

DOWNTOWN SAN DIEGO PARTNERSHIP &
UC SAN DIEGO EXTENSION CENTER FOR RESEARCH ON THE REGIONAL ECONOMY



DOWNTOWN SAN DIEGO: THE INNOVATION ECONOMY'S NEXT FRONTIER

A DATA DRIVEN EXPLORATION OF SAN DIEGO'S URBAN RENAISSANCE

APRIL 2016



Letter from the Downtown San Diego Partnership to the Community

Dear Readers:

In 2013, the Downtown San Diego Partnership led the effort to engage San Diegans citywide to identify the priorities and needs for the future of downtown. From that process we created *Imagine Downtown*, a 20-year vision plan for downtown San Diego that identified goals and strategies to grow our economy and provide a world-class cultural scene for downtown residents, tourists and employees. *Imagine Downtown* shed light on how much more we needed to learn about downtown's current demographics, economy and lifestyle in order to reach its fullest potential.

This led us to a meaningful collaboration with the UC San Diego Extension Center for Research on the Regional Economy (CRRE). Under the leadership of Dean of Extension, Mary Walshok, the Downtown San Diego Partnership worked in tandem with the CRRE for more than a year to gather data on how people live, work and play in San Diego's urban core. The result is a first-of-its-kind dashboard that captures the full scope of the urban renaissance and an in-depth comparison of downtown to other key innovation hubs and cities across the nation. The study reveals important trends, and most importantly, it reveals downtown's promise for the future.

Today, downtown San Diego is a diverse, vibrant community with roughly 35,000 residents, 80,000 employees, 137,000 jobs connected to downtown businesses and millions of year-round visitors. Downtown is San Diego's second largest employment center, an innovation hotspot and a mecca for young innovators and entrepreneurs. It's an urban core that ignites the economic engine of greater San Diego.

I want to thank our generous research sponsors for having the vision and commitment to make downtown San Diego a world-class city. This research study shows how downtown San Diego is positioned to become not only a regional driver of growth, but the next frontier of the innovation economy. We believe the *Downtown Demographic Study* will serve as a touchstone for growth and economic development for many years to come.

Kris Michell
CEO & President
Downtown San Diego Partnership

Frank Urtasun
2016 Chairman



UC SAN DIEGO EXTENSION
CENTER FOR RESEARCH ON THE REGIONAL ECONOMY

MARY WALSHOK, Ph.D
ASSOCIATE VICE CHANCELLOR OF PUBLIC PROGRAMS & DEAN OF
UC SAN DIEGO EXTENSION

JOSH SHAPIRO, Ph.D
DIRECTOR OF RESEARCH
UC SAN DIEGO EXTENSION

GLADYS SELFRIDGE
RESEARCH ASSOCIATE
UC SAN DIEGO EXTENSION

GINA CARTON
RESEARCH ASSOCIATE
UC SAN DIEGO EXTENSION

Center for Research on the Regional Economy
UC San Diego Extension
9500 Gilman Drive #0176
La Jolla, CA 92093
(858) 822-4370

DOWNTOWN SAN DIEGO PARTNERSHIP

KRIS MICHELL
PRESIDENT & CEO
DOWNTOWN SAN DIEGO PARTNERSHIP

DANIEL REEVES
SVP ECONOMIC DEVELOPMENT
DOWNTOWN SAN DIEGO PARTNERSHIP

CAROLINE STEVENS, MPP
ECONOMIC DEVELOPMENT MANAGER
DOWNTOWN SAN DIEGO PARTNERSHIP

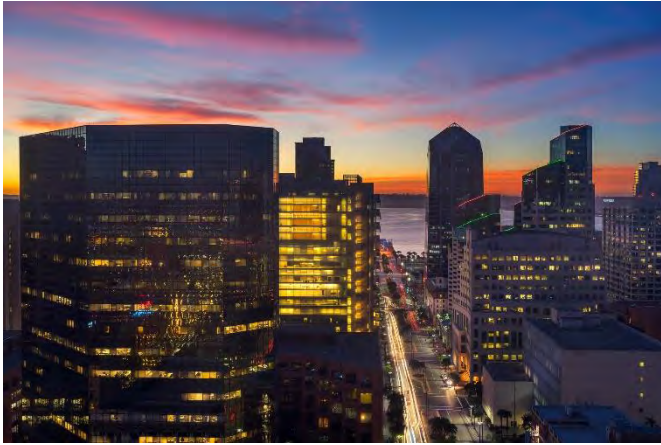
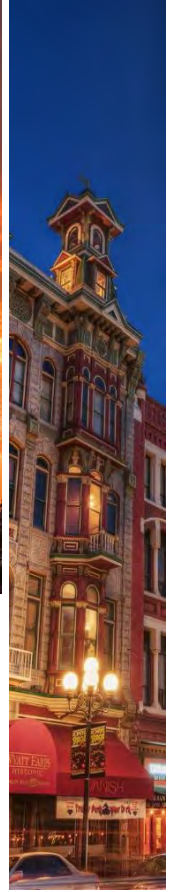
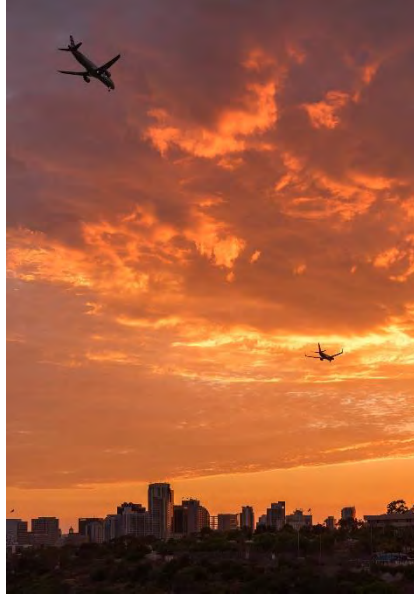
CHRISTINA CHADWICK
SVP COMMUNICATIONS
DOWNTOWN SAN DIEGO PARTNERSHIP

Downtown San Diego Partnership
401 B Street, Suite 100
San Diego, CA
(619) 234-0201

PUBLISHED APRIL 2016
downtownsandiego.org

THANK YOU TO OUR GENEROUS RESEARCH SPONSORS





SPECIAL THANKS TO
PHOTOGRAPHER SCOTT MURPHY
FOR CAPTURING DOWNTOWN SAN DIEGO'S
URBAN RENAISSANCE



TABLE OF CONTENTS

1. INTRODUCTION.....	2
2. DOWNTOWN SAN DIEGO TODAY.....	9
3. THE INNOVATION ECONOMY'S NEXT FRONTIER.....	20
4. DOWNTOWN SAN DIEGO'S FUTURE.....	56

DOWNTOWN DEMOGRAPHIC STUDY



INTRODUCTION & METHODOLOGY



INTRODUCTION

America is in the midst of an urban renaissance. College graduates, families and retirees are flocking to cities to jumpstart their careers, raise their children and enhance their lifestyles. This national movement has shed light on a new economics of “place” and led to a new currency of proximity. As millennials and baby boomers alike trade in their cars and backyards for a short walk to work and constant connectivity to amenities, it has become clear that economic development today is driven by the appeal of a region and the draw of a community.¹

The San Diego region is part of this national trend. By 2050, the region is expected to grow by roughly 1 million residents, 500,000 jobs and 330,000 housing units. As the population increases, new growth and development will continue to cluster around and concentrate within the existing urbanized areas. The confluence of these regional and national factors leads us to believe that downtown San Diego will become a catalyst for growth, innovation and economic development throughout the region.²

Today, downtown San Diego is a diverse, vibrant community with roughly 35,000 residents, 80,000 employees who work downtown, 137,000 jobs connected to downtown businesses and millions of year-round visitors. Downtown is a regional employment center, a public transportation hotspot and the number one space for innovation firms and startup growth in the region. It’s an urban core that ignites the economic engine of greater San Diego.³

This research study reveals the potential for downtown San Diego to become not only a regional driver of growth but also, a national destination as the next frontier of the innovation economy. Technology and innovation firms are the clear champions of modern economic development however, they require a complex ecosystem to flourish and a creative community that can scale up to accommodate the needs of the next “unicorn” - or slow down to fuel the fire of existing anchor businesses and creative talent.

From the data-driven story presented in this research, it is clear that downtown San Diego has all of the elements required to become this unique space. As a community, we have the opportunity to build upon this vision. This annual Downtown Demographic Study will serve as the touchstone for our urban growth and economic development and a beacon for the needs and demands of the downtown of 2050.

¹ American Planning Association, Investing in Place: Two Generations’ View on the Future of Communities. (2014). Retrieved from <<https://planning-org-uploaded-media.s3.amazonaws.com>>

² SANDAG, 2050 Series 13 Regional Growth Forecast (*data extracted on: 02/2016*).

³ SANDAG, Current Estimates (*data extracted on: 02/2016*).

RESEARCH DESIGN & METHODOLOGY

Last year, the Downtown San Diego Partnership commissioned UC San Diego Extension to conduct demographic and economic study of downtown San Diego and the regional attitudes and perceptions of the urban city center. The study was conducted by UC San Diego Extension's Center for Research on the Regional Economy (CRRE). The CRRE focuses on technological innovations, global trends and industry developments that shape regional economies. The findings and conclusions from this report were informed by two separate research phases and several data sources. The research phases are detailed below.

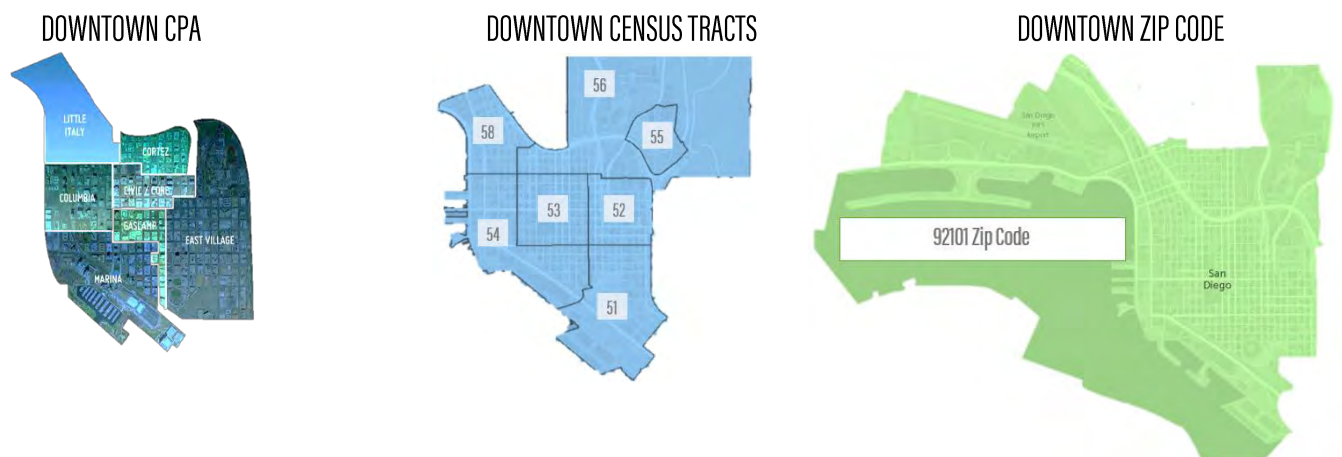
PHASE 1 - DOWNTOWN'S DEMOGRAPHIC STORY

DEFINING DOWNTOWN

To fully capture the scope of downtown San Diego, research staff analyzed demographic, economic and land use datasets. To understand downtown's residential population, data was collected on gender, age, ethnicity and education level. This was followed by various phases of data collection on downtown's housing market, commute patterns, as well as lifestyle traits. Further analysis of demographic trends and population projections were used to understand how downtown's population, housing market and economy could grow and change between 2012 and 2050.

Data collection: When available, data was collected at the Downtown Community Planning Area (CPA) geographic unit from SANDAG Data Surfer from the 2015 Current Estimates. However, for more complex indicators, such as education level, data was collected at the census tract level and tabulated across tracts that were within the boundaries of the Downtown CPA. When census tract level information was not available for the desired indicators, data was collected at the Downtown 92101 zip code geographic unit. See Figure 1 for geographic units. To analyze projections for downtown, estimates were taken from the SANDAG 2050 Forecast and Economic Modeling Specialists International (EMSI) Estimates for the Downtown 92101 zip code.

FIGURE 1
Downtown San Diego Geographic Units of Data Collection



Source: SANDAG, Geographic Boundary Viewer, 2016

FIGURE 2

Downtown San Diego's Surrounding Neighborhoods



Source: SANDAG, Geographic Boundary Viewer, 2016

DOWNTOWN'S SURROUNDING COMMUNITIES

Data was also collected on downtown's surrounding communities to better understand how downtown might work in tandem with neighboring communities to accommodate growth in the future. These surrounding communities can be defined as all neighborhoods contiguous to downtown or, more specifically, land use and demographic data for all Community Planning Areas (CPAs) that border or touch the downtown San Diego CPA. Table 1 below summarizes these CPAs, the neighborhoods within them and their populations, and Figure 2 provides a visual of these neighboring CPAs in relation to downtown San Diego.

TABLE 1

Downtown San Diego's Surrounding Neighborhoods

COMMUNITY PLANNING AREA (CPA)	NEIGHBORHOODS WITHIN CPA	POPULATION
SOUTHEASTERN	Mountain View, Sherman Heights, Logan Heights, Mount Hope and the Diamond District	60,981
GREATER NORTH PARK	North Park and South Park	47,270
PENINSULA	Point Loma	39,581
UPTOWN	Bankers Hill, Middleton, Mission Hills, Hillcrest, Medical Complex and University Heights	38,868
GREATER GOLDEN HILL	Golden Hill	16,413
OCEAN BEACH	Ocean Beach	14,034
BARRIO LOGAN	Barrio Logan	5,202
MIDWAY/PACIFIC HIGHWAY	Midway	5,179
BALBOA PARK	Balboa Park	198

Source: SANDAG, Current Estimates, 2016

Data collection: When available, data was collected at the Community Planning Area (CPA) geographic unit from SANDAG Data Surfer from the 2015 Current Estimates and the Series 13 2050 Regional Forecast Estimates. For indicators that were unavailable through Data Surfer, such as education level, data was collected at the census tract level and tabulated across tracts that were within the boundaries of the Downtown CPA. When census tract level information was not available for the desired indicators, data was collected at the zip code geographic unit.

DOWNTOWN SAN DIEGO & THE REGION

County-level data was also collected on all demographic indicators in order to capture how downtown San Diego fit into the larger patterns and trends within San Diego County. All demographic growth and economic growth in downtown was measured as a percentage of regional growth during this process. These proportions were a key part of understanding whether or not downtown's growth was keeping up with regional growth – or, perhaps, even outpacing regional growth. Regional indicators are only noted in the report where the comparative metrics are of interest to the larger demographic story of downtown San Diego.

DOWNTOWN'S NATIONAL COMPETITIVE SET

In addition to local and regional data, there was a clear need for a national competitive set to understand how downtown San Diego measured up against regional and national trends. Three comparable urban neighborhoods within similar national cities were identified. The urban cores selected were:

- DOWNTOWN DENVER
- DOWNTOWN SEATTLE
- DOWNTOWN AUSTIN

They were each selected on the basis of their demographic compositions, which are similar to downtown San Diego's, as well as the burgeoning tech and innovation job markets within their urban cores.

Data collection: Data on these comparison cities was collected at the zip code tabulation area (ZCTA) geographic unit to standardize comparisons across "downtowns." However, downtown San Diego information was collected at the census tract level for most of the indicators as the 92101 zip code is not the most accurate geographic unit to measure the true scope of downtown San Diego. In the interest of keeping these comparisons useful to the larger narrative within the research, only several indicators are reported.

FIGURE 3
National Competitive Set Cities for Downtown San Diego



DOWNTOWN'S STATEWIDE COMPETITIVE SET

After data collection for the national competitive set, it became clear that the cost of housing, office space and land was far more prohibitive in San Diego than the relative costs of these economic goods in Denver, Seattle or Austin. Similarly, more qualitative lifestyle comparisons amongst these cities were extremely complex and yielded a modest body of information. Currently, there is no metric or rating system that properly estimates the intrinsic value of temperate weather, access to the ocean, and close proximity to other tech and innovation centers within California. Therefore, a statewide competitive set of similar cities within California was selected to compare downtown San Diego to equally desirable, high-cost cities within the state. The natural cities for these statewide comparisons were San Francisco and Los Angeles; more specifically, the Mission District and SOMA for San Francisco, and Santa Monica and downtown Los Angeles for L.A. These comparisons were conducted at the zip code level and the county level when necessary.

FIGURE 4
Statewide Competitive Set Cities for Downtown



PHASE II – THE NEXT FRONTIER OF DOWNTOWN

The research includes findings from surveys, interviews and focus groups regarding the preferences, values, opinions, attitudes, interests and lifestyles of downtown San Diego residents. Phase II of the research also explores preferences and perceptions of residents from the aforementioned surrounding neighborhoods, as well as those who work in downtown and throughout the region.

DOWNTOWN DEMOGRAPHIC SURVEY

The Downtown Demographic Survey was designed to capture the values, needs and interests of the sub-region, and to provide a qualitative lens for analyzing downtown as a residential community and regional employment center. Participants were selected to provide a representative sample of downtown's population and a substantial non-representative sample of regional residents. There were a total of 895 responses to the survey, with 361 downtown resident responses and 202 downtown employee responses. All other responses came from surrounding neighborhoods and the county.

INTERVIEWS WITH REGIONAL INNOVATION & TECH LEADERS

Interviews were conducted with several regional thought leaders in the tech and innovation sector. Each interview was semi-structured, creating a common core of questions, but leaving latitude to explore differences in attitudes, perceptions and challenges in downtown San Diego. All interviews were individualized and subject to thematic analysis. Topics covered included: methods of transit, overall satisfaction with living in downtown or the surrounding neighborhoods, preference for working downtown, preferred modes of transportation, satisfaction/dissatisfaction level with employer's current location, personal interests, dissatisfactions, most frequented areas, preference for after-work activities, and desired changes in terms of events, transit and work-life balance.

