



ECONOMIC DEVELOPMENT
ELEMENT

HUNTINGTON BEACH

STATUTORY REQUIREMENTS

In addition to the seven mandatory elements, other optional elements may be included in a City's General Plan. The California Government Code Section 65303 states:

The General Plan may include any other elements or address any other subjects which, in the judgment of the legislative body, relate to the physical development of the county or city.

Huntington Beach's Economic Development Element is just such an optional element. It is specifically concerned with the identification of a strategy to address development potentials that will broaden and stabilize the City's economic base, and its goals and policies are formulated to provide new policy direction for the City and the planning area.

Once adopted, this element will have the same legal status as any of the mandatory elements. Additionally, other state requirements pertaining to the mandatory elements, such as internal consistency, also apply to the optional element.

TECHNICAL SYNOPSIS

A. INTRODUCTION

This section covers general economic background issues that have defined the City within its recent past. It highlights recent trends, growth patterns, sales and purchasing power shifts, as well as economic hotspots in the City. The U.S. Censuses of Retail Trade, Wholesale Trade, Manufacturing and Services are completed every five years. The 1992 Census information is not yet available for the manufacturing sector of the economy. It is anticipated that this information will be available within the next six months to a year. At that time all tables and discussion within the Economic Development Element will be able to be more currently updated.

During the past 15 to 20 years, much of the Western Orange County region¹ has been experiencing a second generation of urbanized uses. Much of the land-intensive industrial, processing, and distributive uses have slowly given way to commercial office, retail and high tech-light industrial uses. The economic engine propelling Huntington Beach's development is the expanding high-tech and service sector base built on the existing aerospace infrastructure. Within recent years, a great deal of the so-called "clean industry" development has gone south to the emerging regional business core of Irvine/Newport Beach. The success of the Irvine/Newport Beach high-tech core presents challenges to all cities in the northern and western sections of the County who wish to capture the jobs of the "twenty-first century."

For the remainder of the 1990s, the changes expected in the localized West County economy are going to be very different from those experienced in the past. In the coastal areas, land available for urban development is rapidly disappearing. Given the scarcity of land and the expected continued strength of the

¹ West County is defined as encompassing the following cities: Huntington Beach, Fountain Valley, Garden Grove, Westminster, Seal Beach, Los Alamitos, and Cypress.

regional economy, land prices will continue to rise. Higher land prices translate into higher rents for all types of commercial and industrial uses, higher housing cost for residents, higher wages in order to attract labor, higher overall cost of doing business, and more intensive land development patterns.

The higher cost of doing business will result in a selection process that determines which businesses will remain and thrive and which ones will leave. The types of firms, or portions of firms, which are likely to remain in the West County area will tend to be:

- at the leading edge of technological change and dependent upon the a) highly skilled but expensive local labor force, or b) close proximity to manufacturing and engineering functions;
- able to automate a substantial portion of their production process and, thereby, reduce their labor needs to a relatively few highly skilled workers; and
- of sufficient size where the management, administrative, sales and research functions can be physically separated from the production and distribution functions.

The land use implications of this cost pressure are the gradual recycling of older manufacturing and distribution areas with mid to high-rise office buildings, high-tech oriented tilt-ups, hotels, mixed-use projects and in some cases, residential complexes.

B. EMPLOYMENT AND JOB CREATION CHARACTERISTICS

1. Employment and Growth in Huntington Beach

As shown in **Tables ED-1 and ED-2**, Huntington Beach's private and public sectors currently provide employment for approximately 60,800 people, primarily in the retail, service, manufacturing and wholesaling sectors. **Table ED-3** indicates that the City has experienced continual increases to its job base over the past 17 years. On average, 2,000 net new jobs have been added to the City's economy each year since 1975. The City's compound annual rate of employment growth has been 4.9 percent over this same period. In addition, Huntington Beach has maintained a fairly consistent share (5.1-5.3 percent) of the overall Anaheim-Santa Ana Metropolitan Statistical Area (MSA) employment base over these same years.

Looking at each of the key employment sectors in more detail, it is apparent, from **Table ED-4** that certain Huntington Beach business sectors are continuing their strong growth, while others reflect challenges to the local economy. The Wholesale sales grew at 50% over the most recent 5 year reporting period, down from its 75% growth the previous 5 year period. The service area grew at 38% over the most recent 5 year period, down from 75% five years earlier. Mirroring trends discussed elsewhere in this document, Retail sector declined 7%, whereas it was still increasing at 25% over the previous five years. The two main factors generally thought to have caused this reversal are the overall recession in the retail and real property industry during this period and the increase in sales leakage seen in Huntington Beach. In the final area, Manufacturing, no data is available for the most recent 5 years, but this area grew at 49% during the previous five year period.

TABLE ED-1

1992 Huntington Beach Employment

Employment by Business Type	Number of Employees
Retail Trade	15,069
Finance/Insurance/Real Estate	3,924
Business and Personal Services	10,411
Agriculture	250
Mining	200
Construction	2,885
Manufacturing	14,369
Transportation, Communications, and Public Utilities	2,611
Wholesale Trade	4,759
Government	6,361
TOTAL	60,869

Note: These figures are estimates only. They are specific to the City of Huntington Beach and are based on compilation of the sources indicated below. The State of California (e.g., The Employment Development Department) does not publish current employment counts by business type at the City level on a regular basis. The above estimate is believed to be accurate within a 5% (+/-) margin of error.

Source: Estimates are based on data from the following sources: California State Employment Development Department Reports 1990 and 1991; 1991 California Manufacturers Register; 1982 and 1987 U.S. Census of Retail Trade, Wholesale Trade, Manufacturing, and Services; and Economic Research Associates.

