage the development of public amenities, entertainment venues, and other facilities that increase visitation and tourism in Morro Bay.

GOAL ED-3: Local businesses and employment options are high quality, diverse, and environmentally sustainable.

POLICY ED-3.1: Sustainable Businesses. Attract and retain environmentally conscious businesses that contribute to the long-term economic and environmental sustainability of Morro Bay.

POLICY ED-3.2: Public/Private Partnerships. Encourage and seek out public/private partnerships to implement key development projects that meet the City's economic development goals.

POLICY ED-3.3: Diversified Economy. Prioritize strategies that will create an economy full of diverse industries, trades, and goods for Morro Bay to foster a mix of economic activity and job opportunities.

POLICY ED-3.4: Equitable Economy. Ensure that City policies and practices support increased economic benefits and improve quality of life for all residents. Economic development policies and practices should also avoid harming segments of Morro Bay's residents and businesses, particularly members of disadvantaged communities.

POLICY ED-3.5: Chain Stores. Limit the construction of new national chain stores to Quintana Road to continue to protect share of economy for local and regional chains.

GOAL ED-4: Employment provides a range of head-of-household jobs that pay living wages and support living in Morro Bay.

POLICY ED-4.1: Healthcare Employment. Encourage and provide for jobs in the medical and healthcare industry, including in-home care and education, by working with providers on siting and needs.

POLICY ED-4.2: Employment-Generating Projects. Support the development of new commercial and industrial projects and retrofits of existing buildings.

POLICY ED-4.3: Workforce Programs. In partnership with Cal Poly and regional, state, and federal agencies, provide workforce programs that facilitate workforce diversity in the city through expanded labor force training and hiring practices.