

San Luis Obispo County Overview

Introduction

San Luis Obispo County is located along the coast of Central California, midway between the major western cities of Los Angeles and San Francisco. It is one of California's original charter counties and contains an area of 3,304.5 square miles (2,114,872 acres), with a coastline of 84 miles fronting the Pacific Ocean. Over 17 miles of coastline (or 20% of the county total) comprise the subject Hearst Ranch.

Physical/Environmental

The physical character of the county offers a variety of climates and terrains appealing to almost everyone. The terrain includes sandy beaches and rocky cliffs along the ocean and rolling/steep mountains along the Santa Lucia Range which bisects the county in a northwest/southeast direction. The climate varies from semi-Mediterranean along the coastal plains, through wooded mountains and oak-covered rolling hills, with a moderate climate to more severe and arid areas on the eastern edge of the county. The average annual rainfall totals are 18 to 30 inches per year along the coast and 22 to 42 inches per year within the Santa Lucia Range, declining to 8 to 14 inches along the eastern part of the county.

A six year of drought from 1986 to 1992 put an additional damper on county growth. New sources of water have been explored and will be required before a sustained county growth can continue. The 1992-1998 rainfalls were well above average. Officially, the six-year drought was declared over in the Winter of 1993, and all areas of the county experienced above average rainfall for the 1996/1997 season. Due to the influence of El Niño (warmer waters off the California Coast), rainfall was heavier than average for the 1997/1998 season with February 1998 receiving record rainfall. The coastal branch of the State Water Project was started in 1992 and completed in 1996.

Economic Factors

Agriculture

Agriculture has always been a dominant economic force in the county with cattle ranching forming its original foundation. Yet, land uses have understandably changed over the years, and now cattle ranches share the land resources with other

agricultural crops. Vegetables are the leading farm product, followed by fruits and nuts, nursery products, and finally animal products.

In addition, wine grapes have flourished in San Luis Obispo County over the past 15 years garnering top prizes and recommendations for the fine local wines. Chardonnay wines, in particular, have been recognized as world-class and consistently receive some of the highest prices in the state. The growth in total wine grape sales in San Luis Obispo County is summarized as follows:

<u>Year</u>	<u>Total Wine Grape Sales</u>
1985	\$10,000,000+
1995	40,000,000+
1997	84,000,000

Fresh vegetables have also performed very well with a strong surge in land rents and land prices from 1995 to the present. Local farmers ship to world-wide markets, particularly to Pacific rim countries.

The local apple industry is also gaining greater notoriety, with planted acreage expanding and a new processing facility being completed.

Tourism

San Luis Obispo County's emergence as a prime recreational location within the state has made tourism a major, growing industry. The El Niño rains during the months of January through April 1998 significantly altered travel plans for visitors to areas within San Luis Obispo County. Although the tourism industry slowed down somewhat during this time period, total visitor spending for 1998 yielded a 1.6% gain. The 1999 period reflected an increase in total visitor expenditures of 9.8%.*

The famous state-operated attraction Hearst Castle, located in northern San Luis Obispo County, is second only to Disneyland in popularity with both foreign and domestic visitors. An additional recreational area is the popular resort and retirement city of Pismo Beach which is located in the South County region. Vineyards have brought an increase in tourism to the North County.

* Economic Outlook 2000 – San Luis Obispo County – UCSB Economic Forecast Project

The town of Morro Bay is another favorite recreation spot in the county. One of California's last commercial fishing fleets is harbored in Morro Bay. In addition, the town (located adjacent to the great Morro Rock and popular beaches) offers sightseeing, dining, and gift shopping. For water-sport enthusiasts, recreational opportunities and scenic beauty abound at Lopez Lake, Santa Margarita Lake, and Nacimiento Reservoir. Windsurfing, fishing, boating, and camping are popular activities at these areas.

The very strong performance of the local varietal grape and winery industry over the past 15 years has resulted in a flourishing winery-touring industry, primarily in the north county (Paso Robles) and Edna Valley (San Luis Obispo) areas.