TABLE ED-2

**Significant Business Sectors
 Estimated Huntington Beach Employment**

Significant Employment Categories	Number of Firms	Number of Employees
Retail Trade		
• Food Stores	82	1,640
• Eating and Drinking Places	394	7,092
• Auto Sales and Supplies	82	1,476
Total	558	10,208
Percent of Total Retail	34.5%	72.0%
Services		
• Select Business Services ²	259	1,849
• Health Care Services ³	530	3,574
Total	789	5,423
Percent of Total Services	18.5%	53.6%
Manufacturing		
• Aerospace	18	9,790
Percent of Total Manufacturing	3.5%	65.0%
Wholesaling		
• Industrial Machinery and Electrical Goods	175	1,093
• Sporting Goods, Toys and Photographic Supplies	75	940
Total	250	2,033
Percent of Total Wholesaling	46.0%	42.7%
Total for Significant Sectors	1,615	27,454
Percent of Total City Employment	29.4%	45.1%

² Includes Computer and Software Services, Data Processing, and Advertising and Marketing.

³ Includes Offices of Physicians, Nursing Facilities, and Hospitals.

Source: California Employment Development Department data as reported in "Orange County Progress Reports," "1987 California Census of Retail Trade," "1987 California Census of Manufactures," "1987 California Census of Wholesale Trade," "1987 California Census of Service Industries," "U.S. Department of Commerce, Bureau of the Census; 1991 California Manufacturers Register; and Economics Research Associates.

TABLE ED-3

**Employment Growth
 City of Huntington Beach and Santa Ana-Anaheim MSA⁴**

	1975	1980	1984	1987	1992	Total Growth Since 1975
Santa Ana-Anaheim MSA	568,600	843,800	959,500	1,100,500	1,209,300	640,700
Huntington Beach	26,724	44,452	48,731	58,091	60,869	34,145
Huntington Beach as a percent of MSA	4.7%	5.3%	5.1%	5.3%	5.1%	5.3%

Average Number of Jobs Added Per Year (1975 to beginning of 1992)

- Huntington Beach 2,008
- Santa Ana-Anaheim MSA: 37,688

Compound Annual Rate of Job Growth (1975 to beginning of 1992)

- Huntington Beach: 4.96%
- Santa Ana-Anaheim MSA: 4.54%

⁴ MSA refers to *Metropolitan Statistical Area*. The Santa Ana-Anaheim MSA conforms to the jurisdictional boundaries of Orange County.

Source: California Employment Development Department data as reported in "Orange County Progress Reports," "1987 California Census of Retail Trade," "1987 California Census of Manufacturers," "1987 California Census of Wholesale Trade," "1987 California Census of Service Industries," U.S. Department of Commerce, Bureau of the Census; 1991 California Manufacturers Register; and Economics Research Associates.

TABLE ED-4

**Receipts Per Establishment
 1987 and 1992**

Business Sector	1987 Receipts	1992 Receipts
Service Industries <ul style="list-style-type: none"> • All Service Sector Firms • Per Employee 	\$531.7 million total sales \$57,700 per employee	\$732.1 million total sales \$70,320 per employee
Manufacturing Industries <ul style="list-style-type: none"> • All Manufacturing Sector Firms 	\$940.7 million value added \$61,500 per employee	\$1.7 billion value added \$118,310 per employee
Retail Sales Establishments <ul style="list-style-type: none"> • All Retail Sales Establishments • Per Employee 	\$1.5 Billion total sales \$110,660 per employee	\$1.4 billion total sales \$95,500 per employee
Wholesale Sales Establishments <ul style="list-style-type: none"> • All Wholesale Sales Establishments • Per Employee 	\$1.4 billion total sales \$378,000 per employee	\$2.1 billion total sales \$430,760 per employee

Source: California employment Development Department data as reported in "Orange County Progress Reports", 1987 and 1992; California Census of Retail Trade, 1987 and 1992; California Census of Manufacturers, 1987 and 1992; California Census of Wholesale Trade, 1987 and 1992; California Census of Service Industries, 1987 and 1992; U.S. Department of Commerce, Bureau of the Census; 1994 California Manufacturers Register, Economics Research Associates, Urban Decision Systems, and Cunningham & Associates.

The most significant change in revenue generated by the City's businesses has been the emergence of the finance, insurance, and real estate sector (FIRE) during the mid-1980s. Revenues from these business operations increased from \$0.20 of every dollar generated to \$0.26. This gain is likely to decrease somewhat in the near future due to industry-wide contractions in financial and real estate oriented business.

2. Job Creation During the 1980s

Data indicates that many of the City's business establishments are "small shop" operations. The majority of businesses in Huntington Beach employ 30 or fewer workers⁵. The primary exceptions to this rule are the McDonnell Douglas facilities, the Columbia Huntington Beach Medical Center and Pacifica Community Hospital, Golden West College, the City (municipality) of Huntington Beach, and the Huntington Center. However, employment at these larger establishments constituted only 15 to 18 percent of all employment within the City in 1987.

It is estimated that 70 percent of all new jobs created between 1982 and 1987 in Huntington Beach were due to the creation of new businesses (Table ED-5). This is not to say that there were not significant amounts of job opportunities created by existing companies during the 1980s. Over 33 percent of new manufacturing jobs were created by expansion of existing firms. It should be stressed, however, that as long as the City continues to attract new business starts, its local economy will diversify and provide a better buffer against job losses in any one particular employment sector.