FOCUS GROUPS WITH UCSD STUDENTS & REGIONAL STARTUPS

Two larger focus groups were conducted to supplement survey and interview findings, one with 10 UC San Diego upperclassmen computer science and engineering students and a second focus group with 13 entrepreneurs and local startup CEOs. These focus group allowed staff to collect a wide swath of information about participants' views, while looking for common trends among the various groups.

THE FINDINGS AND THE FUTURE OF DOWNTOWN

Collectively, the interviews, surveys and focus groups enabled a more nuanced and sophisticated understanding of participant perceptions, as well as opportunities for change and expansion of downtown in the future. This qualitative information was combined with the quantitative findings from Phase I to isolate downtown's demographic story, which will be summarized in the following section.

DOWNTOWN AT A GLANCE



DOWNTOWN SAN DIEGO TODAY

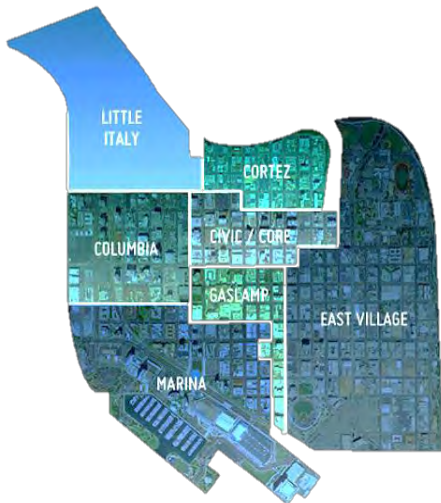


DOWNTOWN AT A GLANCE

The purpose of this study was to more accurately understand downtown San Diego today, and to visualize how downtown will continue to grow as the region's urban core. Downtown offers the cultural and social amenities and around-the-clock vibrancy that attracts today's best and brightest professional talent.

Downtown San Diego is most accurately defined by the Downtown Community Planning Area (CPA), historically known as Centre City. Figure 5, a map of the Downtown CPA, shows the neighborhoods in relation to one another. Downtown is roughly 1,450 acres, or 2.3 square miles.

FIGURE 5
MAP OF THE DOWNTOWN CPA



This excludes the Port Tidelands, which surround the west and south edges of downtown. When the Tidelands are included, downtown is closer to nearly 4 square miles. Downtown San Diego encompasses seven thriving neighborhoods, each with its own unique identity.

LITTLE ITALY

A lively urban village comprising single-family homes, condominiums, apartments and a variety of restaurants, cafes, galleries and boutiques. Little Italy is alive with culture and residential activity and a small growing tech startup job market.

COLUMBIA

A commercial and office hotspot, and currently the site of healthy development of all kinds. Columbia is both a cultural and employment destination. It is home to several notable museums and cultural organizations.

THE MARINA

A recreation destination for people of all ages with an array of open outdoor spaces. The Marina District contains a majority of downtown San Diego's premier luxury condominiums.

THE GASLAMP

Downtown San Diego's most vibrant neighborhood, with an abundance of restaurants, night clubs, movie theaters, shops, galleries, offices, condos and lofts. Gaslamp provides the 24/7 lifestyle that millennials crave in just 16 blocks.

CIVIC/CORE

San Diego's central government, financial and corporate district. The Core is the economic nucleus for downtown San Diego's business and commerce. The San Diego Civic Theatre and the historic Copley Symphony Hall provide a top-notch arts scene within the core.

CORTEZ HILL

Downtown San Diego's oldest neighborhood, filled with Victorian-style homes and mid-rise condominiums. Cortez is a tight-knit neighborhood with all the appeal of an urban enclave.

EAST VILLAGE

Downtown San Diego's eclectic hipster neighborhood and another hotspot for tech and innovation startups. Scattered throughout the East Village are studios, artist lofts, galleries, restaurants and shops.

THE PEOPLE



34,550
RESIDENTS

Downtown is home to 34,550 people, with a total household population of 29,046 individuals. It's a high-density community with roughly 15,022 residents per square mile.¹ While this may sound small, downtown's population has grown by 97 percent since 2000. Less than one percent of residents in San Diego County live in downtown San Diego.²



60% MALE

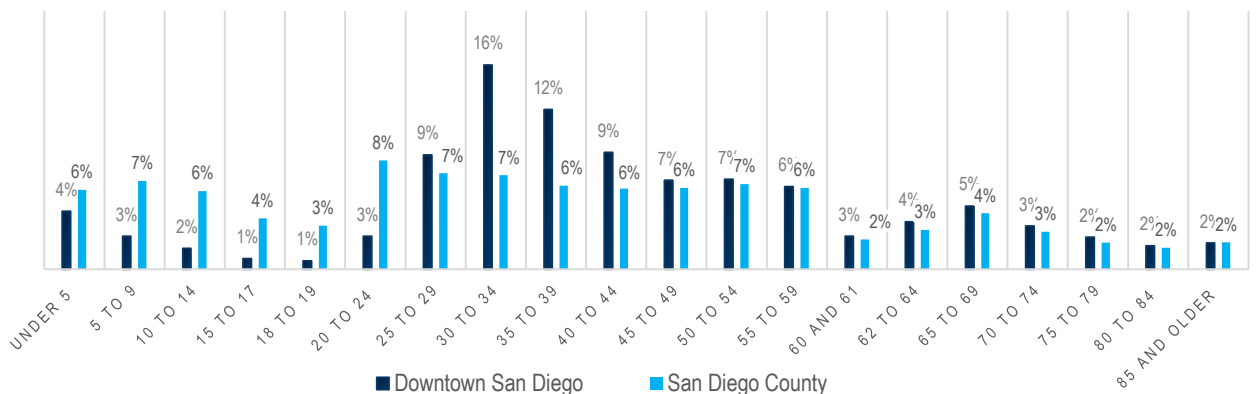
Currently, 60 percent of downtown's population is male and 40 percent is female. This is unique within the region, which is 50 percent male and 50 percent female.³ This is not completely surprising though as men outnumbered women in the national comparison cities: downtown Denver, Seattle and Austin.



28%
BETWEEN THE
AGES OF
30-39

The largest age group in downtown is adults their early 30s. Sixteen percent of residents are between the ages of 30 and 34, and another 12 percent are between the ages of 35 and 39. Together these ages groups make up nearly one-third (28%) of downtown's population.⁴ The median age in downtown is 40 years old. However, when split by gender, men are slightly older than women in downtown.⁵ Downtown's median age is slightly higher than the county's median age. This is largely due to the lack of children in downtown. In the county, children (ages 0 – 17) are 23 percent of the total population, in downtown, they are only 10 percent of the population. See Figure 6 below for details.

FIGURE 6
AGE GROUPS IN DOWNTOWN & THE COUNTY (PERCENT OF TOTAL POPULATION)



¹ SANDAG, Current Estimates, Downtown CPA (data extracted on: 01/2016).

² SANDAG, U.S. Census Bureau, Centre City CPA (data extracted on: 01/2016).

³ SANDAG, Current Estimates, San Diego Region (data extracted on: 01/2016).

⁴ SANDAG, Current Estimates, Downtown CPA (data extracted on: 01/2016).

⁵ SANDAG, Current Estimates, Downtown CPA (data extracted on: 01/2016).



51%
BACHELOR'S
DEGREE OR HIGHER

Downtown San Diego residents are highly educated. Fifty-one percent have a bachelor's degree or higher. Among those, 18 percent have a graduate degree. By comparison only 34 percent of county residents have a bachelor's degree or higher.⁶



\$73,756
AVERAGE INCOME

Downtown is filled with high-earning professionals. Downtown residents have an average annual income of \$73,756, compared to the annual average of \$59,414 at the county level.⁷ This is not surprising considering the large number of young and middle-aged professionals living in downtown in their prime earning and spending years.

THE HOUSING



24,744
HOUSING UNITS

Downtown San Diego has 24,744 housing units. Of those units, 99 percent are multi-family units and the other 1 percent are single-family homes. Such a high proportion of multi-family units is an anomaly among regional housing patterns. In San Diego County, 60 percent of all units are single family homes and 36 percent are multi-family units.⁸



76%
RENTERS

Downtown San Diego is a renter's community. Roughly three-fourths (76%) of downtown units are occupied by renters, compared to just 46 percent throughout the county.⁹ The large proportion of high-income renters in downtown indicates that the intense demand for home ownership in San Diego may continue.



\$2,261
AVERAGE RENT

The average rent in downtown San Diego is currently \$2,261 a month. This is more expensive than the county average, but far less expensive than average rents in Santa Monica or San Francisco's Mission District. For full results see Key Fact IV.¹⁰

⁶ U.S. Census Bureau; American Community Survey, 2009 American Community Survey 5-Year Estimates, Table B15002 <<http://factfinder2.census.gov>>; (3 August 2015).

⁷ Internal Revenue Service Form 1040: U.S. Individual Income Tax Return. Retrieved from irs.gov/uac/SOI-Tax-Stats-Individual-Income-Tax-Return-Form-1040-statistics.

⁸ SANDAG, Current Estimates (data extracted on: 02/2016).

⁹ U.S. Census Bureau; American Community Survey, 2009 American Community Survey 5-Year Estimates, Table DP04 <<http://factfinder2.census.gov>>; (3 August 2015).

¹⁰ Rainmaker Insights/Rentjungle.com, Average Rent for Downtown San Diego. Retrieved from <<https://www.rentjungle.com/average-rent-in-san-diego-rent-trends>>; (2 February 2016)



\$490,000
 MEDIAN HOME
 PRICE

For those who do own homes in downtown, the median sale price is \$490,000.¹¹ This is far less expensive than both Santa Monica and SF Mission District. Similarly, the median value of a home in downtown San Diego is \$505,551. This is slightly higher than the county median home value of \$411,906.¹²

THE ECONOMY



137,379
 JOBS

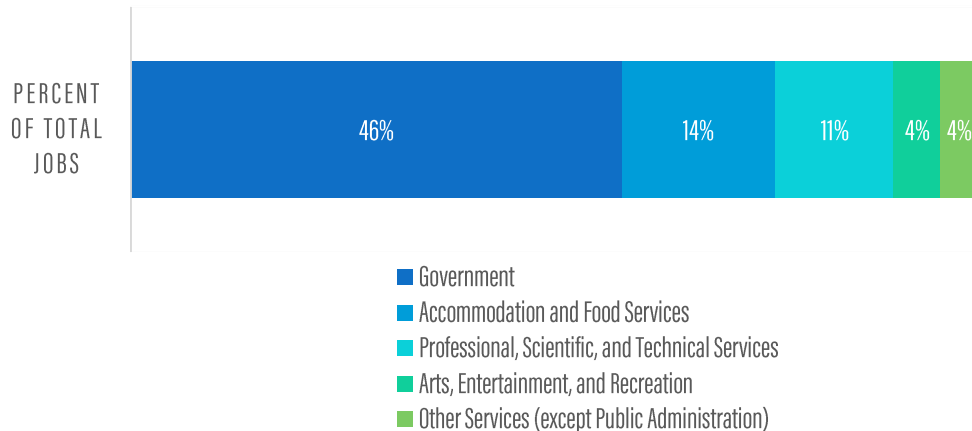
Downtown is the second largest employment center in the region. Downtown San Diego companies employ 137,379 people.¹³ However, only 81,237 jobs are actually located in downtown San Diego.¹⁴ Figure 7 illustrates the top five industries located in downtown by employment sector. Jobs in government account for nearly half (46%) of all downtown jobs; other important industries are hospitality and restaurants, science and tech, and the arts.



81,237
 EMPLOYEES

Nearly one in five (17%) downtown jobs are office and administrative support positions. Downtown's other popular occupations are food prep and service (11%), law enforcement (6%), sales (6%), business and finance (6%), healthcare and tech (6%). The top five employers are Sempra Energy, Pacific Enterprises, Enova Corporation, Solar Turbines, and Ace Parking Management.

FIGURE 7
 TOP 5 INDUSTRIES IN DOWNTOWN SAN DIEGO BY EMPLOYMENT (PERCENT OF TOTAL)



¹¹ Redfin.com, Housing Prices for Downtown San Diego. Retrieved from <<https://www.redfin.com/zipcode/92101>> ; (2 February 2016)

¹² U.S. Census Bureau; American Community Survey, 2009 American Community Survey 5-Year Estimates, Table DP04 <<http://factfinder2.census.gov>>; (3 August 2015).

¹³ Economic Modeling Specialists, International (by 2-digit NAICS codes and 2-digit SOC codes)

¹⁴ U.S. Census Bureau. 2015. OnTheMap Application. Longitudinal-Employer Household Dynamics Program. <http://onthemap.ces.census.gov/>



110

TECH &
INNOVATION
STARTUPS

Downtown has a growing tech and startup ecosystem. There are 110 startups in the 92101 zip code and this number is growing quickly. In 2014, downtown was the number one hotspot in the San Diego region for “Innovation Startup Creation.”¹⁵ In 2015, downtown housed only 68 startups and today that number has nearly doubled. Downtown startups have a strong focus in software, digital marketing and mobile applications. Many are located in the Civic/Core and East Village neighborhoods. For a full map and list of downtown startups, please see the Key Fact II in the following chapter.

THE LIFESTYLE



MORE THAN
20
PUBLIC PARKS

Downtown residents and employees enjoy a high quality of life with ample access to parks, the waterfront and a multitude of breathtaking locations to be active and work out. Downtown is home to more than 20 parks. Five of these have playgrounds specifically for families and children. Green space in downtown is increasing and next year the East Village will add its own state-of-the-art family, entertainment and community park, the East Village Green.



MORE THAN
90
ARTS/ CULTURE
ORGANIZATIONS

Downtown a cultural hub and arts destination with 92 art, music, and theatre/performing arts organizations and destinations (including Balboa Park) and nearly 20 cultural groups. When we asked residents about their recreational activities for our Downtown Demographic Survey, 79 percent said they enjoyed arts and cultural events and activities including: musical entertainment (74%), museums (74%), performance arts (67%) and art galleries/events (61%).



ROUGHLY
1 IN 5
RESIDENTS
WALK TO WORK

Roughly 19 percent of downtown residents walk to work. Sixty-five percent commute by car, and 6 percent via public transportation. Downtown residents have an average commute time of 21.4 minutes. Many also report biking to work, and for those that do, there are more than 40 bike-sharing stations and over 20 miles of bike paths in and around downtown. Commute times in downtown San Diego were significantly shorter than in San Francisco or Los Angeles. Commute times in national comparison cities were similar.



65,000
PARKING SPACES

Though parking is perceived as problem in downtown, there are roughly 65,000 public and private parking spaces available. Downtown San Diego also has its own parking mobile application to help residents and visitors find affordable or free parking.

¹⁵ CONNECT Innovation Report. 2014; Dun and Bradstreet Hoovers; InfoUSA; CONNECT; National University System Institute for Policy Research, commissioned by CONNECT

Downtown can be understood from a bird's eye view through the quantitative data presented above, however this particular study seeks a deeper understanding of downtown San Diego's residents and employees. This next section dives deeper into a psychographic profile of downtown San Diego.

DOWNTOWN IN DEPTH

In the Downtown Demographic Survey, downtown residents were asked to describe their community and how they live, work and play in the urban core. More than 850 people responded to the survey. These individuals fall within multiple groups, from downtown residents, those residing in the surrounding communities, those working downtown, and also university students. Most of the survey respondents go downtown at least on a monthly basis (75%).

DOWNTOWN DWELLERS

The research team surveyed 361 individuals currently residing in downtown San Diego. These individuals were primarily located in Little Italy, East Village and the Marina. Nearly two-thirds (60%) have been living in the area for five years or longer. The survey resulted the following psychographic profile of downtown dwellers and provided valuable insight into why people choose downtown San Diego.



FAMILIES & RELATIONSHIPS

The majority of residents (70%) are in a relationship. Fifty-seven percent of residents are married, 13 percent are in a committed relationship, and the remaining 17 percent are single.



CHILDREN

Nearly 90 percent of downtown residents do not have children living at home. Those that do primarily have younger children. Forty-nine percent of those children are between the ages of 0 to 7, 28 percent are ages 8 to 14, and 19 percent ages 15 to 17. The majority of residents are not planning on having children in the next two years, with only 8 percent planning to do so, and another 10 percent undecided.



PETS

Forty-two percent of residents have pets living at home: 77 percent have dogs, 36 percent have cats, and the remaining 3 percent have other types of pets.

DINING

The majority of residents dine out three or more times a week, with most residents typically visiting restaurants located downtown (80%) or in Hillcrest (6%). Residents reported spending an average of \$10 to \$49 per meal.

SHOPPING

Downtown residents largely purchase groceries from chain grocery stores and specialty grocers located in downtown (53%), Hillcrest (19%) and Point Loma (13%). Many would like to see a greater numbers of stores and farmers markets available in the vicinity in order to make grocery shopping more convenient. Residents purchase clothing and non-food related products primarily in Mission Valley (45%) or downtown (24%).

LEISURE

Downtown residents enjoy traveling (75%) and reading (61%) on a regular basis. Forty-two percent also enjoy wine-tasting.

ARTS AND CULTURE

Seventy-nine percent of residents enjoy visiting arts and cultural organizations. These individuals attend activities such as musical entertainment (74%), museums (74%), movies (69%), performance arts (67%) and art galleries/events (61%).

