



# CHAPTER 5

## ECONOMIC DEVELOPMENT ELEMENT

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**Re-Imagine**  
**Santa Fe Springs**

2040 GENERAL PLAN



### **Heritage Springs Business Complex**

Located at the corner of Norwalk Boulevard and Telegraph Road, the Heritage Springs Business Complex is comprised of two high-identity office buildings and ground-floor retailers and restaurants. The complex has a bridge that connects to the Heritage Springs Sculpture Garden.



## ECONOMIC DEVELOPMENT ELEMENT

### INTRODUCTION

While an Economic Development Element is not a statutorily required part of a community's General Plan, economic development goals and initiatives have a bearing on several other elements. The Land Use Element inherently addresses economic development by designating the types and intensities of planned uses. Policies in the Circulation Element call for improvements necessary to support the land use plan and to attract and support desired uses. Explicitly stating economic development objectives in this focused Economic Development Element strengthens the City's position and communicates to businesses and industries Santa Fe Springs' goals regarding business attraction and retention, key target industries, and workforce development.

For context, this element first provides an overview of Santa Fe Springs' unique economic setting and associated fiscal challenges and opportunities, all of which are affected by economic development choices made by City staff and the City Council. The goals and policies that follow respond to the context and reflect a long-range view, align with the General Plan Guiding Principles, parallel land use policy direction, and provide the foundation for an Economic Development Strategic Plan being prepared in tandem with this Element. The Strategic Plan will have a slightly different focus from the Element, providing more detailed short-term and long-term recommendations to guide annual budgeting and staffing decisions.



*Heritage Corporate Center*



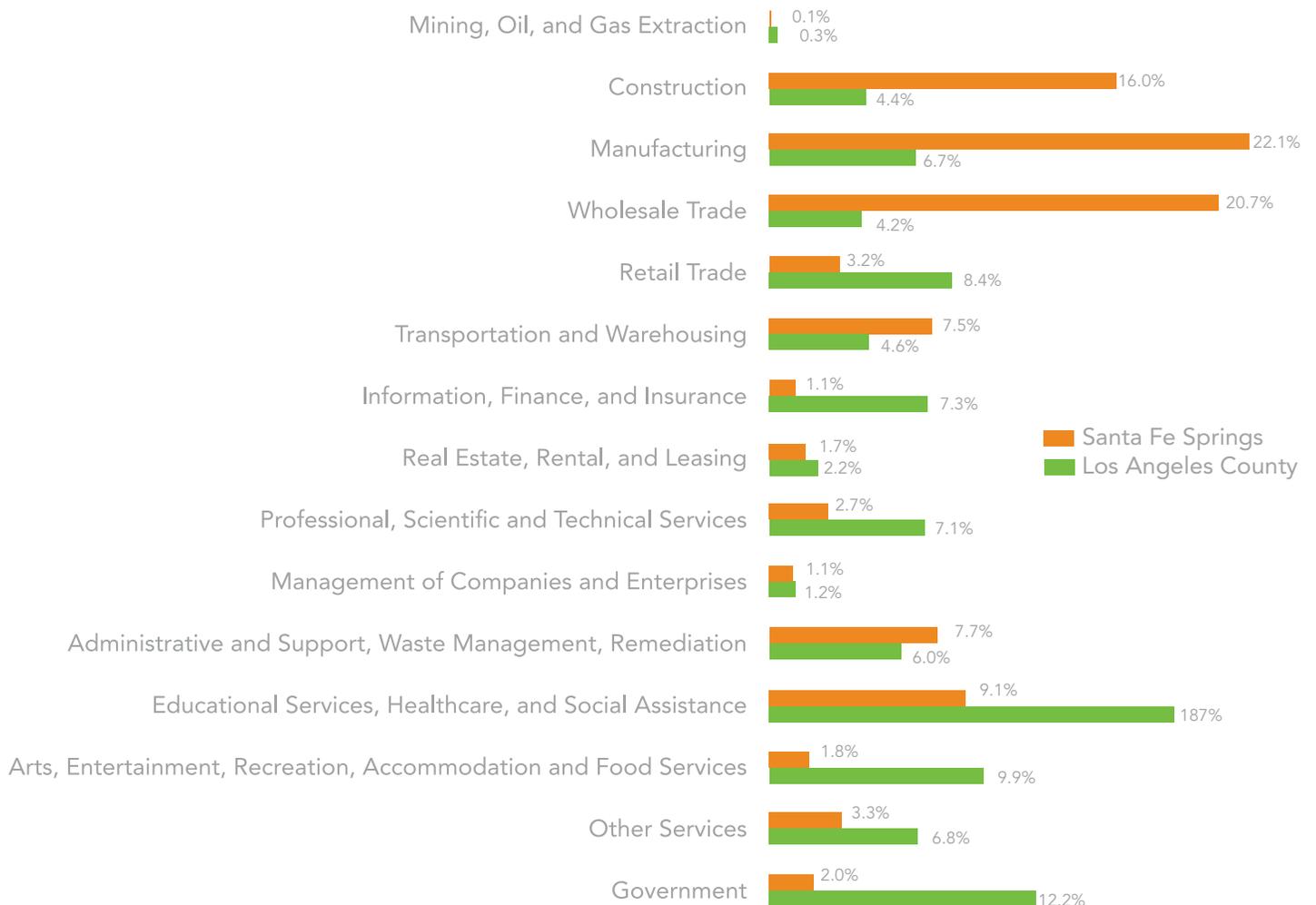
## The Context – Planning for a Prosperous and Resilient Local Economy