3. Localized Labor Force

According to the 1980 decennial census, the City of Huntington Beach employed civilian labor force of 88,469 persons representing 52 percent of the City's residents. Also, over 19,800 Huntington Beach residents worked at jobs within the City. Thus, as of 1980, 45 percent of all available jobs within the City were filled by local residents.⁶

C. RETAIL ACTIVITY IN HUNTINGTON BEACH

In order for a city to thrive economically, it must have a fairly diverse employment base with suitable amounts of employment opportunities and business activity in all major economic sectors. Certain sectors, such as manufacturing, wholesale trade, and the finance, insurance and real estate (FIRE) group, typically bring value into a city's local economy from outside sources; that is, sales are usually "imported" from customers residing outside the city and in many cases, outside the larger economic region. Money is brought into the local economy by way of product and service sales and it is respent by employees at local establishments and by businesses purchasing materials and services as "inputs". When a strong and diverse "import base" (or basic economic sector) exists, other local population-serving (non-basic) businesses can likewise thrive (as seen in Table ED-6). It is widely believed that all growth or decline in local economies originates with business health in the basic sector.

⁵ In 1982, the average number of employees per establishment was 15.3. By 1987, the average size had increased to 16.8 employees per establishment.

⁶ Based on a 1980 employment level of 43,747 jobs.

TABLE ED-5

**Employment Growth Due to
 New Business entries**

Employment Category	Jobs Created by New Company "Births"	Jobs Created by Expansion of Existing Companies	Jobs Lost Due to Company Failure	Jobs Lost Due to Company Shrinkage	Total Net Change
Service Industries	2,883	1,382	37	738	+3,490
Retail Industries	3,142	1,156	932	1,172	+2,194
Wholesale Trade	1,409	403	105	317	+1,390
Manufacturing	2,869	1,454	0	363	+4,200
Total Four Sectors Percent	10,303 70.1%	4,395 29.9%	1,074 29.3%	2,590 70.7%	+11,274

Ratio of Job Creation to Job Loss

Ration of Jobs Created by New Companies
 Compared to Jobs Lost Due to Company Failure: 9.6 to 1

Ratio of Jobs Created by Existing Company
 Expansion Compared to Jobs Lost Due to
 Existing Company Shrinkage: 1.7 to 1

Overall Ratio of New Jobs Created 1982 to 1987
 Compared with Jobs Lost During Same Period: 4.0 to 1

Source: 1982 and 1987 U.S. Census of Retail Trade, Wholesale Trade, Manufacturing, and Service Industries; as well as economics Research Associates.

TABLE ED-6

Profile of Huntington Beach Employment Diversity

Employment Sector	"Ideal Profile"	Huntington Beach Employment Profile	
		1980	1991
Manufacturing	20%-25%	27.0%	23.6%
Construction	3%-6%	4.1%	4.7%
Transportation/Public Utilities	4%-7%	4.5%	4.3%
Wholesale Trade	5%-8%	3.1%	7.8%
Retail Trade	15%-17%	23.5%	25.0%
Services	22%-28%	15.2%	17.1%
FIRE	10%-15%	4.6%	6.4%
Public Sector	10%-13%	16.5%	10.4%
Other	2%-4%	1.6%	0.7%

Source: Economics Research Associates

Nevertheless, the economic activity described above, while important to the employment and spending patterns of city residents, does not directly translate into the revenues required to run a city. The fiscal health of a community (e.g., the revenues which flow directly to the municipal government in the form of taxes and fees), particularly in California, relies primarily on the existence and vitality of a city's retail sector. Since the advent of Proposition 13 in 1978, the one percent revenue return that all municipal governments receive from the State's sales and use tax collection is the primary revenue source used to build up the City's General Fund accounts⁷. Thus, retail sales are vital to a city's continued economic health. Moreover, in recent years such sales have become, in some cases, part of a city's "basic economy", in that they bring in significant amounts of customers and sales from outside the local area.

1. Retail Development in Huntington Beach

Based on 1992 documentation, Huntington Beach's retail development is approximately 7.8 million square feet.⁸ Of this amount, approximately 32.5 percent (or 2.5 million square feet) are located in self-contained shopping centers (see **Table ED-7**). Conversely, approximately 5.3 million square feet of the City's retail space is found in strip or free-standing retail outlets.

2. Taxable Sales Trends

The State Board of Equalization maintains records of taxable transactions occurring each year for the purpose of publishing the value of state sales and use tax subventions. **Table ED-8** illustrates the Huntington Beach's change in the number of retail sales tax permits from 1975 to the first quarter of 1991. From this table, the principal conclusion is that Huntington Beach's retail expansion of the past decade was due to its capture of a larger regional retail market.

In addition, the City of Huntington Beach receives a significant amount of its sales and use tax revenue from taxes paid on sales occurring at non-retail outlets. Outlets include:

- manufacturers and wholesalers involved in final-demand product sales;
- business and personal service establishments without an "on-sale" general license;
- health care services;
- public utilities, transportation and allied services;
- publishers and published materials distributors; and
- mail-order catalogue and phone-sale outlets.

⁷ Due to the annual cap on reassessment of all property that has not been resold, property tax revenues (while still significant) have become a smaller portion of most cities' General Fund accounts. Of all methods used to try to raise additional revenues to meet rising city costs, the active pursuit of retail development (and its subsequent sales tax collection) has become the technique of choice.

⁸ This estimate is based on the 1991 Envicom Corporation land use inventory of the City. In its inventory, Envicom Corporation estimates that approximately 939.1 acres of local-serving and sub-regional retail uses (e.g., neighborhood and community shopping centers as well as strip and freestanding retail outlets) are currently present within the City. Regional and tourist-oriented specialty retail (e.g., the Huntington Beach Center and beach-oriented retail), are estimated to account for 105 acres of land use. An average Floor-to-Area ratio of 0.21 was applied in order to estimate total gross square footage for these uses. Applying this FAR, an estimate of 6.8 million square feet of local-and community-serving retail, and 950,400 square feet of regional and tourist-oriented retail was estimated.

