

# ECONOMIC DEVELOPMENT ELEMENT

---



## 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, new investment and new complementary uses will occur during the General Plan planning period to meet local shopping, entertainment and dining demands, provide expanded job opportunities, and continue to improve the City's tax base.

### **Purpose of the Economic Development Element**

This Economic Development Element provides the overall framework for decision-making that affects economic development in the City. The purpose of the Economic Development Element is to maintain and improve the economic sustainability of Rancho Santa Margarita by addressing:

- 1) Economic growth and development;
- 2) Business attraction and retention; and
- 3) Fiscal strength and stability.





## 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 and has the same force and effect as the mandatory elements.

The Economic Development Element is comprised of three sections:

- 1) Introduction;
- 2) Issues, Goals, and Policies; and
- 3) the Economic Development Plan.

The Introduction provides an overview of the purpose of the Economic Development Element specific to Rancho Santa Margarita. In the Issues, Goals, and Policies section, issues related to the enhancement and preservation of the community's economy 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 sustaining and strengthening the local economy. The Plan explains how economic development goals and policies will be achieved and implemented.

## Relationship to Other General Plan Elements

According to State planning law, the Economic Development Element must be consistent with the other General Plan elements. The Economic Development Element is closely related to the Land Use and Circulation Elements. The Land Use Element provides a planned land use pattern and land use designations, that include commercial and business land uses to support economic activities and growth in the community. The Circulation Element provides for the movement of goods, services, and people throughout the community. Access to employment and commercial centers is important to economic growth. Providing efficient and safe access to retail, employment, and services through multiple modes, such as pedestrians and bicycles can increase economic activity.





## ISSUES, GOALS, AND POLICIES

The Goals and Policies of the Economic Development Element address the broad range of economic development opportunities and challenges within the community. They reflect the community's vision to enhance quality of life and encourage economic development. These include:

- 1) Supporting economic growth;
- 2) Attracting and retaining businesses that are beneficial to the community; and
- 3) Maintaining long-term fiscal strength and stability.

### **Economic Growth and Development**

Economic growth and development during the General Plan planning period will rely on reuse and recycling of existing uses, intensification of development, and the development of mixed-use. The City will ensure economic development maintains and enhances the quality of life and adds value to the community.

**Goal 1: Ensure economic development that maintains and enhances the community's character.**

**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.

### **Business Attraction and Retention**

The City will coordinate with regional and local economic development agencies to address the needs of existing and future businesses in the community and maintain a healthy business environment. Additionally, the City will use a variety of economic strategies to attract new businesses and to retain existing businesses.





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

**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, public-private partnerships and other available financing options, and implementation of consistent and understandable development standards and processes, 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, property managers, and local economic development officials for the purposes of improving business recruiting and retention.

**Policy 2.4:** Cooperate with surrounding local jurisdictions, and new technology, and communications providers to ensure that state-of-the art communications and data facilities and services are available to the community.

**Policy 2.5:** Collaborate with business organizations, such as the Chamber of Commerce, to attract business and industry to the City, especially where the City has a competitive advantage or is losing potential revenue to other jurisdictions.

**Policy 2.6:** Collaborate with business organizations, such as the Chamber of Commerce, to retain and/or expand local businesses within the City. These efforts could include business visitations, regular focus groups, and surveys.

**Policy 2.7:** Attract, retain, and support expansion of 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 2.8:** Promote the development of new retail uses and retention of existing 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.



## Fiscal Strength and Stability

Business attraction and retention contributes to the City's fiscal strength and stability, solid revenue generation, high property values, and access to good jobs. The City will build on existing assets that include the City's location, strong retail and business park base, and desirable quality of life.

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

**Policy 3.1:** Encourage the attraction, retention, and expansion of industries that generate a positive fiscal impact while balancing these revenue generating land uses in concert with other uses that generally have neutral or negative fiscal impacts.

**Policy 3.2:** Strive to maintain a substantial fiscal surplus to ensure sufficient financial resources during slow economic periods when revenue generation may be low.

**Policy 3.3:** Explore additional revenue sources beyond the sales tax (e.g., Transient Occupancy Tax) to promote fiscal viability.

## Related Goals and Policies

The goals and policies in the Economic Development Element are related to and support subjects included within other General Plan elements; refer to Table ED-1.