### Unique Composition of the Santa Fe Springs Economy

Described as a city that is “industrial by design,” the unique composition of the Santa Fe Springs economy is in part intentional and in part due to its special locational attributes: the City’s location in the heart of the Los Angeles region, with frontage on I-5 and I-605 that connect readily to the Ports of Los Angeles and Long Beach and cities and counties throughout Southern California. The City is recognized regionally as a

predominantly industrial community. Figure ED-1 shows the extent to which the City’s economic base differs from the standard composition of a jurisdiction, such as Los Angeles County. In 2020, manufacturing, wholesale trade, and transportation/warehousing represented just over 50 percent of the jobs base compared to 15 percent in the County.

**Figure ED-1: Percentage of Jobs by Industry, Santa Fe Springs and Los Angeles County (2020)**



Note that this data source is generally more inclusive of categories of employment, such as self-employment, etc. so these figures will not necessarily match those from other sources that might appear in the General Plan.



The preponderance of industrial uses in the City, and the relatively small residential population, create an atypical jobs/housing ratio for Santa Fe Springs, as illustrated in Table ED-1. The jobs/housing ratio in Santa Fe Springs far exceeds that of both the County and the region, the latter two of which represent more standard conditions. Ratios above these averages are typically associated with large cities which often have several large employment centers.

In 2020-21, Santa Fe Springs undertook a series of market and economic development studies to understand industry growth/retraction trends in the City. One study examined the local economy during that time period and compared it to longer-term performance relative to regional and national benchmarks. The study evaluated the City’s economy in terms of industry “clusters,” which are groups of interrelated industry sectors whose growth potential within a region tends to be closely aligned. The study considered “**local**” clusters (composed of industries that primarily serve customers within the immediate region) as well as “**traded**” clusters that export goods and services beyond the region (i.e., nationally and globally). The concept of industry clusters is an effective framework for economic development programming since it reflects a holistic understanding of the regional economic conditions driving the growth, or retraction, of individual sectors.

The industry cluster study identified 12 potential clusters for the City’s industry targeting program, a key aspect of economic development implementation. Given ongoing changes in national and global economic conditions, the targeted clusters are likely to be adjusted over the life of

this General Plan, but the current list provides a general “snapshot” of economic strengths/trends at the time of the General Plan update (2020-21).

As shown on the table below, the 12 target clusters are categorized based on two strategic approaches to industry targeting:

- **Build on Santa Fe Springs’ core strengths** in clusters that represent: a) strong continuing growth opportunities or b) clusters that are growth-challenged nationally and would therefore benefit from efforts to help retain them in the City.
- **Tap into dominant regional clusters** not well represented in Santa Fe Springs by leveraging Santa Fe Springs’ competitive strengths to capture increasing shares of projected County employment growth in certain sectors.

**Table ED-1: Jobs/Housing Ratios**

|                             | Santa Fe Springs | Los Angeles County | SCAG region |
|-----------------------------|------------------|--------------------|-------------|
| <b>Jobs (2017)</b>          | 57,171           | 4,767,204          | 8,465,304   |
| <b>Housing units (2018)</b> | 5,494            | 3,546,863          | 6,629,879   |
| <b>Jobs/housing ratio</b>   | 10.41            | 1.34               | 1.28        |

Source: Profile of the City of Santa Fe Springs. Southern California Association of Governments (SCAG), 2019.



