



# 9. Economic Development Element

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## Chapter 9. Economic Development Element

### INTRODUCTION

#### Well Positioned for the Future

Situated in the fastest growing region of the State, Highland is well positioned for a prosperous economic future. Its location near major interstate and state highways (I-10, I-215, SR-30, SR-330) makes it a convenient place to live, visit, do business and work. Its wide range of housing options and affordability make it a practical place to live for a diverse labor force. Its supply of vacant land provides unusual opportunities for commercial, residential and industrial development. Its tradition as a frugal, “can do” City with a high quality of life gives it the base from which to grow in ways that enhance its small town pride and improve its economic viability.

After being overlooked for many years by commercial developers, intense interest is now being focused on key Highland locations. The proximity of the expanding San Bernardino International Airport is of great strategic value. Commercial opportunities within the new Town Center on Base Line Road are increasing. Due to growth in western areas of the Inland Empire, demand for industrial and business park uses is moving toward Highland.

Despite these positive trends, the City of Highland is realistic in the face of economic challenges as well. Due to its relatively low proportion of revenue-producing land, the City must plan as efficiently as possible. It must pay for services to newly annexed areas to the east. It must improve its weak retail sales by enticing residents to spend more of their money within the City. It must carefully plan to consolidate its strip commercial areas, develop a new Town Center and incorporate in-fill housing that supports a more efficient balance of land uses. This element addresses these challenges and lays out the goals and policies for solidifying a prosperous and sustainable future for Highland.



*The growth and development of the San Bernardino International Airport could add long-term strategic value to Highland's economy.*



## **An Economic Guide to the Future**

The purpose of the Economic Development Element is to guide the City of Highland in expanding, maintaining and enhancing a local economy that provides jobs, attracts and retains business, supports diverse and vibrant commercial areas, and provides sufficient revenue to local government. Economic development is not a State-mandated element of the General Plan, but the City has long realized its importance in the strategic planning of the community.

Clearly, the Economic Development Element is closely related to other elements in the General Plan. The Land Use Element provides the preferred balance and location of land use designations vital to the economic revitalization of the City. The Circulation Element ensures the proper transportation infrastructure to meet future needs while the Conservation and Open Space, Public Services and Facilities, Housing and Community Design Elements all work together to improve quality future development—reinforcing Highland as a great place to live, work and play.

## **Visions for a Balanced Community**

From its beginnings as an incorporated City in 1987, Highland has been “the little city that could.” Many doubted its viability as a separate local government, but, in a short time, the City has become one of the most fiscally responsible and stable in the region. It has grown rapidly and met numerous challenges, but it must continue to plan for the future.

The following goal statements represent a consensus of issues vital to Highland’s desire to remain a fiscally solvent, financially stable community:

- Revitalized, consolidated and balanced retail development that provides more shopping opportunities for local residents and strengthens the City’s fiscal health;
- A new Town Center that provides convenient shopping, employment, recreational and housing opportunities for residents in this key focal point;
- An expanded, contemporary industrial base that takes advantage of regional transportation corridors and airport development;
- Quality in-fill housing along major corridors that provides a stimulus for local resident-serving retail development; and
- Continued high levels of local government services and facilities, solidifying Highland’s reputation for quality local government.



## THE CITY BUDGET: Understanding Where the Money Comes from and Where It Goes

Highland is a dynamic and rapidly growing community that is simultaneously adding new development and revitalizing older areas. To finance these changes, the City uses many of the same tools and programs used by other jurisdictions. Its success will hinge on its forward thinking and careful planning to capture positive change.

### Fiscal Health: Public Revenues and Expenditures

Cities throughout California play the difficult balancing act of providing services for their residents and collecting enough revenue to stay fiscally healthy. Highland has the reputation of providing unusually high quality services in relation to its revenues and adopting budgets within its means. However, as it continues to grow, demand for public services and infrastructure will continue to grow. Although property tax revenues will increase, the uncertainties of intergovernmental revenues mean that the City must continue to take a conservative fiscal approach. It must also promote efficiency in the use of revenue-producing properties.

