

GENERAL PLAN

Introduction

Although Rancho Santa Margarita is largely built out, with relatively little vacant land available for new development, many opportunities exist for expanding the existing commercial and employment/technology base. As described in the Land Use Element, private and public redevelopment efforts within focused areas will allow new investment and new complementary uses to meet local shopping, entertainment and dining demands, provide expanded job opportunities, and build the City's tax base. More importantly, the City can effectively monitor the mix of new uses that occupy existing commercial/industrial space as tenant turnover occurs.

The City faces three major challenges from an economic perspective: 1) sustaining a sufficient base of revenues; 2) providing sufficient employment opportunities for its residents; and 3) providing sufficient local shopping, entertainment and dining opportunities. The Economic Development Element addresses these challenges and describes the City's goals, policies, and strategies to guide and shape important components of the local economy to overcome these challenges.

Purpose of the Economic Development Element

The purpose of the Economic Development Element is to improve the economic viability of Rancho Santa Margarita by addressing: 1) the provision of balanced employment and housing opportunities; 2) the attraction and retention of businesses; and 3) the promotion of fiscal strength and stability in the community. The Element provides guidance to meet the needs of the City's residents and workers and enhance the quality of life in the community.



Scope and Content of the Economic Development Element

The Economic Development Element is an optional element per Section 65303 of the Government Code; however, it is an important component of the Rancho Santa Margarita General Plan. Three sections comprise the Economic Development Element: 1) Introduction; 2) Issues, Goals, and Policies; and 3) the Economic Development Plan. In the Issues, Goals, and Policies section, major issues related to the enhancement and preservation of the community's economic viability are identified and related goals and policies are established to address these issues. The goals, which are general statements of the community's desires, comprise broad statements of purpose and direction. The policies serve as guides for achieving and maintaining economic strength and viability. The Plan explains how the goals and policies will be achieved and implemented.

Related Plans and Programs

This Element provides the overall framework for decision-making that affects economic development in the City. Existing plans and programs specifically focused on economic development are as follows:

South Orange County Regional Chamber of Commerce

The South Orange County Regional Chamber of Commerce (SOCRCC) focuses on improving and promoting business development opportunities for all Commerce members and South County businesses. The SOCRCC provides important information and assistance for members and South County businesses, including: 1) opportunities for funding and investment; 2) business support, including up-to-date information on legislation, labor laws, and business administration; 3) business advocacy; 4) networking; and 5) training and education.

Orange County Business Council

The Orange County Business Council (OCBC) is a private-sector alliance of companies and public sector partners that represents hundreds of local enterprises from mall shops to giant multi-national companies. OCBC provides a forum for businesses to join together, often in conjunction with government and educational institutions, to invest in the growth and prosperity of Orange County.

The OCBC Economic Development staff offers assistance to businesses in the region including site selection and assistance to local agencies to help retain businesses. OCBC administers the Workforce Development Initiative (WDI) within Orange County. The objective of WDI is to ensure that Orange County's current and future workforce, as well as those considering moving to Orange County to work, understand and are prepared for the career opportunities.

OCBC also provides extensive data resources to local and regional agencies and to businesses located within Orange County, as well as those considering (re)locating to Orange County. Comprehensive economic and demographic information, as well as information regarding utility services and rates, real estate, transportation, workforce and education is provided through the Economic Development staff of the OCBC.

Orange County Community Indicators 2001 Project

Sponsored by the County of Orange, the Orange County Business Council, and the Children and Families Commission of Orange County, the Orange County Indicators 2001 Project uses indicators grouped into seven categories (Economic and Business Climate; Technology and Innovation; Education; Health and Human Services; Public Safety; Environment; and Civic Engagement) to track broad countywide economic, social, and environmental trends that affect the County's well-being. The *Orange County Community Indicators 2001* report identifies the factors that underlie and influence the County's high quality of life that attracts businesses and people to move to the area. The report also identifies "red flags", such as high housing costs and traffic congestion that may lead to economic stagnation or even decline in the County. This report is useful for agencies in identifying strategies to address their strengths and weaknesses in business attraction and retention, and also provides businesses useful information that may affect their decision to (re)locate or remain in Orange County.