Table ED-1: Jobs/Housing Ratios

| Strategic Approach   | Local-Serving Clusters   | "Traded" Clusters   |
|--|--|---|
| Build on (or facilitate repositioning of) Santa Fe Springs existing core strengths             | <ul style="list-style-type: none"> <li>» Local Logistical Services*</li> <li>» Local Real Estate, Construction, and Development</li> <li>» Local Commercial Services</li> <li>» Local Motor Vehicle Products and Services</li> </ul> | <ul style="list-style-type: none"> <li>» Paper and Packaging</li> <li>» Metalworking Technology</li> <li>» Medical Devices</li> <li>» Distribution and Electronic Commerce</li> </ul> |
| Tap into dominant County industry clusters that are not currently well represented in the city |  | <ul style="list-style-type: none"> <li>» Video Production and Distribution</li> <li>» Apparel</li> <li>» Music and Sound Recording</li> <li>» Transportation and Logistics</li> </ul> |

Source: The Natelson Dale Group, 2021.

Note: \*Local Logical Services primarily contains establishments that offer local passenger transportation and local transportation of freight and goods, including moving companies and couriers. This cluster also includes local storage facilities, truck and RV leasing, and passenger car rental services

### Fiscal Conditions Related to Economic Base

Land use decisions have a direct impact on a city’s long-term fiscal strength. A “fiscally optimal” land use mix generates sufficient municipal revenues to support excellent municipal services for the city’s residents, businesses and visitors. The largely industrial land use mix in Santa Fe Springs creates several unique strengths and challenges from a fiscal perspective:

- **Strength:** Exceptionally strong sales tax base. In general, communities with high jobs-housing ratios are in an advantageous position fiscally since revenue-intense industrial/commercial land uses provide a disproportionately large sales tax base relative to the size of the resident population. In the case of Santa Fe Springs, nearly three-quarters of the City’s General Fund revenues are derived from sales, transaction and use taxes, (see Figure ED-2).
- **Strength:** Higher sales tax revenues from retail/restaurant businesses than would be expected

based on the City’s population. While a lesser component of City sales taxes than B2B taxes (above), these tax receipts far outpace what the City would receive based simply on the retail/restaurant purchases made by the resident population. Sales tax revenues are thus partly attributable to purchases made by daytime employees and residents in neighboring cities.

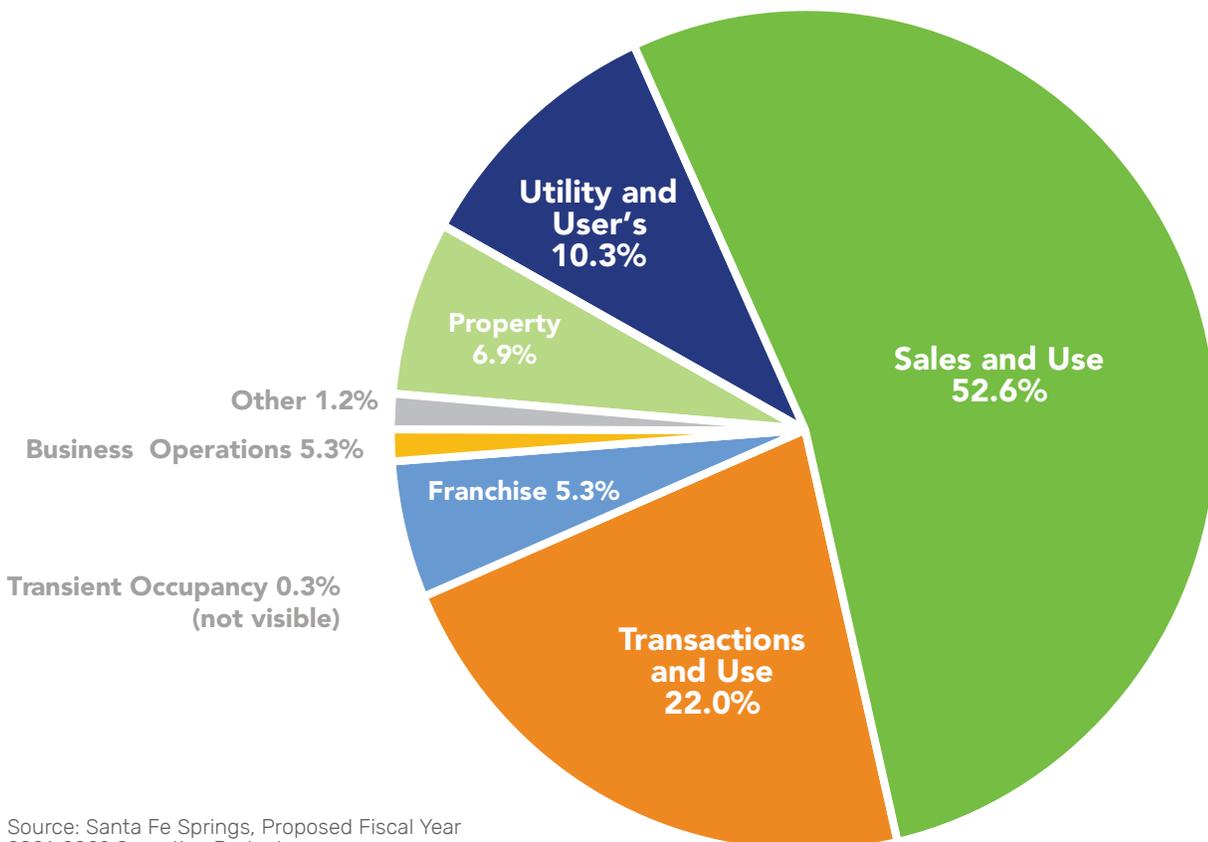
- **Challenge.** A growing proportion of the business base is in logistics/warehousing industries. With some notable exceptions (e.g., e-commerce fulfillment centers classified as “point of sale” locations for sales tax purposes), logistics/warehousing facilities tend to be relatively low sales tax generators. At the same time, the high truck traffic levels associated with these uses can degrade streets and thus generate costs that significantly exceed their fiscal benefits.



