



Chapter 4: Economic Development Element

Introduction

For its compact size, Atascadero has a diverse local economy, with strengths in healthcare, small-scale manufacturing, and retail sectors, with a growing participation in hospitality and tourism. Atascadero's location in the heart of the Central Coast along Highway 101 creates easy connections north and south, with people from the greater Los Angeles and Bay Area regions only three hours' distance to the amenities Atascadero offers. Atascadero serves as a regional gateway to California's Central Coast and via Highway 41, provides access to the Central Valley. Most importantly, however, is Atascadero's role in providing places where locals can work and shop, thereby reducing trips to nearby communities and building an economic base that supports increased investment in City infrastructure and services.

In previous General Plan planning processes, the City addressed its economic development goals within the context of land use planning. This 2045 General Plan elevates the discussion of economic development by dedicating a stand-alone element that highlights specific strategies the City will pursue to support established businesses and further diversify the local economy

Working together to **serve**, **build community**, and enhance **quality of life**.

through new business attraction. These goals, policies, and actions can be turned into marketing materials to demonstrate to desired industries Atascadero's commitment.

In planning for fiscal sustainability, the City continues to look for ways to increase municipal revenues, primarily through business diversification. Although the City's general fund revenues appeared relatively stable for the first two decades of this century, fund revenues actually decreased by 10 percent between fiscal years 2007-2008 and 2022-2023 when inflation was factored in, limiting the City's ability to expand service levels or invest in infrastructure. Some voter-approved measures aimed to restore General Fund revenues, such as Measure D-20 (approved in 2020), which raised sales tax by \$0.01, and measure F14 (extended as measure L-14 in 2024), which allocates a 0.5% sales tax toward repairing and maintaining neighborhood roads.

One key strategy in the 2045 General Plan is to support and grow the number of jobs in Atascadero. Historically, the City has been a bedroom community, with many residents commuting out of the City for work each day. One way to change this dynamic is to encourage more higher-wage jobs and new industries to locate in Atascadero. While no optimal jobs/housing balance ratio can be known to strive for (see **Chapter 3**), the local jobs to housing "imbalance" that has existed for years reveals a need to increase nonresidential, employment-generating uses in Atascadero which, on a per-service population basis, could lead to higher net positive annual general fund revenues. Capturing this demand is a key component of City fiscal sustainability and will allow the City to appropriately plan for and deliver needed public services and capital improvements.

In planning for the future, the City's goal is to focus on finding ways to diversify revenues by encouraging new types of businesses and industries to locate in Atascadero. In particular, this includes higher wage and head of household jobs available to local residents. To support the City's economic development initiatives, the 2045 General Plan details a new path forward and addresses these key economic development challenges and opportunities.

City Revenue Sources

The City's main general fund revenue sources in 2022 were property taxes (36.9 percent), sales taxes (33.6 percent), and transient occupancy taxes (4.2 percent). Combined, all types of taxes accounted for roughly 82.6 percent of Atascadero's estimated revenue in 2023. Of these revenue sources, transient occupancy taxes (the tax on hotel rooms) were disproportionately affected by non-resident activity, underscoring the importance of commercial and visitor activity to the City's fiscal health.

Long-Term Fiscal Health

Between 2007 and 2023, the City's overall general fund revenues decreased by 10 percent, limiting the ability to expand service levels or invest in new/upgraded infrastructure. Creating long-term fiscal sustainability is a key objective. The lack of growth that outpaces inflation in general fund revenues will make it difficult for the City to improve public service levels going forward unless new funding sources are identified. Even maintaining existing service levels

could be difficult, particularly for higher cost items like salaries and pension obligations that increase faster than inflation. In planning for fiscal sustainability, the 2045 General Plan identifies ways to increase revenues primarily through the types and extent of new uses and businesses and by planning for efficient growth. Efficient growth is particularly important because it ensures the City is not overcommitted with a sprawling infrastructure network.