NIGHTLIFE

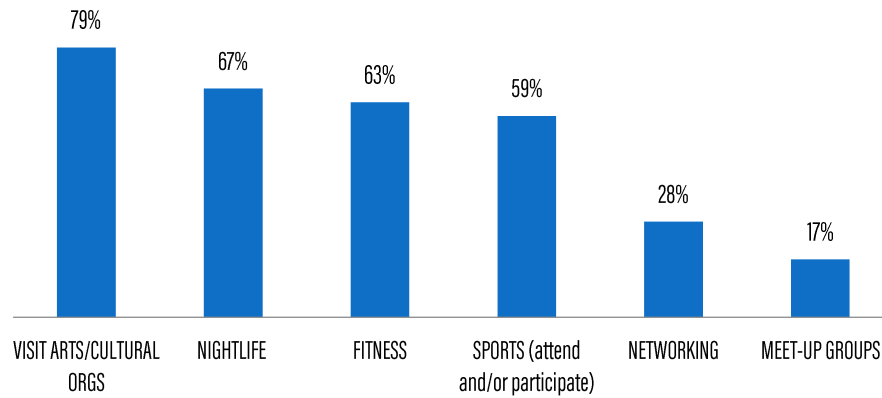
Sixty-seven percent of residents enjoy nightlife on a regular basis. The majority (90%) frequent concerts, bars and clubs located downtown.

FITNESS

Downtown residents are active, with 85 percent of reporting exercising at least three to four times a week. Popular fitness activities include going to the gym, working out from home and weight training.



FIGURE 8
LEISURE ACTIVITIES IN DOWNTOWN




DOWNTOWN DWELLERS ALSO WANT TO WORK WHERE THEY LIVE

Downtown residents who work in areas outside of the 92101 zip code were asked if they would prefer to work downtown should their employer open a satellite location or second office in the area. Sixty-five percent said they would prefer to work out of a downtown location, 12 percent said maybe, and only 3 percent would not be interested in working downtown.

The primary reason downtown residents want to work in the area is to have a better commute (92%), followed by lifestyle (63%). Working downtown would also allow them flexibility and close proximity to dining (49%). Those who would rather not work downtown cite the cost and availability of parking as the primary factor (60%). Of the 114 downtown residents who live and work downtown, 95 percent of individuals report enjoying it because of the short commute (78%), lifestyle (68%) and close proximity to dining (56%).

65% OF DOWNTOWN
RESIDENTS WOULD PREFER TO ALSO
WORK IN DOWNTOWN

95% OF DOWNTOWN RESIDENTS WHO ALSO WORK
DOWNTOWN LOVE THEIR LIFESTYLE



Residents enjoy the walkability of living downtown and that it's centrally located. Figure 9 shows the top five reasons that downtown residents like living in the area. Other popular responses include proximity to transit, proximity to arts and culture and living in a highly ammenitized neighborhood. Less than one-third (27%) of downtown residents are considering relocating in the next five years. Another 16 percent are not sure, and a resounding 58 percent are not planning to move out of the downtown area.

FIGURE 9
WHY PEOPLE LOVE LIVING IN DOWNTOWN SAN DIEGO



DOWNTOWN WORKERS

In the Downtown Demographic Survey, downtown employees were asked to describe their professional experiences in the urban core. The research team surveyed 205 individuals currently working throughout downtown San Diego. These individuals work throughout downtown. Eighty-seven percent enjoy working downtown, 10 percent sometimes like working downtown, and 3 percent dislike working downtown. The main appeals of working downtown include a short commute and proximity to dining. Figure 10 illustrates why workforce respondents' enjoy working downtown.

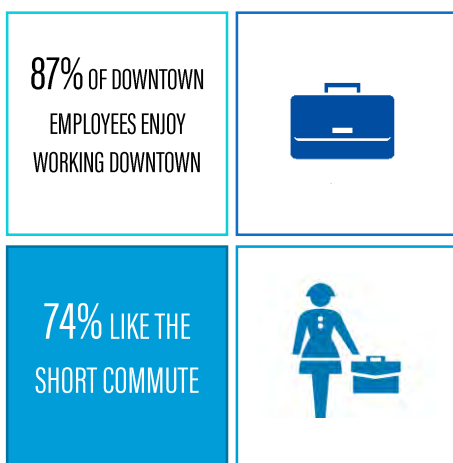
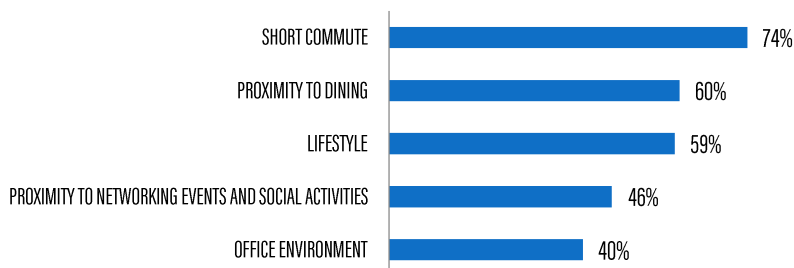


FIGURE 10
WHY PEOPLE LOVE WORKING IN DOWNTOWN SAN DIEGO



The majority (79%) of non-downtown residents who work downtown like working in the area. Sixteen percent sometimes enjoy working downtown, and only 5 percent dislike working downtown. The majority like the short commute from their residence (68%), proximity to dining (64%), and the office environment (62%). Negative aspects of working downtown include costly parking (48%) and not enough access to parks, open spaces, and recreation amenities (48%).

While the data presented in this section speaks to the achievements and capacity that downtown San Diego has established - the unique opportunity has yet to be fully articulated in a way that resonates with the creative individuals and industries that represent downtown's most promising future. The narrative about downtown, both within our geographic boundaries and among external audiences, fails to capture the unique downtown San Diego environment. The biggest challenge facing the realization of downtown San Diego's promise can be referred to as the "perceptual gap." In the following chapters, additional data and qualitative analysis will be summarized to clarify downtown San Diego's true character and demographic story.

DOWNTOWN SAN DIEGO: THE INNOVATION ECONOMY'S NEXT FRONTIER



TALENT DRIVES REGIONAL PROSPERITY IN THE 21ST CENTURY



KEY FACT I – TALENT DRIVES REGIONAL PROSPERITY IN THE 21ST CENTURY

High-wage jobs and regional prosperity depend on talent, especially talent in what has come to be known as science, technology, engineering, the arts and mathematics, or STEAM, competencies. These competencies are essential across a wide spectrum of jobs and employment opportunities. Skilled tradespeople who are needed in the biofuels industry or in shipbuilding require advanced technical training. Model makers and manufacturers of components that go into the guidance systems of automobiles and airplanes or health-monitoring devices require advanced skills. Product designers, software developers as well as research scientists in white coats represent the kinds of jobs at the heart of any innovation economy.

San Diego's downtown is populated by individuals representing these skills and "know-how." It is widely understood that a sea change in work and lifestyle values is taking place across America and Europe. More and more millennials are turning their backs on the more suburban, shopping mall lifestyles of their parents and seeking "community" in urban neighborhoods. Comfortable living in smaller spaces such as apartments and condominiums, these millennials are looking for neighborhoods that are walkable and with access to amenities around the clock, seven days a week.

The fact that large numbers of millennials are seeking a different kind of life and work style has profound implications for employers and for cities thinking about future economic growth opportunities. Why? After multiple decades developing suburban single-family housing units and contiguous shopping malls, the urban cores of cities across America have become increasingly attractive again. This is no less true of San Diego than it is of older American cities. A phenomenal change is taking place and the data on the changing character of San Diego's downtown and the demographics of its residents may surprise many. But to understand the full scope of the San Diego story and downtown's demographic story, first a look at larger global and national trends is required.



TALENT DRIVES PROSPERITY IN THE 21ST CENTURY

Nearly 20 years ago, McKinsey & Company Global Management Consulting embarked on study of 77 large U.S. companies in a variety of industries. They worked through human resources departments to understand their talent-building philosophies, practices and challenges. What they found was an alarming wake-up call for businesses and organizations globally.

"Companies are about to be engaged in a war for talent that will remain a defining characteristic of their competitive landscape for decades to come... You can win the war for talent, but first you must elevate talent management to a burning corporate priority."



Their research clarified that companies that were going to great lengths to hire and retain employees with specialized skill sets had higher corporate earnings, better organizational management and more successful businesses.¹

THE GLOBAL TALENT WAR

It turns out that the talent war is a driving force for economic growth and corporate mobility in America today. The war for talent is in full swing, and it is challenging large and small businesses alike to identify top talent and retain those individuals. There are three key reasons that the global search for talent has only continued to intensify over the past several years:



1. THE RECOVERY OF THE GLOBAL ECONOMY

In the midst of a newly recovered growing economy, just about anyone who wants a job can get one, just about everywhere. As a result, there is a high demand for workers and not enough people around to fill all vacancies, especially in high-paying jobs.



2. THE RISE OF THE INNOVATION ECONOMY

Increased access to the internet and the newly recovered economy has led to a multitude of startups and tech companies. This sector of the economy is now universally referred to as the "innovation economy" and all of these new businesses are hungry for talented people. This has created intense skills shortages in crucial competencies such as computer science, mathematics and engineering. Multinational companies are now forced to compete with startups and leaner business models that can offer higher rates of return to their employees right away.

¹ Chambers, E.G., Foulon, M., Handfield-Jones, H., Hankin, S.M., Michaels III, E.G. (2007, August 29). The War for Talent.



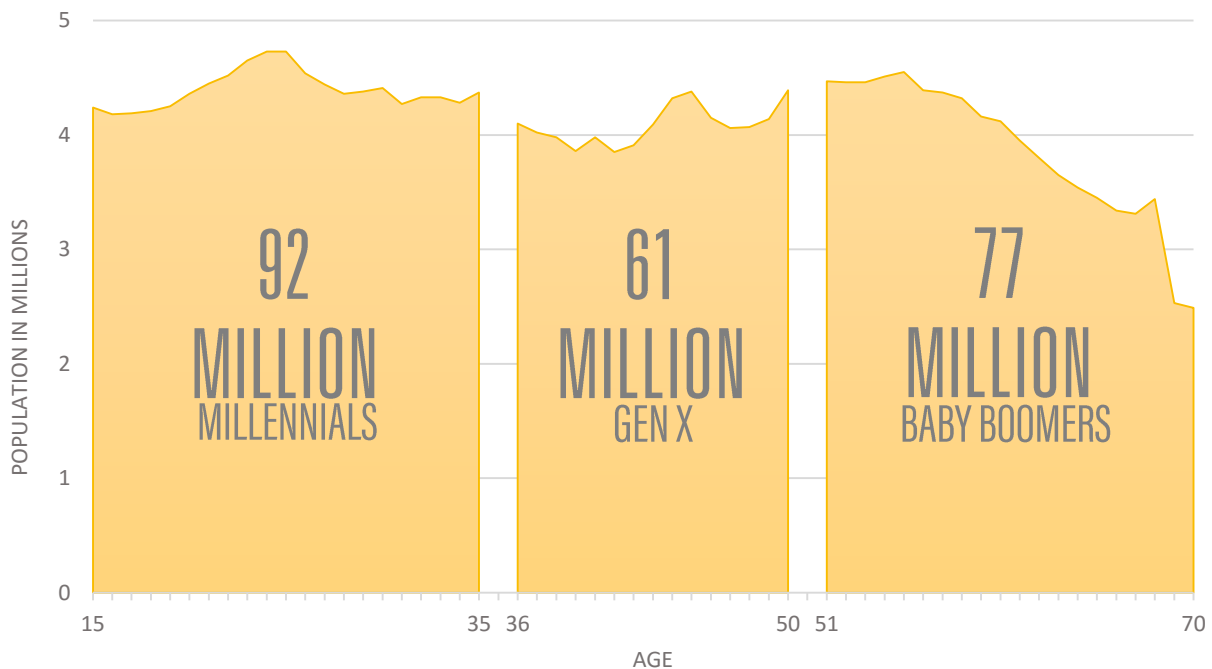
3. THE INCREASING VALUE OF INTELLECTUAL CAPITAL

Intellectual property is now the most important asset to modern businesses. In earlier times, the main economic contests were over land, oil or other mineral rights, or over factories and tangible assets. In the information-rich innovation economy, people and their ideas are the most valuable assets to a company.²

THE TALENT POOL

Clearly there is a growing demand for talent and leadership among businesses. But what are employers actually looking for? Or, more importantly, who are companies searching for to maintain their competitive edge? Today, the majority of businesses are aggressively pursuing and spending copious amounts of money on attracting, recruiting and retaining millennial talent. Millennials are loosely defined as those born between 1980 and 2000. They are the largest generation in U.S. history. In the United States there are 92 million millennials, compared to just 61 million Generation Xers and 77 million Baby Boomers.³

FIGURE 11
National Population by Generation and Age



Source: US Census Bureau, 2015

² Lynn, M. (2000, October 1). Your Strategy for the Talent War: Big corporations are competing with start-ups for the smartest, most creative staff – now seen by both as their most vital asset. Whether chasing or offering rare skills, the spoils are rich.

³ U.S. Census Bureau; American Community Survey, 2009 American Community Survey 5-Year Estimates, Table S0101 <<http://factfinder2.census.gov>>; (3 August 2015).

But why is this younger generation in such high demand? One key factor is the reality of the Baby Boomer Brain Drain that companies are already suffering from and will continue to suffer from for the next 10 years. In 2007, the Office of Employment Projections forecasted that the average large company would lose 30 to 40 percent of its workforce due to retirement between 2012 and 2022.

Millennials, on the other hand, will make up one-half of the workforce in the next five years and a whopping 75 percent in the next 10 years. By comparison, the generation before them, Generation X (or Gen Xers), represents only 16 percent of today's workforce. The sheer volume of millennials, combined with the relative lack of Gen Xers and the increasing retirement of Baby Boomers means that employers will be facing leadership gaps. And they will be looking to millennials to fill those gaps.⁴

Additionally, according to a study of millennials conducted by the UNC Kenan Flagler Business School, millennials are highly ambitious, with a majority placing a high level of importance on "jobs with chances for career progression and personal growth."⁵

75% OF THE WORKFORCE WILL BE
MILLENNIALS IN THE NEXT 10 YEARS



Source: Office of Employment Projections, 2015

THE TALENT WAR - A CATALYST FOR THE URBAN RENAISSANCE

With the competitive state of the global marketplace for talent, businesses are willing to shift their traditional models and identify new incentives to meet the demands of their highly sought after workforce. One element of this shift is that companies are choosing locations that are attractive to their target employees, which is largely young millennial creative talent.

Many workers, especially recent graduates and young millennial professionals, are selecting a place to live before securing employment. People used to move to employment centers for jobs; today, millennials are choosing their desired home and lifestyle first, and the jobs are moving to capture their talent. This has greatly resulted in a rise in corporate mobility and the return of large companies to the urban core. It makes sense, as a compelling quality of place or a community's attractiveness to existing and future residents and workers can often equal a competitive advantage.⁶

IN A RECENT NATIONAL SURVEY OF CORPORATE EXECUTIVES ABOUT BUSINESS SITE SELECTION:

- 95 PERCENT OF EXECUTIVES RATED AVAILABILITY OF SKILLED LABOR AS "VERY IMPORTANT" OR "IMPORTANT" IN THEIR SITE SELECTION FACTORS.
- THIS FACTOR IS NOW CONSIDERED MORE IMPORTANT THAN HIGHWAY ACCESSIBILITY (94%) AND LABOR COSTS (90%).

⁴ How Companies Are Changing Their Culture to Attract (And Retain) Millennials. (2015, August 19). Retrieved from <http://www.business.com/company-culture/how-are-companies-changing-their-culture-to-attract-and-retain-millennials/>

⁵ Miller, M. (2012, July 3). Why You Should Be Hiring Millennials.

⁶ 28th Annual Survey of Corporate Executives: Availability of Skilled Labor New Top Priority. (2014).

Businesses are defined by their search for talent and their ability to hire and retain millennials, creative entrepreneurs and highly educated managers and visionaries, and those employees have very specific preferences about where they would like to live. According to a recent national survey by the Nielsen Company, a national market research firm, 62 percent of millennials would prefer to live in the type of mixed-use communities found in urban centers, where they can be close to shops, restaurants and offices. Millennials currently dominate mixed-use urban neighborhoods and for those millennials still living in rural and suburban neighborhoods, 40 percent say they would like to live in an urban area in the future.⁷

Similarly, in a 2014 nationally representative survey by the American Planning Association, more than half (56%) of millennials would prefer to live in a walkable community. Fewer than 1 in 10 millennials want to live in a suburb that requires driving to most places. Roughly six out of every 10 (56%) millennials want to live in urban neighborhoods with multiple transportation options and alternatives to driving a car.

56% OF MILLENNIALS **46%** ACTIVE BOOMERS WOULD PREFER TO LIVE SOMEDAY IN A WALKABLE COMMUNITY, WHETHER AN URBAN, SUBURBAN OR SMALL TOWN LOCATION.