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

General Plan Element	Economic Development Element Issue Areas		
	Economic Growth and Development	Business Attraction and Retention	Fiscal Strength and Stability
Land Use	1.1	2.1, 2.2, 2.3, 2.7, 2.8	3.1
Circulation			
Housing		2.7	
Conservation/Open Space			
Safety			
Noise			

## ECONOMIC DEVELOPMENT PLAN

Economic development covers a wide spectrum of activities focused on creating and maintaining a healthy local economy. Economic development efforts may include business retention, encouraging expansion and growth of new businesses, exploring new opportunities to attract new start-up businesses, encouraging job retention, and promoting job creation. Enhancing and maintaining the City's economic base through increased sales and property tax dollars to the City's General Fund are also essential economic development efforts which sustain





delivery of services to residents and businesses. These activities are explored in the Economic Development Plan.

## Existing Retail Market Profile

A Retail Market Analysis (December 2016) was prepared as a basis for the Economic Development Plan. The Analysis provides an overview of the Rancho Santa Margarita retail market to help provide an understanding of the opportunities and challenges related to existing and new retail establishments within the City. A summary of the analysis and key findings are provided below. However, it should be noted that the analysis represents a point in time in a dynamic and rapidly changing retail market, and will be revisited regularly as part of the City's on-going economic development strategy.