- Challenge.** Discontinuation of redevelopment agency. The dissolution of redevelopment agencies in California in 2012 affected communities throughout the state but was particularly disadvantageous to Santa Fe Springs due to the large base of commercial/industrial properties, for which redevelopment activities were especially beneficial from both land use and fiscal perspectives. Not only were significant tax increment revenues lost, the City was forced to implement reductions in staff who would otherwise be available to expedite permitting for new commercial and industrial firms. This potentially undermines the City’s reputation as an exceptionally business-friendly location.

City revenues by major source categories, as of 2020, are shown on Figure ED-2, which demonstrates the major role that sales taxes contribute to the budget and the relatively minor role of property taxes in comparison. Expenditures by department and for capital improvements are shown on Figure ED-3.

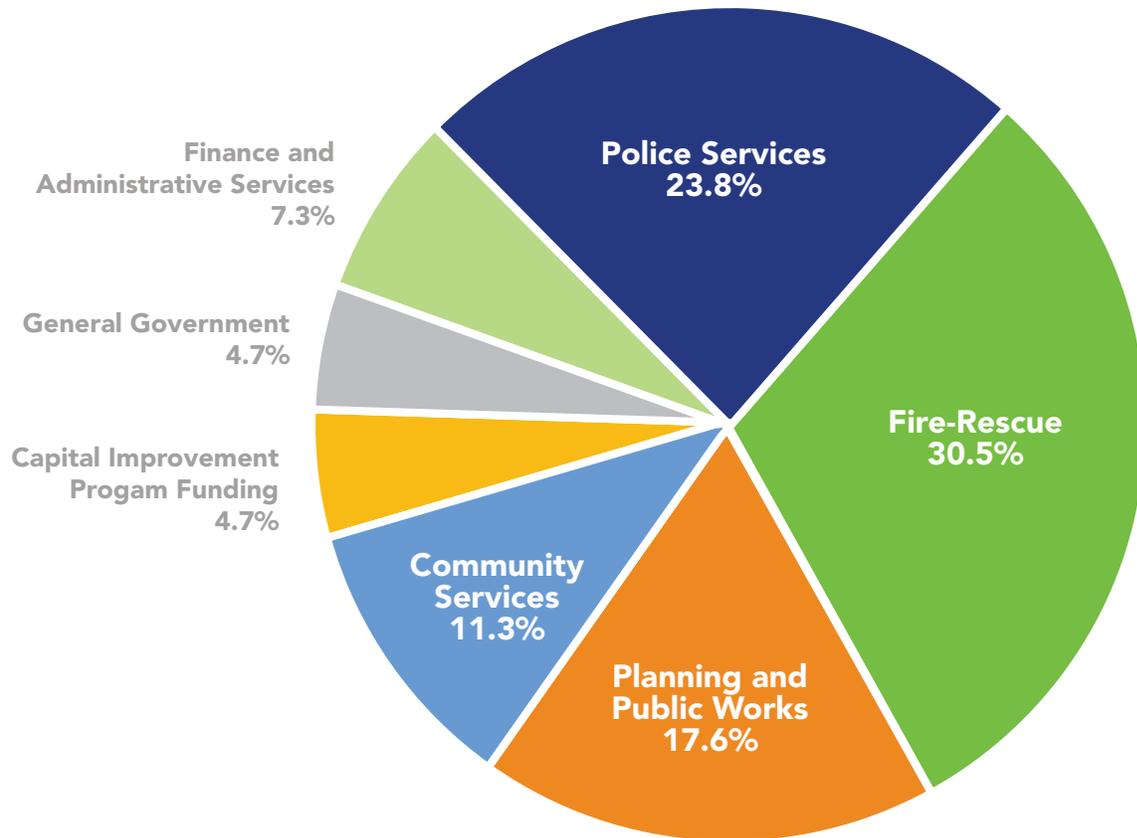
Figure ED-2: City Revenues by Major Source Categories (2020)



Source: Santa Fe Springs, Proposed Fiscal Year 2021-2022 Operating Budget.