### Economic Development Planning

One way to visualize the complexities of municipal economic and fiscal planning is through a simplified model. There are three major components that determine a City’s fiscal cycle: urban development and economic planning, revenue sources and expenditures, which are determined annually in the City budget.

An important lesson from this model is that a City’s land development patterns have a major influence on its ability to collect revenue and provide services. Commercial development brings in sales tax revenue and is generally sought after by cities—a process called “fiscalization” of land use. But a balanced community also has diverse housing opportunities that bring in property tax revenues, accounting for almost half of most cities general funds. By law, however, a portion of these revenues is shared with school districts and the State. In addition, housing development creates the need for more community services, the most expensive typically being law enforcement and fire protection.

Development impact fees are another way that local jurisdictions can offset the costs to provide community services and facilities. It must be realized, however, that such fees are not appropriate for meeting ongoing operational costs because they are “one time” revenues. The basis for development impact fees is that new development results in impacts on public infrastructure such as schools, roads and public safety facilities. Impact fees provide a means of alternative to providing public

**Top Revenue Sources**

- Intergovernmental Revenues
- Property Tax
- Gas Tax Transfers
- Motor Vehicle License Fees

**Top Expenditures**

- Capital Improvements
- Streets, Development
- Sheriff
- Fire and Paramedic



improvements rather than letting the improvements lag behind or putting the burden upon existing taxpayers by increasing taxes. The purpose of these charges is to absorb public capital improvement costs proportionate to the developments that create the need for those improvements.

The City of Highland has done an excellent job limiting its expenditures while still providing high quality community services. It does so in part, however, by limiting certain services such as recreation. Some revenues come from outside the City such as motor vehicle license fees and gas tax transfers, but these are hard to predict and may change depending on changing political realities. What a city can control is how well it positions itself to collect a steady stream of revenue to pay for the services it decides to provide. By carefully planning its land use designations and their location, and continuing to support solid educational and recreational opportunities, the City of Highland is striving to attract high quality development and its resulting revenues. A further key to the success of this strategy is to seek revenue-producing development that uses land efficiently and remain successful. Marginal or declining uses in due course become a community liability and not an asset.

## **ECONOMIC AND FISCAL INDICATORS: Criteria for Economic Success**

Sound economic planning depends on making decisions based on the best possible information. As part of the General Plan process, a set of economic and fiscal indicators can be developed to serve as criteria to evaluate the City's success in meeting its fiscal and economic goals. A program that utilizes these indicators is proposed as part of a strategic plan to gauge the effectiveness of the City's economic planning and to make adjustments as necessary. The following indicators summarize recent trends and can be used on an ongoing basis.

### **Employment and Demographic Trends**

Highland has traditionally been a solidly middle class community that is predominantly made up of parents with children under 18 years old. Its population is slightly younger (median age, 29.3) than the County average and, like its neighbors, is ethnically diverse. It is a modestly educated city with 16 percent of its adults having attained a bachelor's degree or higher. Finally, it is experiencing and will continue to experience rapid residential growth with the buildout of East Highlands Ranch and the future development of the Seven Oaks area.

In terms of future planning embodied in the General Plan, this demographic data has several implications. First, the City's growing prosperity due to new homebuyers will create extra demand for city



services and potential to support retail and industrial development. The relatively young nature of its population will also create demand for rental housing and first-time home purchases. Clearly, the growing numbers of Highlanders should support the market for the new Town Center as an entertainment, shopping and civic district.

## **Diversity of the Employment Base**

A fiscally balanced city provides economic opportunities for a wide sector of the population. Just as diversification of investments is a positive strategy regarding personal finance, cities benefit by having a diversified economic base.