Manufacturing

Manufacturing employment is rather small here and is related to service commercial and light industrial operations. There is a very distinct emergence of more high-tech employment in San Luis Obispo County since 1990. Service employment in this county is extensive, with both trade and professional occupations being important.

As a result of the explosive local growth in many communities during the 1970s and 1980s, the construction industry has been a major employer in this county. However, construction employment has been overall lower in the 1990s due to the real estate recession as well as various local growth-limiting ordinances which have been enacted.

Currently, the local economy has vigorously emerged from the 1990-1995 recession. It is presently in a strong cycle of business activity. Economic swings in San Luis Obispo County have been traditionally milder than national economic cycles due to higher government employment rates.

Transportation

Auto and truck transportation is primarily via US Highway 101. Southern Pacific Railroad and Amtrak also serve several communities, with San Luis Obispo being the primary point of service. San Luis Obispo County Airport (in San Luis

Obispo) can handle all traffic except jumbo jets. The coast provides limited *commercial shipping*, being mostly pleasure boating.

Employment

The county's unemployment rate has declined steadily. September 1999 unemployment rate was 3.5%±, down from 4.18% in September 1998. The county rate is the lowest since 1988 and is less than the national rate (4.1%). Much of the reason for the fall in the unemployment rate is the decline in labor force. Job openings can no longer be filled by the available labor force, prompting the migration of new workers into the county. If this rate drops any further, the county can expect population growth of non-resident wage earners pursuing jobs in the area.

Retail Sales

San Luis Obispo County retail sales experienced an increase of 8.0% in the year of 1998. This increase surpasses that of 6.5% occurring in 1997. In recent years, the County of San Luis Obispo has mostly experienced increases in the 6.0%-6.5% range. Retail expansion in the Five Cities and Paso Robles areas have contributed to this increase. The growing popularity of wine tasting in the northern portion of the county has increased visitor spending as well. Forecasts for the upcoming year predict even stronger retail results.

Real Estate

The overall real estate market has shown continued strong demand and rising prices over the past few years. Home sales activity in 1999+ in San Luis Obispo County has risen 18.6% over sales in 1998, with over 500 more recorded home sales than in 1998. The frequency of sales has increased 43% in Pismo Beach, 3% in Morro Bay, 31% in the City of San Luis Obispo, 10% in Cambria, and 44% in Nipomo. The strong demand is due largely to lower interest rates, healthy job growth, rising incomes in the state and local economy, and a surge in buyer confidence.

The most important measure of wealth in the county is per capita income as it represents the relative purchasing power of the average resident. The estimates for

San Luis Obispo County income in 1998 indicated a 5.1% increase in total personal income from 1997 (3.7% after inflation adjustment).

The median priced home in San Luis Obispo County during the third quarter of 1999 was \$205,191, a 13.9% increase from 1998 which experienced a median price of \$181,267. North County areas experienced a 9.4% increase in the median home value while South County areas experienced an increase of 16.3% higher than the 1998 values. A breakdown of community increases is as follows:

<u>Community</u>	<u>Percent Change in Median Price</u>
Cayucos	+25.8%
Grover Beach	+21.5%
San Luis Obispo	+20.5%
Nipomo	+16.9%
Pismo Beach	+14.9%
Los Osos	+13.8%
Paso Robles	+13.6%
Atascadero	+11.4%
Oceano	+8.7%
Morro Bay	+8.2%
Arroyo Grande	+5.9%

It is forecasted that demand in the upcoming years will remain strong while prices continue to rise due to the decrease in availability of homes for sale. The amount of sales actually occurring is expected to decrease as a result of less supply in the marketplace for the years of 2000-2001. The aggregate San Luis Obispo County real estate market is ranked as very strong as of June 2000.

Government Factors

The picturesque City of San Luis Obispo is the county seat and home of California Polytechnic State University. Founded in 1901, the campus is located on 5,000 acres at the base of the Santa Lucia Mountain Range. This university is recognized nationwide for its engineering, business, agriculture, architecture, and liberal arts programs.