Orange County Projections 2000 (OCP 2000)

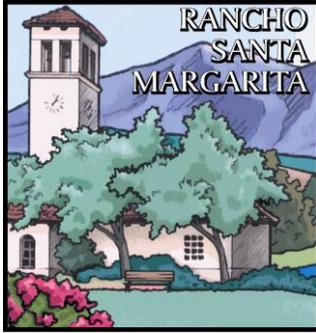
The OCP 2000 provides useful information for local and regional agencies and businesses regarding population, housing, and employment trends and projections through 2025. The OCP 2000 data is available by jurisdiction, regional statistical area (RSA), community analysis area (CAA), and census tract. This information is useful for communities and businesses in identifying and planning for potential employment growth and demand for goods and services.

Economic Development Element

Relationship to Other General Plan Elements

According to State planning law, the Economic Development Element must be consistent with the other General Plan elements. While each of the elements is independent, the elements are also interrelated to a degree. Certain goals and policies of each element may also address issues that are primary subjects of other elements. This integration of issues throughout the General Plan creates a strong basis for the implementation of plans and programs and achievement of community goals. The Economic Development Element is most directly related to the Land Use, Circulation and Housing Elements.





GENERAL PLAN

***Balanced
Employment and
Housing***

Issues, Goals, and Policies

The goals and policies of this Element address the broad range of economic development opportunities within the community. The goals and policies respond to the known challenges within the community, addressing the need to: 1) provide a balance between employment opportunities and housing; 2) attract and retain businesses that are beneficial to the community; and 3) maintain fiscal strength and stability.

Balanced economic development requires that there are both adequate employment opportunities and a local labor force to fill the jobs. Imbalances between employment and housing can create excessive commuting distances as workers from adjacent communities fill local jobs or local workers commute to jobs outside Rancho Santa Margarita. The City's goal is to maintain a balance between attracting and retaining employment generating uses and maintaining suitable housing for the localized labor force.

Goal 1: Encourage and maintain a balance between employment opportunities and housing.

Policy 1.1: Develop and implement short- and long-range plans to stimulate jobs and economic growth that complement the City's employment, entertainment and shopping needs.

Policy 1.2: Attract and retain industry that complements Rancho Santa Margarita's character and takes advantage of the City's supply of quality housing and locational advantage for goods movement and corporate mobility.

Policy 1.3: Promote the development and retention of retail uses (e.g., restaurants, specialty stores) that serve local needs, expand the selection of conveniently located goods and services, and help the City to compete for retail sales tax revenue within the region.

***Business
Attraction and
Retention***

Rancho Santa Margarita has a number of favorable employment growth conditions, including demonstrated attractiveness to industry and ideal locational advantages for company headquarters. The City wishes to focus future efforts on continuing to attract high quality, clean industry and local serving retail and service uses. Promoting business development and defining incentives for businesses to locate in Rancho Santa Margarita can increase the opportunities to expand and protect the economic base of the community.

Goal 2: **Attract and retain the types of businesses and employment generating uses that are beneficial to the community.**

Policy 2.1: Encourage the retention of existing industry and employment generators in the community by providing and maintaining high-quality services and facilities.

Policy 2.2: Encourage the use of incentives, such as fast-tracking development permits and implementation of consistent and understandable City and master business park association development standards, to assist businesses that provide important benefits and contributions to the community.

Policy 2.3: Promote economic development activities that encourage interaction and dialogue between business owners, leasing agents, and property managers for the purposes of improving business recruiting and retention.

Policy 2.4: Cooperate with communications providers to ensure that state-of-the art communications facilities are available to the community.

Policy 2.5: Promote a synergistic business environment by encouraging businesses to locate where they can benefit residents and adjacent businesses and discouraging businesses that would be detrimental to the local business environment.

Policy 2.6: Collaborate with business organizations to attract and retain business and industry, and target areas where the City loses potential revenue to other jurisdictions.