Analyzing the various employment sectors in Highland over the last decade points to some important opportunities. With its large residential base, it is not surprising that retail sales and health care accounted for almost 75% of the City's job growth during the past decade. During this period, manufacturing, construction, distribution and transport employment stayed rather flat, but new building in eastern parts of the City and growth near the San Bernardino International Airport point to positive growth. Business and professional services also experienced large growth and will continue to be a major target sector as the City expands and upgrades its residential base.

Looking to the future, the City should position itself for increased employment in several sectors. Retail trade employment will increase as the City attracts quality commercial development at freeway interchanges, at major intersections, and within the Town Center and the Golden Triangle. Housing construction and manufacturing will increase as the City entitles large planned communities in eastern Highland and encourages industrial expansion near its southern boundaries adjacent to the San Bernardino International Airport. The City will also need to ensure that plans adopted by the Airport are compatible with the City's goals and protect its key economic assets. Although agriculture and heavy construction along the Santa Ana River will decline, education, distribution and transportation employment should experience growth. Distribution uses require a cautionary note. They typically involve low employment ratios and high truck traffic, thereby constituting inefficient users of land. Highland needs to keep this kind of use in careful balance.

## **Taxable Retail and Non-Retail Sales**

Highland's taxable retail sales have been a difficulty for the City since its inception. This is the case since the community was once part of the City of San Bernardino's sphere of influence and that municipality annexed nearly all of the logical retail areas that would serve Highland before it was incorporated. This is reflected in the City's rank, in 2002, as the 39<sup>th</sup> of the 48 inland communities in total retail sales and 47<sup>th</sup> in sales per



capita. Its retail sales have grown an average of only 1.1 percent over the last 10 years, and it has ranked near the bottom of cities in the region.



*Commercial centers in Highland provide a significant source of retail sales tax revenue.*

Given the importance of retail sales tax to California municipalities, taxable retail sales per capita (per person) is a good measurement of a community's ability to provide shopping opportunities to its population. However, the City needs to be both realistic and proactive. Based on total land available for retail, the limited market area and surrounding competition, Highland will never lead the region in retail sales. However, the City is moving to make the best use of its existing retail land through more consolidated development, a centrally located Town Center, quality design standards and flexible land use designations. It has strong recreation opportunities and considerable amounts of vacant land that could be converted to tax-generating uses. By aggressively recruiting high tax-generating businesses, combined with the City's conservative fiscal management, will improve Highland's capture of retail dollars and its fiscal health.

## **Residential and Nonresidential Building Activity**

Healthy local economies often experience steady growth in residential and nonresidential construction. Highland has benefited from having an extensive amount of undeveloped residential land at a time when prices in Southern California's coastal counties, as well as in the Inland Empire's western markets, have reached extraordinarily high levels. In addition, the City is well positioned in this regard because it will continue to experience rapid growth in new residential construction to the east and along major corridors, expanded industrial development in the south and redevelopment of retail activity in central areas. The City can also count on the availability of underutilized properties for intensification, rehabilitation and redevelopment, generating additional revenue.

## **Home Prices and Rental Ranges**

A mix of housing types and ranges of prices is necessary to house a diverse labor force that supports new businesses and industries within the City. Using this measure, the City of Highland offers an assortment of living environments. It is well positioned to attract business development because it offers housing for company president and shop worker alike. As the Inland Empire proceeds on the next wave of its growth curve, Highland's new General Plan is poised to capture growth in the market of first-time and move-up homebuyers. The City should also consider expanding into the executive-level home market, filling a previously untapped niche. By designating expanded areas for in-fill housing along major corridors, encouraging in-fill and rehabilitation opportunities within older neighborhoods, and anticipating a large amount of new residential






housing, the City can offer housing options for many households with a range of incomes. This will also localize increased buying power to capture more retail sales by new and improved commercial centers.

### Office and Industrial Vacancy and Rental Rates

Highland’s General Plan also positions the City to capture increased demand for industrial and business park development. Price pressure on land in the Inland Empire west of I-15 is forcing industrial development eastward, much of it along the I-10 and I-210 corridors. In addition, lease and vacancy rates have favored these inland locations. Thus, the Land Use Plan (Figure 2-2 of the Land Use Element) devotes more acreage to office, business park and industrial uses.