TABLE ED-7

Shopping Centers in Huntington Beach

Name	Location	Square Feet
• Albertson's Center ⁹	Brookhurst & Adams	138,000
• Clothetime Five Points Plaza ¹⁰	Beach Blvd. & Main St.	46,307
• Garfield Plaza ¹¹	Garfield Ave. & Magnolia	56,138
• Hamilton & Bushard Center	Hamilton & Bushard	6,800
• Huntington Village ¹²	Edinger & Springdale	144,000
• Huntington Beach Mall ¹³	Edinger @ Beach Blvd.	940,000
• Huntington Harbour Mall ¹⁴	Algonquin & Warner	100,000
• Landmark Plaza	Atlanta & Magnolia	70,000
• Loehmann's 5 Points Plaza ¹⁵	Beach 7 Main	155,000
• Marshalls Center ¹⁶	Beach & Terry	92,000
• Newland Center ¹⁷	Beach & Adams Ave.	128,766
• Old World Village	Center & Huntington Village	75,000
• Peter's Landing	16400 Pacific Coast Highway	97,200
• Pierside Pavilion ¹⁸	Pacific Coast Hwy. & Main	90,000
• Plaza Da Bonita	Beach & Garfield	39,000
• Seacliff Village ¹⁹	Yorktown Ave. & Main	125,000
• The Village Shopping Center ²⁰	Garfield & Brookhurst	104,000
• Yorktown Plaza	Yorktown & Brookhurst	20,000
• Three Unnamed Centers ²¹	---	114,650
TOTALS		2,541,861

⁹ Anchors: Albertson's

¹⁰ Anchors: Clothetime, Eye Care USA, The Gap

¹¹ Anchors: FHP

¹² Anchors: Save-On, Vons

¹³ Anchors: Broadway, Circuit City, Mervyn's, Montogemery Ward, Barnes & Noble, and Staples

¹⁴ Anchors: Hughs

¹⁵ Anchors: C.V.S. Drugs, Loehmann's, Pier 1 Imports, Trader Joe's

¹⁶ Anchors: Marshalls Department Store

¹⁷ Anchors: Luckys

¹⁸ Anchors: Edwards Theatres

¹⁹ Anchors: Lucky's

²⁰ Anchors: The Pep Boys

²¹ Square footage for three unnamed centers is combined.

Source: 1992 Shopping Center Directory, International Council of Shopping Centers; City of Huntington Beach; and ERA.

TABLE ED-8

**Huntington Beach Retail Types
Sales Tax Permits
1975-1991**

Retail Category	1975 Annual Average	1980 Annual Average	1985 Annual Average	1991 1st. Quarter
Apparel Stores	78	113	100	130
General Merchandise	27	29	22	22
Drug Stores	21	25	23	25
Food Stores	58	99	91	84
Packaged Liquors	34	36	39	43
Eating & Drinking	183	281	361	402
Home Furnishings	50	97	100	121
Building Materials	27	48	52	50
Auto Dealers/Supplies	47	60	63	85
Service Stations	89	76	65	62
Other Retail	175	320	419	593
Total Retail Stores	789	1,184	1,355	1,617
Other Non-Retail Outlets	1,637	3,126	4,321	4,733
TOTAL	2,426	4,310	5,656	6,350

Source: California State Board of Equalization and Economics Research Associates

In 1980, 3,126 non-retail outlets generated approximately \$216.1 million in annual sales (in 1990 dollars), thus representing 16.6 percent of all taxable sales occurring in the City. By the first quarter of 1991, the number of outlets increased by 1,600 and taxable sales (1990 annual sales) increased to \$294.1 million (19.3 percent of all 1990 taxable sales occurring in the City.)

Comparing Huntington Beach and its neighboring "West County" cities in 1980, 1985, and 1990, Huntington Beach has experienced a real increase in retail sales since 1980. However, the City's overall sales performance has been volatile due to the 1980-1981, 1982-1983, and the 1990s recessions. During the 1980 to 1985 period, the Cities of Huntington Beach and Costa Mesa experienced the largest overall real sales growth as the economy climbed out of a recessionary environment and started the mid-1980s expansion (Table ED-9). Between 1985 and 1990, Huntington Beach's sales dipped significantly while neighboring cities apparently held their own. The city experiencing the largest gain for the entire ten-year period was Fountain Valley. Real growth in retail sales increased by 81 percent due primarily to the 1990 opening of a Price Club center at Talbert and New Hope.

3. "Leakage" of Sales to Other Communities

When compared with a suitable benchmark, per household retail sales (derived by dividing the total retail sales by the number of occupied housing units) reveal the share of goods and services provided by local merchants. The implicit assumption in selecting a benchmark is that all of the City's residents purchase all of their goods within its borders. Since this assumption is clearly flawed, some analyses use very large areas (e.g., a county or a group of counties) for their benchmarks. The benchmark for Huntington Beach is retail activity in Orange County, because of the dominant urban residential pattern of the county.

By comparing per household retail sales for Orange County with those for Huntington Beach (Table ED-10), the extent of leakage or "export" of sales can be measured. For example, per household apparel sales in Orange County equaled \$1,382 in 1990, but only \$775 in Huntington Beach, or 56.1 percent of the benchmark level. Estimated 1990 annual leakage of apparel sales in Huntington Beach was thus \$607 per household, or \$41.8 million.²² Conversely, Huntington Beach's per household sales for home furnishings and appliances, at \$1,552 is 26 percent higher than the County's level of \$1,223. Home furnishings and appliance sales are occurring at a greater rate than expected and the conclusion is that Huntington Beach is attracting significant sales from nonresidents. In both cases, Huntington Beach's expected annual per household sales must be corrected for a discrepancy in median household income -- if Huntington Beach's residents earned 26 percent more than benchmark area residents, then the home furnishings figure would make better economic sense. Based on 1991 estimated discretionary spending income levels,²³ Huntington Beach's median household effective buying income is \$43,872, which is 6.5 percent higher than Orange County's \$41,179 level. Thus, if the retail purchase differential between Orange County-wide and

²² Number of Huntington Beach households is based on an April 1, 1990 Census value of 68,879.