Figure ED-3: Expenditures by Department and Capital Improvements (2020)



Source: Santa Fe Springs, Proposed Fiscal Year 2021-2022 Operating Budget.

Figure ED-4 highlights Santa Fe Springs' advantage with respect to high levels of taxable retail sales, shown on a per capita basis to facilitate comparisons with typical conditions, represented by the per capita figures for Los Angeles County. Note that these figures do not include the B2B categories that make up the bulk of taxable sales in the City. The data show that per capita taxable sales in Santa Fe Springs exceed those of the County in total sales and in every retail category by wide margins, most likely due to a combination of the very large daytime population in the City and capture of expenditures by some residents of neighboring cities.

Figure ED-5 provides a visual reference for multiple issues related to fiscal conditions in Santa Fe Springs, including the distribution of population in and around the City compared to the nonresidential areas, and the concentration of retail employment (as a proxy for

retail business locations) citywide. The concentration of retail activity on the periphery, and otherwise not ideally situated with respect to the resident population or the workforce (represented by areas where the resident population is low), give some indication of potential gaps in serving the local market. On the other hand, these peripheral locations are advantageous for capturing market segments from outside Santa Fe Springs.

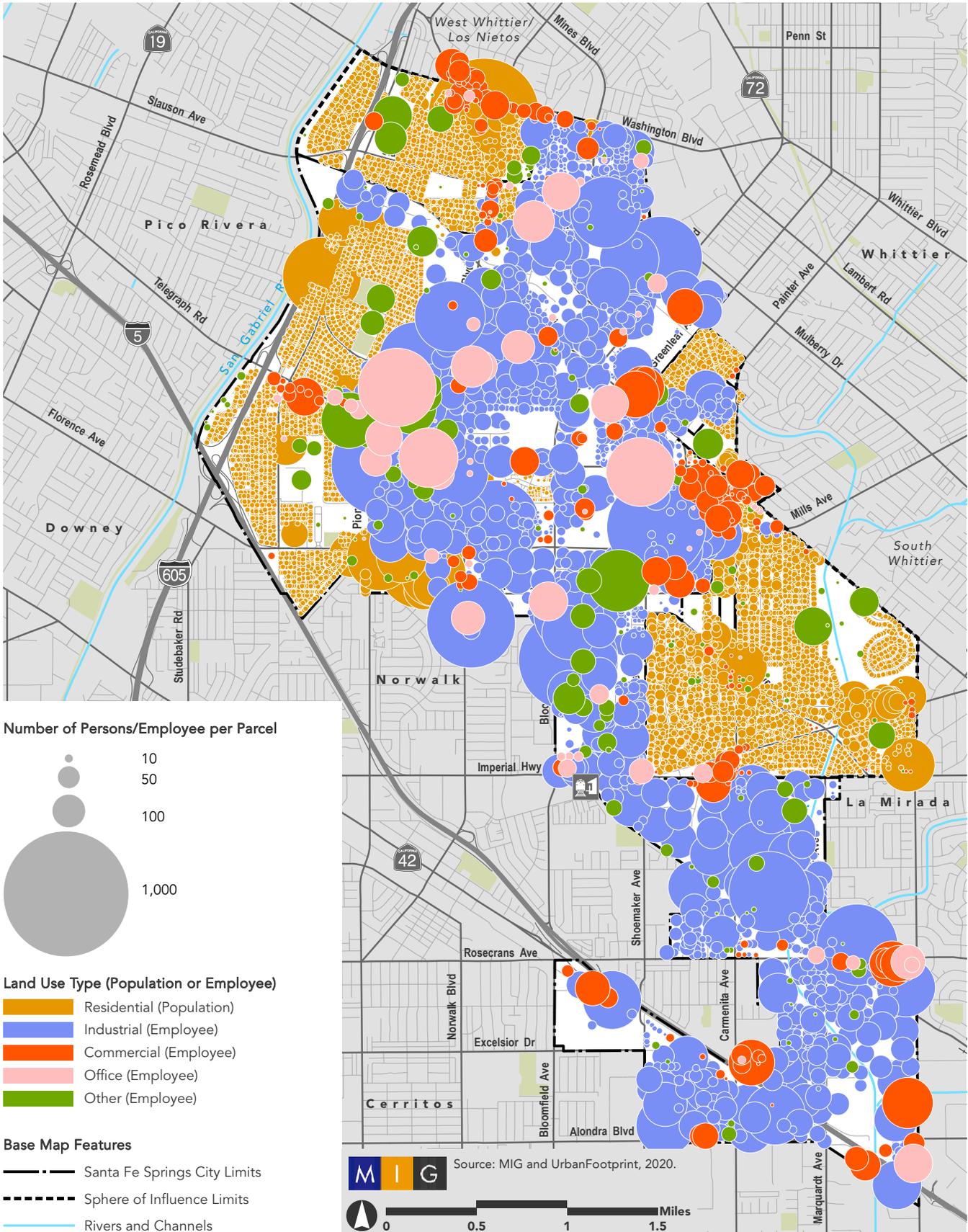
### **Maintaining economically functional, balanced relationships among land uses**