Highland is a key participant in the industrial development of the East San Bernardino Valley through its participation on the board of the San Bernardino International Airport (SBIA), the agency responsible for the management of the 1,500-acre airport at the former Norton AFB, and the San Bernardino Association of Governments (SANBAG). The City will continue to play an active role in Airport planning efforts to encourage the positive economic benefits of the Airport and minimize any potential negative impacts on the economic vitality and quality of life in Highland. In addition, the City has helped finance the expansion of 5<sup>th</sup> Street from the SBIA to SR-30, a route that will be re-designated as part of I-210 when the final six-mile portion of that system is completed in 2006. The 5<sup>th</sup> Street link to this freeway will ultimately be the major route by which trucks from SBIA will link to the interstate freeway system.

 Refer to the **Circulation Element** for discussion and policies related to truck routes.



## GOALS AND POLICIES

### Balanced Land Uses

The City of Highland has maintained strong fiscal health by running a very efficient local government. As the City grows, however, it will need a larger tax base from which to provide services. It has traditionally been a bedroom community, but a greater diversity of land uses will not only serve its growing population, but also provide more consistent revenue for its public services. The General Plan addresses this reality by making important changes in the amount of land designated for different uses as well as establishing policies for quality design standards to ensure their success. By adopting a more balanced land use plan, which includes successful industrial, commercial and residential development, the City of Highland is proactively positioning itself to capture its share of the benefits of continued dynamic growth in the Inland Empire.

Highland's Land Use Plan makes key changes to the previous general plan:

- Consolidated commercial development along major corridors, especially Base Line;
- Additional industrial and business park designations near the San Bernardino International Airport;
- Introduction of a mixed-use designation for the Town Center;
- Designation of the "Golden Triangle" for planned commercial, office and residential development; and
- Proactive revitalization of the Highland Historic District for commercial and residential development by linking it to the new Town Center development.

These general plan designations will help Highland capture more sales tax revenue by making commercial development more attractive and better situated. Increasing designations for business park and industrial development near the airport will capture regional demand, which is pushing businesses to the eastern portions of the San Bernardino Valley. A mixed-use designation for the Town Center, combined with increased housing opportunities along Base Line, in revitalized neighborhoods west of SR-30, and in the eastern portions of Highland can generate retail and development momentum for the area.



**GOAL 9.1**

**Maintain a balance of land uses that generates consistent and sufficient revenue for public services now and in the future.**

***Policies***

- 1) Provide an appropriate mix of retail development in focused commercial centers along commercial corridors.
- 2) Promote the expanded the Business Park and Industrial land use designations in the southern parts of the City to capture regional demand and growth potential from future airport development.
- 3) Promote the emerging Highland Town Center as a mixed-use zone capable of capturing a wide range of public, commercial and residential development.
- 4) Promote quality in-fill housing along corridors and on infill sites in adjacent neighborhoods to support retail development.
- 5) Promote a mix of housing types and range of prices necessary to provide a diverse labor force.
- 6) Establish and apply updated criteria and procedures for reviewing the fiscal effect and overall project quality of new development proposals, zone changes and revitalization efforts.
- 7) Evaluate the effect of new retail and office development on the capture of local shopping dollars.

**Revitalization and Redevelopment of Retail Development**

Highland’s new General Plan envisions a much more focused approach to retail development. Rather than continue the pattern of dispersed, strip development, the new designations call for concentrated commercial centers located at key intersections. Areas previously devoted to marginal commercial development will transition to high quality, in-fill housing, providing additional clients for the emerging centers. By combining a range of tenants and selectively introducing mixed-use development, these retail centers can develop complementary uses that build their own commercial momentum.