Policy 2.7: Ensure that new businesses and revitalization activities are compatible with existing development design and landscaping standards for the community.

Policy 2.8: Encourage businesses and industry to create and maintain a quality environment designed to promote community character and encourage pedestrian activity.

***Fiscal Strength
and Stability***

Prior to incorporation, Rancho Santa Margarita experienced rapid growth under the jurisdiction of the County of Orange. With incorporation and the ability to capture more local revenues, the City is able to conduct fiscal planning in the context of economic development. Since the City has a choice among alternative market supportable uses, those uses that provide greater fiscal strength and stability can be promoted. With economic development planning, Rancho Santa Margarita has an even greater opportunity to influence its fiscal base, resulting in long term fiscal stability.

Goal 3: Maintain an economic base that provides for long-term fiscal viability.

Policy 3.1: Encourage the growth, location and retention of industries that generate local tax and employment advantages.

Policy 3.2: Maintain a pattern of development that balances revenue generating land uses in concert with other uses that generally have neutral or negative fiscal impacts.

Policy 3.3: Strive to maintain a substantial fiscal surplus to ensure sufficient financial resources during slow economic periods when revenue generation may be low.

Policy 3.4: Explore additional revenue sources beyond the sales tax (e.g., hotel occupancy tax) to promote fiscal viability.

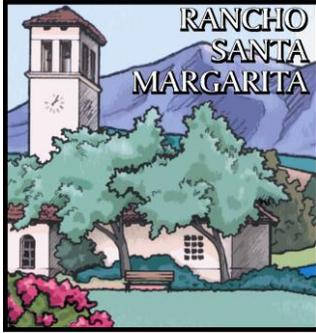
Economic Development Element

Related Goals and Policies

The goals and policies described in the Economic Development Element are related to and support subjects included within other General Plan elements. In turn, many goals and policies from the other elements directly or indirectly support the goals and policies of the Economic Development Element. These supporting goals and policies are identified in Table ED-1 below.

**Table ED-1
Related Goals and Policies by Element**

General Plan Element	Economic Development Element Issue Areas		
	Balanced Employment and Housing	Business Attraction and Retention	Fiscal Strength and Stability
Land Use	1.3, 1.4	1.1, 1.2	2.4
Housing	1.1, 1.2		
Circulation	1.1, 1.2, 3.3	1.1, 1.2, 3.3	
Economic Development			
Conservation/ Open Space		2.1, 2.2	
Safety		4.2	
Noise	1.1		



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Economic Development Plan

In all cities, interdependence exists between local economic issues and the overall quality of life. Prior to incorporation, Rancho Santa Margarita experienced rapid growth, particularly between 1985 and 2000. With a limited commercial and industrial base, Rancho Santa Margarita is primarily a residential community. Little undeveloped land is left in the community so economic development efforts must focus on attracting and retaining businesses that: 1) complement Rancho Santa Margarita’s character and take advantage of the City’s supply of quality housing and locational benefits; 2) stimulate jobs, economic growth, and fiscal stability; 3) serve local employment, shopping, and entertainment needs; and 4) expand the selection of conveniently located goods and services. The Economic Development Strategy Plan presents a broad strategy to address the economic challenges facing the community.

Existing Economic Profile

This section of the Plan describes the City’s overall economic profile in terms of standard economic indices: taxable retail sales, non-retail sales, employment and salary trends, future employment growth, and employment and wage growth trends.

Taxable Retail Sales

The ratio of taxable retail sales per capita is a reasonable gauge of two major aspects of a community’s economic position: 1) fiscal strength, and 2) local availability of retail goods and services. Table ED-2 provides retail sales tax revenues and retail sales per capita for the City of Rancho Santa Margarita and Orange County.

Although the City has realized significant growth in retail sales in recent years, it still under-performs relative to surrounding communities and the County. As shown in Table ED-3, Rancho Santa Margarita had the lowest retail sales per capita among a group of surrounding communities in 2001-02, indicating significant “leakage” of resident retail demand to other jurisdictions. However, significant growth in retail sales between 2000-01 and 2001-02 indicated that positive changes were occurring.