Source: American Planning Association, Investing in Place Report, 2015

When asked about one overriding factor in choosing where to live, respondents cited “quality of life” features ahead of local economic health and job prospects. When asked about factors of importance when deciding where to live, 84 percent of millennials thought that living expenses were important, 83 percent thought that economic factors such as job growth were important, 57 percent thought metro features such as schools, transit and safe streets were important, and 52 percent thought that access to a healthy lifestyle and nature was important.⁸



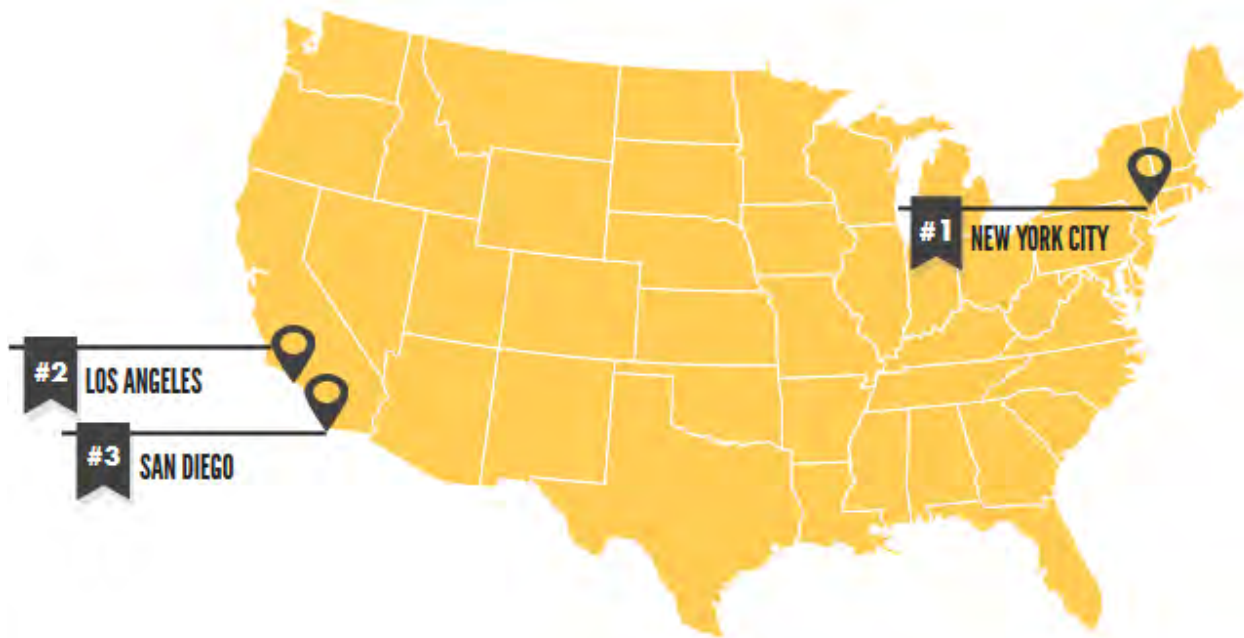
⁷ Millennials – Breaking The Myths. (2014, February). Retrieved from <http://www.nielsen.com/content/dam/corporate/us/en/reports-downloads/2014%20Reports/nielsen-millennial-report-feb-2014.pdf>

⁸American Planning Association, Investing in Place: Two Generations' View on the Future of Communities. (2014).

SAN DIEGO REGION IS A MILLENNIAL MAGNET

On a similar note, in that same 2014 survey by the American Planning Association, more than half of millennials nationwide planned on moving in the next five years. Nearly half (43%) of millennials reported that it was “not at all important” to them “to stay in their current homes as they got older.” Among those millennials who reported an interest in relocating, San Diego was the third most popular U.S. metro of interest for relocation, after New York and Los Angeles.⁹

FIGURE 12
Top Millennial Metros of Interest for Relocation



Source: American Planning Association, *Investing in Place Report*, 2015

Clearly, San Diego is a location of interest to millennials nationwide. Similarly, multiple national surveys indicate that millennials also want to live in walkable urban neighborhoods with numerous transportation options. In summary, national trends tell us that millennials are interested in San Diego as a region but also we know that they want economic opportunity, affordability, walkability and amenities. But what does all of this have to do with downtown San Diego and why is it important to the future of the region?

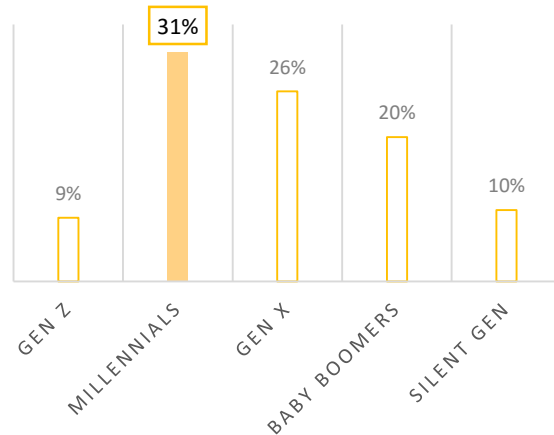
⁹ Investing in Place: Two Generations' View on the Future of Communities. (2014). Retrieved from https://planning-org-uploaded-media.s3.amazonaws.com/legacy_resources/policy/polls/investing/pdf/pollinvestingreport.pdf

DOWNTOWN SAN DIEGO IS DOMINATED BY MILLENNIALS & YOUNG TALENT

Today, downtown San Diego is dominated by millennials and young professionals. Roughly one third (31%) of downtown’s population are millennials. Gen X is the second largest generation in downtown, and Gen Xer’s makeup another 26 percent of the downtown Community Planning Area (CPA).¹⁰ When those on the cusp of the millennial and Gen X generations (ages 35 to 39) are grouped in with millennials (15 to 34), they make up 41 percent of downtown. In summary, downtown’s millennials skew slightly older than millennials nationally, and downtown San Diego is filled with young professionals in their prime earning, spending and employment years.

FIGURE 13
GENERATIONS IN DOWNTOWN SAN DIEGO CPA

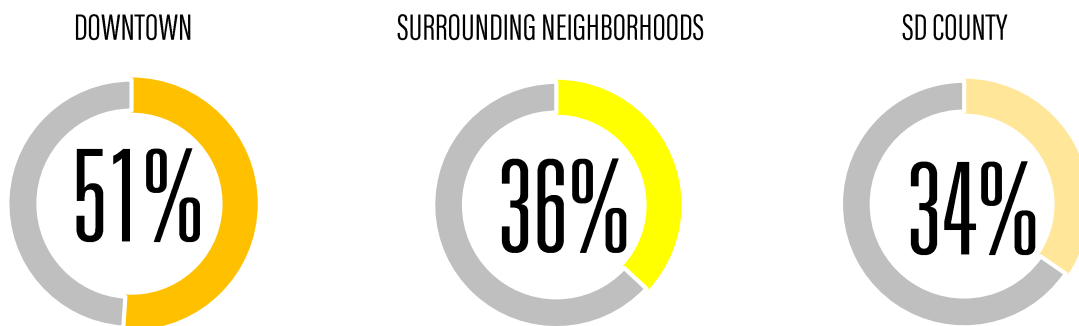
Source: SANDAG, Current Estimates, 2016



DOWNTOWN SAN DIEGO IS HIGHLY EDUCATED

Another key element of downtown is that it is highly educated when compared to the region. Among downtown residents 25 and older, more than half (51%) have a bachelor’s degree or higher, compared to slightly more than one-third (34%) throughout the region and 36 percent among the neighborhoods that surround downtown.¹¹

FIGURE 14
PERCENT OF RESIDENTS WITH A COLLEGE DEGREE



Source: US Census Bureau, 2015

¹⁰SANDAG, 2050 Series 13 Regional Growth Forecast (data extracted on: 02/2016).

¹¹U.S. Census Bureau; American Community Survey, 2009 American Community Survey 5-Year Estimates, Table B15002 <<http://factfinder2.census.gov>>; (3 August 2015).

DOWNTOWN SAN DIEGO SIMILAR TO NATIONAL TECH HOTSPOT CITIES

Downtown San Diego has a similar demographic makeup to the national comparative set; the cities of downtown Denver, downtown Seattle and downtown Austin. Using five-year American Community Survey (ACS) files, downtown San Diego was compared on gender, age and education level to each city at the zip code level. This portion of the research was conducted to understand the full scope downtown San Diego's similarities and differences to other nationally recognized tech and innovation hotspots - however there were some challenges with this comparative set.

For example, downtown San Diego's residential population is similar to Seattle's (both around 30,000), however, downtown San Diego and Seattle populations' are much larger than those of downtown Denver (≈11,000) and Austin (≈6,000).¹² As a result, percentage comparisons across cities fail to capture the full scope of similarities and differences. However, in the interest of keeping this report and its findings clear and accessible percentages are used to describe general patterns and overarching trends.

FIGURE 15
PERCENTAGE OF MILLENNIALS IN NATIONAL COMPARATIVE CITIES



Source: US Census Bureau, 2015

¹² U.S. Census Bureau; American Community Survey, 2009 American Community Survey 5-Year Estimates, Table SF1 <<http://factfinder2.census.gov>>; (3 August 2015).

Nearly half (42%) of downtown San Diego's 92101 zip code is young professionals/millennials ages 18 to 34; this is similar to downtown Seattle (40%), and slightly lower than downtown Denver's proportion (53%) and downtown Austin's (49%). Downtown San Diego also has a larger share of youth (18 and under) than any of the comparison cities and a slightly larger share of 35 to 44 year olds.

Downtown San Diego had a slightly higher percentage of males than the comparison cities. Downtown has a slightly lower but similar percentage of individuals with a college education. Downtown has a similar ethnic distribution to the other comparative cities as well. In summary, downtown San Diego is demographically similar to other urban centers that have been nationally identified as viable tech hotspots.¹³

DOWNTOWN'S MILLENNIAL TALENT WAVE

These facts about downtown San Diego are important because they suggest that even in a city whose development has been dominated by suburbanization for the past 50 years, downtown is still a thriving urban core for the region. There are many misperceptions region-wide of the character of downtown San Diego. One of these misperceptions is that the region's educated talent pool is only concentrated north of the 8 freeway. The data in Key Fact I suggests otherwise. The education level of downtown residents is higher than basically anywhere else in the county, with the possible exception of Carmel Valley, which is contiguous to the wide range of research and tech employers on the Torrey Pines Mesa.

What is significant on the national level are the recent figures indicating where highly educated young people are choosing to live. In 2014 alone, the San Diego region added an additional 72,563 degree holders to the population.¹⁴ These trends suggest enormous potential for further development of office space for companies in downtown that are interested in capturing this kind of talent. It also speaks to the need for housing options accessible to millennials hoping to live in or near downtown. Similarly, the national demographic data tells us that a majority of young people living downtown want to continue to do so.

Though the number of young talented professionals living in downtown San Diego is already robust, there is reason to believe that this population will continue to grow. Given San Diego's available, developable land both downtown and in its contiguous neighborhoods, there is still an opportunity to develop entry-level housing for a large number of college graduates and young adults seeking an urban lifestyle. Similarly, developable space ensures the kinds of incubator and office space essential to "new economy" companies. This is significant from a regional planning perspective.

San Diego clearly holds a leadership role in the nation when it comes to growing and attracting talent. And downtown is where that talent base can grow. The colleges and universities in the region are graduating more and more students. A very high number of these students, as will be reported shortly, are in the STEAM fields important to innovative companies. One of the more significant aspects of downtown is the range of educational institutions that cluster in and around the urban core. For millennials and creatives, access to education and training and especially lifelong learning are absolutely critical. The companies in which creatives work are typically knowledge-based enterprises and are affected almost daily by new developments in technology, shifts in global markets and continuous upgrading of manufacturing, production and distribution capacity. For this reason, access to education, especially the resources of a research university, is essential to a company's success as well as professional competitiveness and occupational mobility.

¹³ U.S. Census Bureau; American Community Survey, 2009 American Community Survey 5-Year Estimates, Table SF1 <<http://factfinder2.census.gov>>; (3 August 2015).

¹⁴ US Census Bureau, American Community Survey, 1-year estimates

DOWNTOWN SAN DIEGO: THE INNOVATION ECONOMY'S NEXT FRONTIER



DOWNTOWN IS A CATALYST FOR REGIONAL ECONOMIC GROWTH



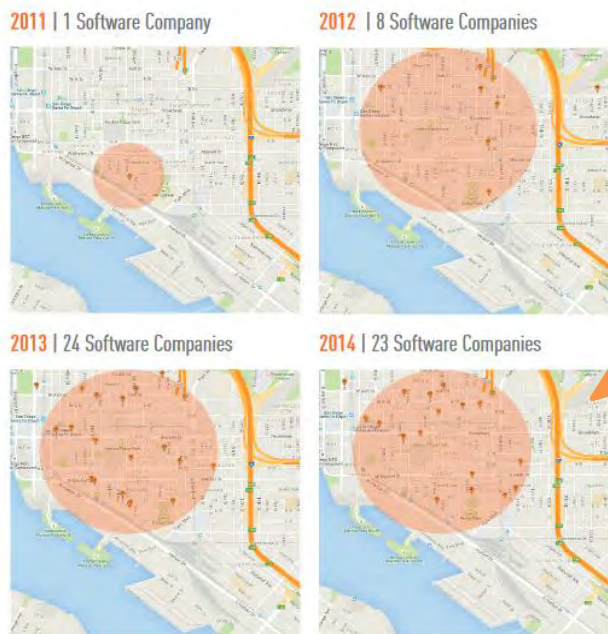
KEY FACT II – DOWNTOWN IS A CATALYST FOR REGIONAL ECONOMIC GROWTH

The data on the character of employment opportunities in downtown as well as the kinds of jobs residents' of downtown have in other areas of the region indicate that there is a growing creative class and innovation economy in the urban core. It is poised to be competitive with anything that is happening in other cities where millennials are beginning to create new kinds of economic opportunities. Paradoxically, the perception is that growth industries and, in particular, innovative companies are all on the Torrey Pines Mesa or along the I-5 corridor into Carlsbad. The reality is that there is a growing array of diverse startup and growth companies downtown as well as a high percentage of downtown residents commuting daily to jobs in innovative and creative companies primarily on the Torrey Pines Mesa.

What is least understood about downtown San Diego is the extent to which its core economy is transforming at an increasingly rapid rate. Once the home primarily for government offices, the courts, law firms, and retail, downtown today is also becoming a regional innovation hotspot and one of the most essential clusters that has the potential to grow exponentially because of its IT and software profile.

Computer science, and especially software development, is at the heart of every industry and service affecting our lives today. It is driving our cars; it is assessing our health; it is affecting how we grow agricultural products and dispose of our waste. It is also central to the design and construction of the buildings and all of the objects humans use every day. It is delivering entertainment, communications and data at increasingly rapid speeds. The fact is that software development and computer science generally are driving the innovation economy. This fact is critical to understanding the future innovation potential of downtown. The San Diego region is incubating more and more startups monthly, and, as reported in CONNECT' s recent Innovation Index, the majority are focused on software.¹

FIGURE 16
DOWNTOWN'S GROWING SOFTWARE STARTUP CLUSTER



In 2014, Downtown San Diego was identified as one of the region's most important growing tech & innovation hotspots.

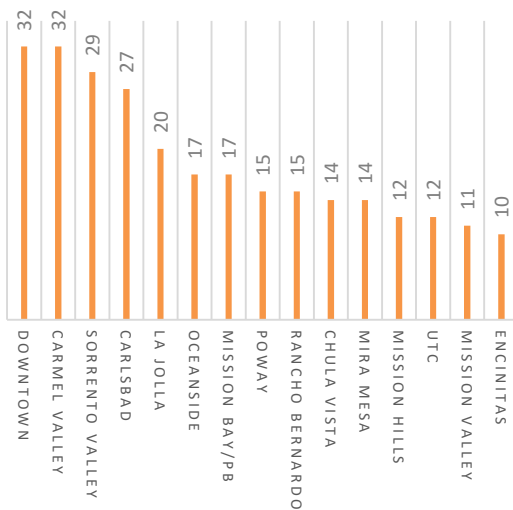
Source: CONNECT Innovation Report, 2014

¹ CONNECT Innovation Report. 2014; Dun and Bradstreet Hoovers; InfoUSA; CONNECT; National University System Institute for Policy Research, commissioned by CONNECT.

DOWNTOWN'S INNOVATION ECONOMY

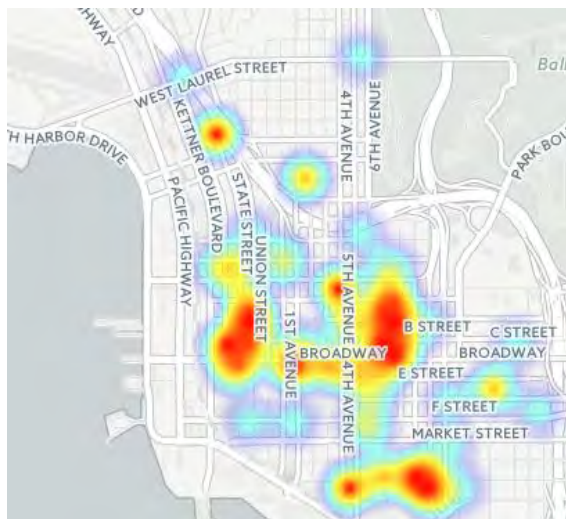
Startup activity in the San Diego region in science and technology-based companies has been one of the strongest forces for economic growth. New technology startups are created every 18 hours in San Diego, as reported by CONNECT. In 2014, downtown represented about 10 percent of startup activity in the region. Similarly in 2014, for every 10,000 people living downtown, there are 15.34 startups compared to the county-wide number of 1.35 startups. That level of growth suggests the immense potential of San Diego's innovation future. The graph below in Figure 17 prompted the Downtown San Diego Partnership to work with Startup San Diego to create our own *Downtown Startup Database* to constantly track and measure startup growth in downtown.