²³ Median household effective buying income (EBI) - or simply, total discretionary spending income. EBI for major cities in Orange County is estimated each year in the publication *Sales and Marketing Management, Survey of Buying Power*.

TABLE ED-9

**Total Taxable Retail Sales
 West County Cities in Orange County
 1980-1990**

City or County Area	1980 Annual Sales (in 000's 1990\$)	1985 Annual Sales (in 000's 1990\$)	1990 Annual Sales (in 000's 1990\$)	Percent Growth		
				1980 to 1985	1985 to 1990	1980 to 1990
Huntington Beach	\$1,099,216	\$1,426,392	\$1,225,477	31.4	-14.1	12.8
Costa Mesa	\$1,272,342	\$1,608,194	\$1,722,577	26.4	7.1	35.4
Fountain Valley	\$272,119	\$314,661	\$494,649	15.6	57.2	81.7
Santa Ana	\$1,435,291	\$1,672,252	\$1,606,956	16.5	-3.9	11.9
Seal Beach	\$98,751	\$96,887	\$96,497	-1.8	-0.04	-2.3
Westminster	\$667,739	\$707,790	\$714,234	6.0	0.91	6.5
Total Orange County	\$13,305,974	\$16,305,974	\$17,483,433	18.8	7.2	27.5

Source: California State Board of Equalization and Economics Research Associates.

TABLE ED-10

**Per Household Retail Sales
City of Huntington Beach
1980-1990**

Retail Sales Category	1980 Sales Per Household (in 1990\$)			1990 Sales Per Household (in 1990\$)		
	Huntington Beach	Orange County	Leakage Index	Huntington Beach	Orange County	Leakage Index
Apparel Store	\$885	\$683	1.297	\$775	\$1,382	0.561
General Merchandise	\$2,780	\$1,699	1.636	\$2,346	\$3,054	0.786
Drug Stores	\$509	\$273	1.862	\$370	\$417	0.888
Food Stores	\$2,045	\$1,144	1.787	\$1,302	\$1,496	0.870
Packaged Liquors	\$387	\$227	1.702	\$257	\$202	1.273
Eating & Drinking	\$2,237	\$1,582	1.414	\$2,041	\$2,776	0.735
Home Furnishings	\$1,311	\$599	2.190	\$1,542	\$1,223	1.261
Building materials	\$2,350	\$1,005	2.339	\$1,750	\$1,651	1.060
Auto Dealers/Supplies	\$2,774	\$1,859	1.493	\$3,450	\$3,678	0.938
Service Stations	\$2,661	\$1,637	1.626	\$1,463	\$1,617	0.905
Other Retail ²⁴	\$1,168	\$1,594	0.733	\$2,496	\$3,646	0.685
TOTAL	\$19,108	\$12,302	1.553	\$17,792	\$21,143	0.842

²⁴ Category includes the following: gifts, art goods, and novelties; sporting goods; florists; photographic equipment and supplies; musical instruments; stationery and books; jewelry; office, store, and school supplies; second-hand merchandise, mobile homes, trailers, and camper sales; and boat motorcycle and airplane dealers.

Source: California State Board of Equalization and Economics Research Associates

Huntington Beach is \$3,351 per household per year, and Huntington Beach resident retail purchase potential could be 6.5 percent higher based on higher median household buying power, the potential current sales leakage from the community (based on 1990 sales patterns) may be on the order of \$245.8 million per year. This could be equivalent to Huntington Beach residents spending nearly \$0.17 of every retail dollar outside the community.

D. COMMERCIAL AND INDUSTRIAL DEVELOPMENT IN HUNTINGTON BEACH

1. Orange County Office Market Overview

During the Second Quarter of 1991, 188,117 square feet of office space was absorbed in all of Orange County, for a mid-year total of 378,958 square feet. This amount compares to average mid-year results of over 1.8 million square feet during the past five years.

The decisive factor for Orange County has been the construction of new speculative office space. The near doubling of the inventory since 1983 has had a strong and lasting impact on the vacancy rate and, increasingly, asking lease rates. The speculative construction and the early 1990s financial climate, means that the buildings that are under construction in the mid-1990s will be the only new speculative office space added to the market for the next few years. The effects of 24 million square feet of office space being added in a 7 year period, however, have been felt in an Orange County vacancy rate as high as 23 percent in the last few years.

Net absorption has averaged 3.1 million square feet annually for the past five years. The majority of this absorption has taken place in the Airport Area and Central County. This strong trend for office space can be attributed to the County's economy, business expansion, business relocation, and consolidation of firms locally from offices located outside the Orange County market.

2. City of Huntington Beach Office Market Overview

According to the Newport Economics Group, Huntington Beach has a 1992 inventory of approximately 600,000 square feet of low rise office space and 1,300,000 square feet of high rise office space. Using the Building Owners and Managers Guide, approximately 2,000,000 square feet of speculative office space (space built by and/or for a single specific user is not listed by the data sources). Total office market vacancy is approximately 12%, which compares favorably with vacancy rates in Garden Grove, Fountain Valley, and the other areas that comprise the West County office market, according to the Newport Economics Group. Office market absorption has been relatively flat during the past year in Huntington Beach. Table ED-11 presents an inventory of major office building projects developed recently in the City of Huntington Beach.