Table ED-2
Retail Sales Tax Revenues and Retail Sales Per Capita:
Fiscal Years 2000-01 and 2001-02

	Rancho Santa Margarita			Orange County		
	Fiscal Year (\$000s)		%	Fiscal Year (\$000s)		%
	2000-01	2001-02	Increase	2000-01	2001-02	Increase
Retail Sales Tax Revenue	\$2,765	\$3,289	18.9%	\$301,594	\$305,986	1.5%
Population	48,350	48,500	0.3%	2,880,161	2,939,547	2.1%
Retail Sales per Capita	\$5.72	\$6.78	18.6%	\$10.47	\$10.41	-0.6%

Sources: Stanley R. Hoffman Associates, Inc., The HdL Companies, 2002.

Table ED-3
Comparative Retail Sales Per Capita:
Fiscal Years 2000-01 and 2001-02

City	Retail Sales per Capita (\$000s)		
	Fiscal Year		% Growth
	2000-01	2001-02	
San Juan Capistrano	\$14.15	\$16.31	15.2%
Laguna Hills	\$15.95	\$15.63	-2.0%
Mission Viejo	\$11.27	\$11.43	1.4%
Laguna Niguel	\$10.39	\$11.26	8.3%
Lake Forest	\$8.66	\$8.81	1.7%
Dana Point	\$7.59	\$8.17	7.6%
Rancho Santa Margarita	\$5.72	\$6.78	18.6%
7-City Average	\$10.25	\$10.81	5.5%

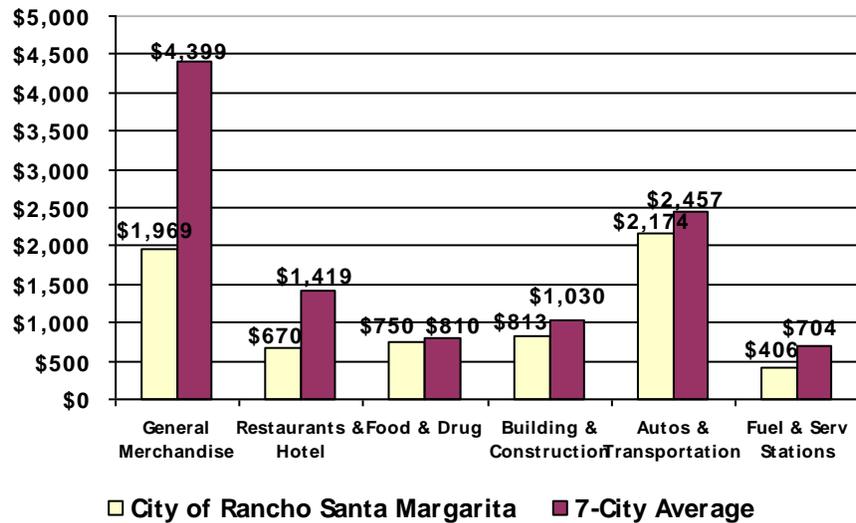
Sources: Stanley R. Hoffman Associates, Inc., The HdL Companies, 2002.

The City’s retail performance compared to the 7-City average varies by retail sector, as illustrated in Figure ED-1. Specifically, the City under performs in the General Merchandise and Restaurant/Hotel categories. The City is about average in the local-serving Food and Drug category, the Building and Construction category, and the Auto and Transportation group.

Rancho Santa Margarita had a total of about 1.3 million square feet of retail space in shopping centers greater than 50,000 square feet, compared to over 3.4 million square feet in Mission Viejo and about 2.2 million square feet in Lake Forest in 2002. Although the City comprised 23.7 percent of the population among these cities, it only contained 18.7 percent of the total retail space. These two neighboring cities had an average of about 37 retail square feet per capita compared with about 28 retail square feet per capita for Rancho Santa Margarita. The wider selection of retail tenants in these communities allows the surrounding cities to capture a greater portion of the regional retail demand.