FIGURE 17
DOWNTOWN'S LEADS FOR NEW STARTUPS IN SAN DIEGO



Source: CONNECT Innovation Report, 2014

FIGURE 18
HEAT MAP OF STARTUPS & TECH FIRMS IN DOWNTOWN



Source: Downtown San Diego Startups & Tech Database, 2016

TECH STARTUPS IN DOWNTOWN TODAY

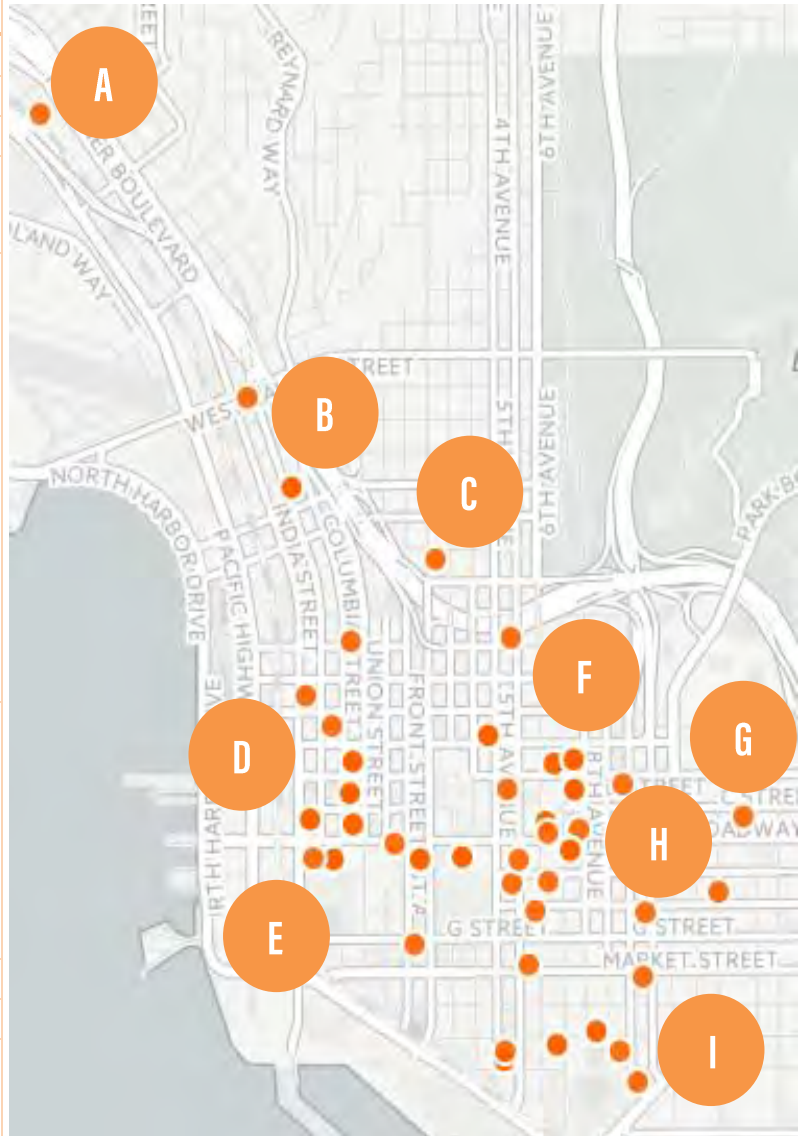
The important role of computer science in the innovation economy is key to understanding downtown San Diego's growth potential. With the expansion of entry-level housing, more design, programming and computer science talent can aggregate downtown. With the growth of office and incubation space, more globally competitive startup and growth enterprises will benefit from being downtown. The development opportunities are there for the taking. Startup growth has already skyrocketed in downtown San Diego since 2014 on account of these factors.

Today, there are 110 startups within the 92101 downtown San Diego zip code. See the following page for a more detailed point map and list of these startups, tech firms and collaborative working spaces.

This cluster map shows the location of startups in downtown San Diego since January 2016. Clearly, there is a strong concentration in the Columbia business district, due to the Irvine Company's flexible and creative office suite that they have curated through Real Office Centers/The Vine coworking space. Similarly, Civic/Core, East Village and Little Italy all have growing concentrations of tech startups and innovation firms, mostly focused in software and digital marketing.

FIGURE 19
 POINT MAP OF STARTUPS & IN DOWNTOWN
 (Note: Points can signify multiple startups on map)

HOTSPOT	STARTUPS
A	Proximity, Swoop Rides
B	SPARK Finance, StockTwits, Zipp, GreekRush
C	NXT Robotics
D	Deal Current Network, Industry, The Control Group, Geary Interactive, Mindtouch, ChatMeter, Webble, Saambaa, PetPartner
E	Awarepoint, Posiba, Whoozah, Lawn Love, Kuity, GoFormz, FestPop, INFINITY, Reflexion, AstroPrint, Lab Fellows, Email Copilot, General Forensics, Halograph, Tortuga Logic, dotstudioPro, Qelzal, Skysense, UVA Mobile, shie Commerce, Shopventory, Coursekey, Nulu, Collective Sun, Doctible, Precision Information, Obrary, Antengo, Fashioning Change, Nomad Tracker, Audvi, Goshare.co, Meetingmatch, Membright, Tourmaline Labs, Playvision Labs, Broader Logic, Englue, Footprints Mobile, GroupSolver, Koriist, Lennd, nPruv, Party Spark, Podify, TapChow, VaultRMS, VeraDoc, SOCi, Motoroso, Vionic
F	Nuvis, Tildeworks, eCitizens, Portfolium, TakeLessons, Underground Elephant, RetailOps, Holonis, Taphunter, Cordial, Businessonline, Climber.com, Dove Tree nyon Software, SouthDoctors, Brandisty, Zesty, Piggyback, Mindgruve, OIM Squared, Learn2Earn, SecureConceirge, Zeeto Group, TakeLessons, Veyo Logistics
G	Rock My World
H	Tiny Labs, Digital Telepathy, StrongVolt, Classy
I	Sweetlabs, Accel Robotics, Airbitz, CoachLogix, Property psule, Axure, Fifty & Fifty, Donately, 22Social, sensemetrics, Appiness, Yago, Pharmly, Travelboxe



Live Map Link: https://dsdp2015.cartodb.com/viz/39249044-faaa-11e5-bb44-0e98b61680bf/public_map
 Source: Downtown San Diego Startup Directory, 2016

DOWNTOWN'S SAN DIEGO STARTUP STARS

PSYONIX

This year their Pysonix's game **ROCKET LEAGUE** attracted more than 1 million unique players on its busiest days.

CLASSY

On #GivingTuesday, **Classy**, the leading fundraising and community mobilization platform, facilitated \$3.4 million in online donations.

ZEETO MEDIA

Zeeto picked up the **#1** spot for Top Workplace in San Diego for a small business and its CEO won back- to-back years for best CEO in a small business.

UNDERGROUND ELEPHANT

UE secured **\$9 million** in credit facilities from Silicon Valley Bank to broaden platform and accelerate customer adoption of various B2B and B2C products.

THE TECH ECOSYSTEM IN DOWNTOWN SAN DIEGO

What is especially encouraging about the innovation growth potential of downtown is not just the number of startups, but also the array of coworking, incubation and meet-up spaces downtown and in surrounding communities that are connecting talented people and nurturing new business opportunities. The factors essential to an innovation ecosystem are present downtown. The rate at which new companies are being formed, the variety of incubation spaces and meet-up groups as well as the number of events held annually downtown speak to a networked culture of creatives and innovators who are driving the development of new products and services that represent economic value not just to downtown but to the entire region. In downtown today, there are seven incubators/accelerators and eight coworking spaces that serve a variety of industries, however; they all speak to the needs of growing tech startups looking for flexible office space options.

INCUBATORS, ACCELERATORS & CO-WORKING SPACES IN DOWNTOWN SAN DIEGO

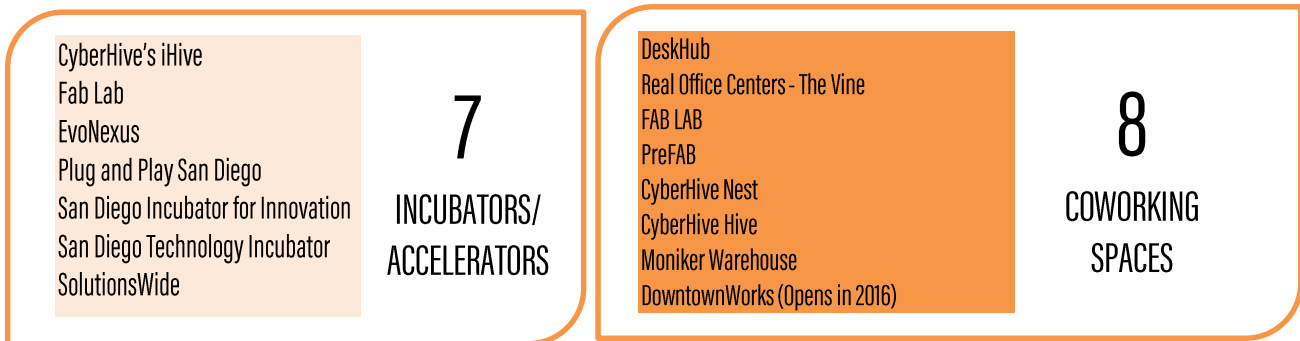
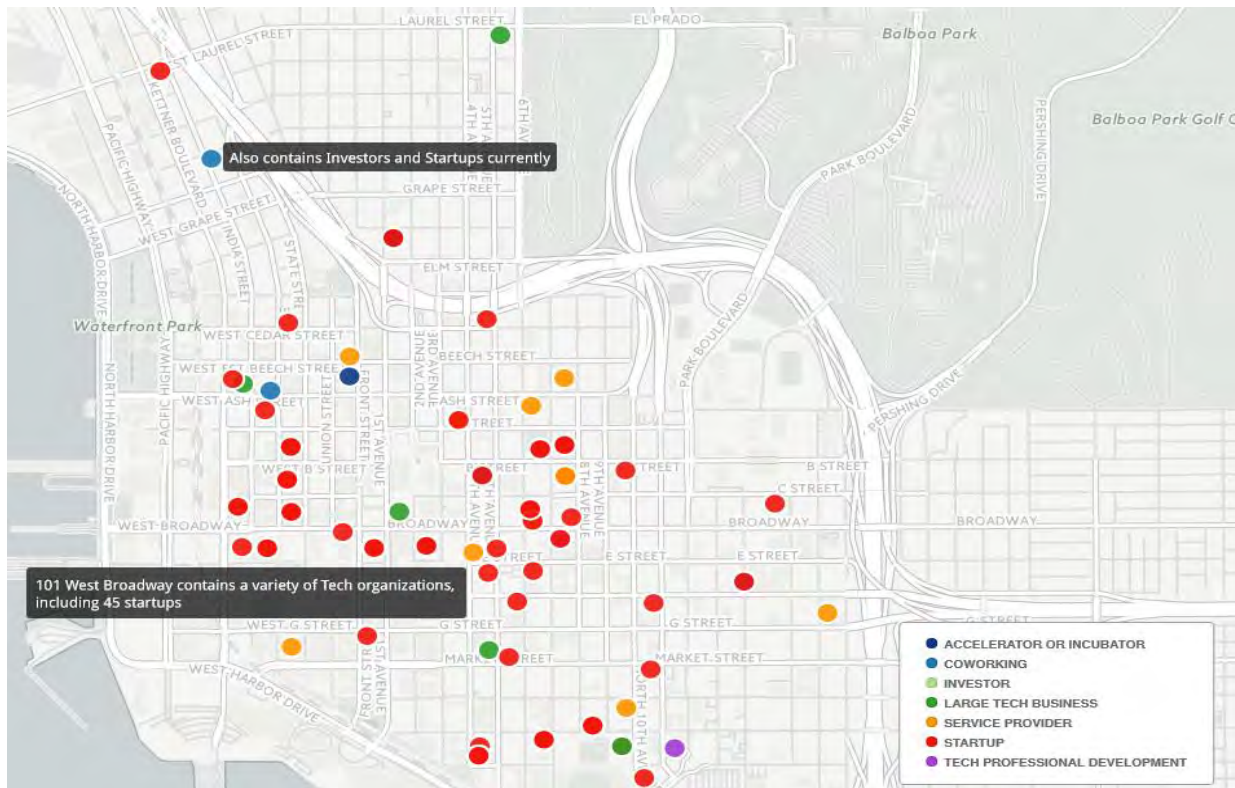


FIGURE 20
TECH ORGANIZATIONS IN DOWNTOWN BY CATEGORY



Source: Downtown San Diego Startup Directory, 2016; Web Link: https://dsdp2015.cartodb.com/viz/b09e6e4a-d36f-11e5-8737-0e3ff518bd15/public_map

The companies that are incubating and growing downtown range in size, output and industry. From ESET, an international cyber-security software company with the domestic headquarters in downtown and nearly 200 employees, to brand new startups with just two full-time employees.

The U.S. National Science Foundation has underscored the value of engineering and high-level technical jobs to local economies.² Similarly, CONNECT estimated in 2014 that those working the average “innovation” sector job were paid 2.4 times more than those working in the average job in San Diego County in 2014.³ These phenomena are at work in downtown. They have yet to reach their full potential. A very strategic approach that targets the high numbers of talented young people who are earning degrees in the region, as well as the high number of STEM credentialed individuals moving to this region is needed. Celebrating downtown as a place to live and work is absolutely critical.

However, it does not appear from surveys and focus groups that San Diego’s downtown assets are as clearly visible to companies and individuals as they need to be. It is not sufficient to simply communicate better. Any strategy needs to promise that incubating companies and young talent seeking entry-level housing and micro-units can find what they need in downtown or within walking or biking distance to the number of attractive still developable contiguous communities, such as Barrio Logan, the Diamond District and Golden Hill.

² National Science Foundation. 2015.

³ CONNECT Innovation Report. 2014; Dun and Bradstreet Hoovers; InfoUSA; CONNECT; National University System Institute for Policy Research, commissioned by CONNECT.

DOWNTOWN SAN DIEGO: THE INNOVATION ECONOMY'S NEXT FRONTIER



DOWNTOWN HAS AN ABUNDANCE OF AMENITIES & THE LIFESTYLE THAT MILLENNIALS CRAVE



KEY FACT III - DOWNTOWN SAN DIEGO HAS AN ABUNDANCE OF AMENITIES

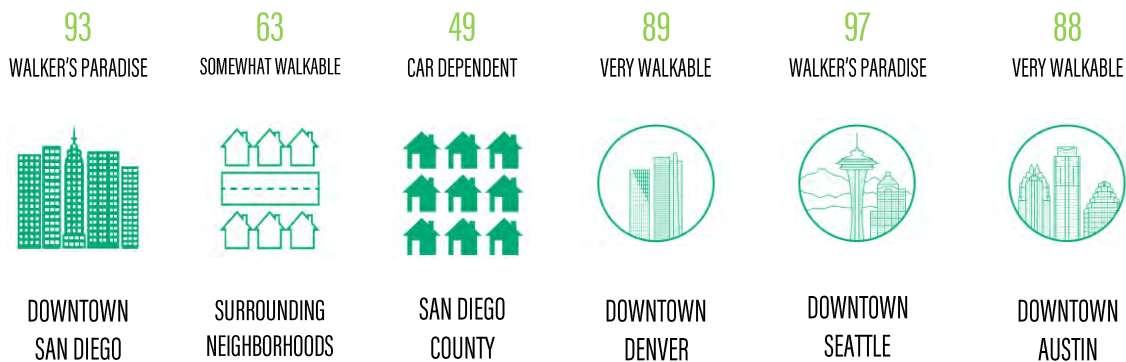
The innovative tech and creative growth companies discussed in Key Fact II know that they must provide incredible office space amenities at the worksite. They also strive to give their employees access to a lifestyle that appeals to young talent. These amenities cross a spectrum of opportunities, but cluster around the notion that young people of all social and ethnic backgrounds want to live, work and play in communities that are walkable and bikeable as well as lively and accessible 24/7.

Downtown has an abundance of these amenities. However, based on surveys, interviews, focus groups and national research graduating students, location advisors, tech companies and established recruiters do not know about downtown San Diego’s appeal and unparalleled lifestyle. Key Fact III within the report seeks to show how downtown San Diego already possesses many of the amenities that are so important to young talent, families and entrepreneurs.

DOWNTOWN IS A WALKER’S PARADISE

Here are the facts. Walking to work is a high priority in many cities, and there is a national “walk score” that measures a city’s walkability. Based on a scale of 1 to 100, downtown San Diego’s walk score is the highest in the region and one of the highest in the country.

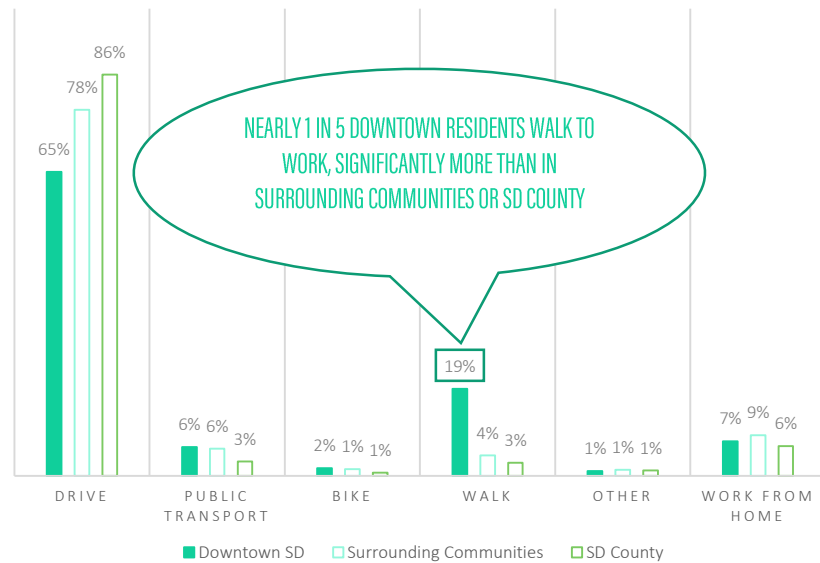
FIGURE 21
DOWNTOWN SAN DIEGO HAS A HIGH WALK SCORE



Source: Walkscore.com, 2016

When compared to surrounding neighborhoods (refer to Table 1 on page 4 for details) downtown San Diego’s walk score was 30 points higher, and 44 points higher than the county’s walk score. When compared to downtown Denver, Seattle and Austin, only Seattle’s walk score was slightly higher than downtown San Diego’s. Out of these idyllic millennial talent hotspots, downtown San Diego was the second most walkable and accessible community. This is especially important when thinking back to the American Planning Association’s finding that a large majority of millennials want to live in walkable neighborhoods.

FIGURE 22
 MORE DOWNTOWN RESIDENTS WALK TO WORK
 Source: US Census Bureau, 2015



Commute patterns and times are also important lifestyle indicators. Roughly two out of every three downtown residents drive to work, which is not surprising given regional commute patterns and the high concentration of jobs outside of downtown. Downtown San Diegan use public transportation and walk to work more than county residents. Residents in the contiguous communities do as well, which suggests the possibility of strategically linking walkable, bikeable corridors between downtown and its contiguous communities to amplify housing options.¹

DOWNTOWN SAN DIEGO HAS LOW COMMUTE TIMES

Millennials and young professionals also place a high value on low commute times. The majority of downtown residents commute north each day.² Compared to Denver, Seattle and Austin, downtown San Diego and the San Diego region have the lowest commute times.³ Even with the multitude of public transportation options offered in these competitive cities, the actual time spent commuting is greater than downtown San Diego’s commute times. (See Table 2 for details.) Additionally, by 2019, trolley connections from the Torrey Pines Mesa to downtown San Diego will transform San Diego’s work/life commuting landscape. This trolley line expansion will grow and strengthen the linkage between the preeminent life science research cluster on the Mesa to the millennial talent and startup activity in downtown San Diego.