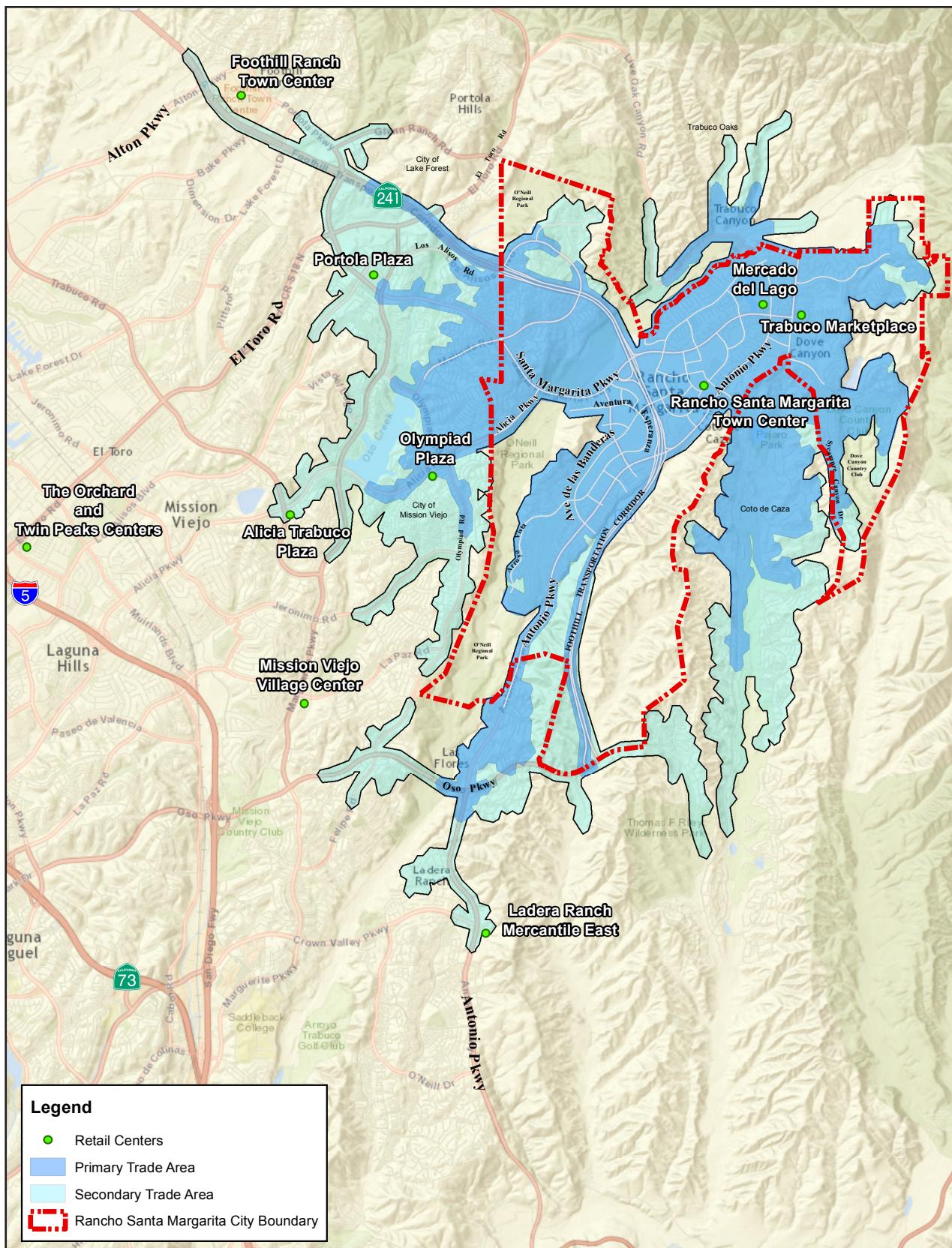
### Retail Trade Area

The Rancho Santa Margarita Retail Trade Area ("RSM RTA") is a term used to refer to the geographic area from which retail establishments in Rancho Santa Margarita draw most of their customer base (refer to Figure ED-1). The Retail Market Study established the RSM Retail Trade Area based upon an analysis of consumer selection of shopping locations comprised of competing shopping centers, drive-times and geographic barriers. This analysis showed that the RSM RTA extends outside the City into Las Flores and Coto de Caza, as well as to portions of Trabuco Canyon, Mission Viejo, Lake Forest, and Ladera Ranch. Analysis of the RTA is useful to the overall Economic Development Plan as it helps to determine the area from which new and existing establishments draw customers as well as allows for evaluation of strengths and weaknesses due to competing retailers in surrounding areas. The analysis looks at both retailers and customers within the RTA, as described below, to determine if the supply of retail and services is meeting the current demand. This analysis can reveal opportunities for retail expansion within the City.

The Retail Market Analysis found that the RTA is limited geographically due to its location at the base of the Santa Ana Mountains and adjacent to the Cleveland National Forest. This geography limits population growth, access, and number of households within this area and reduces the size of the RTA in comparison to competing trade areas. The RTA is further constricted by surrounding retail center competition located in proximity to the RTA.

The City of Rancho Santa Margarita accounts for 57 percent of the population within the RTA. The RTA has an estimated 2.8 persons per household, which is higher than the U.S. average and has an adjusted estimated median household income that is 21.6 percent higher than the U.S. average. Residents in the RTA are more educated than the U.S. average, with approximately 45 percent of the residents within the RTA having a Bachelor's degree or Graduate/ Professional Degree compared to an average of 32 percent of the U.S. Compared to the U.S., residents within the RTA are employed in industries and occupations with higher earning potential. Additionally, the RTA has low unemployment. All of these factors are indicators for higher than average household spending power.





NOT TO SCALE

**Michael Baker**  
INTERNATIONAL



02/20 JN 15279

## Rancho Santa Margarita Retail Trade Area

Figure ED-1





## Retail Trade Area Supply and Demand

Demand within the RTA is measured through consumer expenditures which demonstrate how consumers who live within the RTA allocate their spending. The analysis looks at both retail store type and merchandise type as an indication of demand within the trade area. The RTA generates an estimated \$1.8 billion annually in consumer spending on retail goods and food services. Rancho Santa Margarita resident expenditures of \$566 million annually account for 54 percent of the RTA's sales.

Retail sales are analyzed to determine the overall retail supply within the RTA. Overall sales within the RTA are \$909.6 million annually<sup>1</sup>. Businesses within the City of Rancho Santa Margarita capture approximately 62 percent of these sales for a total of \$566.3 million annually (this includes non-taxable retail sales such as most groceries).

## Trade Capture and Leakage

The analysis of RSM RTA supply and demand evaluated how much of the current demand is being captured by retail establishments within the RTA, known as "trade capture." Demand is measured by consumer expenditures and supply is measured by retail sales. The gap between supply and demand is known as retail "leakage" and indicates how much consumers living in the RTA spend outside of the RTA. According to the December 2016 Retail Market Analysis, the RTA captures 51 percent of consumer expenditures. Retail leakage of almost \$890 million annually in expenditures outside of the trade area present an opportunity to increase the performance of the RTA and re-capture some of this additional spending within the RSM RTA. The opportunities identified for capturing additional retail expenditures allows the City to focus its Economic Development strategy on expansion of retail opportunities. However, due to the built-out nature of the City, capturing retail expansion is limited. Some expansion opportunities may include the addition of new retail space to existing shopping centers or the introduction of mixed-use, which will be addressed further in the Land Use Element.