Visitor Activity Growth

Visitor activity in Atascadero and surrounding communities, and the general draw of the Central Coast, contributes to vibrancy and generates overnight hotel stays and restaurant and retail spending that are critical to the City's fiscal health. Reported hotel data in 2022 indicated high occupancy rates and strong upward pressure on achievable room rates, suggesting opportunities in the market for additional hotel rooms. Moving forward, the City will work to attract a range of hotel types, allowing for a diversity in price points and the ability to capture more visitors. This can be paired with initiatives to create places people want to visit and experience—and for longer time periods. The Central Coast offers unparalleled weather, scenery, and outdoor recreation opportunities, and those visitors need places to overnight, eat, and shop.

Business Attraction, Retention, and Growth

Supporting local businesses and attracting desired new businesses are important components of the General Plan. An increase in employment-supporting uses that draw head-of-household jobs allows opportunities for more employment that directly serves residents—while also generally leading to higher annual general fund revenues through increased property taxes, sales taxes, and business license revenue.

Capital Improvements

An important component of fiscal sustainability is the City's ability to appropriately plan for and deliver needed capital improvements. As of 2022, the City was not collecting sufficient revenues through impact fees (which were subsidized and based on 2006 assumed infrastructure costs) to cover the cost of needed capital improvements. This requires that the City further subsidize the improvements with money from the general fund. To be fiscally sustainable, the City will need to recalibrate impact fees to address contemporary infrastructure costs and market conditions, while also keeping an eye on sustainable long-term infrastructure maintenance.

Economic Prosperity and Diversity

A healthy, diverse, and growing business mix provides a range of job opportunities for residents and allows Atascadero to weather economic cycles. The revenues generated by businesses—such as hotel taxes (transient occupancy taxes), sales and use taxes, and business license fees—contribute to providing quality services and infrastructure for residents, workers, and visitors. Higher paying jobs and greater diversity in business options compound direct revenues by keeping people local and reinvesting in the community. Expanded public services and infrastructure upgrades will further reinforce Atascadero’s reputation as a highly desirable location for new businesses, creating a virtuous cycle that benefits the entire community.

Atascadero’s economic development policies must be responsive to larger economic trends in the region and throughout California. This includes being flexible and nimble enough to address the changing nature nationally of how people work and shop. Increasing demand for open format office space, high-quality research and development space, and flexible/blended retail space will position Atascadero for remaining an attractive and easy place to locate and grow businesses. Opportunities to expand the business mix in Atascadero provided through new land use Placetypes and flexible land use policies (see **Chapter 3**) will accommodate a range of business sizes and types. As Atascadero does not have the ability to expand the City outward to capture areas for greenfield development, the focus will be on maximizing potential along existing commercial corridors and creating spaces that can be flexible and respond to emerging business needs over time.

The following goal and policies focus on maintaining a diversified economic base by accommodating a variety of business types, supporting major revenue-generating activities that support municipal services, and leveraging Atascadero’s competitive advantages.

Goal ED-1: A sound economic base to sustain the City’s unique character through a range of employment and business opportunities and generation of sufficient revenue to support adequate levels of public services, as well as environmental and social quality

Policy ED-1.1: Business Attraction. Facilitate establishment of a full range of goods and services desired by Atascadero residents, workers, and visitors.

Action A: Update and maintain the Zoning Ordinance to promote retail, service, and grocery stores at designated neighborhood nodes.

Action B: Consider the use of a form based code to guide development in the Innovation/Flex district to respond to changing business trends over time.

Action C: Ensure that development in commercial and innovation/flex zones is geared to tax-generating uses and/or provides flexible use spaces for evolving trends that allow local businesses to capitalize on emerging economic growth sectors.

Action D: Encourage and incentivize office and medical uses to locate or expand along Morro Road.

Action E: Maintain key commercial sites and nodes that prioritize commercial activities and provide spaces for larger-scale commercial uses, technical education facilities, and light-industrial uses.