TABLE 2
 DOWNTOWN SAN DIEGO SHORTER TRAVEL TIMES TO WORK

AREA	MEAN TRAVEL TIME TO WORK (MINUTES)	ANNUAL DELAY PER AUTO (HOURS)
DOWNTOWN SAN DIEGO	21.4	NA
SURROUNDING AREAS	22.1	NA
SAN DIEGO (MSA)	25.0	42
AUSTIN (MSA)	26.5	52
DENVER (MSA)	27.4	49
SEATTLE (MSA)	29.6	63

DOWNTOWN SD
 MEAN TRAVEL TIME
5 TO 10 MINS
 SHORTER THAN
 COMPARISON CITIES

Source: US Census Bureau, 2015

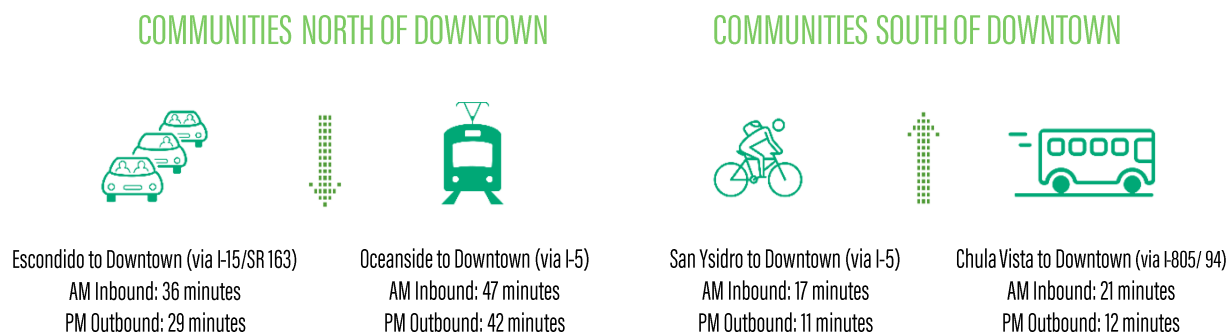
¹ U.S. Census Bureau; American Community Survey, 2009 American Community Survey 5-Year Estimates, Table B08008 <<http://factfinder2.census.gov>>; (3 August 2015).

² U.S. Census Bureau. 2015. OnTheMap Application. Longitudinal-Employer Household Dynamics Program. <http://onthemap.ces.census.gov/>

³ U.S. Census Bureau; American Community Survey, 2009 American Community Survey 5-Year Estimates, Table B08013001 <<http://factfinder2.census.gov>>; (3 August 2015).

The previous table addresses those who live in downtown San Diego and their travel times to work. However, downtown is also one of the top five employment areas in the region. Nearly 20 percent of county employees commute to downtown San Diego for work daily.⁴ Commute times in and out of downtown for all downtown employees were also located through SANDAG's 2014 State of the Commute Regional Report.

FIGURE 23
COMMUTE TIMES INTO & OUT OF DOWNTOWN



Source: SANDAG, State of the Commute, 2014 ***the commute times above are for freeway corridors only

From neighborhoods north of downtown, commute times ranged between 29 and 47 minutes depending on the direction and time of day. From neighborhoods south of downtown, commute times ranged between 11 minutes and 21 minutes depending on direction and time of day. In summary, there are a range of commute times for employees working downtown who don't live downtown, but those living north have the longest commute times.⁵ An important note about these commute times is that they are corridor averages rather than travel time averages, as noted above.

DOWNTOWN SAN DIEGO IS A MOBILITY HOTSPOT

Urbanized communities like downtown San Diego are becoming increasingly desirable as people demand a variety of mobility options. With these trends in mind, downtown San Diego has committed to a vision and lifestyle where active transportation options, specifically walking and bicycling, are comfortable, safe and fun, and easily combined with public transportation to get in and out of downtown with ease.⁶

Today there nearly 20 miles of bike lanes, bike paths and suggested bike routes in and around downtown San Diego. This is a key community resource as seen in Figure 22, which shows that 2 percent of downtown residents (roughly 300 people) bike to work each day. Similarly, 1 percent of residents in surrounding communities (approximately 2,000 people) ride their bikes to work each day. The map in Figure 24 shows the multitude of bike paths in and around downtown San Diego, and the callout box to the right shows the key paths that are most used by cyclists.

⁴ U.S. Census Bureau. 2015. OnTheMap Application. Longitudinal-Employer Household Dynamics Program. <http://onthemap.ces.census.gov/>

⁵ SANDAG. 2014. State of the Commute. Retrieved from http://www.sandag.org/uploads/publicationid/publicationid_1937_19102.pdf

⁶ http://www.downtownsdmobility.com/app_pages/

FIGURE 24
Existing Bikeways In & Around Downtown



- Bike Path
- Bike Route
- Bike Lane
- Other Bike Friendly Routes

KEY DOWNTOWN BIKE ROUTES

- North Harbor Drive (1.9 miles)
- Esplanade (1 mile)
- Columbia Street (0.21 mile)
- Linear Park (0.28 mile)
- South Harbor Drive (0.4 mile)
- Martin Luther King Jr. Promenade (0.83 mile)
- Newton (0.06 mile)
- Point Loma (16 miles)

All bike paths are exclusively used for non-motorized travel

Source: SANDAG, iCommute, 2016

According to the *San Diego Regional Bike and Pedestrian Counter*, San Diego Harbor Drive Pedestrian Bridge in and out of Petco Park is the most used pedestrian footpath in the San Diego region, with a daily average crossing of 10,792 pedestrians. Similarly, North Harbor Drive Multi-Use Bike Path is the second most used bike path in the county, with an average of 662 cyclists using it daily.⁷

FIGURE 25
Pedestrian & Cyclist Hotspots in Downtown

MOBILITY IN DOWNTOWN

#1

PEDESTRIAN HOTSPOT IN THE COUNTY

10,792

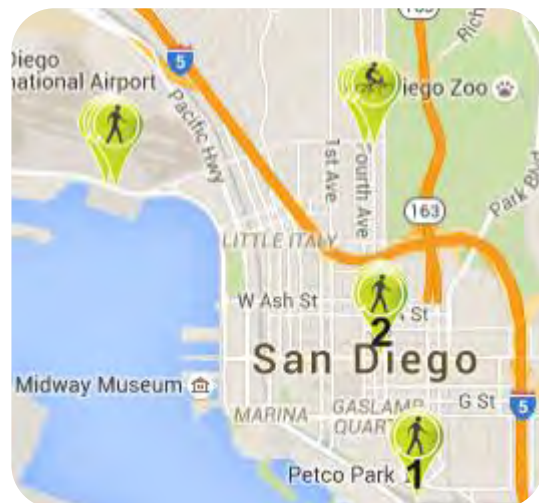
PEDESTRIANS DAILY ON HARBOR BRIDGE

#2

BIKE PATH IN THE COUNTY

662

CYCLISTS DAILY ON HARBOR BIKE PATH

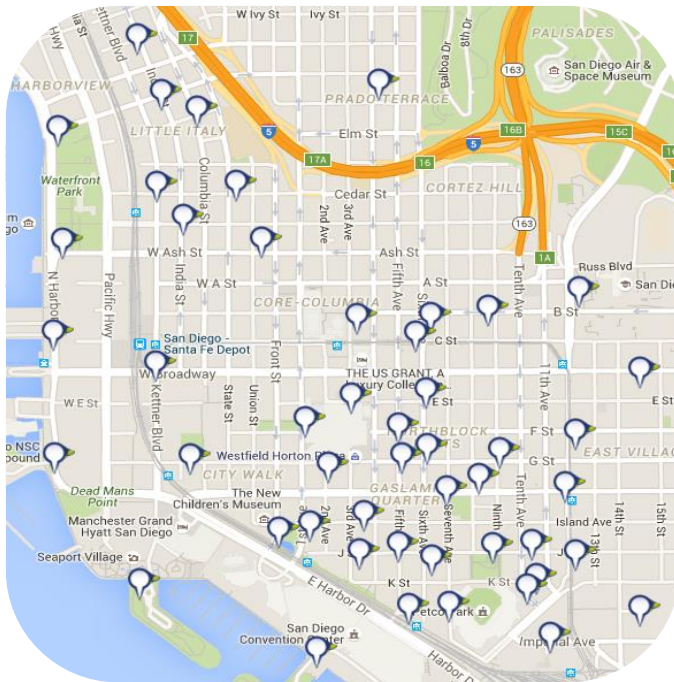


Source: SANDAG Eco-Counter, 2016

⁷ SANDAG ECO-COUNTER. 2016. Retrieved from <http://www.eco-public.com/ParcPublic/?id=681#>

With such a high use of downtown bike paths and bike routes, the City of San Diego has made bike sharing programs and stations widely accessible in downtown and its surrounding communities. Today, downtown San Diego is home to 48 DECOBIKE bike sharing/rental stations and the DECOBIKE has placed 200 solar-powered, bicycle-rental stations spread throughout San Diego, with 1,800 bikes for riders to use, according to its website. Most of the locations are concentrated around downtown, Balboa Park and Mid-City. See Figure 26 for details.

FIGURE 26
Bike Sharing Stations in Downtown



48 BIKE SHARING
STATIONS IN DOWNTOWN
WITH \approx **1,800** BIKES
FOR RENT/SHARING
CITYWIDE

Source: <http://www.decobike.com/sandiego/map-location>

PUBLIC TRANSPORTATION IN DOWNTOWN SAN DIEGO IS EXPANDING

Though public transportation in downtown San Diego may be limited compared to other U.S. cities of similar size/population, regionally downtown is a public transportation hotspot with more than 25 bus routes, four Rapid bus routes, three trolley lines and nearly 20 miles of bike paths/routes. See Figure 27 for details.

This concentration of transportation in downtown will only continue to grow and intensify according the SANDAG 2050 Regional Transportation Plan (RTP). In fact, the 2050 RTP is built upon an “Urban Area Transit Strategy” (UATS) that focuses new transportation development in and around the most urbanized areas in the region to ensure that new investments can achieve optimal efficiency.⁸ Downtown San Diego is currently one of the densest communities in the county, both for employment and residential land use. Consequently, downtown will receive more attention and investment than almost any other area in the county for transportation development through 2050.

⁸ SANDAG 2050 Regional Transportation Plan. 2015. Retrieved from <http://www.sandag.org/uploads/2050RTP/F2050RTPA7.pdf>

FIGURE 27
Public Transit in Downtown San Diego



Source: MTS, <http://www.sdmts.com/schedules-real-time/maps-and-routes>; 2016

FUTURE DOWNTOWN TRANSPORTATION INVESTMENTS

Mid-Coast trolley line that will link downtown with UCSD/ UTC by 2019

Implementation of I-15 & Mid-City Rapid projects, and completion of South Bay Rapid

Implementation of Rapid Express service on South I-5 corridor, providing faster connections to downtown

Implementation of the Purple Line which will reduce the overcrowding of the Blue Line

Creation of a network of 10 minute all-day trolley, Rapid, and local bus services that make transit easier and more convenient to use

DOWNTOWN SAN DIEGO IS AN ARTS & CULTURE HOTSPOT

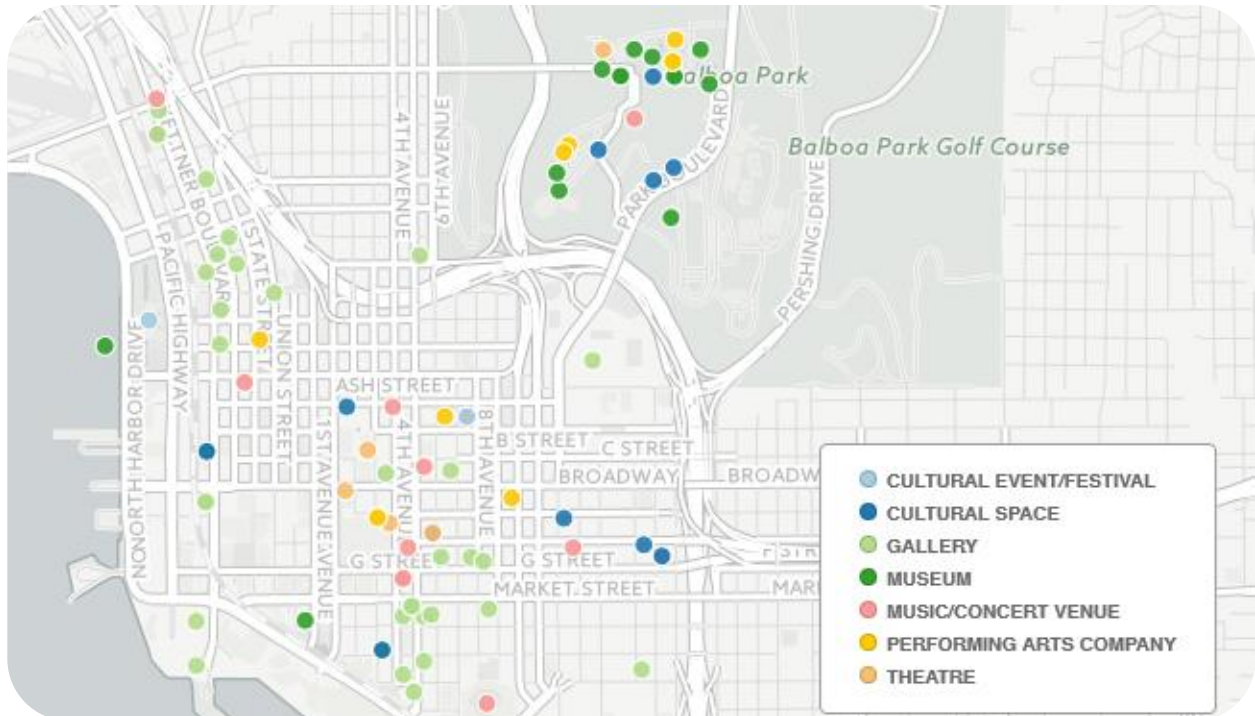
Entrepreneurs and millennials seek out communities that inspire creativity and push boundaries. Urban planning studies have shown that the innovation economy is measurably enhanced by high-density environments with access to arts and culture. By locating firms, artists, and cultural facilities together, a multiplier effect results, driving further innovation among all parties.⁹ This phenomenon is occurring in downtown San Diego today.

⁹ American Planning Association. 2015. <https://www.planning.org/research/arts/briefingpapers/vitality.htm>

MORE THAN **90** ARTS & CULTURAL ORGANIZATIONS, VENUES AND DESTINATIONS IN DOWNTOWN SAN DIEGO

Today there are more than 90 arts and cultural destinations and organizations located in our urban core. Downtown San Diego is home to 31 art galleries, four museums, six live performance theatres, 12 music venues and 10 performing arts groups, including a symphony, an opera and a professional ballet company. The neighboring Balboa Park CPA boasts upwards of 30 arts and cultural destinations within its boundaries as well. As you can see from the arts and culture maps below, downtown has a variety of fine art, modern and classical music, and performance-arts hotspots.

FIGURE 28
ARTS ORGANIZATIONS IN DOWNTOWN BY CATEGORY



Map Link: https://dsdp2015.cartodb.com/viz/4bb5a924-fd10-11e5-92ce-0e3ff518bd15/public_map; Basemap: Cartodb, 2016

DOWNTOWN SAN DIEGO ARTS & CULTURE

31 ART GALLERIES. **12** MUSIC VENUES. **10** PERFORMING ARTS GROUPS.

6 THEATRES. **4** MUSEUMS.

FIGURE 29
POINT MAP OF GALLERIES, THEATRES AND ARTS ORGANIZATIONS IN DOWNTOWN SAN DIEGO



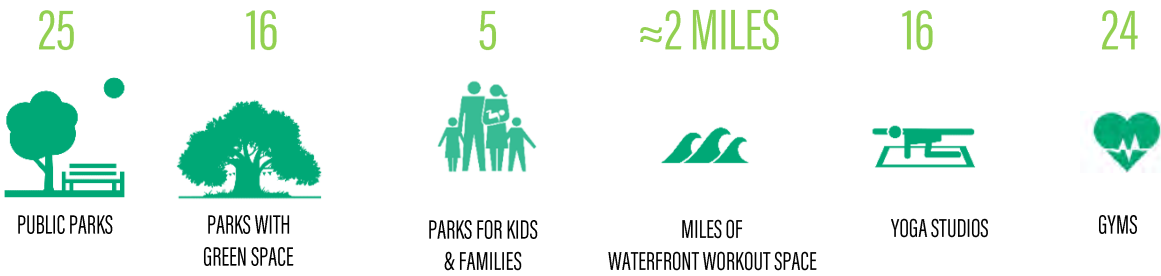
Map Link: https://dsdp2015.cartodb.com/viz/4d66064c-e15e-11e5-8991-0e31c9be1b51/public_map; Basemap: CartoDB, 2016

DOWNTOWN SAN DIEGO IS A DESTINATION FOR OPEN SPACE, FITNESS & WELLNESS

For millennials, wellness is a daily, active pursuit. They're exercising more, eating smarter and smoking less than previous generations. They're using apps to track training data, online information to find the healthiest foods and additional resources to live in neighborhoods where fitness and workout facilities are abundant.¹⁰ On a similar note, urban areas flourish when they have open space, farmers markets, playgrounds and parks where people can congregate and enjoy nature and the fresh air. Downtown San Diego is rich in these amenities as Figure 30 points out.