3. Research and Development (R&D) Space

Within Orange County, the R&D market contains approximately 55 million square feet of built space geared toward R&D/high tech users. The County is currently experiencing vacancy rates of 16.5 percent to 17.4 percent for all such space. The North County area has seen most of the recent leasing activity of late with many properties turning over for second and third generation users.

TABLE ED-11

City of Huntington Beach General Plan
Office Market Inventory

Name of Building	Address	Stories	Square Feet	Lease Rate	P.S./1,000 sf	Year Built	Availability
Huntington Plaza	8907 Warner	2	43,000	1.4	4	n.a.	7,058
Argosy	5011 Argosy	2	21,571	1.0 N	2.5	n.a.	5,392
Hunt. Executive Park	16052 Beach	2	110,000	1.4-1.5 G	3	1974	14,000
Guardian Center	17011 Beach	14	203,153	1.25-1.75 NNN	4	1985	32,443
Windriver Park	18141 Beach	3	30,000	1.35 N	4	1984	657
Huntington Pacifica	18377 Beach	3	36,155	1.11 G	3.6	1982	20,000
Courtyard	18700 Beach	2	22,000	1.20 G	4	1982	3,770
Seaview	20422 Beach	4	35,555	1.05-1.25 G	3.5	1982	7,000
Huntington Plaza	5762-5772 Bolsa	2	52,000	1.4G	4	1983	10,000
Huntington National	16531 Bolsa Chica	2	25,000	1.58-1.7 G	3	1982	3,000
Harbor Business	16892 Bolsa Chica	2	21,000	1.10-1.15 G	4	1982	844
One Pacific Plaza	7711 Center	6	98,000	1.5 G	4	1985	n.a.
One Pacific tower	7755 Center	12	189,000	1.92 N	3.75	1983	19,000
Pierside Pavillion	300 P.C.H.	n.a.	14,000	1.75 G	n.a.	n.a.	3,000
Princeland	16712 Gothard	2	45,000	1.07-1.1 G	4	1982	n.a.
Sandollar	16371 Beach	2	20,025	1.25 G	3	1976	5,455

Source: "Orange County Office Market Reports - 1988-1991," BOMA, and ERA.

TABLE ED-11 (con't)

City of Huntington Beach General Plan
Office Market Inventory

Name of Building	Address	Stories	Square Feet	Lease Rate	P.S./1,000 sf	Year Built	Availability
Huntington Commerce	5882 Bolsa	2	44,916	1.4 G	3.5	1988	26,000
Beachstone	18700 Beach	2	21,894	1.25 G	4.4	1981	6,569
Beach Plaza	19671 Beach	4	63,278	1.25 G	4	1981	30,000
Liberty National	7777 Center	6	92,835	1.55 G	4	1982	8,697
Gothard	16541 Gothard	2	45,000	1.00 G	4	1982	1,526
Seacliff	2100-34 Main	4	150,000	1.20-1.45 G	4	1979	23,799
Mariner's Point	15922 P.C.H.	3	25,400		4	1984	
Huntington Marina	4952 Warner	3	40,000	1.25-1.35 G	4.5	1978	8,000
Old Huntington	818 Adams	2	26,000	.70-1.05 G	3	1980	4,500
Harbor Landing	4911 Warner	2	30,000	.95-1.15 G	2	1982	0
Guardian Savings	5200 Warner	2	22,000	.95 G	2	1982	0
HUNTINGTON BEACH TOTAL			1,526,782				240,710

Source: "Orange County Office Market Reports - 1988-1991," BOMA, and ERA.

The West County area, including Huntington Beach, has an R&D inventory of slightly more than 8 million square feet or roughly 14.5 percent of the current county-wide inventory. Of this total, Huntington Beach presently has only 2.2 percent of 178,621 square feet of such space.²⁵

4. Industrial Space

During Second Quarter, 1991, the Orange County industrial market contains 108 million square feet of manufacturing/distribution and warehouse space. Orange County's vacancy rate increased from the previous quarter's 16.6% to 17.0%; continuing an upward trend over the past several quarters. In terms of absorption, the most active Orange County submarket was the airport area with over 700 thousand square feet of activity.

The West Orange County submarket had an existing industrial inventory of 19,404,796 square feet as of 1991 (18 percent of the total County inventory). Approximately 3.2 million square feet were vacant, causing a vacancy rate of 16.65%. Within Huntington Beach, approximately 9.8 million square feet of built industrial space existed as of the end of 1991. Huntington Beach presently contains 50 percent of all industrial space existing in the West County area. Current vacancies for the City equate to 15.2 percent of total stock, or 1.5 million square feet. It should be noted that of the current Huntington Beach supply of vacant industrial space, approximately 350,000 square feet is present in one large facility.²⁶

5. Visitor Accommodations

Huntington Beach presently offers visitors 18 hotels or motels with a total of 1,218 rooms in which to stay overnight. This includes the Waterfront Hilton which is part of the Main-Pier Redevelopment Project Area. **Table ED-12** summarizes the existing hotels and motels and their room and meeting area capacities. Of the eighteen facilities, only two are considered to be full-service establishments. A full service hotel facility is defined as a property offering banquet space, meeting space, and on-site food and beverage service. The Waterfront Hilton and the Holiday Inn offer full-services and together have a banquet facility capacity exceeding 1,000 guests, and 30 separate meeting rooms.

²⁵ Information on the Huntington Beach market supplied by Coldwell Banker. Coldwell's data base only tracks major properties (buildings over 10,000 square feet).

²⁶ E.G., the recently vacated Weiser Lock facility.