Given the existing land use, industry mix and fiscal conditions described above, the City will face the following economic development challenges in the coming years: 1) balancing the needs of the relatively small resident population with those of the business community, by far the largest segment of occupants as

Figure ED-5: Population and Employment Distribution

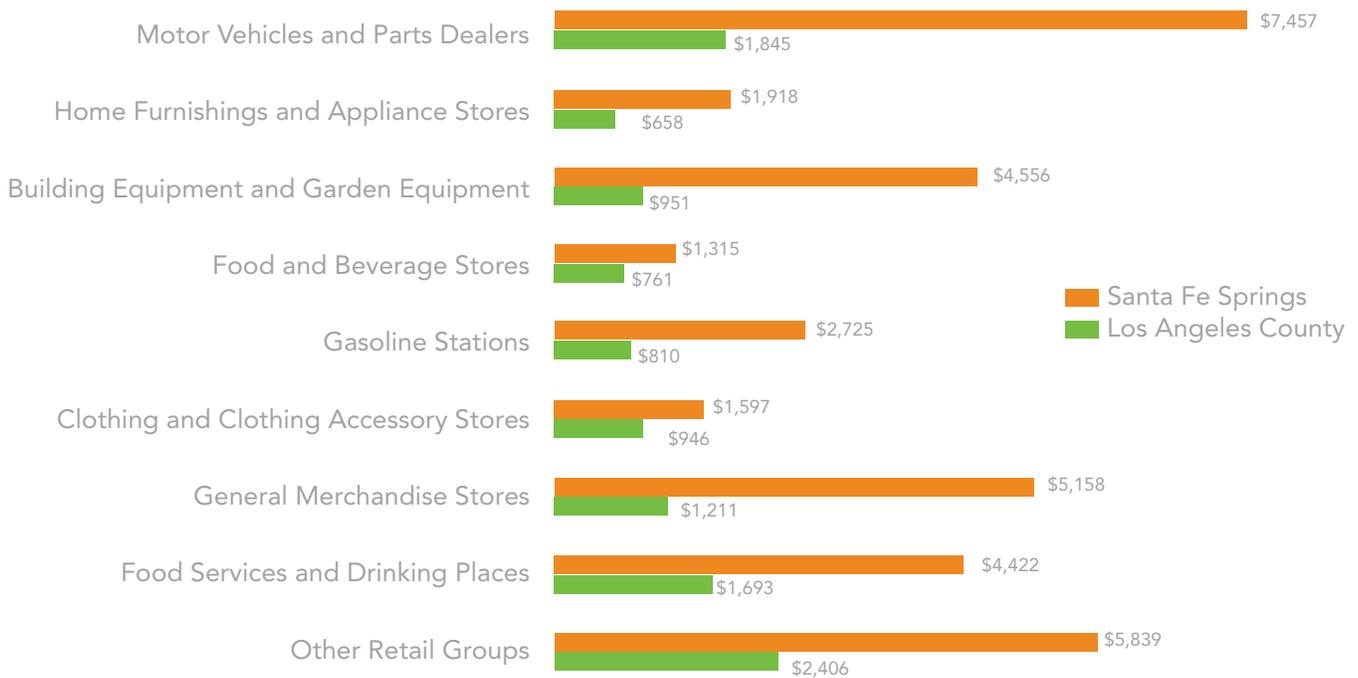


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**Figure ED-4: Per Capita Taxable Sales by Business Type (2020)**



Note: Annualized Retail Sales are from 2020 (December) and Population Estimates are taken from the January 1, 2021 estimates.