Government is probably the most significant economic factor in San Luis Obispo County. Primary are such governmental institutions as: Cal Poly University (16,458 students, Fall 1999), Cuesta Community College (9,229 students, Fall 1999), the California Men's Colony Prison in San Luis Obispo, Paso Robles School for Boys (a prison), Atascadero State Hospital (a mental health facility), California National Guard Headquarters at Camp San Luis Obispo, and training facilities at Camp Roberts, plus numerous regional government facilities for such operations as Caltrans, Highway Patrol, Division of Forestry, etc.

Presently, the City of Paso Robles is actively encouraging development. The Communities of Pismo Beach and unincorporated Nipomo have also exhibited active development activities. Various development and subdivision limitations affect every other community and unincorporated area in San Luis Obispo County.

Social/Political Factors

While the population of San Luis Obispo County had grown at a steady pace to approximately 100,000 by the 1970 census, growth was rather explosive from 1970 to 1980, with the 1980 census reaching 155,500. This rapid growth trend continued in 1990 with an estimated population of 215,025±, or about 65 people per square mile. Currently, there is an estimated population of 245,200* with about 72± people per square mile.

Part of this growth is attributed to a county desire to be known as a retirement and recreation area, as well as expansion of government facilities and private businesses.

The county has many attractive features. It is well located with easy access to both Los Angeles and San Francisco, as well as the San Joaquin Valley to the east. It enjoys an easy-paced, rural lifestyle mixed with the cultural influences of Cal Poly University and Cuesta Community College.

Articles in publications such as *National Geographic*, *The New York Times*, and various "Best Places to Live" publications have consistently given San Luis Obispo County the highest marks in "quality of life" factors.

* Information obtained from California State Department of Finance Demographic Research Unit

**Population of San Luis Obispo County
County and Cities - 1980-2000**

	<u>1980</u>	<u>1990</u> *	<u>1997</u> **	<u>1998</u> ***	<u>January 1999</u> ****	<u>January 2000</u> ****
San Luis Obispo Co.	155,435	215,025	234,100	239,000	239,300	245,200
Arroyo Grande	11,100	14,200	15,400	15,800	15,850	16,450
Atascadero	16,800	22,900	24,850	25,300	25,200	25,800
Grover Beach	8,775	11,650	12,200	12,500	12,500	12,750
Morro Bay	9,075	9,600	9,700	9,850	9,775	9,975
Paso Robles	9,125	18,350	21,650	22,050	22,300	22,900
Pismo Beach	5,375	7,575	8,250	8,375	8,400	8,625
San Luis Obispo	34,150	41,650	42,050	42,650	42,450	43,050
Unincorporated	61,035	89,100	100,000	102,475	102,800	105,700
State Totals	23,668,000	29,558,000	32,609,000	33,252,000	33,766,000	34,336,000