¹⁰ Goldman Sachs Global Insights, 2015. Retrieved from <http://www.goldmansachs.com/our-thinking/pages/millennials/>

FIGURE 30
PARKS & ACTIVE SPACES IN DOWNTOWN



Source: <http://www.civicsd.com/programs/parks-and-open-space/overview.html>

Downtown San Diego is home to roughly 25 parks, 16 with open “green” spaces and five with play structures or facilities for children - which is especially important as children under the age of 18 in San Diego’s urban core are one of the fastest growing age groups. Through the Downtown San Diego Partnership and other community organizations, such as Scripps Health, downtown is also the site of monthly free outdoor yoga classes, free healthy cooking classes and free boot camp classes on the waterfront courtesy of Fitbit San Diego. Downtown is also home to six weekly farmers markets with a variety of healthy food options and cultural varieties. See Figure 31 below for details. In addition, Downtown San Diego is a 10-minute walk from world-renowned Balboa Park, which is home to numerous restaurants, museums and other engaging activities.

FIGURE 31
FARMERS MARKETS IN DOWNTOWN

Source: <http://www.sandiego.org/articles/shopping/san-diego-farmers-markets.aspx> ; Basemap: CartoDB,

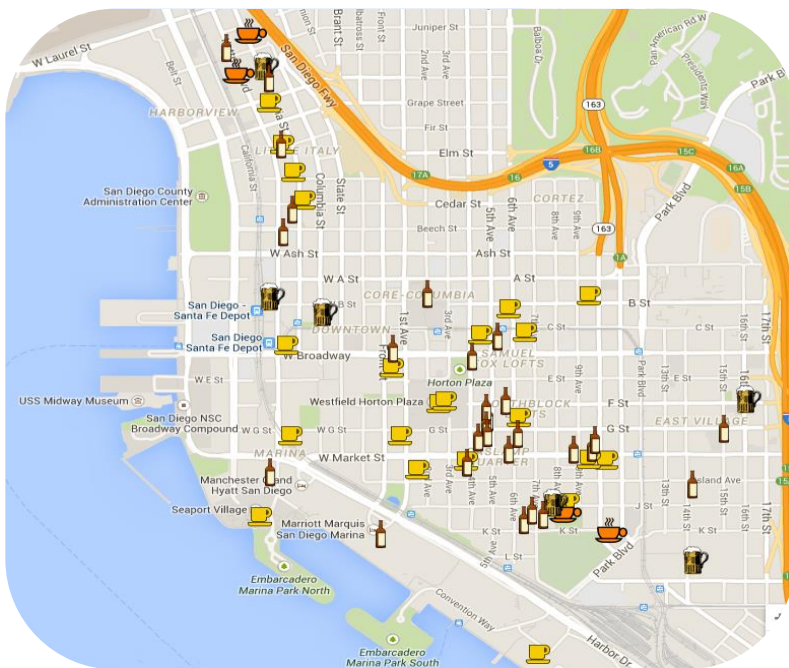


DOWNTOWN SAN DIEGO IS A RISING FOOD & CRAFT BEER STAR

Millennials are a social generation and constantly seek to keep connected through social media and events. Their active lifestyle is influenced by what their social circle is doing. Millennials dominate downtown San Diego, and they live, work and play in downtown's coffee houses, restaurants, bars, lounges and alternative work spaces where ideas can be shared and creativity can be nourished over craft cocktails and custom lattes. This sense of community is not just where sociability happens, but also where ideas that grow downtown's innovation economy are hatched.

Millennials are constantly curating their identity and are motivated by authenticity, discovery, sharing and belonging. Feeling like an individual is essential, and they like having different go-to bars and cocktail spots for every occasion. The downtown San Diego lifestyle is rich in happy hours, which are those 5 to 7 p.m. gatherings in bars after work where people meet up with friends and connect with community. Craft breweries and cafes also are part of that sociability factor and, as Figure 32 shows, exist in abundance downtown.

FIGURE 32
COFFEE SHOPS & CRAFT BEER IN DOWNTOWN



220 HAPPY HOURS
30 COFFEE SHOPS
27 BARS W/ CRAFT BEER
6 CRAFT BREWERIES
IN DOWNTOWN SAN DIEGO

POPULAR DOWNTOWN RESTAURANTS

Downtown San Diego is home to 113 Zagat rated restaurants and is quickly becoming a national foodie destination. This is yet another element of the millennial attraction to downtown and, in fact, several of downtown's restaurants have caused such a buzz, they are now expanding to other locations both inside and outside of San Diego.

DONUT BAR has won more awards than any other donut shop in the nation. The popular shop is currently expanding its downtown (Civic Core) location, and, once completed, will serve craft beer alongside fresh, delicious donuts. The Donut Bar opened a new location in Las Vegas this month, and rumors of a Los Angeles venue are buzzing around town.



STELLA PUBLIC HOUSE is a pizza joint – but not just any pizza joint. The restaurant serves local farm-to-table pizza and craft beer. Currently, Stella Public House has locations in East Village and San Antonio, Texas. The newest addition is under construction in Austin, Texas.



IRONSIDE FISH & OYSTER BAR offers fresh seafood (raw and cooked) and more than 50 varieties of craft cocktails. The only thing more interesting than the locally sourced constantly changing menu, is the nautical décor inside this Little Italy restaurant.



The Crack Shack - "Local Grown World Inspired"

This outdoor eatery in Little Italy has a casual chicken-and-egg concept. They serve fresh, local, drug-free chicken and have successfully filled the fried-chicken void in San Diego's restaurant scene since they opened their doors in November 2015.

NEIGHBORHOOD is a popular "gastropub" in San Diego's historic Gaslamp Quarter. This establishment successfully combines quality beer, locally sourced food and intelligent design. If you aren't looking for an adult beverage with your meal, try the local craft coffee or root beer float.



This combination of amenities is precisely what young, talented professionals are seeking. Also important is the availability of many of these amenities available 24 hours a day, seven days a week. To fit the life and work-style of many creatives who do not fall into the typical 9-to-5 office job. Even residents who travel outside of downtown for work indicate they will continue to live downtown even if they can't work there because they enjoy the amenities, transportation advantages and proximity to dining. Nonetheless, in a series of one-on-one interviews as well as focus groups with millennials, location consultants and leaders of high-tech firms, it's clear that many are unaware of these amenities, of the characteristics of the talent pool living downtown, and of the business incubation that is growing by leaps and bounds.



DOWNTOWN SAN DIEGO: THE INNOVATION ECONOMY'S NEXT FRONTIER



DOWNTOWN IS HIGHLY COMPETITIVE WITH OTHER CALIFORNIA INNOVATION HUBS



KEY FACT IV - DOWNTOWN IS HIGHLY COMPETITIVE WITH PEER CITIES

California's economy serves as the growth platform for some truly incredible companies. Apple, Google, eBay, Twitter, Airbnb, Disney, Tesla, Levi's, Gap, Restoration Hardware, Pixar, PayPal, Trader Joe's, Salesforce.com, Cisco, Netflix, Pandora, Kiva, the Special Olympics, Instagram, Kickstarter and The Huffington Post are all rooted in the sunshine state. California is where cultures, industries and ideas cross in a fertile breeding ground to fuel innovation and the creative economy.¹ However, this innovation breeding ground comes at a premium, especially in San Francisco, Silicon Valley and Los Angeles.

Downtown San Diego still holds the promise of the elusive "California Dream." It has the essentials – availability of land for entry-level housing, space for startup incubators and offices for the financial and business services essential to grow companies. San Diego's downtown and contiguous neighborhoods represent an affordable alternative on all counts compared with other California cities such as Los Angeles, including Santa Monica, the Bay Area, especially Silicon Valley, and the Mission District. While the cost of living throughout California will always be more expensive than the national comparison cities of downtown Denver, downtown Seattle and downtown Austin, San Diego rents and home prices remain attainable for young millennials hoping to purchase a home in the future.

SAN DIEGO IS THE LAST UNTAPPED INNOVATION HUB IN CALIFORNIA



¹ Forbes, California Dreamin': The New State of Innovation. Retrieved from <http://www.forbes.com/sites/patrickhanlon/2013/09/12/california-dreamin-the-new-state-of-innovation/#5b35e7e45b4e>

DOWNTOWN SAN DIEGO HOME PRICES ARE CHEAPER

For California homeowners with mortgages, median monthly housing costs are 4.2 percent higher than they are nationwide. California renters pay 35.8 percent above the nationwide median. Yet California's median household income is only 15.4 percent higher than the nation. This means that the share of Californians with excessive housing costs is quite high: 31.5 percent of mortgaged homeowners and 47.4 percent of renters spend more than 35 percent of their total household income on housing, compared with 23.4 percent and 42.6 percent, respectively, nationwide.²

In the second quarter of 2015, the San Francisco metropolitan area (San Francisco, San Mateo and Marin counties) was the nation's least affordable major housing market. Los Angeles, Orange County, and San Jose were also among the five least affordable metropolitan areas nationwide.³ However, despite the fact that coastal land is outrageously expensive throughout California, housing in many inland areas is still relatively affordable. This is where downtown San Diego has an advantage as one of the last untapped innovation hubs within California that still has some undeveloped land parcels adjacent to the urban core.

With these state-level trends in mind, data was gathered on the most recent home prices to allow for a deeper comparison of downtown San Diego to peer cities: Santa Monica in west Los Angeles, a coastal living and innovation hub with a similar ambiance to downtown San Diego and the Mission District in San Francisco, a millennial worker and creative residential mecca for tech and finance employees. To obtain the most recent and accurate data on home prices, Redfin, the largest and most complete national real estate database, was used to gather median housing prices according the last 90 days of all sale and listing data for each city/area by zip code and neighborhood. See Table 3 for details.

TABLE 3
Median Housing Price Comparisons (February 2016)

HOUSING PRICE INDICATORS	DOWNTOWN SAN DIEGO	SANTA MONICA	SF MISSION DISTRICT
1 Bedroom - Median List Price	\$ 382,333	\$ 681,000	\$ 350,000*
2 Bedroom - Median List Price	\$ 705,167	\$ 1,620,000	\$ 1,100,000
3 Bedroom - Median List Price	\$ 1,129,000	\$ 2,200,000	\$ 1,280,000
Median List Price	\$ 537,000	\$ 1,990,000	\$ 1,240,000
Median Sale Price	\$ 490,000	\$ 1,670,000	\$ 1,150,000
DIFFERENCE IN MEDIAN SALE PRICE FROM DOWNTOWN SAN DIEGO			
Raw Difference from SD	-	\$1,180,000	\$660,000
Percent Difference from SD	-	109%	80%

Source: Redfin, February 2016, * extremely low inventory led to low estimates

When comparing San Diego's downtown costs with those of Santa Monica and the Mission District in San Francisco, San Diego is clearly competitive. One bedroom apartments can be pricey, however this makes sense considering the large share of luxury condos in downtown San Diego. Overall, downtown San Diego's median sale price is \$490,000 compared to \$1,670,000 in Santa Monica and \$1,150,000 in the Mission District. A home in downtown San Diego is roughly \$1.1 million less, or 109 percent less expensive, than a home in Santa Monica. Similarly, a home in downtown San Diego is roughly \$600,000 less, or 80 percent less expensive, than a home in the Mission District.

² Public Policy Institute of California, California's Future, 2016. Retrieved from http://www.ppic.org/content/pubs/report/R_116HJ2R.pdf

³ Public Policy Institute of California, California's Future, 2016. Retrieved from http://www.ppic.org/content/pubs/report/R_116HJ2R.pdf

DOWNTOWN SAN DIEGO RENTS ARE CHEAPER

California has six of the nation's 11 most expensive large metropolitan rental markets: San Francisco, San Jose, Orange County, Oakland, Los Angeles and San Diego. However, San Diego represents the lower end of this expensive rental market. The estimated median rent for a two-bedroom apartment ranged from \$1,512 in San Diego all the way up to \$2,263 in San Francisco in Q2 of 2015.⁴

When looking at more recent rent metrics in downtown San Diego compared to rent in the Mission District and Santa Monica for the last 30 days by area zip codes, average rent in downtown San Diego was \$537 cheaper than Santa Monica, and \$2,138 cheaper than the Mission District. These are significant differences when considering quality of life for young renters in these urban areas.

FIGURE 33
Average Rent Comparisons (FEBRUARY 2016)



Source: Rainmaker Insights, February 2016

In summary, median housing prices and monthly rents are cheaper in downtown San Diego than in Santa Monica or in the Mission District. However, when comparing housing costs among different communities, it's also housing cost as a proportion of income that's the most accurate measure of affordability within an area. Similarly, the cost of transportation and other necessary goods should be considered as well. Consequently, several affordability indicators were explored for these areas to provide the full scope for this comparison set. Unfortunately, affordability indexes and data are normally only tabulated for large geographic units. For this comparison, data from the 2015 National Association of Realtors Housing Affordability Report was used to compare San Diego, Los Angeles and San Francisco counties. See Table 4 for details.

TABLE 4
AFFORDABILITY INDICATORS COMPARISON BY COUNTY

AFFORDABILITY INDICATORS	SAN DIEGO	LOS ANGELES	SAN FRANCISCO
PERCENT OF HOUSEHOLDS THAT CAN AFFORD TO BUY HOMES	47%	51%	22%
ANNUAL SALARY NEEDED TO PURCHASE HOME	\$95,433	\$89,665	\$142,448
PERCENT OF COST BURDENED RENTERS	55%	62%	43%

Source: National Realtors Association, 2015; Apartmentalist, 2016

⁴ Public Policy Institute of California, California's Future, 2016. Retrieved from http://www.ppic.org/content/pubs/report/R_116HJ2R.pdf

When looking at this larger geographic area, San Diego is not as affordable as the previous housing price comparisons might suggest. However, San Diego is still more affordable than San Francisco and roughly as affordable as Los Angeles. Nearly half (47%) of San Diego households can afford to buy a home, compared to only a fifth (22%) of San Francisco residents. Similarly, San Diego residents need an annual salary of approximately \$95,000 to purchase a home while San Francisco residents needed to make nearly \$50,000 more to purchase a home. Interestingly, only 43 percent of San Francisco renters were “cost-burdened,” meaning they spent 30 percent of their income or more on housing. This signals that young millennial tech employees in San Francisco are earning even higher salaries than San Diego employees and perhaps San Diego salaries have yet to reach their full potential.⁵ When comparing incomes in these areas, San Francisco is clearly ahead of Los Angeles and San Diego, as shown in Table 5 below.⁶

TABLE 5
INCOME COMPARISON BY COUNTY

COUNTY	PER CAPITA INCOME	MEDIAN HOUSEHOLD INCOME	MEDIAN FAMILY INCOME
SAN FRANCISCO	\$46,777	\$72,947	\$87,329
LOS ANGELES	\$27,954	\$56,266	\$62,595
SAN DIEGO	\$30,955	\$63,857	\$74,633

Source: US Census Bureau, 2015

San Diego’s office rental prices per square foot per year are also highly competitive. Table 6 below, provided as a courtesy by CBRE Research, indicates that the rent per square foot in San Diego continues to be below that of other downtowns in California innovation hubs. While perhaps high, relative to Indianapolis or Chicago, San Diego’s \$30.48 per square foot is a full \$7 per square foot less than downtown Los Angeles, and \$34.92 less than Santa Monica, where the software cluster is expanding. Within San Diego’s downtown, there are neighborhoods such as the Marina, Little Italy and Gaslamp, which offer even more affordable office space. Paradoxically, in the East Village, which many argue has the greatest promise for the kind of innovation and entrepreneurship so important to millennials, the asking price per square foot is substantially higher. This may be an unchangeable reality of San Diego’s downtown development, but it is one worthy of discussion, given many of the other factors that could enhance downtown’s attractiveness.

TABLE 6
INCOME COMPARISON BY COUNTY

NEIGHBORHOOD	BUILDING COUNT	RBA (TOTAL EXISTING)	TOTAL VACANCY RATE	TOTAL VACANCY (SF)	ASKING RENT (FSG PER SF/YR)	UNDER CONSTRUCTION (SF)
SOMA	N/A	6,660,774	4.3%	288,875	\$72.29	0
SANTA MONICA	89	8,709,282	13.8%	1,199,311	\$64.92	0
DOWNTOWN LOS ANGELES	62	31,760,927	17.6%	5,991,515	\$37.20	1,198,018
DOWNTOWN SAN DIEGO	114	11,898,829	16.3%	1,939,509	\$30.48	0

Source: CBRE Research, 2016

⁵ National Realtors Association, Q2 2015 Report Historical Housing Cost. 2015.

⁶ U.S. Census Bureau. American Community Survey, 2011 American Community Survey 5-Year Estimates, Table B01003. Retrieved August 21, 2015.

The comparative data on the costs of both housing and office space are impressive. San Diego's downtown is the most affordable urban innovation hub in California. But, downtown must seize the opportunity and broadcast our unique assets. While downtown San Diego's housing and office space costs are remarkably good in comparison to other California metros, cities such as Austin, Denver and Seattle still offer both more affordable housing and more affordable office space. However these cities, while dynamic, are still trying to compete with the "California Dream" when it comes to innovation and entrepreneurship.

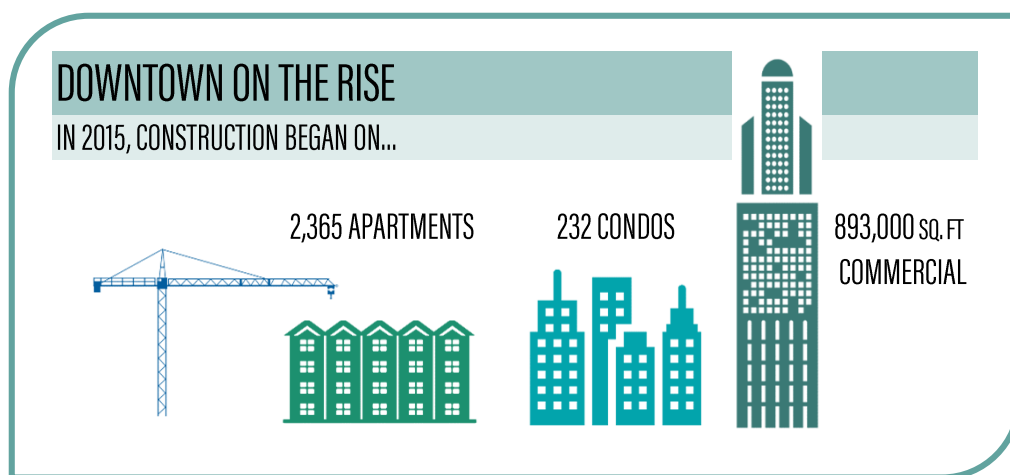
DOWNTOWN SAN DIEGO IS READY FOR GROWTH

Downtown San Diego and its contiguous neighborhoods can be leveraged as California's next great innovation hotspot. Within these contiguous neighborhoods is available and developable land that can connect the communities of Barrio Logan, Golden Hill and the Diamond District with downtown's aspirations. These parcels of undeveloped and underdeveloped land can propel prosperity and job opportunities across a broad spectrum of technical, engineering and scientific fields in a uniquely inclusive way.