Sources: California Department of Finance, E-1 Population Estimates for Cities, Counties, and the State - January 1, 2020 and 2021; California Department of Tax and Fee Administration, Taxable Sales - Counties by Type of Business (Taxable Table 3), 2020, and Taxable Sales - Cities by Type of Business (Taxable Table 4).

well as primary fiscal driver; 2) responding to residents' desire for readily accessible retail commercial and service businesses; and 3) securing long-term financial stability (i.e., ensuring that growth in revenue sources is commensurate with the fiscal demands of public services and infrastructure maintenance). These pressures require a unique strategic perspective with a strong focus on defining compatible growth of the residential population and the business community. In this regard, the City can devise strategies that encourage these two segments to exist and expand in harmony. "Compatible growth" in this context can be thought of as having the following attributes:

- Businesses that meet residents' retail and service needs. While the City has a relatively strong retail base (see Figure ED-4, per capita taxable sales comparisons), businesses are dispersed and therefore not necessarily optimally located to serve both residents and businesses (see Figure ED-5.)
- Employers with jobs that align with local workforce skill levels or provide jobs training. The majority

of resident workers in Santa Fe Springs commute outside the City for their jobs; while this is not particularly unusual, businesses that expand opportunities for local residents could be courted.

- Firms in industries that generate a net fiscally positive impact on the community, which is a combination of being strong taxpayers and conducting activities that do not impose unusual impacts on costs to the City. Potential gaps in the City's "fair share" of certain revenue-generating businesses, for example hotels, can also be addressed within a strategic framework.
- Industries that are sustainable, from multiple standpoints:
  - » Minimal environmental impacts
  - » Withstanding disruptions due to automation and other technology shifts and climate change
  - » Handling the trend of workers shifting to working from home (generally an issue primarily for office users)



## Goals and Policies

The following goals and policies provide guidance in addressing the current and future challenges the City will confront.

To help identify goals and policies that align with the General Plan Guiding Principles, the following symbologies represent each of the Guiding Principles:

- HS** Healthy and Safe Neighborhoods
- ES** Economic Strength and Local Businesses
- D** Downtown
- DE** Diversified Economy
- EJ** Environmental Justice
- CSE** Clean and Sustainable Environment
- ARC** Adaptive and Resilient Community
- EI** Equitable and Inclusionary
- ADT** Active and Diverse Transportation
- T** Technology

## Maintaining Business Strengths

### GOAL ED-1: A CITY THAT STRIVES TO CONTINUE ITS REPUTATION AS A PREMIERE SOUTHERN CALIFORNIA BUSINESS LOCATION

#### Policy ED-1.1: Economic Development Branding and Marketing.

**ES**

Market and brand the City to strategically position it to accommodate desired businesses.

#### Policy ED-1.2: Business-friendly Assessment.

**ES**

Incentivize desired distribution/electronic commerce activities without compromising the City's ability to manage potential cost burdens related to increased truck traffic.

#### Policy ED-1.3: Strategic Infrastructure Investments.

**ES**

Invest in infrastructure that advances the desired development goals and consider using an assortment of funding sources to pay for investments.

#### Policy ED-1.4: Economic Development Staffing.

**ES**

Recruit staff to match the needs of the City's adopted economic development program.

#### Policy ED-1.5: Streamline Permitting Process.

**DE**

Continue to find strategies or opportunities to process development and business inquiries, applications, and permits as expeditiously as possible.



## Business Retention, Expansion, and Attraction

**GOAL ED-2: SUCCESSFULLY RETAIN, EXPAND, AND ATTRACT TARGET BUSINESS AND INDUSTRY CLUSTERS THAT GROW HIGH-PAYING JOBS APPROPRIATE FOR THE LOCAL AND REGIONAL WORKFORCE AND EXPAND PROVIDE SALES TAX REVENUE**

### Policy ED-2.1: Business Retention/Expansion

ARC

**Outreach.** Prepare a business/retention expansion outreach program to address short-term and long-term disruptive influences in the local and regional economy, and address general business-accommodation issues as they arise.

### Policy ED-2.2: Target Industry (attraction)

DE

**Marketing.** Upon adoption of final industry targets, incorporate industry targets into the marketing program.

### Policy ED-2.3: Top Sales Tax Producers.

ARC

Expand and attract target businesses that supply products and materials to the City's top sales tax producers deemed critical in building financial revenues for the City.

### Policy ED-2.4: Entrepreneurial Development.

ES

Identify and coordinate the existing programs and outreach activities of institutions providing entrepreneurial training and support in the region.

### Policy ED-2.5: Private-Sector Business

DE

**Networking.** Inventory private-sector business networking activities, and work with the sponsoring organizations to identify potential gaps and other organizations through which networking efforts could be expanded.