The success of these revitalized and redeveloped retail centers depends on many factors. Quality design criteria are provided by the Community Design Element. A well-planned and carefully phased Town Center preceded by infrastructure improvements, including corridor landscaping and streetscape improvements, will serve as a magnet for developers, business owners and clients. Although regional stores are well



represented in the Redlands/San Bernardino area, market studies indicate that the City is underserved by local-serving office and convenience retail, as well as some specialized retail. This provides support for the concept of a mixed-used, themed Town Center along Base Line and additional retail centers at selected intersections.

Linking the Town Center to the Historic Village District just to the north will enhance its retail success. By designating Palm Avenue as “Office Professional” and incorporating streetscape improvements between the Town Center and the district, a visual and functional link is strengthened, encouraging pedestrian and commercial interest.

## **GOAL 9.2**

**Consolidate and revitalize commercial development that provides attractive and convenient shopping, service and professional uses, and entertainment opportunities for its residents.**

### ***Policies***

- 1) Consolidate commercial development into selected intersections along Base Line.
- 2) Develop implementation plans for a new Highland Town Center, which include:
  - a phased development approach;
  - a conceptual design plan and design guidelines to ensure quality development; and
  - a marketing and business assistance program.
- 3) Target key retail sectors to maintain a strong, local share of sales tax revenue.
- 4) Create physical and visual linkages between Highland’s historic district and the emerging Town Center.
- 5) Promote additional commercial development around major freeway interchanges.
- 6) Develop strategies to attract visitors who are traveling to and from mountain resort destinations.
- 7) Study the desirability of establishing an Infill Development Incentive program for targeted sites along major corridors and in adjacent neighborhoods.



- 8) Inventory, map and disseminate information on vacant, underutilized properties and in existing commercial centers in redevelopment project areas to realtors and developers.
- 9) Participate in San Bernardino International Airport planning efforts to enhance compatibility with Highland’s economic development objectives and quality of life.

## **Business Retention and Promotion**

As part of the rapidly growing East San Bernardino Valley and being well positioned near major freeways, the City of Highland will continue to promote itself as a great place to live and do business. It has the highest business retention rate in the County. In addition to supporting private sector activities such as the Chamber of Commerce, the City must take on a proactive role in business promotion and economic strategic planning. The City already participates on the Board of the San Bernardino International Airport Authority and the San Bernardino County Association of Governments (SANBAG) and can use that forum to best leverage itself as opportunities arise. By emphasizing its locational, cost and quality of life advantages and assets, the City can work to attract high quality businesses and industries.

The City’s homepage provides a valuable link to economic development. Under the motto “Come Home to Highland—A Great Place to Live, A Great Place to Build”, the site provides timely information on available land, leasable space, entitlement processing, fees and demographic information.

### **GOAL 9.3**

#### **Continually monitor and enhance Highland’s business promotion and economic development activities and programs.**

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#### ***Policies***

- 1) Establish, maintain, use and update a list of targeted industries and professional organizations for business promotion and location/relocation in Highland.
- 2) Prepare focused market analyses of its best opportunities in both the retail and business/industrial sectors.
- 3) Coordinate business promotion activities with the Chamber of Commerce.
- 4) Continue to update economic development opportunities on the City’s homepage.



- 5) Continue and promote the City's well-publicized, user-friendly and competitive permit assistance program.
- 6) Establish partnerships with local real estate professionals to develop strategies for promoting and marketing opportunities within Highland.
- 7) Undertake periodic market demand updates as part of the City's economic development strategy.

## **Promote and Maintain Fiscal Health**

Highland has attained the status of being one of the most fiscally prudent and debt-free cities in the region. As a contract city, Highland continuously maintains a low employee to resident ratio and has been able to provide quality services to its residents in a very efficient manner. Part of Highland's success is due to its highly regarded budget prioritization process. By balancing projected revenues with demand for services, the City staff and City Council are able to effectively allocate money for community services and public projects.

Similar to other cities in the southern California area, Highland has grown and is facing increased demand for public services and impacts on public infrastructure. In addition, the political and economic uncertainties of the State budget and its effects on local jurisdictions will have to be closely monitored to ensure that the City is ready to weather the impacts of a potential decrease in public revenues.