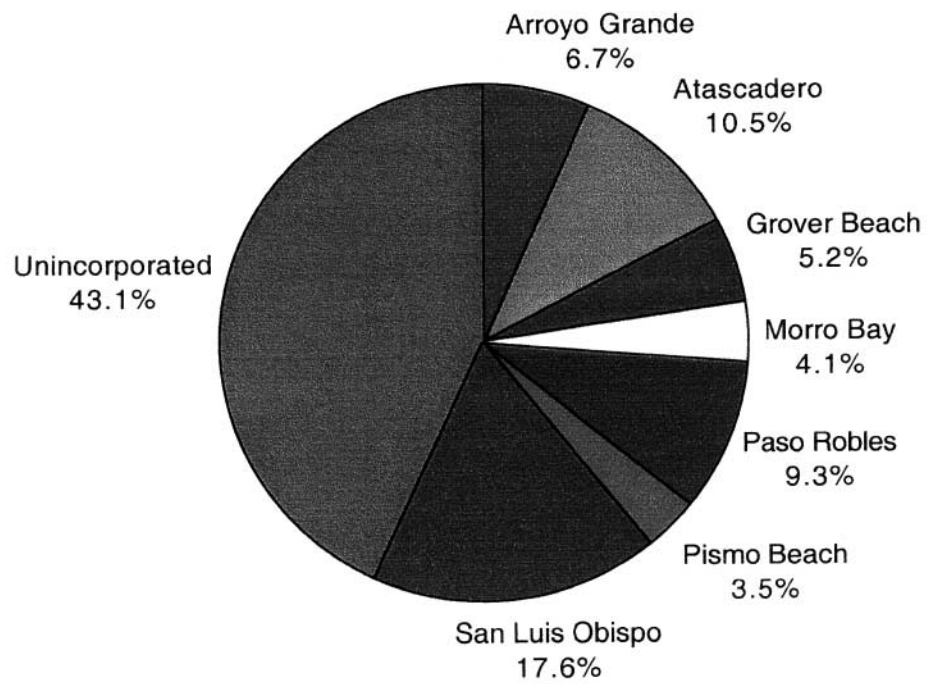
* Based on 1990 census

** As of January 1, 1998; based on estimates by UCSB's 1998 Economic Outlook for San Luis Obispo County (state total provided by California Department of Finance)

*** As of January 1, 1998 (provided by California Department of Finance - www.dof.ca.gov)

**** January 1, 1999 and 2000 provided by California State Department of Finance Demographic Research Unit (www.dof.ca.gov)

2000 Population San Luis Obispo County*



* Information obtained from California Department of Finance (www.dof.ca.gov)

SOAR Initiative

There is presently a local ballot initiative which is being pursued and is identified by the acronym "SOAR" for "Save Our Agricultural Resources." This proposal is styled after similar measures which passed voter approval in Napa and Ventura Counties. The SOAR initiative would essentially require voter approval for General Plan changes affecting agriculturally-zoned land in San Luis Obispo County. The SOAR initiative may substantially affect the land use planning process. It is scheduled to be placed on the November 2000 ballot.

Summary and Conclusions - San Luis Obispo County

In summary, San Luis Obispo County's stability in governmental jobs, tourism, and colleges has allowed for its cities to steadily increase; however, the slow growth philosophy of county governments, the isolation of the Central Coast in terms of shipping manufactured goods from this area to world markets, increased housing costs, and scarce water could put constraints on increased growth in the future.

The current unemployment rate reflects the continuing strong economy, with retail sales and new construction in the county steadily increasing.

Due to in-migration of people from the Bay Area, San Joaquin Valley, and Southern California, the economic future of San Luis Obispo County is sound. Population growth should be maintained between 1% and 2% per year, with much of this growth from retirees. The current low population density per square mile should allow growth without substantial negative environmental considerations.

City of San Luis Obispo Overview

The incorporated City of San Luis Obispo is both the San Luis Obispo County seat and one of the oldest communities in California, originally established as one in a series of Spanish Missions founded in 1772.

San Luis Obispo, located approximately midway between the cities of San Francisco and Los Angeles, rests in a small, inland valley bordering the northern portion of the Los Padres National Forest. The valley sits inland about eight to ten miles from the Pacific Ocean, at an elevation of 300 feet.

The climate is semi-Mediterranean, very even, and characterized by warm summers and mild winters. The mean temperature is 58° with an annual rainfall of 22 inches. Ocean breezes are prevalent year round with negligible smog amounts.

With a statewide trend of widely ranging amounts of rainfall, the City of San Luis Obispo is pursuing alternate water sources. The City of San Luis Obispo is moving forward with several projects designed to meet the city's projected water needs for the future. These include (1) raising the existing Salinas Dam at Santa Margarita Lake, (2) participation in a countywide program to utilize an entitlement to water from the Nacimiento Reservoir, and (3) developing a reclamation program for treated wastewater that would utilize that water in place of potable water for irrigation. Through a combination of these projects the city would realize an additional 3,861 acre feet of water per year (AFY), enough to meet currently approved General Plan growth requirements.

There has been a steady population growth since World War II due largely to immigration, predominantly from other areas of Central and Southern California.

As mentioned, the city's primary limiting factor is water and insofar as the new policies under implementation stabilize the water use problem, this level of 2%± growth could be sustained.

While the city is losing a small amount of its influence with the county, it remains the county seat and center of government, finance, and culture.