Policy ED-1.2: Tourism. Expand tourist-oriented uses in key areas to serve the traveling public, and capitalize on opportunities for tourist destinations that reflect Atascadero’s unique character.

Action A: Actively recruit tourism and traveler-serving businesses that can take advantage of accessible and unique areas of the City.

Action B: Encourage hotel, conference, and resort development. Protect potential sites from adjacent incompatible uses.

Action C: Promote the community's rural character, open spaces, zoo, outdoor recreation amenities, and oak woodlands as part of the strategy to attract tourists. Develop tourist destinations based on these features.

Policy ED-1.3: Regional Commercial Centers. Accommodate commercial centers with regional draws that have visibility from Highway 101.

Action A: Ensure zoning regulations continue to allow regional retail uses (including auto related and home furnishing).

Policy ED-1.4: Regulatory Updates. Ensure that City regulations, processes, and initiatives support the City’s economic development goals and new private industry opportunities.

Action A: Regularly review and update the Zoning Ordinance to address any regulatory impediments to attracting target businesses and to facilitate desired business expansion and adaptive reuse.

Action B: Prioritize infrastructure upgrades that can provide the service levels needed and desired by industries the City looks to attract.

Business Retention

The City’s ability to attract and retain businesses, entrepreneurs, and worker talent is heavily influenced by its land use and economic development policies, infrastructure, and relative affordability within the Central Coast region.

The policies in this section address the need to focus attention on retention and expansion of existing businesses in Atascadero. Existing businesses provide a job base and constitute the most effective starting point from which to grow the local economy. The following goal and policies support Atascadero’s desire to retain existing businesses, attract new higher-wage

businesses and industries, and position itself for greater economic growth and resilience through careful planning, incentives, and investments.

Goal ED-2: Retention and expansion of existing businesses and attraction of new businesses and industries to increase economic growth, improve the availability of goods and services, and increase opportunities for higher-wage jobs in Atascadero

Policy ED-2.1: Existing Business Support. Encourage established businesses to continue providing products and services the community desires.

Action A: Continue to support Chamber of Commerce efforts to market goods and services available in Atascadero, particularly those produced locally.

Action B: Identify locations with adequate land to accommodate established businesses looking to expand.

Policy ED-2.2: Local Job Growth. Attract new development and enterprises that provide jobs and services for current residents and that build the local jobs base of higher-wage positions.

Action A: Update the Municipal Code to provide flexibility for home occupation uses.

Action B: Update the Zoning Ordinance to ensure land use regulations accommodate a broad range of desired industries and that entitlement processes are more efficient.

Partnerships

The City has a long history of being proactive and supportive of a range of businesses and economic development activities. With a focus on attracting new business and industry types to Atascadero, the City will need to develop new partnerships with the private sector. These can include activities from marketing and branding coordination, industry attraction, industry clusters, and more formal public-private partnerships. The following goal and policies highlight Atascadero's ongoing focus to work with private sector on mutually growing and diversifying the local economy.

Goal ED-3: Leveraging the impact of the City's resources and investments in economic development through effective public-private partnerships

Policy ED-3.1: Local Business and Organization Partnerships. Continue to coordinate economic development efforts with local businesses and organizations such as workforce development organizations and businesses and the Chamber of Commerce.

Action A: Hold regular meetings with the Chamber of Commerce to discuss economic development goals, activities, and ways to help promote or streamline new businesses and industries.

Action B: Formulate and/or refine economic development strategies with local service and utility providers (e.g., broadband internet providers, PG&E, etc.).

Action C: Partner with local employers, co-working spaces, and vocational institutions to expand workforce training, entrepreneurship, and innovation opportunities.

Policy ED-3.2: Regional Partnerships. Continue economic development activities coordination with regional partners.

Action A: Promote the location of new industry sectors to Atascadero, including aerospace, agricultural technology, and biotech.