TABLE ED-12

**Existing Visitor Accommodations
 City of Huntington Beach**

Facility Name	Number of Rooms	Banquet Facilities & Capacity	Number of Meeting Rooms	Room Rate Range
Beach Comfort Motel	17			\$59-\$79
Beast Western Regency Inn	66		yes/1	\$80-\$150
Comfort Suites	102		yes/1	\$40-\$58
Friendship Beach Inn	38			\$55-\$85
Holiday Inn	224	yes/200	yes/6	n.a.
Howard Johnson Lodge	65	yes/350	yes/1	\$45-\$58
Huntington Harbor Motor Inn	43			\$60-\$88
Huntington Shores	50			n.a.
Huntington Suites	66			n.a.
Huntington Surf	9			n.a.
Motel Europe	12			\$35-\$50
Ocean View Motel	29			n.a.
Pacific View Motel	18			n.a.
Princess Motel	33			n.a.
Quality Inn	50			\$65-\$110
Sun 'N Sands Motel	17			\$65-\$75
The Waterfront Hilton	300	yes/650	yes/21	\$135-\$225
Total Citywide²⁷	1,178	1,200	30	\$117²⁸

²⁷ Total refers to all hotel and motel space within the City. In addition to this space, there is a hostel (the Colonial Youth Hostel) which currently has 40 rooms. The City does not assess any transient occupancy tax on the hostel's room rental revenues.

²⁸ Weighted average of all reported room rates.

Source: 1991/1992 Hotel and Travel Index; Huntington Beach Visitors and Conference Bureau; City of Huntington Beach; and ERA

ISSUES

1. The City must capitalize on its location and reputation as an advantageous business location. (*ED 2.2.1, ED 2.2.2, ED 2.2.4, and ED 2.2.3*)
2. The City must develop a series of incentives to retain, expand, or capture new businesses, such as big box retailers and research and development. (*ED 1.1.2, ED 2.1.1, ED 2.1.2, and ED 2.5.2*)
3. The City must reverse the recent “leakage” trends in retail sales, and re-capture sales tax revenues that are leaving the City. (*ED 2.4.2 and ED 2.4.3*)
4. The City must encourage the renovation and revitalization of deteriorating and struggling commercial centers, such as the Huntington Center. (*ED 2.1.2, ED 2.4.1, LU 10.1.12, and LU 10.1.13*)

GOALS, OBJECTIVES, AND POLICIES

The following section presents the goals, objectives, policies, and programs for Economic Development in the City of Huntington Beach. At the end of each policy is a reference to the appropriate implementation program. Each implementation program schedule and possible funding sources are indicated in the Economic Development Implementation Matrix.

The Economic Development Element goal statements discuss: a) providing for the economic opportunities of City's residents; b) business retention and expansion; and c) land use plan implementation.

Economic Growth

Goal

ED 1

Provide economic opportunities for present and future Huntington Beach residents and businesses through employment and local fiscal stability.

Objective

ED 1.1

Enhance the City's market potential in terms of retail, office, industrial, and visitor serving activity. This would allow Huntington Beach to provide for retail, office, and industrial opportunities that serve the current and projected population and enhance sales and occupancy tax revenue.

Policies

ED 1.1.1

Maintain and expand economic and business development programs that encourage and stimulate business opportunities within the City. (*I-ED 1, I-ED 2, and I-ED 3*)

ED 1.1.2

Review and revise the Economic Development Element every three years to assure the Element: a) adequately assesses Huntington Beach's economic conditions; b) promotes policies and programs to meet the business and resident needs; c) conforms with other General Plan elements; and d) reflects the Economic Development Strategy. (*I-ED 1, I-ED 2, and I-ED 3*)

ED 1.1.3

Create an Economic Development Strategy that: a) is based on the most recent growth and economic forecasts, b) reflects both the City perspective and the business community perspective for economic development, and c) is updated and reviewed tri-annually. (*I-ED 1, I-ED 2, and I-ED 3*)

Fiscal Review

Objective

ED 1.2

Seek to create a cumulative economic growth that provides a balance throughout the City.

Policies

ED 1.2.1

Through the use of the Economic Development Strategy, the City may determine the need for a fiscal impact analysis as part of the development review process. (*I-ED 1*)

ED 1.2.2

Through the use of the Economic Development Strategy, the City may determine the need for a fiscal impact analysis as part of major policy changes. (*I-ED 1*)

Goal

ED 2

Aggressively retain and enhance the existing commercial, industrial, and visitor serving uses while attracting new uses to Huntington Beach.

Technical Assistance Provision

Objective

ED 2.1

Maximize the economic development services provided by the City to existing and prospective Huntington Beach businesses and industries.

Policies

ED 2.1.1

Provide technical assistance and outreach services to the existing and prospective businesses in terms of site locations, City permits, financing, and other services as needed. (*I-ED 1*)

ED 2.1.2

Provide technical consultation and guidance to businesses that are considering locating in Huntington Beach in terms of available site locations, City permitting and licensing processes, available financing, and other services, as needed. *(I-ED 1)*

Marketing

Objective

ED 2.2

Maximize Huntington Beach's visibility by participating in local, regional and state marketing efforts.

Policies

ED 2.2.1

Work with state, county, and subregional organizations to promote Huntington Beach, Orange County, and California. *(I-ED 1 and I-ED 2)*

ED 2.2.2

Coordinate with the City, Huntington Beach-Fountain Valley Association of Realtors, Chamber of Commerce, conference and visitor bureau, school districts, and other business organizations to help their promotional information focus on the message that Huntington Beach is a diverse, healthy community within which to do business. *(I-ED 1 and I-ED 2)*

ED 2.2.3

Promote Huntington Beach businesses to increase their visibility and local patronage. *(I-ED 1 and I-ED 2)*

ED 2.2.4

Utilize new telecommunications technology, such as HDTV Channel 3, the internet, and Worldwide Web, to promote the City. *(I-ED 1 and I-ED 2)*

Service Provision

Objective

ED 2.3

Provide the most effective and responsive City service to the residents and customers.