The presence of Cal Poly University (with an enrollment of 16,458, Fall 1999), Cuesta Community College (with an enrollment of 9,229, Fall 1999), and the California Men's Colony facilities north of San Luis Obispo help keep the city the

center of employment for the county, as does the location of county government, state, and federal regional offices.

In addition to these stabilizing governmental facilities, the city is a convenient and attractive stopping spot for travelers and tourists. Positions serving the traveling and vacationing public provide major sources of employment.

While other regions, and the nation as a whole, have experienced severe economic fluctuations during the past 20 years, until the 1990 to 1995 recession, the economy of San Luis Obispo has remained stable and steady. The unemployment rate fell to 5.3% in September of 1996, the lowest rate since 1990.

The downtown shopping district is quaint, with the majority of the buildings reflecting the period around the turn-of-the-century. At its focal point is the old Mission. Recently developed in the 800 block of Monterey and Marsh Streets is the Downtown Center, with a 28,487-square-foot, seven-screen theater and 54,985 square feet of excellent quality retail stores. Among the nationally known stores in the complex are the Gap, Express, Structures, Barnes and Noble, and the Fresh Choice Restaurant.

Newer parking facilities have alleviated much of the parking problems downtown. Other major retailers are located in the Madonna Road Shopping Center and the Central Coast Plaza, both in the southern portion of the city.

San Luis Obispo is approximately ten miles from the Diablo Canyon Nuclear Power Plant which began operations in 1986. The entire city, as well as the majority of other county cities to the south and north coast, are within its emergency evacuation zone. This has had no impact on property values.

Despite water related problems, San Luis Obispo remains an attractive city and a desirable place to live, work, and vacation. Until the 1990 to 1995 recession, property values had continued to increase at rates faster than the national average. In most cases, vacancies of homes, apartments, condominiums, and commercial or industrial properties were below state levels.

In the period between 1988 and 1990, property values escalated at an unprecedented rate. Annual home price increases averaged 2.1%± per month prior to late 1989 and early 1990. A price trough, or slump, occurred in 1990 which is slowly improving with recovering prices.

Housing Availability, Prices, and Rentals

Rentals for one and two-bedroom apartments and duplexes range from \$650 to \$750 per month. Rentals for two and three-bedroom homes range from \$700 to \$900+ per month. For the year of 1996, the median selling price of a home in San Luis Obispo was \$189,047. In 1997 the median price home had increased to \$227,792, and as of 1998 soared to \$232,000. There are more than 37 hotels and motels with 2,272± total rooms in the community area. There are 14 mobilehome parks in the community area.

San Luis Obispo Industrial Employment Overview

Manufacturing employment within the city limits is fairly limited, with most industrial manufacturing companies having less than 25 employees. Including the unincorporated airport area, there are many small to medium-sized light industrial and service/commercial businesses in the southern section of the city. The most significant manufacturing employers in the San Luis Obispo area are listed as follows:

Company	Product	Employees
Ernie Ball	Musical Equipment	227
Strasbaugh	Semi-Conductor Tool Mfg	200
Ziatech	Electronics	138
San Luis Sourdough	Bakery	120
SAES Pure Gas	Cryogenic Valves	73

Manufacturing employment is expected to gradually increase in San Luis Obispo, although the rising housing costs and land prices plus the potential water constraints appear to place severe limits on industrial growth in the near term. For these reasons, relocating companies may prefer the Santa Maria or Paso Robles industrial areas.

City of San Luis Obispo Summary and Conclusions

The City of San Luis Obispo will continue to be the governmental, social, and economic center for the county. The city enjoys a unique combination of

environmental, economic, and socio-political factors which make San Luis Obispo one of the most attractive small cities in the state.

In 1990, San Luis Obispo was named as "the best small community in the United States to call home" according to the book by G. Scott Thomas entitled "The Rating Guide to Life in America's Small Cities."

The strong government and service economy has historically fared well during national economic fluctuations. This stability is expected to continue well into the future.

Even so, due largely to growth restrictions mandated by the water shortage, the city is not capable of meeting the current and future housing and development demands. Subsequently, property and housing prices will be higher than state averages and will result in some relocation to secondary areas. Despite some limitation, the City of San Luis Obispo's future seems bright and promising in all areas.