Action B: Support incubator spaces and small business resources and highlight proximity to top-tier universities to promote Atascadero as a supportive location for high-tech and entrepreneurial ecosystems.

Policy ED-3.3: Workforce Development Partnerships. Support and coordinate with educational and training institutions, including local school districts, universities, and the County Workforce Development Board to advance workforce training and talent retention.

Action A: Engage with Cal Poly San Luis Obispo, Cuesta College, and the County office of Education, and encourage them to expand curriculum to offer education in areas that would prepare students to work in industries prevalent within Atascadero, such as hospitality and tourism services, aerospace, agricultural technology, and precision manufacturing.

Fiscal Health

The long-term and sustainable fiscal health of Atascadero is an overarching objective and a guiding principle of the 2045 General Plan. Many of the goals, policies, and actions throughout this General Plan focus on attracting, allowing, and supporting new businesses and industries, as well as the expansion of established businesses. This includes establishing new Placetypes that allow for a range of businesses, new incentives (e.g., permitting and regulatory incentives, job creation incentives such as tax credits, workforce training, etc.), and programs that will help to create unique and active places coupled with public service enhancements and infrastructure upgrades that will support these uses. The following goal, policies, and actions build upon these land use and planning strategies by providing clarity regarding specific economic development activities the City will undertake to further support its fiscal health.

Goal ED-4: Long-term fiscal strength that reinforces Atascadero’s desire to grow and attract businesses

Policy ED-4.1: Ongoing Fiscal Health. Continue to take a long-range view of the City’s fiscal condition, including the possibility of enhancing revenues to maintain and, wherever possible and desirable, enhance current levels of service.

Action A: Prepare and periodically update an Economic Development Strategic Plan that frames a comprehensive strategy for current and future City fiscal health so that projected levels of service can be maintained and enhanced or expanded, as needed.

Action B: Annually adjust long-range revenue and expenditure projections to track changes in the City’s fiscal situation so that areas of concern and opportunities can be anticipated and planned for.

Action C: Require new development to pay its share of the costs of providing capital facilities needed to support it.

Action D: Review development impact fees on a regular basis to ensure they stay in line with current City expenditures for providing facilities and services.

Action E: Work to minimize the City’s road maintenance responsibilities by establishing private funding mechanisms for the maintenance of new local streets.

Action F: Regularly review land use regulations to support opportunities for employment centers, entertainment zones, and tax-generating uses.

Policy ED-4.2: Retail/Restaurant Businesses. Maximize development of, and revenues from, the retail and restaurant business sectors. Improve the local retail restaurant business environment by undertaking planning, incentivizing, or other means to help align locations of stores and restaurants with locations of residents and workers.

Action A: Encourage the co-location of retail, dining, and drinking establishments within retail, flex, experience, and entertainment nodes, particularly in Downtown, to create engaging and active neighborhood centers.

Action B: Establish policies to ensure new tenant spaces in areas identified as key nodes contain basic facilities and mechanical space to support restaurant occupancy requirements.

Policy ED-4.3: Hotel Attraction. Maximize opportunities for tourism growth by maintaining and expanding locations for transient lodging.

Action A: Continue to evaluate the hotel market in Atascadero, and identify specific types of lodging that do not currently exist but can be attracted to the City to create a range of hotel options and price points.

Action B. Research and evaluate incentive options that support older or boutique hotels and motels to make upgrades to their facilities to attract more visitors.

Policy ED-4.4: Targeted Economic Incentives. Assess the value of alternative incentive concepts and programs for specific business types.

Action A. Evaluate what competing cities within the region are doing to incentivize and support local business, along with a thoughtful assessment of actual overall competitive strength of the community.

Action B. Explore development incentives such as fee deferrals or subsidies, infrastructure prioritization, and streetscape enhancements that the City can use to proactively market target businesses and industries to Atascadero.