Downtown San Diego is still quite underdeveloped, particularly in East Village where there is still a large inventory of surface parking lots just waiting to be converted into high-rise office buildings and highly ammenitized residential communities. Currently, residential development in downtown is at an all-time high since the Great Recession.

In 2015 alone, construction began on 232 new condominiums, 2,365 apartments, and 893,000 square feet of commercial space (no office space only retail) in the Downtown Community Planning Area (CPA). Another 853 condos, 4,382 apartments and 1,692,000 square feet of commercial space have been approved for construction by Civic San Diego, downtown's community planning organization.⁷ Commercial development is ramping up, however; it's expected to spike over the next five years once the current "housing bubble" inventory increases throughout the county.

FIGURE 34
CONSTRUCTION IN DOWNTOWN



Source: Civic San Diego, 2015 Final Development Status Log, 2016

Downtown San Diego borders nine neighborhoods or Community Planning Areas (CPAs), detailed in Table 1 of this report. These neighborhoods are all fairly residential, with some commercial and industrial developments, and all are

⁷ Civic San Diego, 2015 Final Downtown Development Project Status Log, 2016

currently medium-to-low-density neighborhoods. When looking at SANDAG land use forecasts for each downtown-contiguous CPA from 2012 to 2050, the following trends became clear:

- Much like downtown San Diego, all of the surrounding neighborhoods will increase in population.
- Similarly, housing units in the surrounding neighborhoods will increase by 69 percent on average.
- Multi-family development is forecasted to increase by 125 percent on average.

TABLE 7
PERCENT CHANGE AMONG CONTIGUOUS NEIGHBORHOODS BETWEEN 2012 AND 2050

COMMUNITY PLANNING AREA	PERCENT CHANGE IN POPULATION	PERCENT CHANGE IN HOUSING UNITS	PERCENT CHANGE IN MULTI-FAMILY UNITS
DOWNTOWN CPA	91%	97%	98%
CONTIGUOUS NEIGHBORHOODS			
BARRIO LOGAN CPA	170%	199%	351%
UPTOWN CPA	51%	48%	79%
SOUTHEASTERN CPA	19%	20%	75%
GOLDEN HILL CPA	35%	31%	66%
NORTH PARK CPA	32%	28%	61%
MIDWAY CPA	174%	187%	257%
OCEAN BEACH CPA	20%	16%	36%
PENINSULA CPA	23%	22%	75%
AVERAGE CHANGE AMONG CONTIGUOUS NEIGHBORHOODS	66%	69%	125%

Source: SANDAG, 2015 Final Development Status Log, 2016

These findings confirm that neighborhoods contiguous to downtown can provide less-expensive, entry-level housing for millennials and college graduates looking to work and live near San Diego's urban core. This is unique, especially when compared to California's two other major innovation hub cities of Santa Monica/Los Angeles and San Francisco. Santa Monica, and west Los Angeles in general, is already one of the highest density areas within L.A. County, and one of the most sought-after real estate markets in the world. Similarly, San Francisco has experienced such rapid growth over the past five years and, consequently, both comparison cities have an extremely limited amount of space to expand and extremely cost prohibitive real estate markets for the foreseeable future.

San Diego is one of the few major cities in America and California where there is still the potential to further expand a dynamic and a uniquely inclusive innovation economy. This is clearly enabled by the multiple research institutions in the region that are global leaders in their fields. However, it is also because of a number of unique characteristics that older cities such as Philadelphia, Rochester and St. Louis do not have. Even more important are the distinct competitive aspects of San Diego's downtown that innovation hubs in other cities no longer possess, especially in California, still considered a beacon for innovators and creators around the globe.

THE FUTURE OF DOWNTOWN SAN DIEGO



CONCLUSIONS & INSIGHTS FOR THE DOWNTOWN OF 2050



DOWNTOWN SAN DIEGO - BRIGHT LIGHTS. BIG CITY. BRIGHT FUTURE

Downtown San Diego is poised to become the national innovation hotspot and a regional foundation for economic growth. The urban core of San Diego, which includes downtown and its contiguous neighborhoods, represents an extraordinary asset that can be leveraged to grow an innovation economy that can drive prosperity and create job opportunities across a broad spectrum of technical, engineering and scientific fields in a uniquely inclusive way.

DOWNTOWN IN 2050

From a regional perspective, downtown has already been identified as a key community for connectivity, economic development and growth. In the most recent *San Diego Regional Association of Governments (SANDAG) Series 13: 2050 Regional Growth Forecast*, the regional planning agency stated, “As a result of changing local plans, SANDAG forecasts a general intensification of existing land uses within urban communities and along key transportation corridors...over half of the growth in new housing will occur in the city of San Diego. Downtown will continue to thrive over the next few decades and the growth will start to spill over into areas of Barrio Logan, Golden Hill, and Uptown communities.” In other words, downtown is expected, planned and zoned to grow quickly both from an employment and residential perspective and that growth will dominate the trajectory of downtown’s contiguous neighborhoods. That same forecast identified the following trends between 2012 and 2050:

- Downtown’s total population will grow by 91 percent or 29,000 residents by 2050.
- Downtown housing units will increase by 97 percent or an additional 24,000 units.
- Multi-family development in downtown will increase by 98 percent and new units will be designed to accommodate young professionals, families and children.
- Multi-family development in downtown’s surrounding communities will increase by 93 percent on average, and in key neighborhoods, such as Pacific Highway/Midway CPA, multi-family housing is forecasted to skyrocket by more than 250 percent or 3,000 units in just four square miles.
- Employees in downtown will increase by 48 percent, and downtown will have more than 100,000 workers coming into the urban core each day to work, dine and enjoy leisure time after hours.
- Job growth in downtown will outpace regional growth, especially between 2020 and 2035, when regional jobs are projected to increase by roughly 12 percent and downtown jobs are forecasted to increase nearly 50 percent.
- High earners will continue to dominate downtown, and the median income in downtown will grow by 24 percent (adjusted for inflation).
- Transportation development in and into downtown will outpace transportation development in any other part of the San Diego region.

IT'S ALREADY HAPPENING

Downtown San Diego is already transitioning to accommodate the growth and influx of young, talented professionals that will continue to dominate the urban core through 2050. The following projects and developments speak directly to the future lure of downtown San Diego as a millennial mecca.

I.D.E.A. DISTRICT – Innovation, Design, Education and Arts

IDEA1 is the first step to establishing the District's vision of becoming San Diego's design, technology and innovation hub. We will achieve this goal by mixing all of the critical uses – office, residential, and retail – in a way that encourages interaction between inhabitants of this block and the larger community. The design principles that support an innovation ecosystem are on display in this project to act as inspiration for other I.D.E.A. District designers and developers. IDEA1 will offer the following:

- 292 units (studios & 1-2 bedrooms) of new housing for entrepreneurs, creatives, and downtown workers who want to be a part of a vibrant environment.
- A “Maker Space” that allows for quick prototyping of new ideas. Within this space, there will be 5,000+ square feet of lively street-level retail, including boutiques, late-night eateries and a multitude of craft cocktails and high-quality coffee shops to serve the 24/7 lifestyle of millennials.
- A “Hub” common area within the ground floor courtyard that will serve as a flexible event space and will become the community mixing bowl and a stage for the creativity of District residents.

The I.D.E.A. District is building the setting for tomorrow's creative economy in downtown San Diego. Upon completion, it will be a hub for innovation, design, education and arts and result in the transformation of 35 city blocks in San Diego's Upper East Village neighborhood.

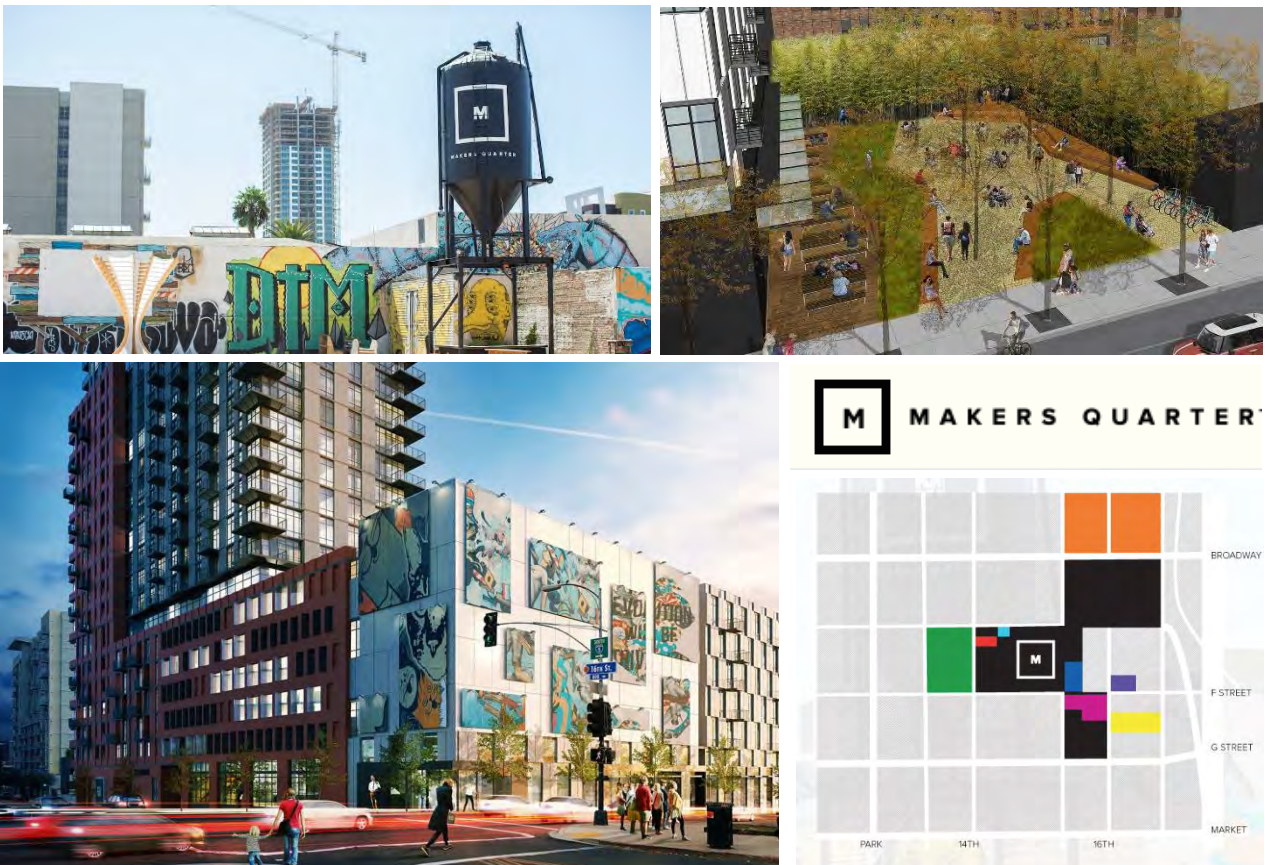


MAKERS QUARTER

Makers Quarter is both a place and a collective ethos. This new district within downtown has branded itself as a “community of entrepreneurs, artists, and makers, located in San Diego’s East Village, who leverage their collective power to inspire our city and our world.” Makers Quarter sits at the intersection of San Diego’s hippest neighborhoods in the northeast corner of downtown. As an extension of the East Village tech corridor, Makers Quarter serves as a hub for San Diego’s urban innovation economy, offering the environment and culture that inspires our city’s entrepreneurs, artists and makers to unleash their creativity. Makers Quarter includes:

- SILO a community venue for art, community events and innovation
- Smarts Farm a thriving community garden and center for learning
- Monkey Paw an award-winning boutique brewery in the East Village
- FabLab a low cost, community-oriented workshop and innovation hub
- Moniker Warehouse an investment company and warehouse dedicated design and innovation
- Urban Discovery Academy a K-8 charter school
- San Diego City College a thriving community college for more than 20,000 students
- Fuse Integration a tenant of Makers Quarter, offering cutting-edge, user-focused research and development for an international market of governments.

And on April 5, 2016, Makers Quarter broke ground on Broadstone Makers Quarter, a 292-unit, highly amenitized luxury apartment complex with 5,100 square feet of ground floor retail space.



EAST VILLAGE GREEN

East Village Green is a proposed 4.1-acre, multi-block park in the East Village neighborhood of downtown San Diego. This is exactly the type of park that will help downtown attract and retain the growing population of millennial professionals and young families. It will have two dog parks and a “Bark Bar” space for a food and alcohol retailer catering to dog owners. It will also have a children’s garden, community center, performance stage, interactive fountain and underground parking garage. East Village has grown into one of downtown’s most vibrant neighborhoods, and the addition of East Village Green will support its sense of community and enhance its livability. If all goes well, construction will begin late next year with an opening set for November 2018.



THE DOWNTOWN CIRCULATOR SYSTEM

In March of this year, Civic San Diego, downtown’s local planning agency, approved a five-year, \$2 million contract to expand free shuttle service currently offered by San Diego Free Ride, starting by the end of May. Workers, residents and visitors will be able to summon or hail one of the distinctive, electric-powered, open-air vehicles as early as 7 a.m. and as late as midnight to take them to eat, shop, work and play anywhere within the downtown area — generally within the Interstate 5 “S-curve” and south of Laurel Street, west of 17th Street and north of the 10th Avenue Marine Terminal. The San Diego Free Ride will offer free rides to all downtown San Diego residents starting in 2016.

DOWNTOWN'S COMPLETE STREETS MOBILITY PLAN

The city of San Diego has big ideas for downtown streets. The draft Downtown San Diego Mobility Plan outlines a network of protected bike lanes, pedestrian greenways, curb bulb-outs, road diets and more. If the plan can make it from concept to construction, it will remake the city core for biking and walking.

Downtown San Diego is in the process of improving current mobility options through the adoption of the Downtown San Diego Mobility Plan. The mobility plan calls for an additional 9.3 miles of protected bike lanes and 5.5 miles of pedestrian greenways in the roughly two-square-mile downtown core. The plan defines greenways as expanded sidewalks that can also serve as “linear street parks.” These greenways will include benches, tables, trees and other landscaping. Additionally, the city of San Diego plans to install new “wayfinding” signage and curb bulb-outs to shorten street crossings. The Downtown San Diego Mobility Plan (“Mobility Plan”) presents a balanced, multimodal long-range plan for transportation, setting the stage for downtown to become a world-class urban center that both accommodates high-quality urban living for its residents and workers and attracts visitors from across the nation and world.

Perhaps a sign of how urban planning has evolved, the mobility plan specifically calls out the importance of creating a connected network: Implementing the network as a whole, rather than individual segments, will improve the effectiveness of the cycleways and establish a well-connected grid of north-south and east-west protected bicycle paths that can improve the safety and comfort for cyclists in downtown.

If downtown does choose to adopt this new Mobility Plan in spring 2016, it will be a catalyst for pedestrian and cyclist use of downtown streets. However, even without this plan, downtown is still a regional mobility hotspot and destination for those who crave a lifestyle where they can walk and bike throughout their community.

CONCLUSIONS ON THE FUTURE OF DOWNTOWN SAN DIEGO

Downtown San Diego is one of the few major cities in America, and California, where there is still the potential to further expand a dynamic and a uniquely inclusive innovation economy. This is clearly enabled by the global leadership position of the multiple research institutions in the region. However, it is also because of a number of unique characteristics that other cities do not have. Even more important are downtown's distinct competitive aspects that innovation hubs in other cities no longer possess, especially in California, still considered a beacon for innovators and creators around the globe.

San Diego's urban core represents an extraordinary asset that can be leveraged to grow an innovation economy that can drive prosperity and create a broad spectrum of job opportunities. San Diego has:

1. Available, developable land downtown, particularly in the East Village, which is contiguous to a number of diverse neighborhoods with developable land, including Barrio Logan, Golden Hill and the Diamond District.
2. San Diego's downtown housing and office costs are more affordable than other urban innovation hubs in California, such as Santa Monica and the Mission District in San Francisco. San Diego STEM (science, technology, engineering and math) wages are equivalent to other hubs and the commuting times to work are actually less than in other California cities. Because of downtown's contiguous neighborhoods, the city can also provide a wider range of affordable incubation space for early-stage enterprises, as well as more options for entry-level housing for talented, entrepreneurial millennials seeking an urban lifestyle.

3. San Diego's downtown already possesses many of the lifestyle amenities that are so important to millennials and college-educated young people from across the United States seeking good jobs.
4. In fact, San Diego's downtown assets and the commitment of Mayor Kevin Faulconer to the *One San Diego* mean that San Diego is one of the few urban settings in America with the right mix of characteristics that can enable all citizens to participate in new innovation and entrepreneurship opportunities. This fact is a strong differentiator from competitors.

People interested in changing the world, in creating new solutions to old problems as well as inventing yet-to-be-imagined technologies come from all walks of life. Creativity is nurtured by diversity and tolerance. Urban areas represent attractive and supportive places to live and work. San Diego is more than competitive with Los Angeles and the Bay Area. The innovation ecosystem that is emerging downtown is poised to benefit from the talent pool, emerging transportation links, competitive housing, incubation space and, most especially, the lifestyle amenities valued by millennials and creatives that exist in abundance in San Diego's downtown. That is why we have concluded that San Diego's Downtown is the innovation economy's next frontier.