## Economic Growth and Development

Due to the built-out nature of the City, population growth and new opportunities for commercial or residential development are limited. Economic growth during the General Plan planning period will rely on reuse and recycling of existing uses, intensification of development, and the development of mixed-use. Such opportunities for growth are further described in the Land Use Element. To ensure that economic development maintains and enhances the community's character, the City will do the following:

- Staff will monitor trade capture and leakage as well as restaurant, commercial, and retail trends to develop economic development efforts that maintain and enhance quality of life and add value to the community.

---

<sup>1</sup> Based on data collected in December 2016.



- Staff will monitor available properties and trends and develop attraction programs to meet local needs for entertainment and shopping.
- Economic development efforts will support local businesses and employment generators by maintaining and improving access to high quality retail and services.
- Economic development efforts will support the policies in the Land Use Element which also encourage high quality developments that maintain community character.

## **Business Attraction and Retention**

### ***Coordination with Regional Economic Development Agencies***

The City will coordinate with regional and local economic development agencies 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.

### ***Business Retention and Attraction Strategies***

The City will use a variety of economic development strategies to attract new businesses and to retain existing businesses. Business attraction and retention will be based on customer demand and retail trends. A list of potential strategies is provided below which may be implemented during the General Plan planning period.

- Business attraction efforts may focus on retail goods and services which are desired by the community. Retail and service trends change over time so a balance of store types will provide the greatest level of service for the community as well as reliable revenues to support City services.
- Proactive business outreach efforts can include more regular visitation of key businesses and property managers to understand potential issues and current trends, and a survey of businesses to identify local business needs, expansion or relocation possibilities, and potential economic development actions.
- Staff will maintain an inventory of available commercial space to aid new or expanding businesses to find a location within the City.
- Market City and Retail Trade Area strengths at International Council of Shopping Centers (ICSC) conferences including the international conference and regional conferences.
- Expand common marketing programs and collaborative activities with dealerships to promote the City's Auto Center.





- Explore ways to create expansion opportunities through selected intensification of commercial office or retail sites.
- Examine ways that the potential future completion of the SR-241 connection to the I-5 Freeway offers market opportunities, such as broadening market area reach and visitor- and business-serving lodging, including taking fiscal advantages of growth by exploring the implementation of a Transient Occupancy Tax.
- Maintain information on the City's website about starting a business in Rancho Santa Margarita.

## Fiscal Strength and Stability

The City's economic base and the revenues it generates is important to the long-term fiscal viability of providing a high level of the desired services to the community. This Economic Development Element establishes goals and policies to maintain the economic base. The City will build on existing assets that include the City's location, strong retail and business park base, and desirable quality of life. Business attraction and retention and the balance of housing and employment in the community contribute to the City's fiscal strength and stability, solid revenue generation, high property values, and access to good jobs. To strengthen the City's economic profile, the City will do the following:

- Maintain a balanced budget with sufficient reserves and seek additional revenue generating opportunities which will provide funding to maintain the high quality of services provided.
- Continue to operate under a Contract City Model by contracting out for essential services such as law enforcement and street and facility maintenance so the City can maintain a small staff and efficient operating budget.
- Work with the local Chamber of Commerce to address the needs of existing and future businesses in the community.
- Look for ways to retain and attract businesses that generate non-retail taxable sales.
- Explore public-private partnerships and programs to assist small business such as the establishment of Business Improvement Districts and/or Enhanced Infrastructure Financing Districts to allow for revenue sharing and re-investment in existing retail areas to finance infrastructure improvements, parking, beautification, and marketing programs.
- Review all applications for General Plan Amendments for long-term fiscal impacts.



- Participate in Local Agency Formation Commission LAFCO Municipal Service Review (MSR) every 5 years to determine any service-sharing or cost-saving opportunities.





This page intentionally left blank.