### **GOAL 9.4**

**Continue prudent fiscal management and balanced land use policies that increase public revenues commensurate with the growth of public infrastructure and services.**

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#### ***Policies***

- 1) Maintain steady growth in key public revenue sources, such as property taxes and sales taxes, in order to provide high quality public services and capital facilities.
- 2) Establish the desired level of service for public services such as fire, police, public works and community services, and prioritize these public service areas for the allocation of revenues for ongoing operations and maintenance costs.
- 3) Evaluate the effectiveness and reliability of existing sources of funding that provide funds for public improvements needed to



support projected growth, such as redevelopment monies, development impact fees and grants.

- 4) Maintain a Capital Improvement Program (CIP) that establishes required capital improvements projects, priorities and revenue sources for each capital project.
- 5) Explore alternative funding sources in light of uncertain and changing State financial arrangements with cities, researching the applicability of new grants and funding sources to provide funding for CIP projects.
- 6) Evaluate the feasibility of local financing approaches to provide future sources of funding for public services, such as: property based landscape and lighting districts, business improvement districts, special taxes and special assessments.
- 7) Maintain retail competitiveness to provide a reliable tax base for increased public municipal revenues needed to support growth.
- 8) Coordinate with the Chamber of Commerce and the business community to maintain a business attraction program that will provide a mix of good paying jobs and increased sales tax revenues
- 9) Implement land use policies that address a balance of land uses to generate a mix of jobs, increase public revenues and promote fiscal stability.

### **Expanded Industrial Base**

As land constraints increase in western portions of the County, demand for industrial space in the eastern Inland Empire is expected to grow beyond historical levels. For a number of reasons, Highland is in an excellent position to capture its share and more. The new General Plan expands the amount of industrial and business park uses along the 5<sup>th</sup> Street corridor. This area benefits from convenient access to SR-30 and I-10 and can build on the momentum created by the multi-phased industrial development occurring immediately south adjacent to the San Bernardino International Airport. Since access to this emerging industrial park will pass along both 5<sup>th</sup> Street and Tippecanoe Avenue, the City will benefit from increased access, visibility and development. Although industrial uses are not a major land use within the City and provide no point of sale revenue, they are an important opportunity for job creation and revitalization in southern areas of Highland.



## GOAL 9.5

### **Develop one of the Inland Empire's most sought after and successful industrial and business park districts along the 5<sup>th</sup> Street corridor.**

#### ***Policies***

- 1) Promote light industrial and business park uses along 5<sup>th</sup> Street.
- 2) Continue proactive and cooperative planning efforts as a member of the Board of the San Bernardino International Airport.
- 3) Develop and implement streetscape improvement plans for 5<sup>th</sup> Street as a major gateway corridor to the airport area.
- 4) Adopt design guidelines for the creation of a high quality business park environment including architectural standards, signage, landscaping and parking.
- 5) Limit nonconforming development that might compromise the integrity of the area as an industrial/business park center.

#### **Education, Training and the Labor Force**

Cities can play an important supporting role in education and job training, and the City of Highland does just that. Although the City is not large enough to have its own job center, the City's homepage provides a link to the City of San Bernardino's Job Center as well as employment opportunities. Entitling an adequate range of high quality, affordable housing helps to match residents with a variety of local employment opportunities.

Job training and economic development planning is particularly important in Highland since demographic trends point to a younger and ethnically diverse population. The City is justifiably proud of its outstanding schools, supporting them with infrastructure improvements and new and refurbished community facilities. In close proximity to Highland are several excellent colleges and universities as well as medical institutions, and the City can serve as an informational liason for its citizens.





**GOAL 9.6**

**Continue to play an active role in providing timely information about employment opportunities and workforce education.**

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***Policies***

- 1) Support career education programs in local schools such as the Regional Occupation Program, career academies, internships, job shadowing, Career Speaker Programs, Career Day and other programs.
- 2) Tailor job training and placement programs to all economic segments of the community.



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