### Policy ED-2.6: Regional Industry Cluster

ES

**Initiatives.** Coordinate with regional partners such as Los Angeles Economic Development Corporation (LAEDC) to refine regionally viable target industries appropriate for the City and to maximize marketing opportunities through providing information, strategic planning, and other ongoing efforts.

### Policy ED-2.7: Workforce Development

ES

**Organizations.** Establish formal communication channels with workforce organizations such as the L.A. County Workforce Development Board, and explore methods by which the City's business community, along with employees, can maximize the resources of these organizations, to help align training with business needs, including changing needs, to re-train displaced workers (or those threatened with displacement), and to generally help maximize the relevance of educational institutions at all levels to meet the needs of the local workforce and resident workers.



## Meeting Community and Business Needs

### GOAL ED-3: DIVERSE COMMERCIAL FACILITIES TO SERVE RESIDENTS, DAYTIME EMPLOYEES, AND VISITORS

#### Policy ED-3.1: Targeted Tenant Recruitment/Marketing.

ES

Promote the full market potential of retail/restaurant businesses by communicating the business contribution that the vast daytime population in the City can provide. Foster recruitment of additional businesses by facilitating the distribution of businesses to locations from which they can better serve both residents and the daytime population.

#### Policy ED-3.2: Downtown Development Program.

D

Support public and private efforts to expand traditional downtown uses, including residential, retail, restaurants, hospitality, and entertainment uses while recognizing the value of existing office and industrial businesses.

#### Policy ED-3.3: Retail/Restaurant Development along with Housing.

ES

Explore the potential for addressing this policy through mixed-use projects that combine commercial and residential uses, on redevelopable parcels if necessary.

#### Policy ED-3.4: Hotel Development.

DE

Confirm the market viability of a hotel in Santa Fe Springs, which might include outreach to potential hotel providers. If warranted, proactively expedite this development by identifying, securing, and promoting suitable locations.

#### Policy ED-3.4: Mixed Use Commercial Uses.

DE

Maximize retail and commercial services within mixed use development and within the transit-oriented community districts.

#### Policy ED-3.5: I-5 Freeway Corridor.

DE

Promote and expand retail and commercial businesses, commercial services, and entertainment and hospitality uses that cater to a community and regional audience along the I-5 Freeway Corridor.

## Maintaining Fiscal Strength

### GOAL ED-4: LONG-TERM FISCAL STRENGTH THAT MAINTAINS THE CITY'S EXCELLENT REPUTATION FOR BUSINESS FRIENDLINESS

#### Policy ED-4.1: Point of Sale Industrial businesses (Including E-commerce).

ES

Creatively address competitive issues in this sector arising from neighboring communities, from the standpoint of assessing the realistic costs and benefits of alternative incentives, including those used by other cities in the region.

#### Policy ED-4.2: Retail/Restaurant Businesses.

ES

Maximize development of and revenues from this sector, while increasing the quality of life for residents and daytime workers by undertaking planning, incentivizing, or other means to help align locations of stores and restaurants with locations of residents and workers.

#### Policy ED-4.3: Hotel Attraction –Transient Occupancy Tax (TOT).

ES

Maximize TOT taxes as part of hotel development strategy.



**Policy ED-4.4: Strategic Additional Revenue**

ES

**Sources.** Investigate the components of business-use costs, including amounts as well as how costs can be offset by benefits and how revenue options (e.g., impact fees targeting truck traffic) will: a) directly affect various business types and b) indirectly affect the attractiveness of the community as a business location.

**Policy ED-4.5: Targeted Economic Incentives.**

ES

Assess the value of alternative incentive concepts and programs for specific business types, in relation to what competing cities within the region are doing, along with a thoughtful assessment of actual overall competitive strength of the community.

**Public and Private Partnerships**

**GOAL ED-5: LEVERAGING THE IMPACT OF THE CITY'S INVESTMENT IN ECONOMIC DEVELOPMENT THROUGH EFFECTIVE PUBLIC/PRIVATE PARTNERSHIPS**

**Policy ED-5.1: Local Business Partnerships.**

ES

Continue to coordinate economic development efforts with local organizations such as the Chamber of Commerce.

**Policy ED-5.2: Community-based**

EI

**Organizations.** Continue to coordinate formulation of economic development strategies with local service providers such as the Interfaith Food Center.

**Policy ED-5.2: Regional Partnerships.**

ES

Continue vital economic development coordination with regional partners such as Los Angeles

Economic Development Corporation.

**Policy ED-5.3: Workforce Development**

ES

**Partnerships.** In recognition of the critical need to coordinate workforce training/retraining with industry targeting and other economic development efforts, continue to coordinate with the full range of educational/training institutions, including local school districts.