Another measure of retail performance is the average retail sales per square foot, including taxable and non-taxable sales, compared against industry standards. The estimated average total retail sales per square foot was \$250 for five selected centers in Rancho Santa Margarita in 2002. This was about 9 percent below the national average of \$275 per square foot for community shopping centers in the western United States.¹ Most of the City’s commercial centers perform above the average.

**Figure ED-1
Comparative Retail Sales Per Capita by Category:
Fiscal Year 2001-02**



Sources: Stanley R. Hoffman Associates, Inc., The HdL Companies, 2002.

Although future development of retail space in the City is expected to be modest due to a lack of vacant land in the community, there are opportunities to improve the taxable sales ratio by: 1) completing the Plaza El Paseo center thereby broadening the selection of general merchandise establishments within the City, 2) expanding the City’s retail and entertainment tenant base, particularly at Santa Margarita Town Center, and 3) evaluating and enhancing the mix of tenants within the Town Center shopping center as new leasing opportunities arise.

Non-Retail Sales

Another common gauge of a community’s economic position is the amount of sales generated by manufacturing, leasing, wholesale and business firms within the City. These non-retail sales are linked to

¹ *Dollars and Cents of Shopping Centers*, Urban Land Institute (ULI), 2002.

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employment beyond the retail and service industries, and also tend to be more stable across economic cycles.

Business and industry establishments generated approximately \$613,000 in non-retail sales tax revenues during fiscal year 2001-2002 for the City of Rancho Santa Margarita. This represents about 15.7 percent of the total taxable sales in the City. In comparison, the County of Orange derived 24.7 percent of its sales tax revenues from non-retail sources, as shown in Table ED-4.

Table ED-4
Sales Tax Revenues and Non-Retail Sales Per Capita:
Fiscal Year 2001-02

	Rancho Santa Margarita		Orange County	
	Amount	% of revenue	Amount	% of revenue
Non-Retail Sales	\$613,000	15.7%	\$100,534,000	24.7%
Population	48,500	--	2,939,547	--
Non-Retail Sales per Capita	\$1,264	--	\$3,420	--

Sources: Stanley R. Hoffman Associates, Inc., The HdL Companies, 2002.

When non-retail sales are compared on a per capita basis, it becomes evident that the City is under-performing. Although the City has been able to increase its non-retail sales tax revenues in recent years, the City's non-retail sales per capita in fiscal year 2001-02 (\$1,264) was a little over one third of Orange County (\$3,420).

The City should continue to attract businesses that generate non-retail taxable sales in order to diversify its sales tax base.

Employment and Wage Growth Trends

Rancho Santa Margarita is primarily a residential community with a limited commercial and industrial base. The residential components of the various planned communities that make up the City were completed and occupied at a rate faster than the commercial and industrial components.

Table ED-5 illustrates that the City's workforce is beginning to catch up to its population base. According to the California Employment Development Department (EDD), there were an estimated 9,112 net jobs added in the City between 1992 and 2000. Consequently, the jobs-households ratio improved from 0.75 in 1992 to 0.83 in 2000. Although the City has been able to expand its workforce, there is still a need to attract relatively higher-wage employees and firms in the

engineering, management, finance and professional sectors in order to better match the employment base to the residential labor force.

**Table ED-5
Jobs – Households Ratio: 1992 to 2000**

	1992	2000	Change 1992 to 2000
Population*	15,137	47,214	32,077
Employment	4,453	13,565	9,112
Households*	5,904	16,253	10,349
Jobs-Households Ratio	0.75	0.83	0.08

* 1992 Population and Household estimates interpolated based on 1990 and 2000 U.S. Census figures.

Source: Stanley R. Hoffman Associates, Inc., California Employment Development Department (EDD), 1990 and 2000 U.S. Census

The typical employee working in Rancho Santa Margarita earned about 84 percent of the average employee salary in Orange County in 2000. As shown in Table ED-6, the average employee in the City earned \$32,984 annually, while the average employee in Orange County earned \$39,190. However, the median household income in the City in 2000 was \$78,745 while the median household income in the County was \$58,820.