Policy

ED 2.3.1

Strive to reduce all discretionary permit and licensing processing time. *(I-ED 1)*

Commercial Use

Objective

ED 2.4

Revitalize, renovate and expand the existing Huntington Beach commercial facilities while attracting new commercial uses.

Policies

ED 2.4.1

Encourage and assist existing and potential commercial owners to modernize and expand their commercial properties. *(I-ED 1)*

ED 2.4.2

Seek to capture the "new growth" businesses such as, but not limited to:

- a. telecommuting;
- b. "shop for value" or "big box" stores;
- c. entertainment-commercial developments;
- d. knowledge-based retail and entertainment-information retail uses; and
- e. high sales tax producing businesses. *(I-ED 1 and I-ED 2)*

ED 2.4.3

Encourage the expansion of the range of goods and services provided in Huntington Beach to accommodate the needs of all residents in Huntington Beach and the market area. *(I-ED 1 and I-ED 2)*

Industrial Use

Objective

ED 2.5

Revitalize, renovate, and expand available industrial lands and facilities while attracting new industrial uses.

Policies

ED 2.5.1

Encourage and assist existing and potential industrial owners to update, modernize, and expand their industrial properties. *(I-ED 1)*

ED 2.5.2

Seek to capture “new growth” industries such as, but not limited to:

- a. “knowledge” based industries, such as research and development firms (higher technology communications and information industries);
- b. communication industry service providers and equipment manufactures which are creating the next series of consumer and utility company equipment and services;
- c. biotechnical industries;
- d. environmental technology; and
- e. point of sale industries. *(I-ED 1 and I-ED 2)*

Visitor Serving

Objective

ED 2.6

Expand and enhance the existing visitor serving uses.

Policies

ED 2.6.1

Encourage the attraction of coastal and inland visitor serving uses to offer a wider spectrum of visitor opportunities. *(I-ED 1)*

ED 2.6.2

Encourage visitor supported commercial development to concentrate in selected areas of the City, thereby creating identifiable visitor-oriented centers. *(I-ED 1 and I-ED 2)*

ED 2.6.3

Encourage the establishment of business improvement districts, composed of visitor-serving businesses, which can be used to promote the beach experience for visitors, business travelers, and conference attendees. *(I-ED 1)*

Goal

ED 3

Enhance Huntington Beach’s economic development potential through strategic land use planning and sound urban design practices.

Commercial & Industrial Nodes

Objective

ED 3.1

Maximize the economic viability of commercial and industrial use through the creation of specialized districts and nodes.

Policies

ED 3.1.1

Create differentiated clusters or nodes of retail, industrial, and office uses. *(I-LU 1 and I-ED 1)*

ED 3.1.2

Encourage the consolidation of strip commercial areas to create commercial and/or residential nodes. *(I-ED 1)*

ED 3.1.3

Encourage the creation of districts to facilitate the newly incorporated and/or small scale light industrial-commercial businesses. *(I-LU 1 and I-ED 1)*

ED 3.1.4

Encourage the development of a “big box,” “shop for value” businesses, especially along Edinger Avenue. *(I-ED 1)*

ED 3.1.5

Consider the development of a “auto mall” district, especially along Beach Boulevard. *(I-LU 1 and I-ED 1)*

ED 3.1.6

Concentrate office and mixed use nodes along the primary corridors at the public transportation routes and stops. *(I-LU 1 and I-ED 1)*

Visitor Serving Nodes

Objective

ED 3.2

Maximize the environmental quality and recreational opportunity of the beach visitor destination to continue to attract conference attendees and visitors.

Policies

ED 3.2.1

Create commercial-recreation nodes along the inland side of Pacific Coast Highway. *(I-LU 1 and I-ED 1)*

ED 3.2.2

Encourage mixed use (retail/office/residential) structures in the downtown area and at the visitor-serving nodes along Pacific Coast Highway. (I-ED 1)

ED 3.2.3

Attract visitor-serving uses near the beach in order to create better linkages between the beach and visitor supporting retail uses. (I-ED 1)

Upgrade and Modernize High Activity Nodes and District

Objective

ED 3.3

Upgrade and modernize high-activity nodes and districts.

Policies

ED 3.3.1

Work with land owners, businesses, and tenants located along the primary corridors and at the principal nodes to define the market character and to create district themes for market recognition purposes. (I-ED 1)

ED 3.3.2

Consider utilizing private and public funds to create and implement beautification programs. (I-ED 1)

IMPLEMENTATION PROGRAMS

I-ED 1

Economic Development

The Goals, Objectives, and Policies of this Element shall be implemented through the creation of an Economic Development Strategy or Strategies. The Strategy shall be prepared for adoption by the City Council. It is intended that this Element shall set forth the broad economic development policies of the City. The Economic Development Strategy, which can be amended more efficiently to reflect changing economic conditions, will contain the specific implementation measures.

I-ED 2

Edinger Corridor Study

The Goals, Objectives, and Policies of this Element shall also be implemented through the implementation of the Edinger Corridor Study. The Study has been adopted by the City Council and focuses on the economic revitalization of the Edinger Avenue regional commercial core.

I-ED 3

Economic Opportunities and Constraints Study

The Economic Opportunities and Constraints Study has been adopted by the City Council and shall be utilized in reviewing and encouraging development in the City. The Study focuses on the economic strengths of the City and points out possible constraints to economic growth.