**Table ED-6
Employment Profile: 2000**

Industry	Employees*	Average Salary
Agriculture & Mining	1,044	\$19,162
Construction	987	\$31,582
Manufacturing	1,518	\$53,940
Transportation, Communications & Utilities	874	\$44,925
Wholesale Trade	439	\$58,656
Retail Trade	2,928	\$16,886
Finance, Insurance, & Real Estate	195	\$54,536
Services	3,579	\$34,445
Total – All Industries	11,564	\$32,984
Orange County Average Salary		\$39,190
Rancho Santa Margarita as % of County Average		84%

* Does not include Government and Self-Employment figures

Sources: Stanley R. Hoffman Associates, Inc., California Employment Development Department (EDD)

Also shown in Table ED-6, the majority of jobs in 2000 (56 percent) were concentrated in the Services and Retail Trade sectors. Less than 2 percent of the jobs are in the higher-paying Financial, Insurance, and Real Estate sector.

Economic Development Element

Summary of Economic Development Challenges



The City's economic profile and the population and income characteristics in Rancho Santa Margarita's market area suggest the following economic development challenges face the City:

- ◆ There are few vacant, developable parcels for office and retail space;
- ◆ Population growth will be limited, with 687 housing units planned in the future, and a small number of infill opportunities;
- ◆ Competition from several larger retail "destination" centers and office parks in nearby cities is strong;
- ◆ The City is not centrally located, limiting the span of the market area;

City economic development strategies should therefore focus on the following activities to improve retail and non-retail sales, enhance the fiscal stability of the City, and sustain a variety of higher wage employment opportunities for residents:

- ◆ Attracting and retaining businesses that support well-paying employment opportunities to improve the jobs/housing ratio in the community;
- ◆ Attracting and retaining businesses to capture the existing leakage and projected demand for shopper (e.g., general merchandise and specialty items), convenience (e.g., dining and entertainment establishments), and heavy commercial (e.g., automotive) goods; and
- ◆ Attracting and retaining sales tax intense businesses.

Actions to Meet the Economic Development Challenges

Public and private efforts will be required to ensure the fiscal strength and stability of the City and that existing and future market demand is met. The goals and policies of this Element address these challenges. Additionally, the following programs are proposed:

Coordination with Regional Economic Development Agencies

The City will coordinate with the South Orange County Regional Chambers of Commerce and the Orange County Business Council to address the needs of existing and future businesses in the community. The City will work with these agencies to obtain input

from the business community as to the best means for assisting local businesses and maintaining a healthy business environment.

Economic Development Strategy Plan

The City will develop an Economic Development Strategy Plan to attract new businesses and retain existing businesses. Based on research performed by the City and contained within the

Rancho Santa Margarita General Plan Economic Analysis, the Economic Development Strategy Plan may contain the following components:



- ◆ Focus on enhancing local serving and community retail sales opportunities, such as the areas of general merchandise, discount and specialty stores, restaurants and entertainment;
- ◆ Use the preliminary retail analysis contained in the *General Plan Economic Analysis* to identify opportunities missing in the market area;
- ◆ Evaluate retail center performance leading to center-specific recommendations ranging from facility and accessibility improvements to re-tenanting;
- ◆ Coordinate with center owners and managers to facilitate effective changes;
- ◆ Consider the designation of person(s) at City Hall providing economic development support services;
- ◆ Provide funding and/or support for an advertising campaign about the growing “diverse and vibrant” downtown of Rancho Santa Margarita;
- ◆ Prepare a business survey to identify a detailed profile of the City’s economic base, its expansion or relocation possibilities and potential economic development actions;
- ◆ Look for ways to retain and attract businesses that generate non-retail taxable sales;
- ◆ Expand economic base through providing a suburban business park niche and attracting businesses having a relatively higher proportion of office and professional jobs with higher average wages;

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- ◆ Explore ways to create expansion opportunities through selected intensification of commercial office or retail sites; and
- ◆ Examine ways that the future completion of SR-241 offers market opportunities, such as broadening market area reach and visitor- and business-serving lodging.
- ◆ Study and evaluate Citywide recreational destination events to provide exposure for the City and stimulate growth opportunities for businesses and services within the community.

